



Cambridge City Council Civic Affairs

Date: Wednesday, 25 November 2020

Time: 5.30 pm

Venue: This is a virtual meeting via Microsoft Teams

Contact: democratic.services@cambridge.gov.uk, tel:01223 457000

Agenda

- 1 Apologies
- 2 Declarations of Interest
- 3 Minutes (Pages 3 - 20)
- 4 Public Questions
- 5 Officer Delegated Decisions
- 5a Implementation of Pay Awards (Pages 21 - 28)
- 6 Annual Governance Statement and Local Code of Corporate Governance (Pages 29 - 70)
- 7 Internal Audit Plan: Progress Report (Pages 71 - 88)
- 8 Ernst and Young Annual Audit Letter (Pages 89 - 114)
- 9 Statement of Accounts 2019/20 (Pages 115 - 310)
- 10 Freedom Of Information, Data Protection And Transparency: Annual Report 2019/20 (Pages 311 - 326)
- 11 Calendar of Meetings 2021/22 (Pages 327 - 332)

Civic Affairs Members: Sargeant (Chair), Davey (Vice-Chair), Chadwick, Dalzell, O'Reilly and Thornburrow

Alternates: Martinelli and Moore

Information for the public

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- Email: democratic.services@cambridge.gov.uk
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CIVIC AFFAIRS28 May 2020
1.15 - 1.20 pm**Present:** Councillors Sargeant (Chair), Davey (Vice-Chair), Chadwick, Dalzell, Thornburrow and Moore**FOR THE INFORMATION OF THE COUNCIL****20/15/Civ Appointment of Working Party**

The Committee agreed the membership of the following:

	Number of allocation
Chief Officer Performance Review	4 Labour 2 Liberal Democrat
Councillors – Sheil, Herbert, Sargeant, Moore, Bick, Cantrill	

20/16/Civ Appointment to Sub Committee

The Committee agreed the membership of the following:

	Number of allocation
Employment Appeals Sub Committee	Total 6 Labour Liberal Democrat
Councillors – Bird, Johnson, McQueen, Thornburrow, Page-Croft, Cantrill	

The meeting ended at 1.20 pm

CHAIR

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CIVIC AFFAIRS

4 June 2020
5.30 - 6.36 pm

Present: Councillors Sargeant (Chair), Chadwick, Dalzell, Moore, O'Reilly and Thornburrow

Officers:

Chief Executive: Antoinette Jackson
Head of Finance: Caroline Ryba
Head of Shared Internal Audit Service: Jonathan Tully
Deputy Head of Finance: Jody Etherington
Committee Manager: Sarah Steed
Committee Manager: Claire Tunnicliffe

Others Present:

Ernst & Young External Auditor: Suresh Patel
Ernst & Young External Auditor Tony Poynton
Independent Person: Rob Bennett

FOR THE INFORMATION OF THE COUNCIL

20/17/Civ Apologies

Apologies were received from Councillor Davey. Councillor Moore attended as an alternate.

20/18/Civ Declarations of Interest

No interests were declared.

20/19/Civ Minutes

The minutes of the meetings held on 18 May were approved as a correct record and signed by the Chair.

20/20/Civ Public Questions

There were no public questions.

20/21/Civ Annual Governance Statement

The Committee received a report from Head of Shared Internal Audit Service regarding the Annual Governance Statement for 2018/19, and the Local Code of Corporate Governance, for consideration by the Civic Affairs Committee.

The purpose of the report was to provide an update on the Annual Governance Statement, which had previously been approved by the Committee on 24th July 2019.

Unanimously resolved to note there have been no changes made to the Annual Governance Statement that had been approved previously.

20/22/Civ Statement of Accounts 2018/19

The committee received a report from the Deputy Head of Finance regarding the external audit conclusions and approval of the statement of accounts.

In response to Members' and the Independent Person's questions, the Head of Finance, Head of Shared Internal Audit Service, Deputy Head of Finance said the following:

- i. In 2018/19 there had been two IT outages impacting on the council's delivery of services: a power outage and a supply network outage. The incidents were not related and unforeseen events highlighting these occurrences could not be planned for. Upgraded measures had been taken to monitor these areas and outages had not occurred since.
- ii. Changes to property valuations and pension fund liabilities would always impact on the unusable reserves rather than the useable reserves; the risk to the general fund was low.
- iii. There had also been adjustments to the technical accounting entries concerning the Movement in Reserves Statement.
- iv. Acknowledged there had been issues with the first draft accounts, which tended to be more complex issues on the statutory side of the accounts rather than the general fund.
- v. The increase in the number of adjustments from the previous year could be explained for the following reasons:
 - The continued complexity in which the council worked.
 - More complicated transactions were being undertaken, such as those involving the Cambridge Investment Partnership.

- An increase in the level of challenge from the external auditors.
 - A change in personnel at the council preparing the statement of accounts.
- vi. The council had employed a senior technical accountant to work with the Deputy Head of Finance on the 2019/20 accounts. Previously there had only been one individual, the council was therefore in a much stronger position than previous years as there was no longer a single point of failure.

The Associate Partner of Ernst and Young said the following:

- i. Local authorities reporting dates had been revised due to the COVID-19 pandemic. Draft 2019/20 accounts were due by the end of August 2020 with a deadline of the end of November for the publication of audited and approved accounts.
- ii. EY planned to bring an outline audit plan to the Civic Affairs Committee in July. Some initial work would be done in August with a full team of auditors returning in October to ensure the November deadline would be met.
- iii. EY had recognised the need for continuity within their audit team for the council, auditors who had worked on the 2018/19 audits, with one member of the 2019/20 audit planning team would be working on the council's 2019/20 accounts.
- iv. If ongoing audit work on the statement of 2018/19 accounts identified a material uncertainty, the auditor's opinion within the statement of accounts may need to include an emphasis of matter paragraph. However, from evidence seen to date this was unlikely.

The Independent Person advised that if there were to be any changes to the wording of the opinion then Councillors should be notified of these.

Councillor Chadwick proposed the following amendment (with advice from the Head of Finance) to 2.3 of the officer's recommendation (additional text underlined):

- i. Receive the Audit Results Report presented by Ernst & Young.
- ii. Approved the Statement of Accounts for the year ended 31 March 2019 subject to any remaining amendments per recommendation
- iii. Delegate to the Chair of the meeting and in consultation with the Opposition Spokes to approve any amendments to the Statement of Accounts arising from remaining audit procedures, provided that

these do not have a material impact on the Council's reserves or result in any changes to the Auditor's opinion.

- iv. Authorised the Chair of the meeting to sign the Letter of Representation and Statement of Accounts for the financial year ended 31 March 2019 on behalf of the Council.

The amendment was carried unanimously.

Resolved (unanimously) to:

- i. Receive the Audit Results Report presented by Ernst & Young.
- ii. Approved the Statement of Accounts for the year ended 31 March 2019 subject to any remaining amendments per recommendation
- iii. Delegate to the Chair of the meeting and in consultation with the Opposition Spokes to approve any amendments to the Statement of Accounts arising from remaining audit procedures, provided that these do not have a material impact on the Council's reserves or result in any changes to the Auditor's opinion.
- iv. Authorised the Chair of the meeting to sign the Letter of Representation and Statement of Accounts for the financial year ended 31 March 2019 on behalf of the Council.

20/23/Civ Internal Audit Plan 2020/21

The Committee received a report from Head of Shared Internal Audit Service regarding the draft Internal Audit Annual Plan and Strategy, for 2020 / 2021.

In response to Members' questions and questions from the Independent Person, the Head of Shared Internal Audit Service said the following:

- i. The internal audit team had started to use Council Anywhere technology in June 2019, working remotely across many council sites; therefore, the team were prepared when council staff were forced to work from home during the current COVID-19 pandemic.
- ii. Believed there would be a change in way the team carried out future audits moving to a self-service approach (less disruptive to teams) while providing assurance quickly.
- iii. Important to be proactive with those teams who were facing new challenges and ways of working rather than wait to review these changes in twelve months from now.
- iv. Confirmed the follow on to the safety compliance under the HRA – electrical and gas safety compliance would be undertaken.

- v. Agreed that cyber risk was high in the current situation of COVID-19, there were fraudsters trying to take advantage of the crisis. Attended nationwide fraud briefings and the national cyber security centre had launched a new suspicious e-mail service. Information was shared with ICT and council staff were regularly made aware of cybercrime.
- vi. With regards to controls over income and spending, current reviews on accounts receivable and procurement cards had been completed. A review on accounts payable was close to completion.
- vii. Members of the team attended business continuity meetings before and during the current COVID-19 crisis therefore reviewing activity in real time, establishing if any risks were arising from the current situation and determining what advice could be given. This information would be beneficial when looking at the lessons learnt during this current situation.

Unanimously resolved to:

- i. Approve the draft Audit Plan and Strategy.
- ii. Approve the supporting Charter and the Code of Ethics.

The meeting ended at 6.36 pm

CHAIR

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CIVIC AFFAIRS8 July 2020
5.30 - 7.31 pm

Present: Councillors Sargeant (Chair), Davey (Vice-Chair), Chadwick, Dalzell, O'Reilly and Thornburrow

Officers:

Chief Executive: Antoinette Jackson

Head of Finance: Caroline Ryba

Head of Shared Internal Audit Service: Jonathan Tully

Deputy Head of Finance: Jody Etherington

Democratic Services Manager: Gary Clift

Committee Manager: Claire Tunnicliffe

Others Present:

Ernst & Young Associate Partner: Suresh Patel

Ernst & Young External Audit Manager: Tony Poynton

Independent Person: Rob Bennett

FOR THE INFORMATION OF THE COUNCIL**20/24/Civ Apologies**

No apologies were received.

20/25/Civ Declarations of Interest

Name	Item	Interest
Councillor Thornburrow	20/27/Civ	Personal: Executive Councillor for Planning Policy and Open Spaces
Councillor Sargeant	20/27/Civ	Personal. Vice Chair of Joint Development Control Committee
Councillor Chadwick	20/27/Civ	Personal: Member of the Planning and Transport Scrutiny Committee

20/26/Civ Public Questions

There were no public questions.

20/27/Civ Greater Cambridge Joint Planning Committee

The County Council resolved in May 2020 to withdraw from the Joint Development Control Committee (JDCC) after July 2020. The effect of their resolution was that the current JDCC would no longer be quorate.

The report of the Joint Director for Planning and Economic Development was first considered by the Planning and Transport Scrutiny Committee on 30 June 2020 for comments on the establishment of a new Committee (suggested name was the Greater Cambridge Joint Planning Committee GCJPC) and set out the proposed terms for the new Joint Committee to come into effect from 1 August 2020.

The Joint Director for Planning and Economic Development updated the Committee on amendments to the original proposed Terms of Reference by both the Planning and Transport Scrutiny Committee and the South Cambridgeshire District Council's Civic Affairs Committee (which met on 1 July 2020).

The amendments were:

- i. Amend the membership of the new committee so there would be six Cambridge City Council (CCC) members and 6 South Cambridgeshire District Council (SCDC) members rather than three members each.
- ii. Retain the name of the Committee as the Joint Development Control Committee rather than the Greater Cambridge Joint Planning Committee and reflect this throughout the terms of reference document.

Confirm that the Chair and Vice-Chair positions rotate between Cambridge City Council and South Cambridgeshire District Council each municipal year.

Provide for County Council members to address the new Committee.

In response to questions from the Committee, the Joint Director for Planning and Economic Development said the following:

- i. The current membership of JDCC comprised: six CCC members, six SCDC members and four Cambridgeshire County Council members. It was originally proposed that the new committee should have three members from CCC and SCDC but both local authority's scrutiny committees resolved to increase this back to six members each.

- Members felt that three members from each authority was not enough to consider strategic planning applications.
- ii. Confirmed that Cambridgeshire County Council would be included in the updated Terms of Reference, 14.1 Attendance at the Committee by other members of the Councils when presented to the full Council meetings for approval.
 - iii. Under the scheme of delegation to officers the current arrangements provided for a threshold of 100 dwellings and officers had not proposed to change this. If the committee proposed a scheme of officer delegation for 10 units and below only, then almost every application would be brought forward for scrutiny's committee's consideration as this equated to the threshold for "major applications" which was the Committees focus.
 - iv. Following legal advice, and in the interests of clarity, it was proposed to amend the "Functions of the Committee" as defined in the report to make clear the power of the Committee to amend and modify Standing Orders and to consider previous applications of the former JDCC
 - v. The Standing Orders before the meeting provided for County Council members to "call in" applications to the Committee and officers therefore proposed to amend these prior to Full Council to remove this provision.

Resolved (unanimously) to recommend to Council:

- i. On the withdrawal of Cambridgeshire County Council to dissolve the JDCC between Cambridge City Council and South Cambridgeshire District Council as surviving members, pursuant to section 101 (5) Local Government Act 1972 and cease all delegations to the same with effect from 31 July 2020; and
- ii. To establish a new joint planning committee between Cambridge City Council and South Cambridgeshire District Council (to be called the Joint Development Control Committee) with the Terms of Reference as set in Appendix A and to delegate functions to the joint committee and officers as set out therein, pursuant to section 101 (5) and section 102 Local Government Act 1972 with effect from 1 August 2020
- iii. To agree that any ongoing planning matters or any other continuing action relating to development covered by the terms of reference in appendix A which would otherwise fall to be determined by the previous Committee will, after 31 July 2020, transfer to the newly formed Joint Development Control Committee for determination

- iv. To authorise the Joint Director of Planning and Economic Development, in consultation with the Chair and Vice Chair of the Committee, to decide whether to refer any development control matters for determination by the Joint Development Control Committee where the boundary of the site concerned overlaps or is adjacent to the boundary between Cambridge City Council and South Cambridgeshire District Council
- v. To authorise the Monitoring Officer to make any consequential amendments to the Council's constitution arising from the above decisions
- vi. Appoint 6 members (and substitutes) from Cambridge City Council to serve upon the new Joint Development Control Committee from August.
- vii. To amend the "Functions of the Committee" to insert two additional provisions:

The following points were noted:

The review, change, amendment, or modification of the Standing Orders of the Committee.

Any matter related to an application previously determined by the Joint Development Control Committee for Cambridge Fringes and which would continue to form a part of this Committees functions.

To amend part e of the scheme of delegation to exclude County Council members from the capacity to "call in" applications under the scheme

20/28/Civ Ernst & Young Audit Plan 2019/20

Before this item was presented the Chair advised the minutes of 4 June (published on the website) required an amendment for item 20/22/Civ under the recommendation iii (additional text underlined, deleted text ~~struck through~~) which both the Chair and Opposition Spokes had been consulted on.

- iii. Delegate to the Chair of the meeting and in consultation with the Opposition Spokes to approve any amendments to the Statement of Accounts arising from remaining audit procedures, provided that these do not have a material impact on the Council's reserves or result in any changes to the Auditor's ~~report~~ opinion.

Resolved unanimously to note the change.

The committee received a report from the external auditor which summarised their approach to the audit of the financial statements and value for money (VFM) conclusion for 2019/20. The plan also highlighted what EY considered to be the most significant audit risks.

In response to Members' and the Independent Person's questions, the Head of Finance, Head of Shared Internal Audit Service and Deputy Head of Finance said the following:

- i. Investment properties made up a large proportion of the balance sheet and was an area of risk highlighted by the auditors. Due to the effects of Covid-19 it will be difficult to give the normal level of assurance on the valuations regarding the investment properties.
- ii. The review of the valuations of properties had shown that COVID-19 had not had the same impact on dwellings as it had on retail; therefore, the valuation methodology on the dwellings side had not seen significant changes.
- iii. There had been a further decrease in the valuation on dwellings based on the national house price index which had been used by the valuers to base their opinions, therefore there would be a small decrease similar to that of 2018/19.
- iv. Discussions had taken place with the valuers to ensure that the same audit issues did not occur as last year; checks were in place to make sure the relevant documents were up to date to support their judgements.
- v. The valuations of investment property are more volatile with valuers typically forming their opinion on values based on the capitalisation of future income streams. Therefore, the valuers had formed their opinion on the impact that COVID-19 had by reducing the rental income expectations, by between three to six month lost rent.
- vi. There would be no impact on the council's useable reserves because of the decreases.
- vii. More confident this year there was enough resources in the finance team to manage the budget and the audit simultaneously, although there was concern there was not much room between the two deadlines.
- viii. Currently the finance team were on course to meet the July deadline but were doing so using all the hours available.

The Associate Partner of Ernst and Young and the Manager of the audit said the following:

- i. EY had recognised the need for continuity within their audit team for the council which was part of the reason for a split visit in August and then in October / November. Two members of staff had been retained from the 2018/19 audit to work on the 2019/20 audit. There would also be the same Associate Partner and Manager of the audit.
- ii. Confirmed only one assessment of performance materiality level was permitted.
- iii. EY uses 2% of gross revenue expenditure on the provision of services for the council as the benchmark for materiality.
- iv. The fee negotiation had been discussed with officers to seek agreement but the PSAA (Public Sector Audit Appointments) made the final decision.
- v. The last EY tender was in 2017, since that time one audit had been completed. The bases for the increased fees was due to an escalation in audit quality expectations, such as the rise in workloads on the testing of valuations which was significantly different to that in 2016/17.

Resolved (unanimously) to:

Note the contents of the external audit plan 2019/20.

20/29/Civ Annual Head of Internal Audit Opinion

The Committee received a report from the Head of the Shared Internal Audit Service regarding his opinion on the overall adequacy and effectiveness of the organisation's internal control environment, governance, and the risk management framework.

The Head of Shared Internal Audit Service said the following in response to Members' questions and questions from the Independent Person:

- i. The use of spreadsheets when carrying out gas safety checks had been highlighted as a risk from the audit report; this had been addressed by the introduction of a management system which was part of Orchard Asset Management software that is planned to go live around December 2020.
- ii. Currently the spreadsheets were still being updated manually but were now being done daily.
- iii. Acknowledged that not being able to inspect properties due to COVID-19 was a hazard. Those properties did have future appointments in place.

- iv. Safeguarding was looked at on a regular basis, working with external agencies did have an increased risk and would be recognised in the auditplan going forward.
- v. Would take forward the matter of water usage as part of the overall risk appraisal.
- vi. Was not aware of any projects funded by disabled facility grants which had been delayed due to COVID-19.
- vii. An annual review was undertaken to provide assurance that grant funding (allocated as part of the Better Care Fund) had been spent in accordance with the scheme conditions. A sample of applications were checked from the annual funding allocation.

The Chief Executive, the council's safeguarding champion and chair of the corporate safeguarding group, wanted to give the reassurance that significant work had been done in the past with volunteers as emphasised in previous audits. The mutual aid groups were slightly different as they were in a hybrid territory being their own entities. The council's relationship was an enabling one rather than managing; going forward the council needed to explore how safeguarding would be brought into those relationships.

Resolved (unanimously) to:

Note the contents of the Annual Head of Internal Audit Opinion.

20/30/Civ Annual Report on Counter Fraud and Corruption

The Committee received a report from the Head of Shared Internal Audit Service regarding the annual review of the Councils counter fraud arrangements. The report also referred to summary of fraud / whistle-blowing activity for the period 1 April 2019 to 31 March 2020.

Councillor Dalzell welcomed the investigations into council housing fraud and freeing up homes for those who legitimately required them. Queried if there were any additional investigations regarding corruption in other areas of the council's operations.

The Head of Internal Audit replied during 2019 / 2020 Internal Audit conducted six investigations which could have included corruption. In all cases, if appropriate, actions were agreed with management to improve controls which could mitigate risks of fraud and error

Resolved (unanimously) to:

Note the contents of the annual report on prevention of fraud and corruption policy.

20/31/Civ Virtual Council Meetings-conventions-1 month review

The Committee received a report from the Democratic Services Manager which reviewed after one month the local conventions on how council meetings were run in a virtual way arising from the provisions in the Coronavirus Act 2020 and associated Regulations.

The Democratic Services Manager informed the Committee of an amendment to the recommendation i (deleted text struck through).

- i. Note that the officers recommend no change to the conventions at this stage. ~~except for how voting is undertaken at Full Council (see appendix), but they will be kept under review taking into account both local and national experience.~~

The Committee noted the deletion. The Committee was advised that a member had requested that the Chair when taking the vote went first to the spokes (rather than alphabetical) and that this change had happened. Chairs had operated the conventions pragmatically and there had been no concerns expressed.

Following a discussion on the increased time that virtual meetings seemed to take the Democratic Services Manager and Chief Executive said the following:

- i. Indicated that it would be appropriate for Members to reflect on contributions made at meetings. With meetings being recorded, behaviour and contributions can be easily reviewed.
- i. Stressed the importance of regular breaks.
- ii. Conversations regarding timings for full council meetings had been held with the Mayor and group leaders.
- iii. Would investigate personal development opportunities on working in a virtual meeting environment.
- ii. Noted the concerns raised regarding voting at full council; there needed to be a clear view on how members had voted on each item of business and this was being discussed with the Mayor to ensure that a procedure would be in place.

Resolved (unanimously) to:

- i. Note that the officers recommend no change to the conventions at this stage.
- ii. Consider any changes to the conventions Members have suggested in light of experience at meetings held so far.
- iii. Note that a longer term review of the use of virtual meetings will be undertaken as the national experience matures and in line with the council's own transformative agenda.

The meeting ended at 7.31 pm

CHAIR

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CAMBRIDGE CITY COUNCIL

Officer Record of Decision

What decision(s) has been taken:	To implement the Joint Negotiating Committee for Chief Executives of Local Authorities Pay Award for 2020-21.
Who made the decision:	Head of Human Resources
Date decision made:	26 August 2020
Matter for Decision /Wards affected	Decision delegated from Civic Affairs Committee
Reason(s) for the decision including any background papers considered	To implement the nationally agreed pay award for chief executives following receipt of notification by circular from the Joint Negotiating Committee for Chief Executives of Local Authorities dated 24 August 2020.
Any alternative options considered and rejected:	The pay award for the chief executive level post is determined by national level collective bargaining between the national employers and trade unions. Once agreed at a national level the City Council implements the pay award in accordance with the terms of staff contracts of employment.
Conflicts of interest and dispensations granted by the Chief Executive:	None.
Other Comments:	<p>This decision is taken in accordance with the delegated authority from Civic Affairs Committee to the Head of Human Resources, as follows:</p> <p>To implement any award of a joint negotiating body so far as it concerns rates of salary, wages, car allowances or other allowances payable to officers and other employees of the Council except where the terms thereof involve the exercise of a discretion by the Council provided that when any action is taken in pursuance of this paragraph members are advised by the Head</p>

of Human Resources and a record of that advice be made available to the public.

Reference: 20/Civ/1

Contact for further information: Deborah Simpson, Head of Human Resources.

CAMBRIDGE CITY COUNCIL

Officer Record of Decision

What decision(s) has been taken:	To implement the Joint Negotiating Committee for Chief Officers of Local Authorities Pay Award for 2020-21.
Who made the decision:	Chief Executive
Date decision made:	01 September 2020
Matter for Decision /Wards affected	Decision delegated from Civic Affairs Committee
Reason(s) for the decision including any background papers considered	To implement the nationally agreed pay award for chief officers following receipt of notification by circular from the Joint Negotiating Committee for Chief Officers of Local Authorities dated 24 August 2020.
Any alternative options considered and rejected:	The pay award for the chief officer level posts (Strategic Directors and Heads of Service on HOS grade) is determined by national level collective bargaining between the national employers and trade unions. Once agreed at a national level the City Council implements the pay award in accordance with the terms of staff contracts of employment.
Conflicts of interest and dispensations granted by the Chief Executive:	The Chief Executive is exercising this decision as the Head of Human Resources has a personal interest in this pay award.
Other Comments:	<p>This decision is taken in accordance with the delegated authority from Civic Affairs Committee to the Head of Human Resources, as follows:</p> <p>To implement any award of a joint negotiating body so far as it concerns rates of salary, wages, car allowances or other allowances payable to officers and other employees of the Council except where the terms thereof involve the exercise of a</p>

discretion by the Council provided that when any action is taken in pursuance of this paragraph members are advised by the Head of Human Resources and a record of that advice be made available to the public.

Reference: 20/Civ/4

Contact for further information: Antoinette Jackson, Chief Executive

CAMBRIDGE CITY COUNCIL

Officer Record of Decision

What decision(s) has been taken:	To implement the National Joint Council Pay Award for 2020-21
Who made the decision:	Head of Human Resources
Date decision made:	26 August 2020
Matter for Decision /Wards affected	Decision delegated from Civic Affairs Committee
Reason(s) for the decision including any background papers considered	To implement the nationally agreed pay award for staff on Bands 1-11 following receipt of notification by circular from the National Joint Council for Local Government Services dated 24 August 2020.
Any alternative options considered and rejected:	Pay awards for staff on Bands 1-11 are agreed by national level collective bargaining between the national employers and trade unions. Once agreed at a national level the City Council implements the pay award in accordance with the terms of staff contracts of employment.
Conflicts of interest and dispensations granted by the Chief Executive:	None.
Other Comments:	<p>This decision is taken in accordance with the delegated authority from Civic Affairs Committee to the Head of Human Resources, as follows:</p> <p>To implement any award of a joint negotiating body so far as it concerns rates of salary, wages, car allowances or other allowances payable to officers and other employees of the Council except where the terms thereof involve the exercise of a discretion by the Council provided that when any action is taken in pursuance of this paragraph members are advised by the Head</p>

of Human Resources and a record of that advice be made available to the public.

Reference: 20/Civ/2

Contact for further information: Deborah Simpson, Head of Human Resources.

CAMBRIDGE CITY COUNCIL

Officer Record of Decision

What decision(s) has been taken:	To implement a pay award for employees on Cambridge Live terms and conditions with effect from 1 April 2020 and a minimum pay rate of £10.00 per hour.
Who made the decision:	Head of Human Resources, following consultation with the Chief Executive and Executive Councillor for Finance and Resources.
Date decision made:	7 September 2020
Matter for Decision /Wards affected	Decision delegated from Civic Affairs Committee and Council
Reason(s) for the decision including any background papers considered	<p>To implement a pay award of 2.75% to employees of Cambridge City Council who are on Cambridge Live terms and conditions of employment with effect from 1 April 2020.</p> <p>Following the transfer of staff from Cambridge Live to the Council on 1 April 2019 under TUPE (Transfer of Undertakings (Protection of Employment) Regulations) we have two sets of employment terms and conditions.</p> <p>Civic Affairs Committee in January 2020 and Council in February 2020 agreed that with effect from 1 April 2020 a pay award mechanism would be introduced for employees on Cambridge Live terms and conditions of employment. This is to be based on comparison to the NJC pay award. Following receipt of notification by circular from the National Joint Council for Local Government Services of the NJC pay award of 2.75% on all pay points, we will now implement a 2.75% pay award to the salary points for employees on Cambridge Live terms and conditions.</p>
Any alternative options considered and rejected:	<p>The Council is an accredited Real Living Wage Employer and pays a Cambridge Weighting which is paid as a pay supplement to bring the minimum council pay rate to £10.00 per hour. This is paid as a supplement in addition to the Real Living Wage, currently £9.30 per hour to bring the minimum hourly rate to £10.00. It is proposed that at the same time as implementing the pay award and back pay to 1 April, now is the most appropriate time to introduce the Cambridge Weighting for employees on Cambridge Live terms and conditions.</p> <p>To apply the Cambridge Weighting of a minimum pay rate of £10.00 per hour, with effect from 1 April 2020 to employees on Cambridge Live terms and conditions of employment. There are 37 employees who will become in scope of the Cambridge</p>

Weighting. Budgetary provision has been made in the 2020/21 financial year.

Link to Civic Affairs Report:

<https://democracy.cambridge.gov.uk/documents/s49114/Civic%20Affairs%20Pay%20Policy%20Statement%20report%2029.1.201%2013022020%20Council.pdf>

Conflicts of interest and dispensations granted by the Chief Executive:

None.

Other Comments:

This decision is taken in accordance with the delegated authority from Civic Affairs Committee to the Head of Human Resources, as follows and the agreement of Council on 25 February 2020:

Civic Affairs:

To implement any award of a joint negotiating body so far as it concerns rates of salary, wages, car allowances or other allowances payable to officers and other employees of the Council except where the terms thereof involve the exercise of a discretion by the Council provided that when any action is taken in pursuance of this paragraph members are advised by the Head of Human Resources and a record of that advice be made available to the public.

Council 25 February 2020:

Introduce a pay award mechanism with effect from 1 April 2020 for staff on Cambridge Live terms and conditions of employment, based on comparison to the NJC pay award and authority is delegated to the Head of Human Resources to implement any future pay awards, following consultation with the Chief Executive and Executive Councillor for Finance and Resources.

Reference:

20/Civ/3

Contact for further information:

Deborah Simpson, Head of Human Resources.



Item

Annual Governance Statement and Local Code of Governance

To:

Civic Affairs Committee [25/11/2020]

Report by:

Jonathan Tully, Head of Shared Internal Audit Service

Tel: 01223 - 458180 Email: jonathan.tully@cambridge.gov.uk

Wards affected:

All

1. Introduction / Executive Summary

- 1.1 This report presents the Annual Governance Statement (AGS) for 2019/2020, and the Local Code of Corporate Governance, for consideration by the Civic Affairs Committee.
- 1.2 The purpose of this report is to report the annual review of effectiveness, provide updates on the progress from the previous year, communicate any new governance issues, and provide an update of the Local Code of Corporate Governance.

2. Recommendations

- 2.1 Members of the committee should approve the Annual Governance Statement in advance of the Statement of Accounts. To help complete this, members should note:
 - the arrangements for compiling, reporting on and signing the AGS;
 - the progress made on issues reported in the previous year;
 - the current review of effectiveness
 - the issues considered for inclusion in the current AGS;

- 2.2 Members should note and endorse the amendments to the updated Local Code of Corporate Governance;

3. Background

Scope of the AGS

- 3.1 Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities and includes those designed to ensure that:
- The Council's policies are implemented in practice;
 - High quality services are delivered efficiently and effectively;
 - The Council's values and ethical standards are met;
 - Laws and regulations are complied with;
 - Required processes are adhered to;
 - Its financial statements and other published information are accurate and reliable; and
 - Human, financial and other resources are managed efficiently and effectively.

Arrangements for compiling the AGS

- 3.2 The Accounts and Audit Regulations require the Council to review its governance arrangements and prepare an AGS to accompany the Statement of Accounts. The AGS should demonstrate how we comply with our Local Code of Governance.
- 3.3 The Chartered Institute of Public Finance and Accountancy (CIPFA), in conjunction with the Society of Local Authority Chief Executives (SOLACE), have produced a framework for delivering good governance in local government. The framework guidance "Delivering Good Governance in Local Government Framework 2016" is used as a guide in compiling the AGS. We also take into account continuous best practice issued throughout the year that supplements the framework guidance.
- 3.4 The AGS is coordinated through Internal Audit, with input from the Senior Officers of the Council.
- 3.5 Assurances from the work of the Internal Audit team have been reviewed and have been used to inform the AGS and its associated action plan. A professional, independent and objective internal audit service is one of

the key elements of good governance, as recognised throughout the UK public sector.

The impact of Covid-19

- 3.6 The Statement of Accounts and Annual Governance is prepared to a timetable set in the Accounts and Audit regulations.
- 3.7 In April 2020 the Ministry of Housing, Communities and Local Government wrote to local authority chief executives to inform them that the publication date for final, audited, accounts will move from 31 July to 30 November 2020 for all local authority bodies. This was set in the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. This is illustrated in Appendix C.
- 3.8 The Annual Governance Statement primarily reflects events from the previous financial year, in this case 2019/2020, but can consider significant events up to the date that the Statement of Accounts are approved.
- 3.9 The Covid-19 pandemic commenced at the end of the 2019/2020 financial year but has had a significant impact on the Council in the following period.
- 3.10 The Council has responded to the pandemic and undertaken numerous activities which help maintain our governance arrangements. These activities contribute to many of the principals from our Local Code of Governance, such as engaging with stakeholders, determining interventions to achieve outcomes, managing risk, and adapting our internal controls.
- 3.11 Although most of these activities happened in the 2020/2021 financial year, we have reflected these in this years AGS as they are significant. Good practice guidance from our professional bodies advised that, as many of these are cross cutting, it would be good to highlight a single reference to the Covid-19 pandemic. We have included a section in the AGS for this.

Arrangements for reporting and approving the AGS

- 3.12 The Accounts and Audit regulations require the Committee to approve the AGS in advance of the Statement of Accounts.
- 3.13 The draft AGS was prepared with the Statement of Accounts. Members of the Committee were invited to a workshop and an overview of the AGS, plus governance arrangements, was presented.

- 3.14 The draft AGS was then issued to the External Auditors to review as part of the draft Statement of Accounts. No further amendments have been requested prior to the publication of this report.
- 3.15 The draft AGS outlined the key themes for opportunities to improve our governance arrangements. These have now been developed into a more detailed action plan, which reflects the latest impacts from the Covid-19 pandemic. This version of the AGS also reflects that the Council has appointed an Interim Chief Executive.
- 3.16 Members should now approve the AGS appended to this report. As the AGS is published prior to the external auditor's work being concluded, we may need to reflect any updates requested between the publication date and the meeting, although these would be expected to be minor.
- 3.17 The final, and formatted, version of the AGS will also be included in the approved and published Statement of Accounts.

Local Code of Corporate Governance

- 3.18 The preparation of the AGS and the Local Code of Governance is undertaken in accordance with the guidance published by CIPFA.
- 3.19 The framework is intended to assist authorities in ensuring their own governance arrangements are suitably resourced, there is sound and inclusive decision making and there is clear accountability for the use of resources to achieve the desired outcomes for stakeholders.
- 3.20 Guidance suggests each local authority should develop and maintain a Code of Corporate Governance based on seven core principles, supported by sub-principles that should underpin the governance structure for the whole Council.
- 3.21 The Council first adopted a Code of Corporate Governance on 25 April 2002 and it has been reviewed annually since then. The Code stands as the overall statement of the Councils corporate governance principles and commitments.
- 3.22 Significant changes were made in 2017, following revised international guidance being issued in 2016.
- 3.23 The Code has been reviewed as good practice. We have attached the revised code, and it includes tracked changes to highlight the updates. A final "clean" version will be published on our website.

4. Implications

(a) Financial Implications

None.

(b) Staffing Implications

None

(c) Equality and Poverty Implications

There are no implications.

(d) Environmental Implications

None.

(e) Procurement Implications

None.

(f) Community Safety Implications

None.

5. Consultation and communication considerations

Key officers have been consulted in compiling the draft AGS and Local Code of Governance. The draft AGS was issued to Members of the Civic Affairs Committee, and the Council's External Auditors for comment.

6. Background papers

Background papers used in the preparation of this report:

- Delivering Good Governance in Local Government (CIPFA 2016)
- Accounts and Audit (England) Regulations 2015
- CIPFA good practice guidance on AGS presentation

7. Appendices

- a) Annual Governance Statement
- b) Local Code of Governance
- c) Revised Timeline for approving documents

8. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Jonathan Tully, Head of Shared Internal Audit Service, tel: 01223 - 458180, email: jonathan.tully@cambridge.gov.uk.

Annual Governance Statement

Introduction and purpose

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

Definition of Corporate Governance

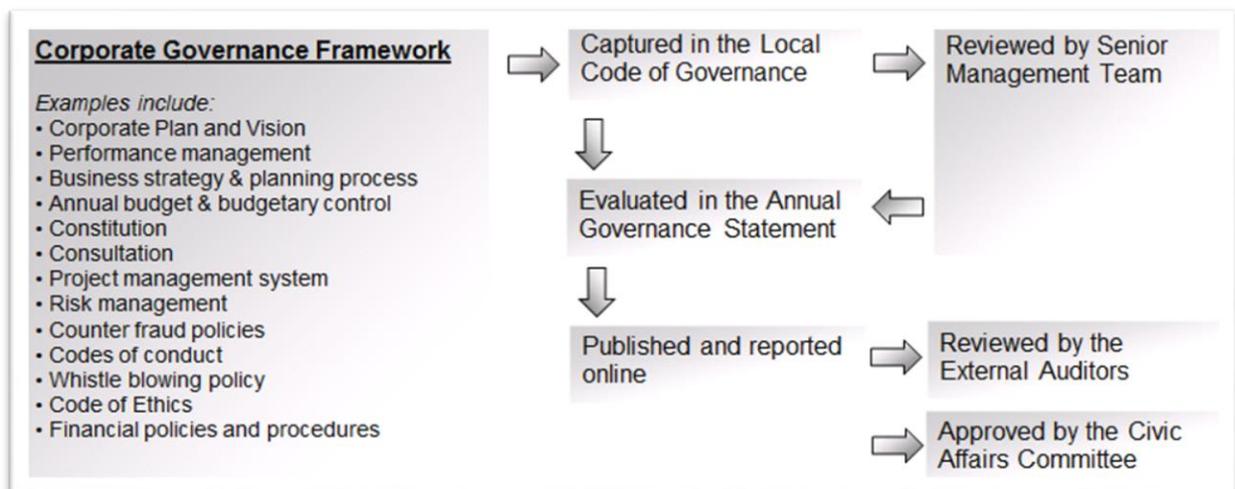
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

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

The Governance Framework

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

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



The Council has set out aims and objectives which are published on [our website](#)¹. The Council has a clear vision to "*lead a united city, in which a dynamic economy and prosperity are combined with social justice and equality*" The vision has three main aims, captured in the annual statement:

- to make Cambridge fair for all,
- to make it a great place to live, learn and work, and
- caring for the planet.

¹ <https://www.cambridge.gov.uk/vision-statement>

The Council produces a [Corporate Plan](#)², which includes five strategic-level objectives for 2019/20:

- Helping people in Cambridge who have the greatest need
- Planning for growth and ensuring our new communities are successful
- Protecting our environment and tackling climate change
- Delivering quality services within financial constraints
- Developing effective partnerships and an innovative and dynamic organisation

The Council prepares an Annual Report illustrating progress against the plan each year, and this is published on the [website](#).

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

Local Code of Governance

We are responsible for ensuring that there is a sound system of governance which incorporates the system of internal control.

This Governance Framework is recorded in the Council's [Local Code of Governance](#), which is underpinned by the 7 principles of good governance as set out in the CIPFA / SOLACE publication 'Delivering Good Governance in Local Government Framework 2016'. The principles are:

- A. behaving with integrity and in accordance with our core values
- B. being open and ensuring effective engagement takes place
- C. working together to achieve our intended outcomes
- D. setting goals for economic, social and environmental benefits and reaching them
- E. growing our capacity - including our leadership and the people who work with us
- F. managing risks and performance through robust internal control and strong financial management
- G. Implementing good practice in transparency, reporting and audit – delivering effective accountability

² <https://www.cambridge.gov.uk/corporate-plan>

Role and responsibilities

All of the Council is responsible for developing and complying with its Local Code of Governance. There are a variety of governance structures, and some of the key roles include:

Governance structures	Roles and responsibilities
Council	Council agrees the budget and policy framework, such as the Corporate Plan, Medium Term Financial Strategy. Further details are published on our website .
The Executive	<p>The Executive comprises the leader of the council and six Executive Councillors. The executive councillors make decisions relating to the major service areas.</p> <p>These councillors can make decisions individually, usually at a meeting of a scrutiny committee relevant to their executive area. They also meet collectively to determine the council's budget and medium-term financial strategy. Further details are published on our website.</p>
Scrutiny and Overview Committees	<p>To balance the Executive's powers, scrutiny committees are responsible for advising and reviewing decisions. They hold the Executive to account to make sure the best decisions are taken for the council and local residents. Further details are published on our website:</p> <ul style="list-style-type: none"> • Environment and Community Scrutiny Committee • Housing Scrutiny Committee • Planning and Transport Scrutiny Committee • Strategy and Resources Scrutiny Committee
Strategic Leadership Team	The management structure includes a Strategic Leadership Team of Chief Executive, Strategic Directors, the Head of Corporate Strategy, the Head of Finance, and the Head of Transformation. It is supported by a Senior Management. Both teams consider policy formulation and future planning. Further details are published on our website .
Civic Affairs Committee	<p>The Civic Affairs Committee plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done. It provides an assurance role to the Council and is responsible for corporate governance issues including:</p> <ul style="list-style-type: none"> • Electoral issues • Audit and regulatory financial matters • Civic and democratic process management issues • Miscellaneous regulatory responsibilities <p>It works closely with both Internal Audit and senior management to continually improve the governance, risk and control environment. Meetings details and minutes are published on the website.</p>

Purpose of the Annual Governance Statement

The Council conducts a review of its system of internal control, prepares and publishes an Annual Governance Statement in each financial year.

This enables us to demonstrate whether, and to what extent, the Council complied with its Local Code of Governance.

The Local Code of Governance is updated regularly. This process records our good practice, and also helps us to plan further action which can improve our governance arrangements.

Statutory compliance

Producing the Annual Governance Statement helps the Council meet the requirements of Regulation 6(1)b of the Accounts and Audit (England) Regulations 2015. It is reviewed by the Civic Affairs Committee and approved in advance of the Statement of Accounts.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going austerity programme.

The Council's financial management arrangements are consistent with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Other review and assurance mechanisms

Management activities contribute to the continuous review of the Local Code of Governance, and also inform the Annual Governance Statement. In addition, assurance can be provided from other sources, as detailed below:

Head of Internal Audit Opinion

The Head of Internal Audit provides an independent opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and the extent to which the Council can rely on it. This has been considered in the development of the Annual Governance Statement.

The [Annual Report](#) was presented to the Civic Affairs Committee in July 2020. This report outlined the key findings of the internal audit work undertaken during 2019/20, including any areas of significant weakness in the internal control environment.

From the audit reviews undertaken, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and reported to Civic Affairs Committee.

It is the opinion of the Head of Internal Audit that, taking into account all available evidence, reasonable assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2019/20, and this remains at a similar level to the previous year.

External Audit

Ernst & Young (now EY) are the appointed external auditor, and their [results report](#) (ISA260) was presented to the Civic Affairs committee in June 2020. For 2018-19 EY issued "unqualified" audit opinions on the financial statements, value for money conclusion and whole of government accounts which provided assurance to the Council.

Public Services Network

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

DAHA Accreditation

The Council was awarded Domestic Abuse Housing Alliance (DAHA) accreditation, which is the national benchmark for how housing providers should respond to domestic abuse.

Impact of Coronavirus

The Covid-19 pandemic has the potential to significantly affect our governance, risk and control environment. Immediate impacts could include the Council's decision-making processes, risk management, and the overall capacity and capability of the Council. In the longer term it is also appropriate to consider the impact on our strategic outcomes, financial and organisational resilience, stakeholder engagement and accountability.

The AGS considers the effectiveness of our Code of Governance, both during the financial year plus significant issues up to the time it is approved, and it is appropriate to recognise the longer-term impact of Covid-19.

In response we have implemented mitigating measures through our business continuity framework, with continuous risk management, and proactively worked with our stakeholders and customers. This has contributed to many of the principals from our Local Code of Governance, such as engaging with stakeholders, determining interventions to achieve outcomes, managing risk, and adapting our internal controls. This has helped us to maintain our governance arrangements during the pandemic.

Specific references due to the impact of Covid-19 are also included below where it helps to communicate the impact, risks and mitigating controls.

Progress from the last Annual Governance Statement

The Council prepared an [Annual Governance Statement for 2018/19](#) which was approved by the Civic Affairs Committee. An update on the previous action plan is included below:

Action	Update and status
There are a number of potential risks associated with Brexit, and the Council has been proactively managing these.	<p>Internal Audit independently reviewed the management of risks related to Brexit and this helped to provide assurance that the Council was taking all reasonable steps.</p> <p>Potential considerations include legislative risk, where functions are defined by EU standards and regulations, and supply chain risk which may impact the availability of resources.</p> <p>The Council has also been working with the Cambridgeshire Resilience Forum, to help manage the impact to communities across Cambridgeshire. The Council will continue to identify and manage the relevant risks over the next 12 months.</p>
The Council is committed to delivering effective Business Transformation, through robust accountability, risk management, performance and scrutiny, for significant projects.	<p>The Council has been delivering Business Transformation with the assistance of the new Enterprise Portfolio Management System. This is a computer application which is designed to improve the management and monitoring of project delivery through smarter working.</p> <p>The Council has also established a Quality Assurance Group, comprising officers from across the Council, with the aim of providing quality assurance in the delivery of projects and programmes from inception to delivery.</p>
The Council decided to bring the charity 'Cambridge Live' back in-house in December 2018. The decision was made in the best interests of the beneficiaries of these services and to ensure a successful and financially sustainable future for all cultural activity covered by the contract.	<p>Bringing services back in-house has potential risks and opportunities, and the Council has been actively managing these. Detailed financial modelling work was undertaken, to ensure a smooth transfer for services, staff and customers. The immediate priority was to stabilise the organisation and manage the transition well. Considerable effort has been made to improve services and internal processes, however Covid-19 has had a significant impact on this process and this will continue to be reviewed in light of the current situation.</p>

Action	Update and status
<p>The Council has a positive track record of responding to and managing unplanned events.</p> <p>It is important that the Council continues to be prepared for unknown events and has robust business continuity arrangements. Our capability should continuously be reviewed as we increasingly leverage use of technology for smarter working.</p>	<p>As good practice we reviewed the effectiveness of the Business Continuity arrangements, through lessons learnt, and communicated any opportunities for improvement throughout the organisation.</p> <p>A number of unplanned Information Technology disruptions occurred during the previous year. These specific issues were resolved and have not reoccurred.</p> <p>Business Continuity arrangements have been tested further through major unplanned disruptions (protesting and the CVD-19 pandemic). We had already deployed “Council Anywhere” technology which supports agile and remote working. Our reliance on the use of technology has been thoroughly tested through both these events, and the Council has responded well and continued to provide services and adapted by holding Committee meetings online.</p>
<p>There are potential risks which could adversely impact our finance and resources, caused by unplanned events from external sources and changes in legislation. Examples include Business Rates Retention, delayed confirmation of the Fair Funding Review and the uncertainty of Brexit.</p>	<p>The Council manages its financial risks, undertakes financial modelling, and reports long term budgets through the Medium-Term Financial Strategy. This considers known external factors, including the overall economic climate, and external funding levels which can reasonably be expected; as well as the existing commitments of the Council.</p> <p>There is potential for additional financial pressures, which could be challenging to manage over the longer term, should uncertain risks materialise and if funding is less than budgeted. Consequently, this could impact our capacity to maintain service delivery. The Fair Funding review has been delayed by Central Government.</p> <p>The Council will continue to prepare for these risks, and respond to any further pressures, by updating our financial modelling, consulting with stakeholders, and developing new policies and procedures.</p>

Review of effectiveness

The Council has a number of policies and procedures which are recorded in its [Local Code of Governance](#). These are mapped to the seven principles of good governance.

The effectiveness of the key elements of the governance framework is reviewed throughout the year. This activity is informed by the work of senior officers who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and from comments received from external auditors and other review agencies and inspectorates.

The Council is involved in partnership working and has group relationships with other entities. The Cambridge City Housing Company Ltd, Cambridge Investment Partnership LLP, and the Cambridge Live Group are incorporated into Group Financial Statements in our Statement of Accounts. Activities of the groups are also reflected in our review of effectiveness where these have a significant impact on our governance arrangements.

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

Principle	Review of effectiveness
A Behave: integrity, ethical values, respect rule of law	<ul style="list-style-type: none">• The Local Code of Governance was reviewed and updated to reflect the latest professional standards and guidance.• The Housing Scrutiny Committee approved the Tenancy Strategy, which is a statutory requirement for local authorities, in their strategic housing role. This updated the original strategy published in 2012, reflecting more recent changes to government policy, more recent data, and the Greater Cambridge Housing Strategy 2019-2023.• The Member / Officer protocols and guidance were revised to reflect the latest political appointments and portfolios following Annual meeting of the Council.

Principle	Review of effectiveness
B Openness & stakeholder engagement	<ul style="list-style-type: none">• The Planning and Transport Scrutiny committee reviewed and adopted the Statement of Community Involvement for Greater Cambridge, prepared jointly with South Cambridgeshire District Council, following consultation. Regulations state that Local Planning Authorities must review this every five years to ensure it is up to date and reflects current legislation and best practice. This sets out how the Greater Cambridge Shared Planning service will consult on planning policy documents and planning applications, ensuring that the two councils are consistent in their approach to engagement with local communities.• The Council undertook various consultations and engagements with stakeholders, including:<ul style="list-style-type: none">○ The Issues and Options report for the Greater Cambridge Local Plan;○ Sustainable Design and Construction Supplementary Planning Document;○ Minerals and Waste Local Plan;○ Making Space for People: Vision, Principles & Strategies document;

Principle	Review of effectiveness
<p>C Defining outcomes - economic, social, environmental</p>	<ul style="list-style-type: none"> • The Council has started delivering a new Corporate Plan 2019-2022, which defines our outcomes and sets out strategic level objectives. Performance, achievements, and further actions linked to the Corporate Plan are included in the Corporate Plan Annual Report. The 2019/20 annual report will be presented later in the year. • The Equalities Panel was received a presentation on how the City Council has been working on Domestic Abuse Housing Alliance accreditation since May 2018 and holds a monthly steering group. The Council was first assessed for accreditation in May 2019 and reassessed in September 2019. • The Council declared its recognition of the global biodiversity emergency and the local impact this could have on the communities and businesses. It pledged to work towards future measurable biodiversity net gain for Cambridge, and to develop plans for further action, in second year of Motion and beyond, to secure further biodiversity net gain. • The Environmental and Community Scrutiny Committee endorsed the electric vehicle and electric vehicle charging strategy noting opportunities for the Council including car parks, government public and commercial funding opportunities, partnership opportunities with other councils • The Council received updates on significant developments, such as the current status of programme to build new council homes funded through the Combined Authority.

Principle	Review of effectiveness
<p>D Determine interventions to achieve outcomes</p>	<ul style="list-style-type: none"> • The Civic Affairs Committee reviewed the annual report of the complaints, comments and compliments, and approved revisions to the Complaints Procedure to improve the efficiency and effectiveness of the overall process. Committee Terms of reference were updated so that the Annual Complaints Report can be brought to the same committee for scrutiny (Strategy & Resources Scrutiny Committee) as the Council's Annual performance report and financial reports, giving a fully rounded view of the council's performance in each year to councillors and the public. • The Equalities Panel considered how the Council had delivered the Single Equality Scheme, which sets out how the organisation would challenge discrimination and promote equal opportunities in all aspects of its work over a 3-year period. This included highlights from the past year, including leading the development of a Cambridgeshire-wide policy on how funding for Disabled Facilities Grants are awarded, meeting our pledge to help resettle 100 refugees, and developing a new Sickness Absence Management Policy for Council staff. • The Housing Scrutiny Committee endorsed a budget to aid the delivery of the "PODS" programme gifted from the Hills Partnership, which will provide homes for single homeless people. • A Local Area Action Plan was prepared jointly by Cambridge City Council and South Cambridgeshire District Council that presents the Councils' preferred approach for managing development, regeneration and investment in North East Cambridge (NEC) over the next fifteen years and beyond. • In response to the Covid-19 pandemic the Council took swift action to help support the public. We regularly provided updates on our website. We introduced city centre measures such as marshals, and signage, to help people visit, shop, or work safely and conveniently. We also provided support to businesses by providing information and financial assistance through the distribution of business support grants.

Principle	Review of effectiveness
E Develop capacity and capability of entity	<ul style="list-style-type: none"> • Due to Covid-19, starting at the end of 2019/20 financial year, there have been challenges to the capacity of the Council, which have been managed through our Business Continuity arrangements. Examples include elections being postponed, democratic meetings were delayed, and employees not being able to attend the workplace. The Council was already refreshing its ICT portfolio and this has enabled the Council to adapt and respond to the pandemic through digital enabling technology. The Council has also responded to recent enabling legislation³ and is now running meetings online. • The Chief Executive announced that they planned to leave the Council in June 2020. Due to the impact of Covid-19, and the impact on the recruitment process, the Chief Executive agreed to extend that date to September 2020 and provide continuity and support to the Council during this period. The Council has now appointed an Interim Chief Executive to provide continuity whilst the recruitment process is concluded. • The Planning and Transport Scrutiny Committee noted information regarding the inception of the Local Plan; and agreed the terms of reference for the Greater Cambridge Local Plan joint member advisory group: a non-statutory joint member group intended to ensure a shared policy position that will allow the timely development of the new Greater Cambridge Local Plan, coordinated with transport policy. • The Council received updates on the work of the Cambridgeshire and Peterborough Business Board (formerly the Greater Cambridge Greater Peterborough Local Enterprise Partnership), Greater Cambridge Partnership and other growth-related partnerships. This is provided as a part of the Council's commitment, given in its "Principles of Partnership Working", to set out annual reports summarising the work of the key partnerships it is involved with. • The Civic Affairs Committee resolved to approve changes to polling districts in Cambridge.

³³ <https://www.legislation.gov.uk/ukxi/2020/392/contents/made> - (The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020)

Principle	Review of effectiveness
<p>F Manage risk & performance, internal control, finance</p>	<ul style="list-style-type: none"> • The Council presented a Corporate Plan Annual report which communicated what was achieved under the Corporate Priorities. • Council approved financial reports including Revenue and Capital Outturn reports for the General Fund and Housing Revenue Accounts, which had been prepared using the new Financial Management System. • Scrutiny Committees received Business Plans for the Shared Services, and annual Performance reports. This communicated that increased collaborative working between partners is assisting in delivering the benefits set out in the original business plans. • The Council maintains a Risk Management framework, which considers both risk and opportunity. We also developed risk registers and news procedures in response to both Brexit and Covid-19 to help manage the impact with timely and proportionate mitigation.
<p>G Transparency, reporting, audit, accountability</p>	<ul style="list-style-type: none"> • The Council received an unqualified opinion on the Statement of Accounts for 2018/19, after the statutory deadline. Both the Council and the externally appointed auditors worked together to conclude these as promptly as possible, and progress updates were communicated to the Civic Affairs Committee. With continuing pressure to complete accounts nationally to the prescribed timetable, legislation has been set to assist Councils with the completion of their 2019/20 accounts and is recognised in our action plan too. • The Housing Scrutiny Committee received a report regarding a complaint upheld by the Local Government and Social Care Ombudsman in respect of housing letting. This summarised the complaint, acknowledged the shortcomings in relation to working practices and set out the action taken in response, which included a cross-departmental review meeting and a policy review to improve procedures. • The Civic Affairs Committee received the annual report on transparency, including Data Protection, Freedom of Information and Environmental Information Regulations.

Action plan

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

The review process has helped us to identify some opportunities to improve the governance arrangements over the next twelve months. Some of these may feature in previous statements where the work is continuous and ongoing. They consider both historic governance issues that have arisen during the 2019/20 financial year and up to the date the Statement of Accounts are approved, and also look ahead for potential issues for 2020/21 from our risk management process, corporate plans and strategies. These opportunities focus on the following themes:

Theme	Actions	Governance lead
Capacity for decision making	<p>We have reprioritised our resources to focus on the critical activities, in response to recent external events, and this has helped us to deliver resources where it was needed most. Consequently, some of our planned activities which contribute to our governance arrangements, such as decision making, service plan reviews, and Member Elections were deferred to a later date. We are also working through the local resilience forum with partners to manage the wider community impacts.</p> <p>It is also reasonable to anticipate that additional new legislation and duties will be rapidly established, in response to external factors such as Covid-19 and Brexit.</p> <p>The Councils Forward-Plan of work is regularly reviewed to ensure that our planned activities are prioritised according to need, and this enables us to respond to emerging and unplanned events. We will continue engage with our stakeholders to ensure they are informed of any changes, and any planned activities will be delivered at the earliest opportunity.</p>	Senior Leadership Team
Financial Reporting	<p>The 2018/19 Statement of Accounts were audited and approved after the statutory deadline, due to various factors such as resource issues and Covid-19. Challenges in the external audit of the account's puts pressure onto the finance team, and consequently the assurance that the committee has available to them. This continuing risk has been recognised nationally across the Public Sector.</p> <p>Revised legislation has been issued in response, temporarily extending the deadline for Councils, and there is now a staggered program of external audits. This will help to manage the process for approval of the 2019/20 Statement of Accounts to the revised timetable.</p>	<p>Strategic Director (Resources)</p> <p>Section 151 Officer & Head of Finance</p> <p>Head of Internal Audit</p>

Workplace capacity	<p>Two events from the past year highlighted an opportunity to review the management of our workspaces, where there are risks which could potentially impact our governance arrangements.</p> <p>Both Covid-19 and protests temporarily restricted our access to the workplace, resulting in delays of public meetings and achievement of outcomes. Temporary enabling legislation has subsequently been issued which enables us to hold Committee meetings online.</p> <p>The Council has already taken positive steps to address these risks, and further ongoing review of our workspace arrangements, including physical security, maintaining good health and safety, and leveraging our use of digital and agile working will help us to mitigate these risks.</p>	Senior Leadership Team
Resources	<p>There is potential for unplanned events, and changes in legislation, to adversely affect our finance and resources over the longer term. The Council maintains a Medium-Term Financial Strategy to help evaluate and manage these risks.</p> <p>Unplanned events such as Covid-19 has the potential to drive significant budgetary constraints, with reduced income from commercial activities, fees and charges, plus potential increases to our expenditure and costs. This is in addition to existing uncertainty from known risks such as Business Rates Retention, delayed confirmation of the Fair Funding Review and the uncertainty of Brexit.</p> <p>The Covid-19 pandemic has caused delays to elections, and this could potentially lead to the Council running four large elections in the future (City Council / County Council / Police & Crime Commissioner and Mayoral). This short-term increase in demand could potentially be a resourcing risk which the Council will need to plan for.</p> <p>The Council will continue to prepare for these risks, and respond to any further pressures, by updating our financial modelling, consulting with stakeholders, and developing new policies and procedures. The Council maintains a Corporate Plan and ongoing revisions will recognise these pressures to help manage our financial resilience and stability.</p>	Chief Executive and Returning Officer Senior Leadership Team

Internal Controls	<p>The Council has had to quickly adapt to the impact of Covid-19, and teams have implemented new procedures to ensure they can continue to work effectively in different workspace and environments.</p> <p>The Council had already implemented a number of initiatives to support agile working, which has helped with our adaptation.</p> <p>There may still be unidentified risks where internal controls cannot operate as effectively, and there may also be further opportunities for improved ways of working which can be shared amongst the Council.</p> <p>This has been recognised by the Civic Affairs Committee, Management, and the Internal Audit Plan will consider changes to control environment as part of its ongoing assurance work.</p>	Internal Audit
Fraud and error risk	<p>The Council is helping Central Government to deliver both business and personal support grant schemes in response to the Covid-19 pandemic. New and emerging grant support schemes are potentially a desirable target for fraudsters, diverting resources and support away from those in need.</p> <p>We will work with the Department for Business, Energy & Industrial Strategy to provide assurance that the grant schemes are being delivered effectively and will help provide intelligence of potential organised crime to the relevant professional bodies. We will complete fraud risk assessments, and develop appropriate controls, to manage any increased risk of fraud and error and help ensure support is provided to those in need.</p>	Internal Audit

Conclusion and opinion

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

We are satisfied that the planned actions will improve our governance arrangements, identified from our review of effectiveness. We will monitor their implementation and operation throughout the year and report their progress as part of our next annual review.

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Local Code of Corporate Governance

Good governance

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

A Council's Code of Corporate Governance is:

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

Our commitment

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

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

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

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

Core principles of good governance

The core governance principles of the council are:-

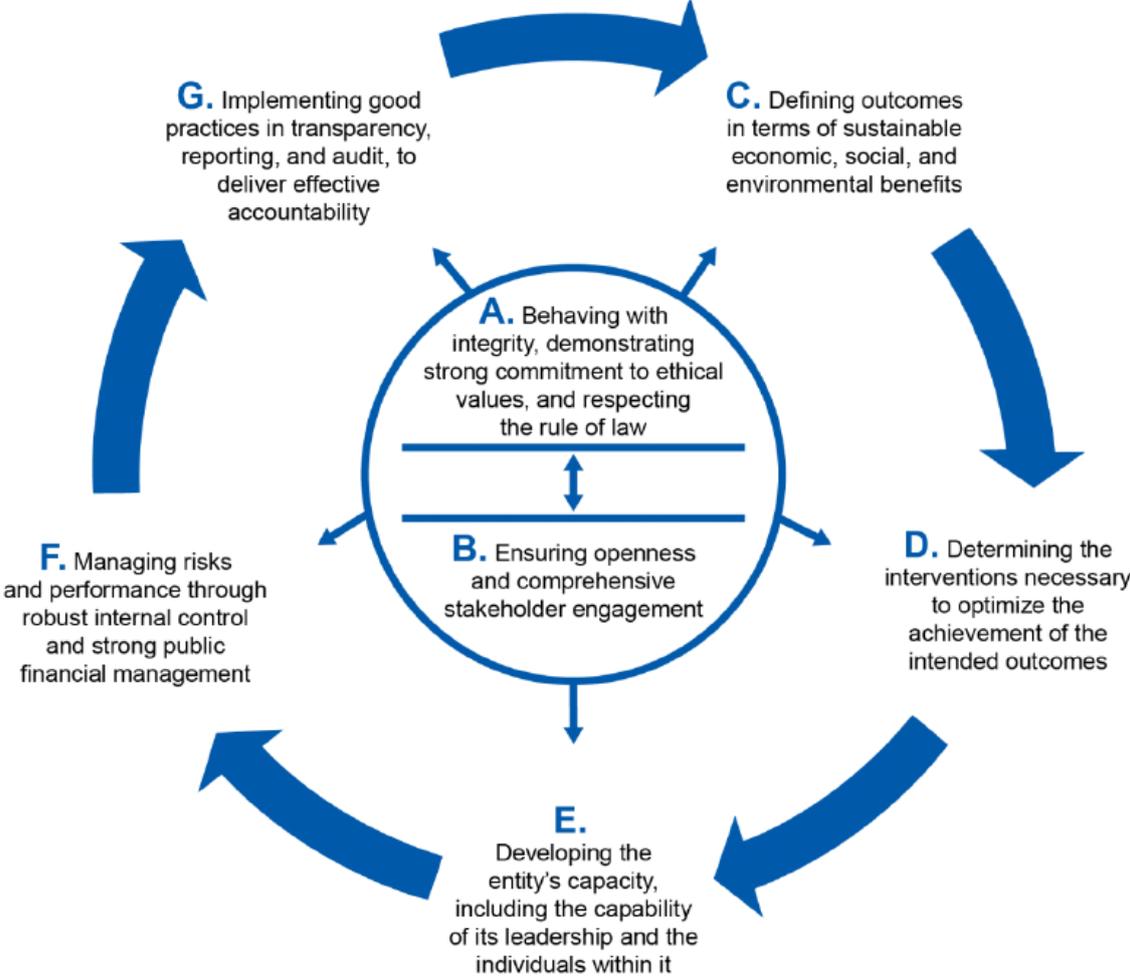
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions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

The Council first adopted a Code of Corporate Governance in 2002. It has been reviewed annually since then.

Applying the core principles of good governance

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

**Achieving the Intended Outcomes
While Acting in the Public Interest at all Times**



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

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

Principle A – Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
Supporting Principles	How does the City Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> • Behaving with integrity • Demonstrating strong commitment to ethical values • Respecting the rule of law 	<p>The Council expects the authority's leadership – both Members and Officers - to create a climate of openness, support and respect and to uphold the Council's values.</p> <p>Standards of conduct and personal behaviour are set out in the Employee Code of Conduct, the Member Code of Conduct and in the Member/ Officer protocol. An up-to-date register of Member and Officer Senior Officer Interests is maintained. The underlying principles which underpin the Codes of Conduct build upon the Seven Principles of Public Life (the Nolan Principles).</p> <p>The Council has put in place procedures for considering complaints so that members of the public can express dissatisfaction with Council services and their concerns can be monitored and addressed.</p> <p>The Council has appointed two “independent persons” to support this, in accordance with the requirements of the Localism Act, 2011.</p> <p>It publishes an Annual Complaints report analysing trends in complaints against the Council and what has been done to address them.</p> <p>The Council's Civic Affairs Committee fulfils the core functions of an Audit Committee. The Committee is responsible for constitutional issues and ensures that the constitution is monitored and updated when required.</p> <p>The terms of reference of the Civic Affairs committee include responsibility for advising on the Council's ethical framework and the promotion of openness, accountability and probity to ensure the highest standards of conduct.</p> <p>The Council maintains a Whistleblowing policy to enable confidential reporting of suspected breaches of the Employee Code of Conduct or unethical behaviour. It also maintains a Prevention of Fraud and Corruption Policy. Both policies are reviewed regularly by the Civic Affairs Committee.</p>	<p>Constitution</p> <p>Register of Interests</p> <p>Employee Code of Conduct</p> <p>Member Code of Conduct</p> <p>Member/Officer Protocol</p> <p>Complaints Procedure</p> <p>Annual Complaints Report</p> <p>Terms of Reference for Civic Affairs Committee</p> <p>Whistleblowing Policy</p> <p>Prevention of Fraud & Corruption Policy</p> <p>Annual Report on the Prevention of Fraud and Corruption</p>

	<p>The Council's standing orders and financial regulations put in place processes designed to ensure that Members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.</p> <p>The Council operates within the legal framework for local councils complying with its statutory duties and making the most of its powers to meet the needs of the City and its residents.</p> <p>The Head of Legal Practice is the Council's Monitoring Officer, responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.</p> <p>The Council ensures that Statutory Officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.</p> <p>The Council has a clear Procurement Strategy designed to meet the Council's wider objectives and Contract Procedures Rules designed to deliver robust and fair procurement processes.</p> <p>The Council undertakes Equality Impact Assessments of all major Council decisions and takes action to implement changes required, to ensure that council services and policies consider the diverse needs of its service users and citizens.</p> <p>It also uses research data, or other relevant data, to inform decisions about relative deprivation in the City.</p> <p>The Council has a Comprehensive Equalities and Diversity Policy and a Single Equality Scheme 2018-2021. The Comprehensive Equalities and Diversity Policy sets out the Council's commitment to promoting equality and diversity, including through its role as an employer and a provider of services to the public.</p> <p>The Single Equality Scheme sets out how the organisation would challenge discrimination and promote equal opportunities in all aspects of its work over the next 3 years. It covers race, disability, gender age, sexual orientation and religion or belief and an Action Plan is reviewed annually.</p>	<p>Constitution</p> <p>Financial Regulations</p> <p>Job Description for the Monitoring Officer</p> <p>Professional Qualifications and training</p> <p>Procurement Strategy</p> <p>Examples of Equality Impact Assessments</p> <p>Comprehensive Equalities and Diversity Policy</p> <p>Single Equality Scheme 2018-2021, including action plan and annual reports</p>
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Principle - Ensuring openness and comprehensive stakeholder engagement		
Supporting Principles	How does the City Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> • Openness • Engaging comprehensively with Institutional stakeholders • Engaging stakeholders effectively, including citizens and service users 	<p>The Council holds its meetings, and those of its committees and working groups in public unless there are good reasons for confidentiality. The public are allowed to ask questions at all Council and committee meetings.</p> <p><u>The Council has adopted legislation and best practice, and implemented software, to enable it to continue holding meetings remotely during the pandemic.</u></p> <p>The Council records the deliberation of scrutiny committees and the reasons for Executive and Regulatory decisions and makes agenda papers and minutes available on the Council's website. The Council also records and publishes on the website written questions asked at Council meetings and their answers, and oral questions and answers where these are available.</p> <p>Officers use standard report templates for committee and executive reports to help ensure that readers are provided with information that is accurate, complete and unbiased. Reports make clear the options available so that the implications of all decisions and strategic risks can be assessed before those decisions are made.</p> <p>The Council has a network of Area Committees to ensure neighbourhood issues are considered in the Council's decision-making processes.</p> <p>The Council has a Joint Development Control Committee with the County Council and South Cambridgeshire District Council for decisions affecting growth sites bordering the City and South Cambridgeshire.</p> <p>The Council seeks to encourage engagement in its work through a variety of means including through area committees, public representatives on the Equalities Panel, Tenant Representatives on the Housing Scrutiny Committee and involvement of appointed "Independent Persons" in the work of the Civic Affairs Committee.</p> <p>It also puts resources into outreach work through its community development services and support to tenant and leaseholder representatives.</p>	<p>Committee Agendas</p> <p>Constitution</p> <p>Committee Forward Plan</p> <p>Agendas and Minutes of Committees</p> <p>Council Website</p> <p>Standard Committee Report Templates</p> <p>Area Committee Terms of Reference</p> <p>Terms of Reference of Joint Development Control Committee</p> <p>Membership and Terms of Reference of these bodies</p> <p>Public <u>participation at Committee meetings</u></p> <p><u>Questions and Public petition scheme</u></p>

The Council seeks to ensure all partnerships with which it is engaged have a set of values or criteria against which decision-making and actions can be judged. It works with those partnerships to promote open and accountable decision making and to ensure they have clear governance structures in place.

It also ensures that there is clarity about the legal status of each partnership and that all representatives in the partnership have clarity about their powers to bind their own organisation to partnership decisions.

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

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

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

It treats everyone fairly and strives to treat all as rational people able to make up their own minds.

It also strives to provide services on the basis of need rather than ability to pay.

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

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

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

This is achieved through a mix of corporate consultation initiatives with more targeted consultation on service specific issues led by relevant departments.

Partnership ~~Guidance Terms~~ of Reference

Principles of Partnership Working

Survey results

Public participation at Committee meetings

~~Question time and p~~Public petition scheme procedures

Council Website

Cambridge Matters

Annual Statement

Charging policies

Council Website

Council Tax Leaflet

Annual Report

Open Door Magazine

Budget Consultation

Citizens Survey

Consultation reports

Statement of Community Involvement

Code of Best Practice on Consultation and Community Engagement

	<p>The Council seeks to ensure all views are actively considered when making decisions, recognising that it is not always possible to reconcile conflicting viewpoints.</p> <p>The Council ensures it makes feedback available to consultees on the outcomes of consultation, what has changed as a result and explaining why it has made the decisions it has.</p> <p>The Council's Equalities Panel (which has staff, member and public representatives) helps the Council evaluate its success in promoting diversity and meeting a broad range of needs.</p> <p>The Council enters into compacts with Tenants and the Voluntary Sector agreeing ways of working with these two stakeholder groups. The Compacts are reviewed on a regular basis.</p> <p>The Council sets out in its collective agreements, employment policies and procedures, and terms of reference for forums and meetings involving trade unions, and how it consults with staff and Trade Unions.</p> <p>Members meet with the Trade Unions in a Joint Staff/ Employer Forum. Each Strategic Director has staff forums and there are Joint Trade Unions Group meetings.</p>	<p>Consultation pages on website</p> <p>Council Publications</p> <p>Code of Best Practice on Consultation and Community Engagement</p> <p>Terms of Reference and Agendas for these Meetings</p> <p>Compact documents</p> <p>Collective Agreements</p> <p>Employment policies and procedures</p> <p>Joint Staff/Employer Forum Terms of Reference and Agendas/Joint Trade Unions Group Agendas and Minutes</p> <p>Trade Union Facilities Agreement</p>
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Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits		
Supporting Principles	How does the City Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> Defining Outcomes Sustainable economic, social and environmental benefits 	<p>The Council has a clear vision for the City and sets objectives to guide the Council's activities in its Corporate Plan.</p> <p>It reviews those objectives each year, through the Annual Statement agreed at the Annual Council meeting and the Corporate Plan.</p> <p>The Council actively considers the environmental impact of the Council's decisions before those decisions are made.</p> <p>The Council agrees with partners a plan for the Business Board of the Cambridgeshire and Peterborough Combined Authority (which replaced the Local Enterprise Partnership), and contributes to the agreement of priorities for the Health & Wellbeing Board and other relevant countywide partnerships including the Combined Authority for Cambridgeshire and Peterborough.</p>	<p>Vision</p> <p>Corporate Plan</p> <p>Annual Statement</p> <p>Environmental Assessment Tool for Council Policies Plans and Projects</p> <p>Environmental Policy Statement</p> <p>Committee reports</p> <p>Budget Setting Report</p> <p>Local Enterprise Partnership</p> <p>CPCA Business Board</p> <p>Strategic Economic Plan</p> <p>Health and Wellbeing Strategy</p>

Principle - Determining the interventions necessary to optimise the achievement of the intended outcomes		
Supporting Principles	How does the City Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> • Determining Interventions • Planning Interventions • Optimising achievement of intended outcomes 	<p>The Council has a Medium-Term Financial Strategy to resource the Council's aspirations and to assess and plan for any financial risks. The strategy is reviewed annually <u>for both the General Fund and the Housing Revenue Account</u>.</p> <p>The Council puts service to the public first. The annual business planning process is used to agree the priorities for the Council. The Corporate Plan expresses the strategic objectives for the Council over the financial year 2017/18 and beyond.</p> <p>Alongside each of the objectives are detailed the particular outcomes to be achieved and performance measures that provide evidence that the outcomes have been achieved.</p> <p>This information enables members and the services contributing to the delivery of the plan to be clear about the priorities for the Council and assists in decisions about where resources should be focussed.</p> <p>Heads of individual service areas prepare operational plans indicating how they will meet objectives set in the corporate plan and setting out their priorities and work programmes for the year ahead.</p> <p>The Council's overall spending plans are set out in an annual Budget-Setting report for both revenue and capital expenditure.</p> <p>There are arrangements in place for regular budget monitoring and the reporting of significant variances to senior management.</p> <p>The Council works to maximise its resources by delivering services as efficiently as possible, working in partnership with others and using other providers where these are the best options. Periodic internal audit reviews consider the effectiveness of controls and efficiency of processes.</p> <p>The Council seeks expertise from outside the authority when it does not have the necessary skills in-house, making use of peer reviews and other mechanisms for ensuring challenge of Council services. The Council has LGA membership.</p> <p>Performance against key Performance Indicators for each service are prepared for and presented to the Strategic Leadership Team to consider necessary remedial action.</p>	<p>Medium Term Financial Strategy – <u>GF & HRA</u></p> <p>Corporate Plan</p> <p>Agendas for Strategy and Resources Committee</p> <p>Operational Plans</p> <p>Budget Setting Report</p> <p>Budget Variance Reports</p> <p>Quarterly Performance Monitoring Reports</p>

Principle E - Developing the Council's capacity, including the capability of its leadership and the individuals within it		
Supporting Principles	How does the City Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> Developing the Council's capacity Developing the capability of the entity's leadership and other individuals 	<p>The Council sets out a clear statement of the roles and responsibilities of Executive Members, other Members and Council Officers in its Constitution. The scheme of delegation within the Constitution makes clear what matters are reserved for collective decision-making by full Council.</p> <p>A Member/Officer protocol is used to aid effective communication between Officers and Members and to clarify their respective roles and appropriate ways of working.</p> <p>The Council's Chief Executive is its Head of Paid Service responsible and accountable to the authority for its operational management.</p> <p>When working in partnerships the Council ensures that Members are clear about their roles and responsibilities, both individually and collectively, in relation to the partnerships and to the Council <u>and are documented though Terms of Reference.</u></p> <p>The behaviour expected of employees is set out in the Council's competency framework and this is used as the basis for performance appraisal.</p> <p>The Council seeks to maintain its Investors in People accreditation.</p> <p>Employees joining the Council are offered an induction programme and their training and development needs are reviewed regularly through the Council's annual performance review process.</p> <p>The Council has up-to-date job descriptions. It sets and monitors clear objectives for Officers through the annual performance review process. It agrees appropriate remuneration for officers based on an agreed framework of national and local agreements which include job evaluation.</p> <p>The Council offers all new Members an induction programme and the opportunity to develop, with a briefing and development programme to meet their needs. The Council also provides resources for training, attending conferences/seminars and briefings in-house for all elected Members. It keeps a register of the training received by Members and involves Members in reviewing training needs and the resources available during the year.</p> <p>The Council encourages and facilitates Members to have appropriate training or briefing before performing certain roles (e.g. dealing with staff recruitment or disciplinary issues, being a member of the Planning or Licensing Committees).</p>	<p>Constitution</p> <p>Member/Officer Protocol</p> <p>Constitution</p> <p>Partnership Terms <u>of</u> <u>References</u><u>Guidance</u></p> <p>Principles of Partnership Working</p> <p>Competency Framework</p> <p>Organisational Development Strategy</p> <p>IIP Accreditation</p> <p>Council Induction Programme</p> <p>Performance Review Process</p> <p>Job Descriptions</p> <p>Performance Review Process</p> <p>Member Induction Programme</p> <p>Recruitment Guidance</p>

Principle F - Managing risks and performance through robust internal control and strong public financial management		
Supporting Principles	How does the City Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> • Managing Risk • Managing Performance • Robust Internal Control • Managing data • Strong public financial management 	<p>The Council has a Risk Management Strategy, supplemented by procedures and guidance. <u>The Strategy sets a risk appetite which considers both opportunity and risk management.</u></p> <p>It undertakes systematic risk assessments in all areas of Council activity, including those covered by Health and Safety legislation.</p> <p>It maintains a corporate risk register detailing the Council's strategic and service risks and reviews this regularly.</p> <p>The Council ensures that risk management is embedded into the culture of the authority; with managers at all levels recognising that risk management is part of their job.</p> <p>Risk assessment is incorporated into the Council's decision making and Members are advised of the Council's risk profile at key stages.</p> <p>The Council respects the personal data of its citizens, employees, suppliers and others the Council may communicate with in line with the principles of the Data Protection legislation and makes this clear in its own Data Protection Policy. The Council has an Information Security group, which is chaired by the Data Protection Officer and Senior Information Risk Officer, to help manage Information Governance Risks and continuous improvement is monitored through a treatment action plan.</p> <p>The Council respects the privacy of members of the public when carrying out investigations and ensures that privacy is only interfered with when the law permits and there is clear public interest justification.</p> <p>The Head of Finance is the Council's Chief Financial Officer and S151 Officer, responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.</p> <p>The Council develops and maintains an effective Scrutiny process to encourage constructive challenge and enhance the Council's performance.</p> <p>It also has clear protocols about Members' access to information and officer advice to enable them to perform their roles.</p>	<p>Risk Management Strategy</p> <p>Risk Management Procedures and guidance on the Intranet</p> <p>Risk Assessments</p> <p>Data Protection Policy</p> <p>Information Security Group and Treatment Action Plan.</p> <p>Regulation of Investigatory Powers Act 2000 – Guidance</p> <p>Job Description for the Head of Finance</p> <p>Compliance with the CIPFA Role of the S151 Officer in Local Government</p> <p>Terms of Reference of Scrutiny Committees</p> <p>Member/Officer Protocol</p>

Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
Supporting Principles	How does the City Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> • Implementing good practice in transparency • Implementing good practices in reporting • Assurance and effective accountability 	<p>The Council makes sure members of the public have access to information about the workings of the Council. It makes clear what information is routinely published through its Freedom of Information Publication scheme and responds promptly to requests for information. The Council publishes on its website all responses to Freedom of Information requests.</p> <p>Each year the Council publishes an Annual Report and Statement of Accounts giving information on the authority's vision, strategy, performance, future plans and financial statements.</p>	<p>Publication Scheme, Open data Freedom Of Information, Data Protection And Transparency: Annual Report Freedom of Information Requests Monitoring Reports on Council Website — Open Data</p> <p>Annual Report and Statement of Accounts</p>
	<p>Shared services arrangements with other local authorities or partners document their governance arrangements, which are clear, open and accountable. Business plans and performance is reported to shared service boards and relevant scrutiny committees.</p> <p>The Council maintains an independent Internal Audit function, with a risk-based annual plan, designed to test regularly that the Council's policies and processes operate in practice and that the Council complies with legislation and good practice.</p> <p>The Head of Internal Audit produces an annual opinion on the Council's internal control environment and the risk management framework to meet the requirements of the Public Sector Internal Audit Standards.</p> <p>The Head of Internal Audit Opinion is used to inform an Annual Governance Statement, which is signed by the Chief Executive and Leader of the Council, and approved by the Civic Affairs Committee.</p> <p>The Council also agrees an annual work plan with its External Auditors to test the Council's response to major legislation and the soundness of its financial and governance processes.</p> <p>Recommendations arising from internal and external audit and inspection processes are used to inform future decision-making.</p>	<p>Shared Services Collaboration Agreements</p> <p>Risk based Internal Audit Plan</p> <p>Head of Internal Audit Annual Opinion</p> <p>Annual Governance Statement</p> <p>Terms of Reference of Civic Affairs Committee</p> <p>Risk Register</p> <p>Annual Audit Letter</p>

	<p>The Council uses an Independent Remuneration Panel to give advice on payments for Members and considers their advice when setting the Members' Allowance Scheme.</p> <p>The Panel operates in an open and transparent manner, making their agendas, reports and minutes available to the public.</p> <p>The Members' Allowance Scheme is also made available to the public and on the Council's website and the scheme is reviewed annually.</p>	<p>Independent Remuneration Panel Terms of Reference</p> <p>Independent Remuneration Panel agendas, reports and minutes</p> <p>Members' Allowance Scheme Pay Policy Statement</p>
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Monitoring and reporting

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

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

The Governance Statement will include:

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

The Annual Governance Statement will be signed by the Leader of the Council and the Chief Executive on behalf of the Council.

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

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

Seven principles for the conduct of individuals in public life

The governance framework is supported by the seven Principles of Public Life, which set the standards of conduct and behaviour to which Councillors and employees should aspire in their day-to-day dealings.

1. Selflessness	Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
2. Integrity	Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
3. Objectivity	In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
4. Accountability	Holders of public office are accountable to the public for their decisions and actions and must submit themselves to whatever scrutiny is appropriate to their office
5. Openness	Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
6. Honesty	Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
7. Leadership	Holders of public office should promote and support these principles by leadership and example.

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Appendix C – Revised timeline for approving the Annual Governance Statement

In April 2020 the Ministry of Housing, Communities and Local Government wrote to local authority chief executives to inform them that the publication date for final, audited, accounts will move from 31 July to 30 November 2020. This was set in the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The diagram, below, illustrates the revised timetable for approving the Annual Governance Statement.

Timeline:	Financial Year (2019/2020)	1st June	31st July	30th November
				
Usual practice	Evidence documented for the Annual Governance Statement and the Local Code of Governance	Draft and unaudited Statement of Accounts (including Annual Governance Statement) published on website.	Publish Statement of Accounts (including Annual Governance Statement) with External Audit Opinion	
Revised regulations				Publish Statement of Accounts (including Annual Governance Statement) with External Audit Opinion

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Item

INTERNAL AUDIT UPDATE

To:

Civic Affairs Committee [25/11/2020]

Report by:

Jonathan Tully, Head of Shared Internal Audit Service

Tel: 01223 - 458180 Email: jonathan.tully@cambridge.gov.uk

Wards affected:

All

1. Introduction / Executive Summary

- 1.1 The purpose of this report is to inform the committee of the work of Internal Audit, completed between April 2020 to October 2020, developments within the team, and the forward plan of work.
- 1.2 The role of Internal Audit is to provide the Civic Affairs Committee, and Management, with independent assurance on the effectiveness of the internal control environment.

2. Recommendations

- 2.1 It is recommended that the Committee note the contents of the report.

3. BackgroundPage: 1

- 3.1 The Accounts and Audit Regulations 2015 require that the Council “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes; taking into account public sector internal auditing standards or guidance.”

- 3.2 Internal Audit assists the Council, and the Civic Affairs Committee, to discharge its governance responsibilities. Our work supports the Council's corporate objectives, and the corporate governance framework.
- 3.3 Internal audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the council's ability to achieve its objectives.
- 3.4 Internal Audit work should help add value to the Council by helping to improve systems, mitigate risks, and subsequently inform the Annual Governance Statement.

4. Implications

(a) Financial Implications

None.

(b) Staffing Implications

The audit plan reflects current available resources, and factors in current vacancies in the team, plus time for successful recruitment.

(c) Equality and Poverty Implications

There are no implications.

(d) Environmental Implications

None.

(e) Procurement Implications

None.

(f) Community Safety Implications

None.

5. Consultation and communication considerations

None

6. Background papers

Background papers used in the preparation of this report:

- Risk-Based Internal Auditing – Working Standards and Procedures

- Public Sector Internal Audit Standards
- CIPFA Local Government Application Note
- Cambridge City Council Risk Registers
- Corporate Plan

7. Appendices

- a) Internal Audit Progress report
- b) Audit definitions

8. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

Jonathan Tully, Head of Shared Internal Audit Service,
tel: 01223 - 458180, email: jonathan.tully@cambridge.gov.uk.

Appendix A – Progress report



Cambridge City Council

Introduction

1. Management is responsible for the system of internal control and establishes policies and procedures to help ensure that the system is functioning correctly. On behalf of the Civic Affairs Committee, Internal Audit acts as an assurance function by providing an independent and objective opinion on the control environment.
2. The purpose of this report is to provide an update on the recent work completed by internal audit. The information included in the progress report will feed into and inform our overall opinion in the annual Head of Internal Audit (HoIA) report issued at the year end. This opinion will in turn be used to inform the Annual Governance Statement which accompanies the Statement of Accounts. We previously provided an update, to the committee, in July 2020.
3. Where appropriate, reports are given an overall opinion based on four levels of assurance. This is based on the evaluation of the control and environment, and the type of recommendations we make in each report. If a review has either “Limited” or “No” assurance, the system is followed up to review if the actions are implemented promptly and effectively. Further information is available in Appendix B – Glossary of terms.

Resources and team update

4. An audit plan is presented at least annually to the Civic Affairs Committee. It is good practice to continually review the plan, to reflect emerging risks, revisions to corporate priorities, and changes to resourcing factors.
5. At the June 2020 meeting the Committee approved our current audit plan. We recognised that due to the Covid-19 pandemic, a six-month plan was the most appropriate approach, and that we would use the November meeting to provide a further update. This gave us the flexibility to respond to pandemic and deliver audit plan that added value to the Council.
6. As anticipated, we have been providing the Council with support on Business Grant stimulus packages. The amount of resource required for this activity has impacted our normal assurance work. However, we are pleased to have still completed audit reviews in the period as this will enable us to provide an opinion at the end of the year.
7. Our plan is risk based, and in most cases any delayed reviews will commence at the next suitable opportunity. We have identified one new review to add to the plan, which is providing assurance on the Covid-19 Income Grants to Local Government. This work will need to be timed to support the statutory returns to Central Government.
8. Progress of the plan delivery, plus our forward plan, is illustrated on the following pages for information.
9. We have successfully appointed a Principal Internal Auditor to the team, which was recommended by our PSIAS inspection to support our long-term development of the team.
10. We started to use Teams and SharePoint software last year. This software enables us to hold virtual meetings and conference calling, plus co-author and display documents in real-time. We were keen to adopt this to reduce unnecessary travel between various sites. A further benefit is that we were relatively well prepared to adapt to homeworking during the pandemic, and can provide the Committee with assurance that we have been working effectively during this period.

Progress against the plan

Key Themes

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

Theme	Details
Core Assurance	We maintain a number of audits reviews which aim to provide assurance that corporate systems and processes are robust and protect the Council. These will typically involve work around key financial systems and management controls.
Corporate Plan Objectives	Our audit plan is risk based and coverage will be prioritised towards the corporate priorities and risks to the Council, to help ensure that desired outcomes are delivered efficiently. The plan is grouped to the key objectives of the Council.
Resilience and recovery	The plan will need to reflect the continuous changing risk and control environment from COVID-19 crisis which is driving rapid change across the Council. We will add value to the Council by providing real-time assurance on new and developing processes and controls.

Finalised reviews

The following reviews have reached completion, since April 2020:

Audit	Assurance and actions		Summary of report and actions
Benefits - parameter testing 	Assurance: Current: Previous: Actions: Critical High Medium Low	Reasonable Full 0 0 1 0	<p>We completed pre-assurance work for the Housing Benefit (Subsidy) Assurance Process (HBAP), focusing on Module 2 to support the reporting accountants report to the DWP.</p> <p>This provided assurance that the Council's system is using the correct benefit parameters to calculate benefit entitlement and to claim subsidy.</p> <p>There was one minor error (£0.02) from the entire checklist, which would lead to an underpayment of entitlement in a specific category. In most instances, it would not lead to an adjustment at all, due to a 65% taper applied to the Housing Benefit in that category.</p> <p>Consequently, we could only provide a Reasonable level of assurance. The Council immediately ran analysis of any accounts which may be affected, and this confirmed that there were no errors and no accounts required correction. All of the other parameters were operating correctly.</p>

Audit	Assurance and actions		Summary of report and actions
<p>HRA – Gas Compliance</p> 	<p>Assurance:</p> <p>Current: Reasonable</p> <p>Previous: Limited</p> <p>Actions:</p> <p>Critical 0</p> <p>High 3</p> <p>Medium 5</p> <p>Low 0</p>		<p>We completed a follow-up of our review from April 2019, which had limited assurance due to a reliance on the use of spreadsheets.</p> <p>4 High and 3 Medium actions have been implemented, providing assurance that the team is making progress at delivering their actions. We have raised 2 new actions to help improve the quality of the data currently held on the LGSR spreadsheet.</p> <p>The Service has continued to use manual spreadsheets whilst preparing to migrate onto the new Orchard Asset system. The introduction of quality checks will help to manage the risks of errors and inaccuracies.</p> <p>Accurate LGSR dates need to be recorded on the LGSR spreadsheet as this data will be migrated onto the new Orchard system and used for forecasting and monitoring future gas servicing dates.</p> <p>Once the new Compliance modules have been implemented as part of the new system, this should eradicate the use of manual spreadsheets, and achieve efficiencies as well as accurate reporting through use of data analytics.</p> <p>Overall the team has made good progress and we have revised the assurance status from Limited to Reasonable. We are planning a subsequent follow-up to monitor the status of the remaining actions.</p>

Audit	Assurance and actions		Summary of report and actions
BACS 	Assurance: Current: Previous: Actions: Critical High Medium Low	Reasonable Limited 0 0 0 0	<p>We completed a follow-up review of BACS processes and controls, which originally concluded there was limited assurance on the overall adequacy and effectiveness of the internal controls in mitigating the risks.</p> <p>Additional mitigating controls have been highlighted, and consequently the assurance level has improved from Limited assurance to a Reasonable level.</p>
Licenses – Environmental 	Assurance: Current: Previous: Actions: Critical High Medium Low	Reasonable New Review 0 0 2 1	<p>We reviewed the systems and processes in place for managing licensing. Our review focused on: House in Multiple Occupation (HMO); Animal Licensing; and Tattooists & skin piercing</p> <p>Our sample testing confirmed all relevant supporting information was received prior to the license being issued.</p> <p>Reconciling HMO license applications as per the M3 system to the total revenue collected on the T1 system will provide increased assurance that revenue has been collected and accounted for correctly.</p> <p>The team could consider using external intelligence tools and data analytics to assist in identifying non-licensed premises.</p> <p>Our review has provided assurance that the Council effectively manages its licensing responsibilities.</p>

Our work in progress and forward plan

Below is a table of our forward plan for the next six months. Some reviews are in progress, and we have also provided an update on their status:

Audit	Assurance type	Progress update	Scope and description
Helping people in Cambridge who have the greatest need			
Grant assurance – Disabled Facility Grant	Grant Assurance	<p>We have completed our testing and issued the draft report to the team for review.</p> <p>This has provided Reasonable Assurance that controls are operating effectively.</p>	<p>Certification of the annual grant payment from the Better Care Fund allocated to District Councils via the County Council. Review of a sample of payments made in respect of disabled facilities.</p>
HRA - Electrical Safety Compliance - Follow-up	Follow-up	This review is currently in progress	Follow-up review to ensure that actions have been implemented successfully.
Planning for growth and ensuring our new communities are successful			
Planning Fee Income	Risk based	This was approved in our original plan. It is now scheduled for the second half of 2020/2021.	<p>Review of system for managing planning fee income. Ensuring that policies are in place for both discretionary and nationally set charging, and that income opportunities are maximised, debts collected, and balances reconciled to main accounting systems.</p>

Audit	Assurance type	Progress update	Scope and description
Protecting our environment and tackling climate change			
Carbon management - Data Quality	Data quality	We expect to start this work in November once the data is available for review.	Council carbon emission data is collected to produce an annual Greenhouse Gas report. Data is quality assured by Internal Audit before being published.
Delivering quality services within financial constraints			
Procure to Pay	Compliance	This was approved in our original plan. It is now scheduled for the second half of 2020/2021.	Desktop review of the procurement system and new processes. A sample of transactions will be reviewed to ensure they are promptly and appropriately authorised.
Corporate Complaints and Feedback	Compliance	This was approved in our original plan. It is now scheduled for the second half of 2020/2021.	Review of the complaints process to provide assurance that it is effective in helping the Council to continuously improve its services
Insurance	Making resources count	This was approved in our original plan. It is now scheduled for the second half of 2020/2021.	Review of the insurance management system
Fleet management - Fuel cards	Compliance	This work has commenced.	This review considers processes and guidance for fuel cards, analytical review of expenditure and a compliance check to procedures.
Developing effective partnerships and an innovative and dynamic organisation			
Risk Management Strategy	Risk based	This work has commenced.	Review of the current Strategy & Framework for effectiveness, to best practice standards, to inform planned revision to the Strategy.

Audit	Assurance type	Progress update	Scope and description
Information Governance - GDPR	Compliance	This work has commenced. We are also supporting the development of information Governance risk management.	Follow-up review of the Councils implementation action plan for the General Data Protection Regulations and identifying whether any further work needs to be completed. Compliance check on a selection of thematic areas.
Core Assurance Work			
National Non-Domestic Rates	Risk based	We have been reviewing the NNDR system through the delivery of the business grants system.	Key controls audit as part of cyclical review of core systems. Includes: billing, collection, discounts and exemptions, write-off and refunds. Assurance may be taken from Grants assurance work which is being managed via the NNDR system.
Payroll	Key Financial System	This was approved in our original plan. It is now scheduled for the second six months of 2020/21.	An annual key controls audit as part of cyclical review of core systems.
Statutory reporting	Project assurance	This work has commenced.	Resources allocated to provide assurance on process to prepare the draft statement of accounts, and AGS, recognising increase in external factors and legislative changes.
Covid19 - Central Govt Income Relief Grants	Grant assurance	This is a new review which has been added to the plan.	To provide assurance that grant allocation from Central Government has been calculated correctly, to minimise grant claw back.

Audit	Assurance type	Progress update	Scope and description
VAT	Compliance	This was approved in our original plan. It is now scheduled for the second six months of 2020/21.	Key controls audit as part of cyclical review of core systems.

Counter fraud and corruption update

National Fraud Initiative

12. The Council participates in a national data matching service known as the National Fraud Initiative (NFI), which is run by the Cabinet Office. Data is extracted from Council systems for processing and matching. It flags up inconsistencies in data that may indicate fraud and error, helping councils to complete proactive investigation. Nationally it is estimated that this work has identified £1.69 billion of local authority fraud, errors and overpayments since 1996. Historically this process has not identified significant fraud and error at Cambridge City Council, and this provides assurance that internal controls continue to operate effectively.
13. We have started preparing for the 2020/2021 exercise. This includes extracting, checking and processing data from Council systems; plus reviewing compliance with data protection regulations. Relevant datasets include: Trade Creditors; Council Tax and reductions; Payroll; Licenses – Taxi drivers; Housing; Electoral Register; and Business Grant recipients. At this stage we have already processed 13,357 records.

Other audit and assurance activity

Business Grants

14. The team has been assisting the Council with delivery of Central Government funded Business Grant schemes. This work has included undertaking fraud and error risk assessments, so that we can proactively advise on the design of low friction controls. The schemes include funding to Retail Hospitality and Leisure, Small Business Grants and also our Local Discretionary Grant Scheme.
15. To help safeguard the public purse and ensure that funds are provided to legitimate applicants, we have developed a post-assurance plan, which sets out checks and tests. This involves various tests across the 1,727 grant payments made to date. We are utilising government recommended tools to check applicants for compliance with scheme eligibility. In addition, we have also designed our own local assurance tools, and this has helped us to proactively prevent some applications that were non-compliant with the regulations.

16. The work helps the Council to have assurance that it has taken proportionate and effective controls to mitigate the risk of fraud and error.
17. We are expecting to undertake similar work for the next round of grants from Central Government, for the National Lockdown scheme.

Public Sector Internal Audit Standards

18. The Public Sector Internal Audit Standards (PSIAS) require that Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the Internal Audit activity. External assessments must be conducted at least once every five years by a qualified, independent assessor. In 2018 CIPFA independently verified that we “**Generally Conform**” with the Public Sector Internal Audit Standards (PSIAS) and the accompanying Local Government Application Note (LGAN).
19. We completed our annual internal review which provides assurance that we continue to meet the standards. In addition, we have been responding to guidance issued by our professional bodies, and undertaking pandemic related risk assessments to help maintain compliance with the standards.

Governance

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

Risk management

21. We have continued to provide support on the identification of risks and controls and have commenced a review of the Risk Management Framework.

Appendix B – Glossary of terms

Assurance ratings

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

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

Organisational impact

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

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

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Item

ANNUAL AUDIT LETTER 2018/19

To:

Civic Affairs Committee 25/11/2020

Report by:

Jody Etherington, Deputy Head of Finance

Tel: 01223 - 458130 Email: jody.etherington@cambridge.gov.uk

Wards affected:

None directly affected

1. Introduction / Executive Summary

- 1.1 The attached Annual Audit Letter from EY (Appendix 1) summarises the key issues arising from the external audit of the 2018/19 Statement of Accounts.

2. Recommendations

- 2.1 That the contents of the Annual Audit Letter 2018/19 are noted.

3. Background

- 3.1 There were considerable delays encountered throughout the audit of the 2018/19 Statement of Accounts, which means that the Committee is receiving this letter much later than usual. The reasons for these delays were set out in detail in the Statement of Accounts 2018/19 report to Committee on 4 June 2020.
- 3.2 The Committee also received EY's Audit Results Report in respect of the 2018/19 Statement of Accounts at the same time. At the time of

issuing this report, there were a small number of mainly procedural steps to complete before the Statement of Accounts could be signed off. Authority was therefore delegated to the Chair, in consultation with the Opposition Spokes, to approve any further amendments to the Statement of Accounts (provided that these did not have a material impact on the Council's reserves or result in any changes to the auditor's opinion).

- 3.3 Audit work was completed shortly after the meeting, and the Statement of Accounts 2018/19 was authorised for issue by the Head of Finance and Chair of the Civic Affairs Committee on 9 July 2020. The audit opinion was unqualified.
- 3.4 Following completion of their audit work, EY issued their Annual Audit Letter on 3 August 2020. This summarises the key findings and conclusions arising from the audit.
- 3.5 The Local Audit and Accountability Act 2014 requires a committee of the Council to consider the letter. For this Council that committee is Civic Affairs.
- 3.6 Page 20 of the Annual Audit Letter sets out the total audit fee payable in respect of 2018/19. The total fee quoted for the audit of the Statement of Accounts was £151,024. However, since this report was issued, further discussions have taken place between officers, EY and Public Sector Audit Appointments (PSAA), following which the total fee has reduced slightly to £129,247.

4. Implications

a) Financial Implications

See paragraph 3.6.

b) Staffing Implications

None

c) Equality and Poverty Implications

None

d) Environmental Implications

None

e) Procurement Implications

None

f) Community Safety Implications

None

5. Consultation and communication considerations

The Annual Audit Letter will be published on the Council's website.

6. Background papers

No background papers were used in the preparation of this report.

7. Appendices

Appendix 1 – EY Annual Audit Letter 2018/19

8. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Jody Etherington, Deputy Head of Finance, tel: 01223 - 458130, email: jody.etherington@cambridge.gov.uk.

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Cambridge City Council

Annual Audit Letter for the year
ended 31 March 2019

August 2020

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better
working world

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Focused on your future



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

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

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



01

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Cambridge City Council (the Council) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended. Owing initially to our own resourcing difficulties and then challenges faced by the Council in respect of the capacity of its finance team during the latter part of 2019, the audit of the 2018/19 financial statements was prolonged and challenging. We issued our auditor's report on 9 July 2020. The report included a paragraph to emphasise to the reader of the accounts the Council's disclosures on the impact of the Covid-19 pandemic on its financial position.
Page 9 Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
99 Including on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.

Executive Summary (cont'd)

In addition we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued our Audit Results Report on 20 May 2020.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the NAO's 2015 Code of Audit Practice.	We issued the certificate within the auditor's report on 9 July 2020.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

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Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities



Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the 4 June 2020 Civic Affairs Committee representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we presented at the January 2019 Civic Affairs Committee and is conducted in accordance with the NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO. As auditors we are responsible for:

▶ Expressing an opinion:

- ▶ On the 2018/19 financial statements; and
- ▶ On the consistency of other information published with the financial statements.

▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.

▶ Reporting by exception:

- ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
- ▶ Any significant matters that are in the public interest;
- ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
- ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the NAO on your WGA return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for it to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council's Statement of Accounts in line with the NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO and issued an unqualified audit report on 9 July 2020. We reported detailed findings to the 4 June 2020 Civic Affairs Committee.

We summarise here the key risks we identified and our conclusions.

Significant risk	Conclusion
Management override of controls That senior officers of the Council could avoid or work around the checks that are in place to ensure income and expenditure is accounted for correctly.	We found no evidence in our testing that management had overridden controls.
Page 10 Inappropriate capitalisation of revenue expenditure That the Council could try reduce the level of expenditure recorded as being charged to services by accounting for some of it as costs related to land, buildings and equipment.	We found no evidence in our testing that management had accounted for expenditure on services as spend relating to land, buildings and equipment.

Other areas of audit focus	Conclusion
Valuation of Other Land and Buildings and Investment Properties The Council owns £780m of land and buildings (£600m of which is council houses) and £170m of properties from which it generates a return. The valuation of these assets is a significant estimate, involving the use of a valuation expert and requires judgement from senior officers. A small error in judgement can have a big impact on the valuation.	Our work identified the need for the Council to reduce the value of its council houses by approximately £30 million. In addition, the Council increased the value of its assets by just over £3m when reconciling the accounts to its register of fixed assets.

Financial Statement Audit

Other Areas of Audit Focus (continued)	Conclusion
<p>Pension Liability Valuation</p> <p>The Council's pension fund deficit is a material estimated balance which is disclosed on the Council's balance sheet. At 31 March 2019 this totalled £138m.</p>	<p>The Council updated its accounts to reflect the impact of one national issue impacting all local council pension schemes as well as to reflect changes in the value of pension fund investments. The Council did not adjust for the estimated £0.8m impact of a second national issue.</p>
<p>Capital transactions</p> <p>The Council is involved in a number of high value transactions involving assets, either by themselves, or with another organisation, some of which will span financial years.</p> <p>It is important for the Council to fully understand the arrangements in place and any accounting implications so that these can be appropriately recognised in the accounts.</p>	<p>We queried the treatment of a £27m land purchase and subsequent disposal to the Council's Joint Venture. Officers agreed to amend the presentation of the transaction.</p>
<p>Group accounts</p> <p>For 2018/19 the Council either fully or partially owned Cambridge City Housing Company Limited, Cambridge Investment Partnership and Cambridge Live. These needed to be reflected appropriately in the financial statements.</p>	<p>We identified some issues with the way the Council had initially reflected their interest in the other entities. The Council updated its method and revised the group accounts.</p>
<p>New accounting standards</p> <p>The Council had to implement two new accounting standards for 2018/19:</p> <ul style="list-style-type: none">▶ IFRS 9 - Financial instruments▶ IFRS 15 - Revenue from contracts	<p>IFRS 9 - The Council initially did not adequately reflect the new standard in its accounts but then made the necessary changes.</p> <p>IFRS 15 - Our audit procedures for revenue from contracts did not identify any audit issues.</p>

Financial Statement Audit (cont'd)

Other Areas of Audit Focus (continued)	Conclusion
<p>Changes in finance personnel</p> <p>During 2018/19 the Council had a change in key accounting personnel which increased the risk to the quality of accounts preparation, the quality of working papers provided for audit and the speed and quality of responses to audit queries.</p>	<p>Compounded by EY's own resourcing issues, the initial and temporary changes to the finance team did have a negative impact on the quality of accounts produced, the quality of working papers provided for audit and the speed and quality of responses to audit queries. However, from January 2020 the Council has strengthened its finance team and its financial reporting capabilities, which led to revisions to aspects of the accounts, some new supporting working papers and good support to enable the completion of audit procedures.</p>

Going concern

The Covid-19 pandemic has had a significant impact on the Council's finances. As the 2018/19 financial statements were approved after the outbreak, the Council has been required to disclose in its accounts the impact of the pandemic on its income, expenditure and funds.

The Council carried out a detailed assessment to inform a new disclosure note on going concern. Within our auditor's report we emphasised the new disclosure.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £2.7m which is 2% of gross revenue expenditure reported in the accounts. This results in a performance materiality, at 75% of overall materiality, £2.3m. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Civic Affairs Committee that we would report to the Committee all audit differences in excess of £135,000.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: We agreed all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- ▶ Related party transactions: We tested the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

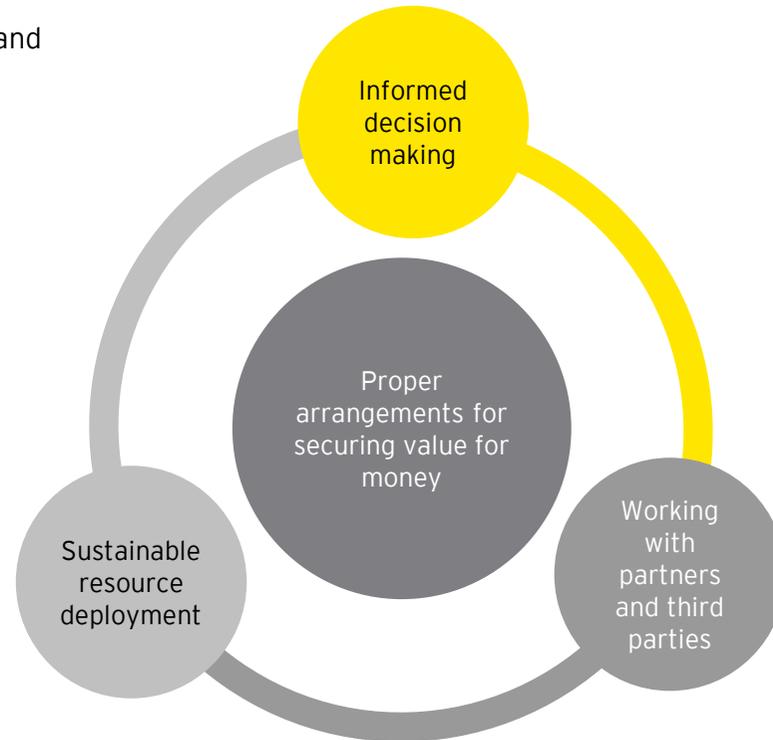


04 Value for Money

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

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 our Audit Plan we did not identify any risks in relation to the value for money conclusion.

We have no matters to include in the auditor's report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

We had no matters to report in respect of value for money in the auditor's report.



05

Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office (NAO) on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

The Council falls below the NAO's threshold for auditor review.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the **Council** to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2018/19 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.



Other Reporting Issues (cont'd)

Independence

We communicated our assessment of independence in our Audit Results Report to the Civic Affairs Committee on 4 June 2020. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls. We have not identified any significant control deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



06

Focused on your future



Focused on your future

The Code of Practice on Local Council Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IASB Conceptual Framework	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local Council accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"> - new definitions of assets, liabilities, income and expenses - updates for the inclusion of the recognition process and criteria and new provisions on derecognition - enhanced guidance on accounting measurement bases - enhanced objectives for financial reporting and the qualitative aspects of financial information. <p>The conceptual frameworks is not in itself an accounting standard. However, an understanding of concepts and principles can be helpful to preparers of local Council financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Council financial statements.</p> <p>However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>



07 Audit Fees

Audit Fees

In our Annual Results Report presented to the Civic Affairs Committee on 4 June 2020 we highlighted that we had carried out a significant level of additional work to complete the audit and would seek to agree an additional fee with the Council's Section 151 officer. In the table below we summarise the fees that we have agreed and that are now subject to approval by PSAA.

	Final fee 2018/19	Planned fee 2018/19	Final Fee 2017/18
		£	£
Scale fee	40,024	40,024	51,979
Audit of group accounts	10,500	7,500 - 10,500	8,150
Capital transactions	10,500	7,500 - 10,500	8,750
FMS Implementation	-	-	19,978
Cash flow restatement	-	-	750
Scale fee variation for overruns	90,000	-	-
Total audit	151,024	55,024 - 61,024	89,607
Other non-audit services not covered above Housing Benefits Subsidy Claim	20,750	12,568	15,077
Pooling of Housing Capital Receipts Return	-	3,750 - 4,250	3,750
Total other non-audit services	20,750	16,568	18,827
Total fees	171,774	71,342 - 77,842	108,434

All fees exclude VAT

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

EY-000070901-01 (UK) 07/18. CSG London.

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Item

STATEMENT OF ACCOUNTS 2019/20

To:

Civic Affairs Committee 25/11/2020

Report by:

Jody Etherington, Deputy Head of Finance

Tel: 01223 - 458130 Email: jody.etherington@cambridge.gov.uk

Wards affected:

None directly affected

1. Introduction

- 1.1 At the time of writing this report, the external audit of the Statement of Accounts for 2019/20 by EY is still underway. However, sufficient progress has been made to allow EY to issue an Audit Results Report containing their preliminary findings and conclusions. It is anticipated that the majority of outstanding work will be completed in advance of the Civic Affairs Committee meeting on 25 November.
- 1.2 Before giving their formal opinion on the accounts there is a requirement for the auditors to present their audit findings and to obtain a Letter of Representation signed by both the Head of Finance and a member on behalf of 'those charged with governance'. Under the Council's constitution, this responsibility rests with the Civic Affairs Committee.
- 1.3 EY will be at the meeting to present and discuss their audit findings, and to give a verbal update on any areas of the audit which remain outstanding at the meeting date.

2. Recommendations

- 2.1 That the Committee receive the Audit Results Report presented by EY.
- 2.2 That the Statement of Accounts for the year ended 31 March 2020 be approved, subject to any remaining amendments per recommendation 2.3.
- 2.3 That authority be delegated to the Chair of the meeting, in consultation with the Opposition Spokes, to approve any amendments to the Statement of Accounts arising from remaining audit procedures, provided that these do not have a material impact on the Council's reserves or result in any changes to the auditor's opinion.
- 2.4 That the Chair of the meeting be authorised to sign the Letter of Representation and Statement of Accounts for the financial year ended 31 March 2020 on behalf of the Council.

3. Background

- 3.1 Draft unaudited accounts were published on 31 July 2020, in line with the revised timetable for 2019/20 set out by central government in response to the COVID-19 pandemic.
- 3.2 EY commenced the final accounts phase of their audit in the last week of October. As at the time of writing most of the audit is well progressed with few errors having been identified so far.
- 3.3 A revised Statement of Accounts is attached at Appendix 1, incorporating a small number of audit and management adjustments.
- 3.4 The audit of the 2018/19 financial statements took significantly longer than usual due to a number of factors, including the timeliness and quality of the draft Statement of Accounts and supporting working papers, and resourcing challenges at EY. In response to this, a number of actions were agreed between officers and EY to ensure a much smoother process in 2019/20.
- 3.5 These actions have been highly successful, as evidenced by the fact that the Statement of Accounts is ready for approval approximately 6 months earlier than in the previous year, with far fewer audit

adjustments, and with EY having commented on the significant improvement in the quality of working papers and the responsiveness of officers to audit queries.

- 3.6 Due to COVID-19, the deadline for signing the final Statement of Accounts for 2019/20 has been moved to 30 November 2020. Whilst every effort is being made to meet this deadline, there is some risk inherent in the fact that there is audit work outstanding at the time of writing this report. EY will give a verbal update on the proposed timetable for concluding the audit at the meeting. At present any delay is anticipated to be reasonably short.

4. Council Financial Results for 2019/20

- 4.1 The Council's financial performance is summarised in the main financial statements.
- 4.2 The Movement in Reserves Statement shows an overall increase in the Council's usable reserves of £2.5 million, to £147.4 million.
- 4.3 The movement in usable reserves includes net increases of £3.1 million in reserves which can only be used to support capital expenditure. These reserves will be utilised in future years in accordance with the capital programme. The net change in usable revenue reserves is therefore a decrease of £0.6 million.
- 4.4 General Fund unallocated reserves increased by £1.7 million to £17.4 million, whilst General Fund earmarked reserves decreased by £7.3 million to £17.8 million. The net decrease in earmarked reserves includes the application of £8.0 million from the Invest for Income Fund towards historic capital expenditure, which will reduce the minimum revenue contribution required to fund this expenditure in future years.
- 4.5 HRA reserves increased by £3.5 million to £15.1 million. HRA earmarked reserves increased by £1.6 million to £17.3 million. This increase most notably reflects a 'set-aside' contribution to reserves in respect of possible future debt redemption or reinvestment.
- 4.6 A more detailed analysis of the movement of both General Fund and HRA earmarked reserves is shown in note 6 to the Statement of Accounts.

- 4.7 There is a table of page **vii** of the Narrative Report which reconciles the outturn position of portfolios reported to scrutiny committees to the movement on General Fund and HRA general and earmarked reserves. The Expenditure and Funding Analysis (note 1 to the Statement of Accounts) then reconciles this position to the statutory accounting results detailed in the Comprehensive Income and Expenditure Statement.
- 4.8 The Comprehensive Income and Expenditure Statement shows a net surplus on provision of services (measured according to proper accounting practice) of £12.4 million, compared to a net surplus of £4.5 million in 2018/19. The most significant changes year-on-year were:
- Revaluation losses of £6.2 million were charged to HRA expenditure in respect of council dwellings, compared with losses of £13.2 million in 2018/19. Note that while this impacts on the surplus on provision of services, the effect is reversed out of the HRA through the Movement in Reserves Statement, so there is no impact on the Council's usable reserves. (N.B. These figures relate only to the element of revaluation loss which isn't a reversal of previous gains, therefore they will not agree with the figures at paragraph 4.9 which show the total revaluation movement on all council dwellings).
 - Financing and investment income is net of £13.1 million revaluation losses in respect of investment property, compared with losses of £7.7 million in 2018/19.
 - Taxation and non-specific grant income includes capital grants of £30.4 million, compared with £21.7 million in 2018/19. This year's figure includes £26.9 million of devolution grant funding from central government for the delivery of new Council homes, compared with £13.6 million in 2018/19. The 2018/19 figure also included a one-off release of £5.6 million of historic grant income which was previously being held on the Balance Sheet pending grant conditions being met.
- 4.9 The Balance Sheet details the value of the Council's assets and liabilities. The Council's total net assets have increased by £64.7 million, to £797.3 million. Key movements to note include:
- Net revaluation gains of £4.9 million on property, plant and equipment, consisting of a net loss of £5.8 million on Council dwellings, and a net gain of £10.7 million on other land and

- buildings (including £9.6 million on assets where valuation is based upon depreciated replacement cost).
- Net revaluation losses of £13.1 million on investment properties, consisting of a loss of £5.1 million on the central Cambridge shopping centre portfolio, and a loss of £8.0 million on other investment properties.
 - An decrease in the net pension liability of £35.2 million, which includes actuarial gains of £42.1 million and net interest costs of £3.3 million.

5. Group Financial Statements

- 5.1 The Group Financial Statements consolidate the performance of the Council with its subsidiary (Cambridge City Housing Company), and the Cambridge Investment Partnership (CIP) entities.
- 5.2 The accounts of the Cambridge City Housing Company (CCHC) show a profit for the year of £207k. After eliminating transactions with the Council and aligning accounting policies with the group, the total comprehensive income for CCHC included in the Group Financial Statements is £409k. However, under the Council's accounting policies £191k (relating to property revaluations) is credited to unusable reserves, leaving a net credit to usable reserves of £218k (compared to a net credit of £260k in 2018/19).
- 5.3 The activities of Cambridge Live and Cambridge Live Trading Ltd (together the Cambridge Live Group) transferred to the Council on 1 April 2019. At this point, liabilities totalling £1,351k (including £839k of pension liabilities) were effectively transferred from the Group Balance Sheet to the Council Balance Sheet. An equivalent expense has been recognised in the Council Comprehensive Income and Expenditure Statement. The results of Cambridge Live activities since 1 April 2019 are now included in the Communities line of the Council Comprehensive Income and Expenditure Statement.
- 5.4 As a joint venture the Council is required to include its share of the financial results of CIP as a single line in the Group Comprehensive Income and Expenditure Statement and the Group Balance Sheet. During the year, 1 new CIP entity was set up, so that there are now 4 entities in total; an overall operating company, plus 3 specific development companies for Mill Road, Cromwell Road, and L2 Orchard Park. Two of these entities (the Cromwell Road and L2 Orchard Park development companies) had no transactions during

the year, and nil net assets at year-end. The other two companies between them posted a net loss of £601k, reflecting the fact that development was ongoing. The Council's share of the partnership's net liabilities at year-end was £758k. Taking this into account, and in accordance with proper accounting practice, the consolidation value in the Group Financial Statements was nil.

6. Audit Results

- 6.1 International Auditing Standards require the auditor to communicate a number of matters to those charged with governance before issuing their audit opinion. EY's Audit Results Report is attached at Appendix 2. They will be at the meeting to discuss their report and audit findings.
- 6.2 Subject to completion of the outstanding audit work set out on page 5 of their report, EY propose to issue an unqualified audit report. A draft is provided at Section 3 of the Audit Results Report.
- 6.3 The current Covid-19 situation poses a risk to financial resilience for all local authorities, and as a result EY have sought additional evidence on the Council's future financial resilience and the impact this may have on the Statement of Accounts. This work is currently in progress and EY have highlighted that this may impact the audit report, which will need to go through an EY internal consultation process to ensure that it provides the appropriate assurance to the Council and its stakeholders. EY will provide a verbal update on this at the meeting.
- 6.4 As a result of COVID-19, both of the Council's external property valuers have inserted a 'material uncertainty' clause within their valuation reports. This means that less certainty, and a higher degree of caution, should be attached to the valuations than would usually be the case. EY have identified the need for us to disclose this fact within the Statement of Accounts, and an explanation has now been included at note 3. EY will include an emphasis of matter paragraph within their audit report to draw attention to this disclosure.
- 6.5 A small number of other adjustments have been made to the draft Statement of Accounts throughout the audit process. It should be noted that both the volume and value of these adjustments is significantly reduced from the previous year, which reflects the

progress made in improving the quality of the draft accounts and supporting working papers.

6.5 The table below sets out the impact of the audit adjustments made on the Council's reserves and surplus on provision of services:-

(£000)	General Fund	HRA	Other Usable Reserves	Unusable Reserves	Total Council Reserves	(Surplus) on provision of services
Draft Statement of Accounts	17,470	15,083	114,690	650,103	797,346	(11,741)
Total impact of audit adjustments	(42)	0	173	484	615	(615)
Revised Statement of Accounts	17,428	15,083	114,863	650,587	797,961	(12,356)
Adjustments include:						
1) Pension fund liability revaluation				484	484	(484)
2) Release of insurance provision			173		173	(173)
3) Update to audit fee accrual	(42)				(42)	42
Total	(42)	0	173	484	615	(615)

6.6 Pension fund liability revaluation – On 16 July 2020, the government released a consultation on applying a remedy to LGPS pension funds as a result of the McCloud ruling. This led the scheme actuaries to revise their assessment of the net pension fund liability at year-end (resulting in a reduction in the liability of £484k). The revised estimates were not received until 21 September, so were too late to include within the draft Statement of Accounts. The effect is to increase the Council's net assets and unusable reserves by £484k. There is no impact on usable reserves.

6.7 Release of insurance provision – Management review of information provided to support the insurance provision in the accounts identified a provision of £173k in respect of a claim which had already been settled before the year-end. This provision has now been released back to the Insurance Fund earmarked reserve from where it was originally taken (included within 'other usable reserves' in the table above).

6.8 Update to audit fee accrual – Due to the delays in the finalisation of the 2018/19 audit, the final fee was not known at the time that the draft Statement of Accounts was published. Originally an accrual of £60k had been raised for additional fees, but the final figure was £89k. In addition, an accrual for the certification of the housing benefit subsidy claim (£13k) had not been recognised. Ordinarily

these amounts would fall below the auditor's triviality limit and would therefore not be adjusted – however audit fees are considered material by nature therefore must be corrected. The impact of the extra accruals is to reduce the General Fund balance by £42k.

6.9 In addition to the above, there have been a small number of changes to other disclosures in the accounts which do not impact on the Council's reserves. These include:-

- updates to the going concern disclosures within the Statement of Accounting Policies to reflect the latest position as at the date of issue of the Statement of Accounts;
- changes to the presentation of capital financing at notes 5 and 17 to improve transparency around voluntary MRP contributions;
- minor reclassifications within the short-term creditors note; and
- minor corrections to other disclosure notes including employee benefits, grant income, leases and financial instruments.

6.10 There is one unadjusted difference in the Statement of Accounts which is set out on page 27 of the Audit Results Report. This relates to the impact on the pension fund liability of the recent Goodwin judgement. EY have estimated the impact of this judgement on the Council's net pension liability to be £206k. However, since this amount is not material, and in the absence of a formal actuarial assessment from the scheme actuaries, no adjustment has been made to the Statement of Accounts.

6.11 In addition to the audit adjustments, EY have also made one recommendation in relation to Council systems, processes and internal controls. This relates to the treatment of de minimis capital expenditure, and is set out more fully on page 12 of their report. EY were satisfied that the issue had not led to an error in the accounts which was greater than their audit differences threshold. The Accountancy team is currently considering how best to respond to this recommendation in a way which balances the need for compliance with the accounting framework against the additional administrative burden involved.

6.12 Page 33 of the EY report includes an assessment of progress against recommendations they made in the prior year. None of the issues found were repeated in 2018/19, which provides evidence that these have been successfully addressed.

7. Letter of Representation

- 7.1 International Auditing Standards require the auditor to have received a Letter of Representation drawn up by the Council that provides written confirmation on matters that might be relevant or significant to the Statement of Accounts. This letter is signed as near as possible to the date of the auditor opinion. The auditing standard requires that the letter is 'discussed and agreed by those charged with governance and signed on their behalf...to ensure that all those charged with governance are aware of the representations on which the auditor intends to rely in expressing the auditor's opinion on those financial statements.'
- 7.2 A draft Letter of Representation has been provided at Appendix 3. EY will be present at the meeting to answer any questions.

8. Audit Fee

- 8.1 EY have provided an update on their fee proposal on page 39 of their Audit Results Report. It should be noted that a final fee proposal will not be provided until the outstanding audit work is complete. Any additional fees proposed will be subject to agreement with Public Sector Audit Appointments (PSAA), who oversee the external audit regime for all local authorities.

9. Implications

a) Financial Implications

Included in the report above.

b) Staffing Implications

None

c) Equality and Poverty Implications

None

d) Environmental Implications

None. Paper copies of the Statement of Accounts document will only be produced on request. An electronic version will be available on the Council's website.

e) Procurement Implications

None

f) Community Safety Implications

None

10. Consultation and communication considerations

The Statement of Accounts will be published on the Council's website with a notice advertising that the audit of the accounts has been concluded.

11. Background papers

Background papers used in the preparation of this report:

- Statement of Accounts 2019/20

12. Appendices

- Appendix 1 – Statement of Accounts 2019/20
- Appendix 2 – EY Audit Results Report
- Appendix 3 – Draft Letter of Representation

13. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Jody Etherington, Deputy Head of Finance, tel: 01223 - 458130, email: jody.etherington@cambridge.gov.uk.

Statement of Accounts



For the year ended
31 March 2020

Cambridge City Council

Cambridge City Council Statement of Accounts 2019/20

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Narrative Report

The Statement of Accounts, set out on pages 1 to 99, contains a series of statements, summarising the financial implications to the Council of delivering services in the period from 1 April 2019 to 31 March 2020. In addition, details of the Council's assets and liabilities at the beginning and end of the Council's financial year are presented.

The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2019/20' (the 'Code'). The Code is based on International Financial Reporting Standards (IFRS) and sets out the format and content of the key financial statements and accompanying notes in this publication.

In addition to the Council's Statement of Accounts, consolidated Group Financial Statements are also presented. The key financial statements are as follows:

- ◆ Movement in Reserves Statement
- ◆ Comprehensive Income and Expenditure Statement
- ◆ Balance Sheet
- ◆ Cash Flow Statement
- ◆ Housing Revenue Account
- ◆ Collection Fund
- ◆ Group Movement in Reserves Statement
- ◆ Group Comprehensive Income and Expenditure Statement
- ◆ Group Balance Sheet
- ◆ Group Cash Flow Statement

These accounts are supported by a comprehensive set of notes together with a Statement of Accounting Policies of the Council and a glossary of terms. An index to the main notes to the accounts is provided on page 7.

The accounts aim to provide information so that members of the public, including electors and residents of Cambridge, Council members, partners, stakeholders and other interested parties can:

- ◆ understand the overarching financial position of the Council;
- ◆ have confidence that public money has been accounted for in an appropriate manner; and
- ◆ be assured that the financial position of the Council is sound and secure.

Review of 2019/20

This Narrative Report is designed to explain the most significant features of the accounts and to provide information on the Council's use of resources.

It includes a review of achievements against the Council's Corporate Plan which was reviewed by the Council's Strategy and Resources Committee in February 2019, alongside a review of the financial performance for the year.

Corporate Plan – Review of 2019/20

The Cambridge City Council Corporate Plan 2019-22 lists the key activities which the Council has planned to undertake over a three-year period in order to achieve its strategic objectives and vision. For the first year of the current Corporate Plan, the Council's headline achievements have been:

Helping people in Cambridge who have the greatest need

- ◆ Commenced construction of 189 new council homes, including 8 flats provided for Housing First (a scheme to place rough sleepers with complex needs straight into self-contained accommodation with intensive support), and successfully re-let 360 empty Council homes.
- ◆ Helped with home adaptations for over 100 Council tenants with disabilities so that housing continued to meet their needs, and provided assistance with adaptations to 50 disabled households in the City through the Cambridgeshire Home Improvement Agency (CHIA).
- ◆ Delivered on the Council Fire Safety Strategy making our buildings safer for our residents.
- ◆ Carried out and published a Homelessness Review ahead of a new strategy in 2020-21.
- ◆ Overseen the growth of the Street Aid scheme in partnership with local businesses, in which members of the public give donations which are then recycled to provide grants to street based people. Over £100,000 has been raised since 2017.
- ◆ Resettled over 120 refugees into the local community through the Home Office programme, jointly working with local groups and South Cambridgeshire District Council.
- ◆ Supported a programme to address food poverty in the city, including holiday lunches, community fridges and local food hubs. During 2019/20, 3,865 lunches were provided at nine different venues.
- ◆ Continued to support residents and families to manage their costs and finances through the employment of Financial Inclusion and Fuel & Water Poverty officers.
- ◆ Continued to promote the Real Living Wage to employers in Cambridge, with direct support having been provided over the years to 40 out of the 74 Cambridge employers who were accredited with the Living Wage Foundation at the end of March 2020.
- ◆ Worked successfully with Cambridgeshire County Council and a new service provider to transfer the Council's extra care service at Ditchburn Place and, in so doing, protected the long-term future of the service.
- ◆ Provided a programme of free swimming sessions for young children at the Kings Hedges and Abbey swimming pools, via the Sure Start scheme which attracted around 2,200 swims by families to these sessions.

Planning for growth and ensuring our new communities are successful

- ◆ Continued to develop plans for Cambridge Northern Fringe East following last year's announcement of £227 million of funding from the government's Housing Infrastructure Fund for the relocation of the waste water treatment centre. The relocation will release a large area of brownfield land creating the opportunity for more than 5,600 new homes and one million square feet of commercial space.

Narrative Report

- ◆ Progressed the delivery of schemes which include the provision of community facilities, including submission of a planning application for redevelopment of The Meadows and Buchan Street community centre sites with over 100 new council rented homes and a new community hub.
- ◆ Commenced construction of new community centres at Akeman Street (including relocation to a temporary facility to prevent disruption of community activity), and Mill Road Ironworks (bringing together two community organisations in a partnership to operate this new building).
- ◆ Supported a range of neighbourhood projects to encourage development of new community activities and groups, including the provision of 14 community chest awards made to new projects in growth areas (12 in Eddington and 2 in the Southern fringe of the city).
- ◆ Submitted a planning application and agreed a funding strategy for a community extension to Cherry Hinton Library.
- ◆ Supported new communities and those already living nearby with a series of forums involving key stakeholders such as developers and planning officials.
- ◆ Completed a new communities survey of residents of new housing delivered on the Southern fringe of the city.

Protecting our environment and tackling climate change

- ◆ Ensured that all development schemes meet the Cambridge Sustainable Housing Design Guide, and that community centres being delivered as part of the schemes meet the BREAM Very Good standard.
- ◆ Completed the installation of external wall insulation to 50 council homes to improve energy efficiency and reduce fuel costs for residents.
- ◆ Enabled 11 non-council homeowners to improve the energy efficiency and repair of their homes through discretionary grant funding through the CHIA.
- ◆ Continued to investigate further options for generating green energy to reduce the carbon footprint of the leisure portfolio.
- ◆ In support of the Council's Emergency Biodiversity Motion, stopped the use of herbicides in Council parks and open spaces, and converted seasonal ornamental flower beds into insect friendly, low maintenance perennial meadows in order to boost their wildlife value and remove the need for wasteful watering and weeding.
- ◆ Secured Green Flag Awards for two of the city's favourite green spaces – Christ's Pieces and Cherry Hinton Hall. The Green Flag Award scheme, run by the environmental charity Keep Britain Tidy, recognises parks and green spaces that achieve the highest possible environmental standards, are well maintained, engage the local community and have excellent facilities for visitors.

Delivering quality services within financial constraints

- ◆ Delivered a large programme of planned maintenance work to council homes with over 6,000 individual elements of work completed, consistently achieved high levels of customer satisfaction and completed work within budgets.
- ◆ Completed 14,446 responsive repair jobs for our Council tenants with an overall customer satisfaction of 98.8%.

Narrative Report

- ◆ Reduced the time taken to complete disabled adaptations in non-council housing by 50%.
- ◆ Arranged training by the Local Government Ombudsman's office to improve complaint handling by City Council services.
- ◆ Increased the number of surgeries around the city making free exercise referrals for people whose medical conditions would benefit from exercise. Over 8 practices are regularly signposting patients to join the scheme with over 160 referrals in 9 months, of which 82% completed the 12-week course.
- ◆ Our Streets and Open Spaces grounds maintenance service was a finalist in the APSE (Association for Public Service Excellence) Most Improved Service Parks, Open Spaces and Horticultural Services national awards category. This is the second year in a row the service has reached the finals in this national awards category.
- ◆ In December 2019, the Council became Domestic Abuse Housing Alliance (DAHA) accredited.

Developing effective partnerships and an innovative and dynamic organisation

- ◆ Responded to the COVID-19 pandemic by ensuring the safe delivery of essential services to the City, and integration of the Council into the Cambridge and Peterborough Local Resilience Forum (CPLRF) delivering a multi-agency co-ordinated response (with work commencing in February 2020).
- ◆ Maintained a successful working partnership with Hill through the Cambridge Investment Partnership as a vehicle for facilitating council housing delivery, with 418 new affordable homes and a further 318 market homes having now achieved planning permission over 13 mixed tenure schemes.
- ◆ Worked with City Homes, police and residents groups to implement a programme of estate improvements, including improvements to car parks, fences, cycle stores and lighting.
- ◆ Completed an agreement for a new aparthotel and car park as part of the redevelopment of Park Street Car Park. The new hotel will be all electric with no gas and the 225 space car park will have provision for all spaces to have charging for electric vehicles. The completed scheme will be part of the Council's commercial property portfolio providing new and diverse income streams.
- ◆ Completed the roll-out of Council Anywhere devices to all staff, allowing for more flexible and remote working.
- ◆ Continued investment in career development opportunities through the expansion of the apprenticeship scheme which has 38 colleagues engaged in apprenticeships across the Council. This year the apprenticeship scheme now includes the new Building Control Degree Apprenticeship with 3 apprentices enrolled. This investment over 4 years is funded through the apprenticeship levy and will further improve our capacity to deliver expert professional services within Building Control.
- ◆ The CHIA were awarded South Cambridge District Council's 2019 Team of the Year Award in recognition of their improved performance, and the Shared Service Agreement was renewed for a further 3 years.
- ◆ Trained CHIA staff as Level 4 Trusted Assessors to improve the pathway for disabled residents and support the Occupational Therapists to move towards delivering 'adaptations without delay'.

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- ◆ Working in partnership with Cambridge BID, CAMBAC (Cambridge Business Against Crime) and Cambridgeshire Constabulary, secured Purple Flag accreditation for the standard of the Council's partnership work managing the city's evening and night-time economy. The national Purple Flag programme, run by ATCM (Association of Town and City Management), is awarded to UK towns and cities which demonstrate how they provide a vibrant and diverse mix of dining, entertainment and cultural activities, while promoting the safety and wellbeing of visitors and local residents.

Review of Financial Performance 2019/20

Revenue Spending and Income

General Fund Services

For 2019/20, the Council agreed a budget for net spending by committees of £18.1 million. The council tax for City Council services was set at £197.50 for Band D properties. The outturn figures, as reported to members, do not reflect a number of statutory accounting adjustments made at the year-end or the presentational requirements of the Code.

The table below compares the outturn figures by portfolio for the General Fund with the budget.

(£000s)	Final budget	Actual	Difference
Climate Change, Environment and City Centre	6,544	6,405	(139)
Communities	6,722	6,885	163
General Fund Housing	2,201	2,303	102
Planning Policy and Open Spaces	7,101	7,134	33
Transport and Community Safety	(3,066)	(3,240)	(174)
Finance and Resources	(4,977)	(5,968)	(991)
Strategy and External Partnerships	6,842	6,856	14
Total portfolio expenditure	21,367	20,375	(992)
Capital accounting adjustments	(6,353)	(6,630)	(277)
Capital plan expenditure funded from General Fund reserves	3,126	2,517	(609)
Total	18,140	16,262	(1,878)
Financed by:			
Settlement Funding Assessment (net non-domestic rates share plus compensatory government grants)	(5,440)	(5,995)	(555)
New Homes Bonus	(5,504)	(5,504)	0
Other grants	(32)	(32)	0
Council tax	(8,627)	(8,634)	(7)
Net contributions to / (from) earmarked reserves – before year-end accounting adjustments	2,708	2,550	(158)
Contributions to / (from) General Fund reserves	(1,245)	1,353	2,598
Total	(18,140)	(16,262)	1,878

The Council's actual net portfolio revenue expenditure was £1,878,000 less than the final budget set for the year. A variety of factors contributed to this overall position, including underspends on the programme office, overachievement of income on commercial property,

Narrative Report

and reduced capital expenditure financed from revenue caused in part by delays to the capital programme.

Under statutory regulation the amount of business rates credited to the General Fund in 2019/20 is based on an estimate, with any resulting difference being recovered from the General Fund or paid to it in future years. Taking into account the levy payment due to central government for the year on growth above the assumed baseline, the charge for recovery of previous years' deficits and business rate relief compensatory grants from central government, the income credited to the General Fund was £555,000 above the budget.

As noted above the outturn presentation differs from that required by the Code for the Statement of Accounts. The table below reconciles the difference between the total spend as reported at outturn with the amount chargeable to the General Fund. A further reconciliation between this amount and the amount recognised in the Comprehensive Income and Expenditure Statement is provided within the Expenditure and Funding Analysis at note 1 to the Main Financial Statements.

(£000s)	Actual per outturn report	Depreciation and amortisation	Interest and property income reported below net cost of services in the CIES	Application of earmarked reserves for capital financing	Other adjustments	Net amount chargeable / (credited) to the General Fund
Climate Change, Environment and City Centre	6,405	(685)	39	0	(46)	5,713
Communities	6,885	(2,086)	3	0	685	5,487
General Fund Housing	2,303	(108)	40	0	791	3,026
Planning Policy and Open Spaces	7,134	(653)	227	0	(244)	6,464
Transport and Community Safety	(3,240)	(1,830)	41	0	55	(4,974)
Finance and Resources	(5,968)	(1,353)	9,185	0	(164)	1,700
Strategy and External Partnerships	6,856	(9)	531	0	(634)	6,744
Other operating income and expenditure	0	0	(10,066)	0	536	(9,530)
Total portfolio expenditure	20,375	(6,724)	0	0	979	14,630
Capital accounting adjustments	(6,630)	6,724	0	0	(117)	(23)
Capital plan expenditure funded from General Fund reserves	2,517	0	0	8,902	212	11,631
Other statutory adjustments	0	0	0	0	95	95
Total	16,262	0	0	8,902	1,169	26,333
Financed by:						
Settlement Funding Assessment (net non-domestic rates share plus compensatory government grants)	(5,995)	0	0	0	73	(5,922)
New Homes Bonus	(5,504)	0	0	0	0	(5,504)
Other grants	(32)	0	0	0	(630)	(662)
Council tax	(8,634)	0	0	0	0	(8,634)
Net contributions to/(from) earmarked reserves	2,550	0	0	(8,902)	(910)	(7,262)
Contributions to/(from) General Fund reserves	1,353	0	0	0	298	1,651
Total	(16,262)	0	0	(8,902)	(1,169)	(26,333)

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Overall, a net contribution to General Fund reserves of £1,651,000 has been reflected in the financial statements against a budgeted use of reserves of £1,245,000. At 31 March 2020 the reserve stood at £17,428,000.

Housing Revenue Account

The table below compares the final outturn figures (before statutory accounting adjustments) for the HRA as reported to Housing Scrutiny Committee in June 2020, with the final budget for 2019/20.

(£000s)	Final budget	Actual	Difference
Dwellings rents and other income	(41,687)	(42,124)	(437)
Expenditure	30,023	28,862	(1,161)
Net cost of HRA services	(11,664)	(13,262)	(1,598)
Interest receivable on HRA balances	(544)	(873)	(329)
Loan interest	7,507	7,494	(13)
Direct revenue financing of capital	2,568	1,672	(896)
Contributions to HRA earmarked reserves from general HRA reserves – before statutory adjustments	1,854	1,576	(278)
(Surplus) / deficit for the year	(279)	(3,393)	(3,114)

Income was slightly over-achieved overall. Both rental and service charge income were above budget due to a combination of fewer right to buy sales than anticipated, and delays in vacating homes earmarked for redevelopment and their short term use as temporary housing.

Expenditure was below budget for a number of reasons including reduced depreciation charges following downwards revaluation of assets in 2018/19, underspends on contributions towards the cost of corporate change and housing transformation, lower than anticipated contributions towards the bad debt provision, and lower than anticipated spend on repairs and maintenance due in part to reduced reliance on sub-contractors.

Overall, the final outturn position in the Statement of Accounts (following statutory and other adjustments) was a contribution to HRA reserves of £3,463,000 against a budgeted contribution to reserves of £279,000. HRA reserves stood at £15,083,000 at 31 March 2020.

Earmarked Reserves

There was an overall decrease in General Fund earmarked reserves of £7,262,000 in 2019/20. The most significant movements were an £8,000,000 contribution from the Invest for Income reserve to finance capital expenditure on commercial property, and a contribution of £691,000 (net of in-year expenditure) to the vehicle repairs and renewals reserve.

There was an overall increase in HRA earmarked reserves of £1,576,000. This included a contribution of £1,561,000 to a fund for possible future redevelopment or debt redemption.

Narrative Report

Capital Spending and Receipts

In 2019/20 the Council spent £42,342,000 on property, plant and equipment. Of this, £10,401,000 was on council dwellings (including both new build completions and major repairs and improvements to existing dwellings), £751,000 on other land and buildings, £1,231,000 on vehicles, plant and equipment, £1,223,000 on infrastructure, £6,000 on community assets and £28,730,000 on assets under construction. Of the assets under construction spend, £25,058,000 was on new housing developments. £5,310,000 of new council dwellings were completed in year and therefore transferred from assets under construction at the end of the year. These included 32 new dwellings at Anstey Way, and a further 10 new dwellings on former garage sites.

In addition to the above, the Council also spent £5,413,000 on its investment property portfolio, consisting of £5,277,000 on the acquisition of freehold property and £136,000 in enhancements to its existing properties.

Capital receipts continued to be generated through the sale of land, council houses, shared ownership dwellings and other property. Disposal proceeds for the year were £6,413,000 (including £11,000 to be received in future years), of which £6,339,000 was in relation to the disposal of housing properties. £1,134,000 of housing receipts were paid to central government.

The Council's future commitments under capital contracts are detailed further at note 18 to the accounts.

Assets

Just as in the private sector, changes in the values of Council-owned property are reflected in the accounts each year. As a result of asset revaluations and the capital expenditure discussed above (and net of asset disposals), the value of property, plant and equipment increased by £26,361,000 to £808,324,000 and the value of investment property decreased by £8,060,000 to £162,722,000 as at 31 March 2020. Although these movements appear significant, it should be noted that revaluation gains and losses are not realised until asset disposals take place.

Liabilities

The Council did not need to undertake any new external borrowing during the year. The external debt of £213.6 million shown in the Balance Sheet at the end of the financial year relates to borrowing undertaken in 2011/12 to meet a one-off debt settlement payment to central government in relation to new self-financing arrangements for the Housing Revenue Account.

The Council's share of the assets and liabilities of the Cambridgeshire Pension Fund show an estimated net liability of £102.8 million as at 31 March 2020. This liability has no impact on the level of the Council's usable reserves.

The net pension liability has decreased this year by £35.2 million. This net figure reflects a number of factors used by the actuary to estimate the Council's scheme liabilities. Further information on this change and relating to the assets, liabilities, income and expenditure of the Council's pension scheme is presented at note 34.

Cash Flows

The balance of cash and cash equivalents at 31 March 2020 was £11,590,000. This excludes the Council's investments in fixed term deposits and other long term investments which are detailed at note 22. Further information on cash flows for the year can be found in the Cash Flow Statement and accompanying notes (notes 35-38).

Council Staff

The number of staff employed by the Council increased during the year from 683 full-time equivalents at 31 March 2019 to 700 at 31 March 2020.

Trade Union Facility Time

Details of trade union facility time can be found at www.cambridge.gov.uk/open-data.

Group Performance

The Statement of Accounts includes the Group Financial Statements which includes the performance of the Council's wholly owned subsidiaries, Cambridge City Housing Company and the Cambridge Live Group and that of the Cambridge Investment Partnership, a joint venture.

Impact of COVID-19

The COVID-19 pandemic has had a significant impact on the Council, although the vast majority of the financial impact will be in 2020/21 and possibly beyond. Following a detailed assessment, the Council does not consider that the situation introduces material uncertainty in respect of its ability to continue as a going concern for the foreseeable future. Further information is set out in the Statement of Accounting Policies, 1 General Principles on page 77.

Looking Ahead to 2020/21

Following on from the implementation of a number of shared service arrangements, with both South Cambridgeshire and Huntingdonshire District Councils, no further shared services are being developed at this time. The Council is working to ensure that these new delivery arrangements are working efficiently and effectively and are subject to appropriate governance arrangements.

The Council continues to explore sites for redevelopment and the provision of new affordable homes with Cambridge Investment Partnership LLP. It is also considering opportunities afforded by the removal of the HRA borrowing cap, which would allow it to fund new affordable homes from borrowing.

The Council is well placed to deal with the challenges of reduced central government funding, including the withdrawal of the Revenue Support Grant and changes to New Homes Bonus, but there will continue to be financial pressures. There remains uncertainty around the outcomes of the Fair Funding Review. The Council will continue to work to understand the implications and the risks that these changes to local government funding will bring in the future.

Further Information

Further information about the accounts is available from:

Head of Finance
Cambridge City Council
PO Box 700
Cambridge, CB1 0JH

Statement of Responsibilities

The Council's Responsibilities

The Council 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 Council, that officer is the Head of Finance;
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- ◆ approve the Statement of Accounts.

The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the Council'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 Finance has:

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

The Head of Finance has also:

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

Opinion

I certify that the Statement of Accounts present a true and fair view of the financial position of Cambridge City Council at 31 March 2020 and of its income and expenditure for the year then ended.

Caroline Ryba, Head of Finance

XX November 2020

I confirm that these accounts were approved by the Civic Affairs Committee at its meeting held on 25 November 2020.

Cllr Mike Sargeant, Chair of Civic Affairs Committee

XX November 2020

Annual Governance Statement

Introduction and Purpose

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

Definition of Corporate Governance

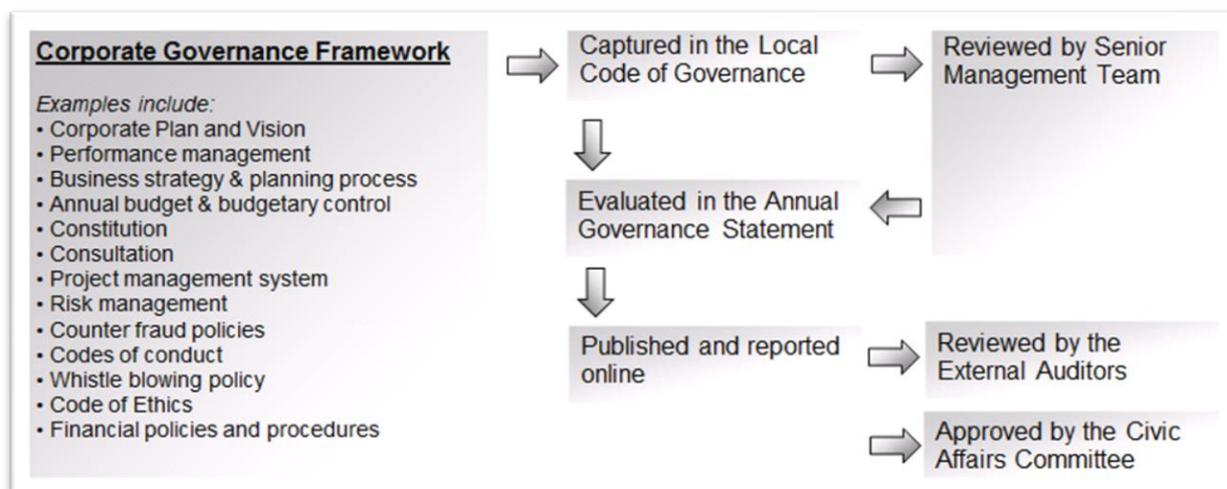
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

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

The Governance Framework

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

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



The Council has set out aims and objectives which are published on [our website](#)¹. The Council has a clear vision to *"lead a united city, in which a dynamic economy and prosperity are combined with social justice and equality"*. The vision has three main aims, captured in the annual statement:

- ◆ to make Cambridge fair for all,
- ◆ to make it a great place to live, learn and work; and
- ◆ caring for the planet.

¹ <https://www.cambridge.gov.uk/vision-statement>

Annual Governance Statement

The Council produces a [Corporate Plan](#)², which includes five strategic-level objectives for 2019/20:

- ◆ Helping people in Cambridge who have the greatest need
- ◆ Planning for growth and ensuring our new communities are successful
- ◆ Protecting our environment and tackling climate change
- ◆ Delivering quality services within financial constraints
- ◆ Developing effective partnerships and an innovative and dynamic organisation

The Council prepares an Annual Report illustrating progress against the plan each year, and this is published on the [website](#)³.

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

Local Code of Governance

We are responsible for ensuring that there is a sound system of governance which incorporates the system of internal control.

This Governance Framework is recorded in the Council's [Local Code of Governance](#)⁴, which is underpinned by the 7 principles of good governance as set out in the CIPFA / SOLACE publication 'Delivering Good Governance in Local Government Framework 2016'. The principles are:

- A. behaving with integrity and in accordance with our core values
- B. being open and ensuring effective engagement takes place
- C. working together to achieve our intended outcomes
- D. setting goals for economic, social and environmental benefits and reaching them
- E. growing our capacity – including our leadership and the people who work with us
- F. managing risks and performance through robust internal control and strong financial management
- G. implementing good practice in transparency, reporting and audit – delivering effective accountability

Roles and Responsibilities

All of the Council is responsible for developing and complying with its Local Code of Governance. There are a variety of governance structures, and some of the key roles include:

² <https://www.cambridge.gov.uk/corporate-plan>

³ <https://www.cambridge.gov.uk/corporate-plan>

⁴ <https://www.cambridge.gov.uk/code-of-corporate-governance>

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Governance structures	Roles and responsibilities
Council	Council agrees the budget and policy framework, such as the Corporate Plan and Medium Term Financial Strategy. Further details are published on our website ⁵ .
The Executive	<p>The Executive comprises the Leader of the Council and six Executive Councillors. The Executive Councillors make decisions relating to the major service areas.</p> <p>These Councillors can make decisions individually, usually at a meeting of a scrutiny committee relevant to their executive area. They also meet collectively to determine the Council's budget and Medium Term Financial Strategy. Further details are published on our website⁶.</p>
Scrutiny and overview committees	<p>To balance the Executive's powers, scrutiny committees are responsible for advising and reviewing decisions. They hold the Executive to account to make sure the best decisions are taken for the Council and local residents. Further details are published on our website:</p> <ul style="list-style-type: none"> ◆ Environment and Community Scrutiny Committee⁷ ◆ Housing Scrutiny Committee⁸ ◆ Planning and Transport Scrutiny Committee⁹ ◆ Strategy and Resources Scrutiny Committee¹⁰
Strategic Leadership Team	The management structure includes a Strategic Leadership Team of a Chief Executive, Strategic Directors, the Head of Corporate Strategy, the Head of Finance, and the Head of Transformation. It is supported by a senior management. Both teams consider policy formulation and future planning. Further details are published on our website ¹¹ .
Civic Affairs Committee	<p>The Civic Affairs Committee plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done. It provides an assurance role to the Council and is responsible for corporate governance issues including:</p> <ul style="list-style-type: none"> ◆ electoral issues; ◆ audit and regulatory financial matters; ◆ civic and democratic process management issues; and ◆ miscellaneous regulatory responsibilities. <p>It works closely with both Internal Audit and senior management to continually improve the governance, risk and control environment. Meetings details and minutes are published on the website¹².</p>

⁵ <https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=116>

⁶ <https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=175>

⁷ <https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=476>

⁸ <https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=414>

⁹ <https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=475>

¹⁰ <https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=159>

¹¹ <https://www.cambridge.gov.uk/senior-council-officers>

¹² <https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=179>

Annual Governance Statement

Purpose of the Annual Governance Statement

The Council conducts a review of its system of internal control, prepares and publishes an Annual Governance Statement in each financial year.

This enables us to demonstrate whether, and to what extent, the Council complied with its Local Code of Governance.

The Local Code of Governance is updated regularly. This process records our good practice, and also helps us to plan further action which can improve our governance arrangements.

Statutory Compliance

Producing the Annual Governance Statement helps the Council meet the requirements of Regulation 6(1)b of the Accounts and Audit (England) Regulations 2015. It is reviewed by the Civic Affairs Committee and approved in advance of the Statement of Accounts.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's ongoing austerity programme.

The Council's financial management arrangements are consistent with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Other Review and Assurance Mechanisms

Management activities contribute to the continuous review of the Local Code of Governance, and also inform the Annual Governance Statement. In addition, assurance can be provided from other sources, as detailed below.

Head of Internal Audit Opinion

The Head of Internal Audit provides an independent opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and the extent to which the Council can rely on it. This has been considered in the development of the Annual Governance Statement.

The [Annual Report](#)¹³ was presented to the Civic Affairs Committee in July 2020. This report outlined the key findings of the internal audit work undertaken during 2019/20, including any areas of significant weakness in the internal control environment.

From the audit reviews undertaken, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by internal audit and reported to Civic Affairs Committee.

¹³ <https://democracy.cambridge.gov.uk/ieListDocuments.aspx?CId=179&MId=3923&Ver=4>

Annual Governance Statement

It is the opinion of the Head of Internal Audit that, taking into account all available evidence, reasonable assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2019/20, and this remains at a similar level to the previous year.

External Audit

EY are the appointed external auditor, and their [results report](#)¹⁴ (ISA260) was presented to the Civic Affairs Committee in June 2020.

For 2018/19 EY issued "unqualified" audit opinions on the financial statements, value for money conclusion and whole of government accounts which provided assurance to the Council.

Public Services Network

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

DAHA Accreditation

The Council was awarded Domestic Abuse Housing Alliance (DAHA) accreditation, which is the national benchmark for how housing providers should respond to domestic abuse.

Impact of Coronavirus

The COVID-19 pandemic has the potential to significantly affect our governance, risk and control environment. Immediate impacts could include the Council's decision-making processes, risk management, and the overall capacity and capability of the Council. In the longer term it is also appropriate to consider the impact on our outcomes, financial and organisational resilience, stakeholder engagement and accountability.

The AGS considers the effectiveness of our Code of Governance, both during the financial year plus significant issues up to the time it is approved, and it is appropriate to recognise the longer-term impact of COVID-19.

In response we have implemented mitigating measures through our business continuity framework, with continuous risk management. This has helped us to maintain our governance arrangements during the pandemic.

Specific references due to the impact of COVID-19 are also included below where it helps to communicate the impact, risks and mitigating controls.

¹⁴ <https://democracy.cambridge.gov.uk/ieListDocuments.aspx?CId=179&MIId=3919&Ver=4>

Annual Governance Statement

Progress From the Last Annual Governance Statement

The Council prepared an [Annual Governance Statement for 2018/19](#)¹⁵ which was approved by the Civic Affairs Committee. An update on the previous action plan is included below:

Action	Update and status
There are a number of potential risks associated with Brexit, and the Council has been proactively managing these.	<p>Internal audit independently reviewed the management of risks related to Brexit and this helped to provide assurance that the Council was taking all reasonable steps.</p> <p>Potential considerations include legislative risk, where functions are defined by EU standards and regulations, and supply chain risk which may impact the availability of resources.</p> <p>The Council has also been working with the Cambridgeshire Resilience Forum, to help manage the impact to communities across Cambridgeshire. The Council will continue to identify and manage the relevant risks over the next 12 months.</p>
The Council is committed to delivering effective business transformation, through robust accountability, risk management, performance and scrutiny, for significant projects.	<p>The Council has been delivering business transformation with the assistance of the new Enterprise Portfolio Management System. This is a computer application which is designed to improve the management and monitoring of project delivery through smarter working.</p> <p>The Council has also established a Quality Assurance Group, comprising officers from across the Council, with the aim of providing quality assurance in the delivery of projects and programmes from inception to delivery.</p>
The Council decided to bring the charity 'Cambridge Live' back in-house in December 2018. The decision was made in the best interests of the beneficiaries of these services and to ensure a successful and financially sustainable future for all cultural activity covered by the contract.	<p>Bringing services back in-house has potential risks and opportunities, and the Council has been actively managing these. Detailed financial modelling work was undertaken, to ensure a smooth transfer for services, staff and customers. The immediate priority was to stabilise the organisation and manage the transition well. Considerable effort has been made to improve services and internal processes, however COVID-19 has had a significant impact on this process and this will continue to be reviewed in light of the current situation.</p>

¹⁵ <https://www.cambridge.gov.uk/statement-of-accounts>

Annual Governance Statement

Action	Update and status
<p>The Council has a positive track record of responding to and managing unplanned events.</p> <p>It is important that the Council continues to be prepared for unknown events and has robust Business Continuity arrangements. Our capability should continuously be reviewed as we increasingly leverage use of technology for smarter working.</p>	<p>As good practice we reviewed the effectiveness of the Business Continuity arrangements, through lessons learnt, and communicated any opportunities for improvement throughout the organisation.</p> <p>A number of unplanned Information Technology disruptions occurred during the previous year. These specific issues were resolved and have not reoccurred.</p> <p>Business Continuity arrangements have been tested further through major unplanned disruptions (protesting and the COVID-19 pandemic). We had already deployed Council Anywhere technology which supports agile and remote working. Our reliance on the use of technology has been thoroughly tested through both these events, and the Council has responded well and continued to provide services, and adapted by holding Committee meetings online.</p>
<p>There are potential risks which could adversely impact our finance and resources, caused by unplanned events from external sources and changes in legislation. Examples include business rates retention, delayed confirmation of the Fair Funding Review and the uncertainty of Brexit.</p>	<p>The Council manages its financial risks, undertakes financial modelling, and reports long term budgets through the Medium Term Financial Strategy. This considers known external factors, including the overall economic climate, and external funding levels which can reasonably be expected; as well as the existing commitments of the Council.</p> <p>There is potential for additional financial pressures, which could be challenging to manage over the longer term, should uncertain risks materialise and if funding is less than budgeted. Consequently, this could impact our capacity to maintain service delivery. The Fair Funding review has been delayed by central government.</p> <p>The Council will continue to prepare for these risks, and respond to any further pressures, by updating our financial modelling, consulting with stakeholders, and developing new policies and procedures.</p>

Review of Effectiveness

The Council has a number of policies and procedures which are recorded in its [Local Code of Governance](#)¹⁶. These are mapped to the seven principles of good governance.

The effectiveness of the key elements of the governance framework is reviewed throughout the year. This activity is informed by the work of senior officers who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and from comments received from external auditors and other review agencies and inspectorates.

The Council is involved in partnership working and has group relationships with other entities. Cambridge City Housing Company Ltd, Cambridge Investment Partnership LLP,

¹⁶ <https://www.cambridge.gov.uk/code-of-corporate-governance>

Annual Governance Statement

and the Cambridge Live Group are incorporated into Group Financial Statements in our Statement of Accounts. Activities of the Group are also reflected in our review of effectiveness where these have a significant impact on our governance arrangements.

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

Principle	Review of effectiveness
<p>A Behave: integrity, ethical values, respect rule of law</p>	<ul style="list-style-type: none"> ◆ The Local Code of Governance¹⁷ was reviewed and updated to reflect the latest professional standards and guidance. ◆ The Housing Scrutiny Committee approved the Tenancy Strategy, which is a statutory requirement for local authorities, in their strategic housing role. This updated the original strategy published in 2012, reflecting more recent changes to government policy, more recent data, and the Greater Cambridge Housing Strategy 2019-2023. ◆ The Member / Officer protocols and guidance were revised to reflect the latest political appointments and portfolios following the Annual Meeting of the Council.
<p>B Openness and stakeholder engagement</p>	<ul style="list-style-type: none"> ◆ The Planning and Transport Scrutiny Committee reviewed and adopted the Statement of Community Involvement for Greater Cambridge, prepared jointly with South Cambridgeshire District Council, following consultation. Regulations state that local planning authorities must review this every five years to ensure it is up to date and reflects current legislation and best practice. This sets out how the Greater Cambridge Shared Planning Service will consult on planning policy documents and planning applications, ensuring that the two councils are consistent in their approach to engagement with local communities. ◆ The Council undertook various consultations and engagements with stakeholders, including: <ul style="list-style-type: none"> ○ Issues and Options Report for the Greater Cambridge Local Plan; ○ Sustainable Design and Construction Supplementary Planning Document; ○ Minerals and Waste Local Plan; and ○ Making Space for People: Vision, Principles & Strategies document.

¹⁷ <https://www.cambridge.gov.uk/local-code-of-corporate-governance>

Annual Governance Statement

Principle	Review of effectiveness
<p>C Defining outcomes – economic, social, environmental</p>	<ul style="list-style-type: none"> ◆ The Council has started delivering a new Corporate Plan 2019-2022¹⁸, which defines our outcomes and sets out strategic level objectives. Performance, achievements, and further actions linked to the Corporate Plan are included in the Corporate Plan Annual Report. The 2019/20 annual report will be presented later in the year. ◆ The Equalities Panel received a presentation on how the City Council has been working on Domestic Abuse Housing Alliance accreditation since May 2018 and holds a monthly steering group. The Council was first assessed for accreditation in May 2019 and reassessed in September 2019. ◆ The Council declared its recognition of the global biodiversity emergency and the local impact this could have on communities and businesses. It pledged to work towards future measurable biodiversity net gain for Cambridge, and to develop plans for further action, in the second year of Motion and beyond, to secure further biodiversity net gain. ◆ The Environmental and Community Scrutiny Committee endorsed the Electric Vehicle and Electric Vehicle Charging Strategy noting opportunities for the Council including car parks, government, public and commercial funding opportunities, and partnership opportunities with other councils. ◆ The Council received updates on significant developments, such as the current status of the programme to build new council homes funded through the Combined Authority.

¹⁸ <https://www.cambridge.gov.uk/corporate-plan>

Annual Governance Statement

Principle	Review of effectiveness
<p>D Determine interventions to achieve outcomes</p>	<ul style="list-style-type: none"> ◆ The Civic Affairs Committee reviewed the annual report of complaints, comments and compliments¹⁹, and approved revisions to the Complaints Procedure to improve the efficiency and effectiveness of the overall process. Committee terms of reference were updated so that the Annual Complaints Report can be brought to the same committee for scrutiny (Strategy & Resources Scrutiny Committee) as the Council’s Annual Performance Report and financial reports, giving a fully rounded view of the Council’s performance in each year to Councillors and the public. ◆ The Equalities Panel considered how the Council had delivered the Single Equality Scheme, which sets out how the organisation would challenge discrimination and promote equal opportunities in all aspects of its work over a 3-year period. This included highlights from the past year, including leading the development of a Cambridgeshire-wide policy on how funding for Disabled Facilities Grants is awarded, meeting our pledge to help resettle 100 refugees, and developing a new Sickness Absence Management Policy for Council staff. ◆ The Housing Scrutiny Committee endorsed a budget to aid the delivery of the “PODS” programme gifted from the Hills Partnership, which will provide homes for single homeless people. ◆ A Local Area Action Plan was prepared jointly by Cambridge City Council and South Cambridgeshire District Council that presents the Councils’ preferred approach for managing development, regeneration and investment in North East Cambridge (NEC) over the next 15 years and beyond. ◆ In response to the COVID-19 pandemic the Council took swift action to help support the public. We regularly provided updates on our website. We introduced city centre measures such as marshals, and signage, to help people visit, shop, or work safely and conveniently. We also provided support to businesses by providing information and financial assistance through the distribution of business support grants.

¹⁹ <https://democracy.cambridge.gov.uk/ieListDocuments.aspx?CId=179&MIId=3623&Ver=4>

Annual Governance Statement

Principle	Review of effectiveness
<p>E Develop capacity and capability of entity</p>	<ul style="list-style-type: none"> ◆ Due to COVID-19, starting at the end of 2019/20 financial year, there have been challenges to the capacity of the Council, which have been managed through our Business Continuity arrangements. Examples include elections being postponed, democratic meetings being delayed, and employees not being able to attend the workplace. The Council was already refreshing its ICT portfolio and this has enabled the Council to adapt and respond to the pandemic through digital enabling technology. The Council has also responded to recent enabling legislation²⁰ and is now running meetings online. ◆ The Chief Executive announced that they planned to leave the Council in June 2020. Due to the impact of COVID-19, and the impact on the recruitment process, the Chief Executive agreed to extend that date to September 2020 and provide continuity and support to the Council during this period. The Council has now appointed an Interim Chief Executive to provide continuity whilst the recruitment process is concluded. ◆ The Planning and Transport Scrutiny Committee noted information regarding the inception of the Local Plan, and agreed the terms of reference for the Greater Cambridge Local Plan joint member advisory group; a non-statutory joint member group intended to ensure a shared policy position that will allow the timely development of the new Greater Cambridge Local Plan, coordinated with transport policy. ◆ The Council received updates on the work of the Cambridgeshire and Peterborough Business Board (formerly the Greater Cambridge Greater Peterborough Local Enterprise Partnership), Greater Cambridge Partnership and other growth-related partnerships. This is provided as a part of the Council's commitment, given in its "Principles of Partnership Working", to set out annual reports summarising the work of the key partnerships it is involved with. ◆ The Civic Affairs Committee resolved to approve changes to polling districts in Cambridge.
<p>F Manage risk and performance, internal control, finance</p>	<ul style="list-style-type: none"> ◆ The Council presented a Corporate Plan Annual Report which communicated what was achieved under the corporate priorities. ◆ Council approved financial reports including revenue and capital outturn reports for the General Fund and Housing Revenue Accounts, which had been prepared using the new Financial Management System. ◆ Scrutiny committees received business plans for the shared services, and annual performance reports. This communicated that increased collaborative working between partners is assisting in delivering the benefits set out in the original business plans. ◆ The Council maintains a risk management framework which considers both risk and opportunity. We also developed risk registers and news procedures in response to Brexit and COVID-19 to help manage the impact with timely and proportionate mitigation.

²⁰ <https://www.legislation.gov.uk/ukxi/2020/392/contents/made> (The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020)

Annual Governance Statement

Principle	Review of effectiveness
G Transparency, reporting, audit, accountability	<ul style="list-style-type: none"> ◆ The Council received an unqualified opinion on the Statement of Accounts for 2018/19, after the statutory deadline. Both the Council and the externally appointed auditors worked together to conclude these as promptly as possible, and progress updates were communicated to the Civic Affairs Committee. With continuing pressure to complete accounts nationally to the prescribed timetable, legislation has been set to assist Councils with the completion of their 2019/20 accounts and is recognised in our action plan too. ◆ The Housing Scrutiny Committee received a report regarding a complaint upheld by the Local Government and Social Care Ombudsman in respect of housing letting. This summarised the complaint, acknowledged the shortcomings in relation to working practices and set out the action taken in response, which included a cross-departmental review meeting and a policy review to improve procedures. ◆ The Civic Affairs Committee received the annual report on transparency²¹, including Data Protection, Freedom of Information and Environmental Information Regulations.

Action Plan

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

The review process has helped us to identify some opportunities to improve the governance arrangements over the next 12 months. Some of these may feature in previous statements where the work is continuous and ongoing. They consider both historic governance issues that have arisen during the 2019/20 financial year and up to the date the Statement of Accounts are approved, and also look ahead for potential issues for 2020/21 from our risk management process, corporate plans and strategies. These opportunities focus on the following themes:

²¹ <https://democracy.cambridge.gov.uk/ieListDocuments.aspx?CIId=179&MIId=3623&Ver=4>

Annual Governance Statement

Theme	Actions	Governance lead
Capacity for decision making	<p>We have reprioritised our resources to focus on the critical activities, in response to recent external events, and this has helped us to deliver resources where it was needed most. Consequently, some of our planned activities which contribute to our governance arrangements, such as decision making, service plan reviews, and Member elections were deferred to a later date. We are also working through the Local Resilience Forum with partners to manage the wider community impacts.</p> <p>It is also reasonable to anticipate that additional new legislation and duties will be rapidly established, in response to external factors such as COVID-19 and Brexit.</p> <p>The Council's forward plan of work is regularly reviewed to ensure that our planned activities are prioritised according to need, and this enables us to respond to emerging and unplanned events. We will continue engage with our stakeholders to ensure they are informed of any changes, and any planned activities will be delivered at the earliest opportunity.</p>	Senior Leadership Team
Financial reporting	<p>The 2018/19 Statement of Accounts was audited and approved after the statutory deadline, due to various factors such as resource issues and COVID-19. Challenges in the external audit of the accounts puts pressure on to the finance team, and consequently the assurance that the Committee has available to them. This continuing risk has been recognised nationally across the public sector.</p> <p>Revised legislation has been issued in response, temporarily extending the deadline for councils, and there is now a staggered program of external audits. This will help to manage the process for approval of the 2019/20 Statement of Accounts to the revised timetable.</p>	Strategic Director (Resources) Section 151 Officer and Head of Finance Head of Internal Audit
Workplace capacity	<p>Two events from the past year highlighted an opportunity to review the management of our workspaces, where there are risks which could potentially impact our governance arrangements.</p> <p>Both COVID-19 and protests temporarily restricted our access to the workplace, resulting in delays of public meetings and achievement of outcomes. Temporary enabling legislation has subsequently been issued which enables us to hold committee meetings online.</p> <p>The Council has already taken positive steps to address these risks, and further ongoing review of our workspace arrangements, including physical security, maintaining good health and safety, and leveraging our use of digital and agile working will help us to mitigate these risks.</p>	Senior Leadership Team

Annual Governance Statement

Theme	Actions	Governance lead
Resources	<p>There is potential for unplanned events, and changes in legislation, to adversely affect our finance and resources over the longer term. The Council maintains a Medium Term Financial Strategy to help evaluate and manage these risks.</p> <p>Unplanned events such as COVID-19 have the potential to drive significant budgetary constraints, with reduced income from commercial activities, fees and charges, plus potential increases to our expenditure and costs. This is in addition to existing uncertainty from known risks such as business rates retention, delayed confirmation of the Fair Funding Review and the uncertainty of Brexit.</p> <p>The COVID-19 pandemic has caused delays to elections, and this could potentially lead to the Council running four large elections in the future (City Council, County Council, Police and Crime Commissioner, and mayoral). This short term increase in demand could potentially be a resourcing risk which the Council will need to plan for.</p> <p>The Council will continue to prepare for these risks, and respond to any further pressures, by updating our financial modelling, consulting with stakeholders, and developing new policies and procedures. The Council maintains a Corporate Plan and ongoing revisions will recognise these pressures to help manage our financial resilience and stability.</p>	<p>Chief Executive and Returning Officer</p> <p>Senior Leadership Team</p>
Internal controls	<p>The Council has had to quickly adapt to the impact of COVID-19, and teams have implemented new procedures to ensure they can continue to work effectively in different workspace and environments.</p> <p>The Council had already implemented a number of initiatives to support agile working, which has helped with our adaptation.</p> <p>There may still be unidentified risks where internal controls cannot operate as effectively, and there may also be further opportunities for improved ways of working which can be shared amongst the Council.</p> <p>This has been recognised by the Civic Affairs Committee and management, and the Internal Audit Plan will consider changes to the control environment as part of its ongoing assurance work.</p>	<p>Internal audit</p>

Annual Governance Statement

Theme	Actions	Governance lead
Fraud and error risk	<p>The Council is helping central government to deliver both business and personal support grant schemes in response to the COVID-19 pandemic. New and emerging grant support schemes are potentially a desirable target for fraudsters, diverting resources and support away from those in need.</p> <p>We will work with the Department for Business, Energy and Industrial Strategy to provide assurance that the grant schemes are being delivered effectively and will help provide intelligence of potential organised crime to the relevant professional bodies. We will complete fraud risk assessments, and develop appropriate controls, to manage any increased risk of fraud and error and help ensure support is provided to those in need.</p>	Internal audit

Conclusion and Opinion

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

We are satisfied that the planned actions will improve our governance arrangements, identified from our review of effectiveness. We will monitor their implementation and operation throughout the year and report their progress as part of our next annual review.

Independent Auditor's Report to the Members of Cambridge City Council – DRAFT SUBJECT TO CHANGE

Opinion

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

- ◆ Authority and Group Movement in Reserves Statement,
- ◆ Authority and Group Comprehensive Income and Expenditure Statement,
- ◆ Authority and Group Balance Sheet,
- ◆ Authority and Group Cash Flow Statement
- ◆ Notes 1 to 41 to the main financial statements; and notes 1 to 8 of the Group Financial Statements
- ◆ Housing Revenue Account; Statement of Movement on the Housing Revenue Account and notes 1 to 10 to the Housing Revenue Account;
- ◆ Collection Fund Statement and notes 1 to 7 to the Collection Fund Statement
- ◆ Statement of Accounting Policies

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

In our opinion the financial statements:

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

Basis for opinion

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

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

Independent Auditor's Report

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

We draw attention to note 3 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty of the statement of accounts, which describes the valuation uncertainty the Authority is facing as a result of the Covid-19 pandemic in relation to specific property valuations.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

Independent Auditor's Report

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Head of Finance

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent Auditor's Report

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

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

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

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

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

Certificate

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

Use of our report

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

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

XX November 2020

FINANCIAL STATEMENTS

Main Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The '(surplus) or deficit on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The 'net (increase)/decrease before transfers to earmarked reserves' line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves.

Financial year 2019/20

(£000s)	General Fund balance	Earmarked General Fund reserves	Housing Revenue Account balance	Earmarked HRA reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total usable reserves	Unusable reserves	Total Council reserves
Balance at 1 April 2019	(15,777)	(25,048)	(11,620)	(15,681)	(55,048)	(11,224)	(10,490)	(144,888)	(587,803)	(732,691)
Movement in reserves during 2019/20										
(Surplus) / deficit on the provision of services	18,104	0	(30,460)	0	0	0	0	(12,356)	0	(12,356)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(52,914)	(52,914)
Total comprehensive income and expenditure	18,104	0	(30,460)	0	0	0	0	(12,356)	(52,914)	(65,270)
Adjustments between accounting basis and funding basis under regulations (note 5)	(12,493)	0	25,421	0	8,391	1,423	(12,872)	9,870	(9,870)	0
Net (increase) / decrease before transfers to earmarked reserves	5,611	0	(5,039)	0	8,391	1,423	(12,872)	(2,486)	(62,784)	(65,270)
Transfers to / from earmarked reserves (note 6)	(7,262)	7,262	1,576	(1,576)	0	0	0	0	0	0
(Increase) / decrease in year	(1,651)	7,262	(3,463)	(1,576)	8,391	1,423	(12,872)	(2,486)	(62,784)	(65,270)
Balance at 31 March 2020	(17,428)	(17,786)	(15,083)	(17,257)	(46,657)	(9,801)	(23,362)	(147,374)	(650,587)	(797,961)

Main Financial Statements

Financial year 2018/19

(£000s)	General Fund balance	Earmarked General Fund reserves	Housing Revenue Account balance	Earmarked HRA reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total usable reserves	Unusable reserves	Total Council reserves
Balance at 1 April 2018	(13,381)	(24,828)	(9,020)	(11,125)	(40,487)	(8,154)	(5,415)	(112,410)	(638,203)	(750,613)
Movement in reserves during 2018/19										
(Surplus) / deficit on the provision of services	7,542	0	(12,091)	0	0	0	0	(4,549)	0	(4,549)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	22,471	22,471
Total comprehensive income and expenditure	7,542	0	(12,091)	0	0	0	0	(4,549)	22,471	17,922
Adjustments between accounting basis and funding basis under regulations (note 5)	(10,158)	0	4,935	0	(14,561)	(3,070)	(5,075)	(27,929)	27,929	0
Net (increase) / decrease before transfers to earmarked reserves	(2,616)	0	(7,156)	0	(14,561)	(3,070)	(5,075)	(32,478)	50,400	17,922
Transfers to / from earmarked reserves (note 6)	220	(220)	4,556	(4,556)	0	0	0	0	0	0
(Increase) / decrease in year	(2,396)	(220)	(2,600)	(4,556)	(14,561)	(3,070)	(5,075)	(32,478)	50,400	17,922
Balance at 31 March 2019	(15,777)	(25,048)	(11,620)	(15,681)	(55,048)	(11,224)	(10,490)	(144,888)	(587,803)	(732,691)

Main Financial Statements

Comprehensive Income and Expenditure Statement

This statement shows the accounting costs in the year of providing services in accordance with generally accepted accounting practices, rather than the amounts 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 the Movement in Reserves Statement.

(£000s)	Notes	2019/20			2018/19 (Restated)		
		Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
Climate Change, Environment and City Centre		10,795	(3,627)	7,168	12,908	(4,139)	8,769
Communities		17,440	(8,692)	8,748	11,549	(2,766)	8,783
General Fund Housing		6,271	(2,063)	4,208	6,509	(2,098)	4,411
Planning Policy and Open Spaces		11,831	(3,610)	8,221	8,306	(2,159)	6,147
Transport and Community Safety		8,492	(10,304)	(1,812)	6,580	(10,555)	(3,975)
Housing Revenue Account		35,165	(41,538)	(6,373)	40,651	(41,575)	(924)
Finance and Resources	4	37,315	(33,676)	3,639	41,423	(37,805)	3,618
Strategy and External Partnerships		5,609	(363)	5,246	6,260	32	6,292
Cost of services		132,918	(103,873)	29,045	134,186	(101,065)	33,121
Other operating expenditure	7	1,134	(2,772)	(1,638)	1,134	(2,312)	(1,178)
Financing and investment income and expenditure	4/8	14,503	(1,288)	13,215	13,873	(6,708)	7,165
Taxation and non-specific grant income	4/9	0	(52,978)	(52,978)	0	(43,657)	(43,657)
(Surplus) / deficit on the provision of services	1	148,555	(160,911)	(12,356)	149,193	(153,742)	(4,549)
<i>Items that will not be reclassified to the (surplus) / deficit on the provision of services</i>							
(Surplus) / deficit on revaluation of non-current assets and impairment losses charged to revaluation reserve	31			(10,849)			3,160
Remeasurements of the net defined benefit liability	4/34			(42,065)			19,311
Other comprehensive (income) / expenditure				(52,914)			22,471
Total comprehensive (income) / expenditure				(65,270)			17,922

Prior year cost of services figures have been reclassified to reflect changes in the Council's internal reporting structure – there is no change to the total net cost of services figure reported previously.

Main Financial Statements

Balance Sheet

The Balance Sheet shows the value at the stated date of the Council's assets and liabilities. The net assets are matched by reserves. Reserves are reported in two categories. The first category is usable 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 (e.g. the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes those reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

(£000s)	Notes	31 March 2020	31 March 2019
Property, plant and equipment	14	808,324	781,963
Heritage assets		669	669
Investment property	19	162,722	170,782
Intangible assets		555	336
Long term investments	22	74,499	57,062
Long term debtors	23	3,709	3,745
Long term assets		1,050,478	1,014,557
Short term investments	22	70,990	79,317
Inventories		187	133
Short term debtors	24	27,115	20,574
Cash and cash equivalents	25	11,590	7,661
Current assets		109,882	107,685
Short term borrowing	32	(82)	(82)
Short term creditors	26	(33,079)	(29,137)
Receipts in advance	27	(8,335)	(4,185)
Provisions	28	(4,419)	(4,445)
Current liabilities		(45,915)	(37,849)
Long term borrowing	32	(213,572)	(213,572)
Other long term liabilities	34	(102,825)	(138,035)
Receipts in advance		(87)	(95)
Long term liabilities		(316,484)	(351,702)
Net assets		797,961	732,691
Usable reserves	30	(147,374)	(144,888)
Unusable reserves	31	(650,587)	(587,803)
Total reserves		(797,961)	(732,691)

Caroline Ryba, Head of Finance

XX November 2020

Main Financial Statements

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation, grant income and by 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 show claims that will be made on future cash flows by providers of capital (i.e. borrowing) to the Council.

(£000s)	Notes	2019/20	2018/19
Net surplus / (deficit) on the provision of services		12,356	4,549
Adjustment to the net surplus / (deficit) on the provision of service for non-cash movements	35	59,266	76,759
Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	35	(36,844)	(56,588)
Net cash flows from operating activities		34,778	24,720
Net cash flows from investing activities	36	(33,640)	(28,654)
Net cash flows from financing activities	37	2,791	3,347
Net increase / (decrease) in cash and cash equivalents		3,929	(587)
Cash and cash equivalents at the beginning of the year	25	7,661	8,248
Cash and cash equivalents at the end of the year	25	11,590	7,661

Notes to the Main Financial Statements

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Notes to the Main Financial Statements

1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, 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 directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

(£000s)	2019/20					2018/19 (Restated)				
	Net amount chargeable to the General Fund and HRA balances	Adjustments for capital purposes	Net change for pensions adjustments	Other differences	Net expenditure in the Comprehensive Income and Expenditure Statement	Net amount chargeable to the General Fund and HRA balances	Adjustments for capital purposes	Net change for pensions adjustments	Other differences	Net expenditure in the Comprehensive Income and Expenditure Statement
Climate Change, Environment and City Centre	5,713	869	586	0	7,168	7,369	880	520	0	8,769
Communities	5,487	2,136	1,125	0	8,748	5,229	2,972	582	0	8,783
General Fund Housing	3,026	635	547	0	4,208	3,159	871	381	0	4,411
Planning Policy and Open Spaces	6,464	983	774	0	8,221	4,594	798	755	0	6,147
Transport and Community Safety	(4,974)	1,935	1,227	0	(1,812)	(5,332)	1,199	158	0	(3,975)
Housing Revenue Account	(11,165)	4,575	217	0	(6,373)	(13,992)	12,576	492	0	(924)
Finance and Resources	1,700	1,339	600	0	3,639	1,954	1,207	457	0	3,618
Strategy and External Partnerships	6,744	46	(1,544)	0	5,246	5,928	1,546	(1,182)	0	6,292
Net cost of services	12,995	12,518	3,532	0	29,045	8,909	22,049	2,163	0	33,121
Other income and expenditure	(12,423)	(30,437)	3,323	(1,864)	(41,401)	(18,681)	(20,851)	2,976	(1,114)	(37,670)
(Surplus) / deficit for the year	572	(17,919)	6,855	(1,864)	(12,356)	(9,772)	1,198	5,139	(1,114)	(4,549)
Plus opening General Fund and HRA balance	(68,126)					(58,354)				
Closing General Fund and HRA balance at 31 March*	(67,554)					(68,126)				

* For a split of this balance between the General Fund and HRA balances see the Movement in Reserves Statement.

Notes to the Main Financial Statements

Prior year cost of services figures have been reclassified to reflect changes in the Council's internal reporting structure – there is no change to the total net cost of services figure reported previously.

Income and expenditure are analysed subjectively as follows:

(£000s)	2019/20	2018/19
Employee benefit expenses	40,666	36,331
Other service expenses	70,865	69,493
Depreciation, amortisation and impairment	23,377	30,096
Interest payments and investment income expenses	12,513	12,139
Payments to Housing Capital Receipts Pool	1,134	1,134
Total expenditure	148,555	149,193
Government grants, contributions and donations	(74,535)	(69,751)
Fees, charges and other service income	(70,161)	(63,293)
Income from council tax	(8,602)	(8,234)
Income from non-domestic rates	(5,659)	(5,370)
(Gain) or loss on the disposal of non-current assets	(2,772)	(2,312)
Interest and investment income	818	(4,782)
Total income	(160,911)	(153,742)
Surplus on the provision of services	(12,356)	(4,549)

Fees, charges and other service income is analysed by segment as follows:

(£000s)	2019/20	2018/19
Climate Change, Environment and City Centre	(3,535)	(3,757)
Communities	(7,814)	(2,506)
General Fund Housing	(1,027)	(1,188)
Planning Policy and Open Spaces	(3,480)	(1,828)
Transport and Community Safety	(10,192)	(10,532)
Housing Revenue Account	(41,078)	(41,046)
Finance and Resources	(894)	(506)
Strategy and External Partnerships	(35)	(4)
Financing and investment income	(2,106)	(1,926)
Fees, charges and other service income	(70,161)	(63,293)

In addition to this external income, interest and investment income above includes rental income from the Council's investment property portfolio of £10,542,000 (2018/19: £10,444,000).

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 77 to 95, 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:

- ◆ There is a degree of uncertainty about future levels of funding for local government. 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 significantly reduce levels of service provision.

3 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenditure during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The net pension liability at 31 March 2020 is estimated to be £102.8 million (31 March 2019: £138.0 million) and the estimated effects on the liability of changes in individual assumptions are disclosed at note 34.

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent upon assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Council did not sustain its current spending on repairs and maintenance the useful lives currently assigned to assets may be reduced.

If the useful life of assets is reduced, depreciation increases and the carrying value of the assets fall; it is estimated that the annual depreciation charge for assets would increase by approximately £1,106,000 for every year that useful lives had to be reduced.

Business Rates

Since the introduction of the Business Rates Retention Scheme from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses, both in the current financial year and earlier years, in proportion to their local share of business rates income. The Council's General Fund share of business rates income is 40%.

A provision has therefore been recognised for the best estimate of the amount that will be repayable in respect of years up to 31 March 2020 following successful rating valuation appeals. The Council's share of this provision is £4.2 million (31 March 2019: £4.0 million) as disclosed at note 28. The provision has been calculated using an estimate of the likely remaining average reduction in rateable values over the life of the 2017 Valuation Office Agency (VOA) ratings list, plus an estimate of the amounts which will be required to settle appeals still outstanding on the 2010 ratings list. The estimates are based upon historical experience, and the Council has employed relevant experts to assist with this process.

Notes to the Main Financial Statements

However, it remains possible that appeals may be settled at amounts which differ from these estimates.

Fair Value Measurements

When the fair value of assets and liabilities cannot be measured based on quoted prices in active markets (level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.

Where level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value.

The most significant assets that the Council has measured at fair value in the Balance Sheet where level 1 inputs are not available are investment properties. Significant changes in any of the unobservable inputs used in these valuations would result in significantly higher or lower fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities can be found at notes 15, 20 and 32.

COVID-19

On 11 March 2020, the World Health Organisation declared a global pandemic in respect of COVID-19. Subsequently, on 23 March 2020, the Prime Minister announced that to limit the spread of the disease he would be requiring people to stay at home as much as possible. Since then, there have been various levels of business and movement restrictions in place at different times.

The pandemic, and the response to it, have significantly impacted market activity across many sectors, and have presented the Council's property valuers with an unprecedented set of circumstances on which to base their valuation judgements. In particular, evidence from transactions taking place before the pandemic now has less weight to inform opinions of value.

As such, both of the Council's external property valuers have reported their valuations on the basis of material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to these valuations than would normally be the case. This includes the valuation of investment properties, council dwellings, and other land and buildings.

4 Comprehensive Income and Expenditure Statement – Material Items of Income and Expenditure

The following material items of income and expenditure are included in the relevant lines of the Comprehensive Income and Expenditure Statement.

There is a total credit for remeasurements of the Council's net defined benefit pension liability of £42.1 million (2018/19: net charge of £19.3 million) which is recognised in other comprehensive income. In addition, financing and investment expenditure includes a net interest cost on the pension liability of £3.3 million (2018/19: £3.0 million). Further details are set out at note 34.

Notes to the Main Financial Statements

The Council's share of non-domestic rates income totalling £42.3 million (2018/19: £41.2 million) and the tariff of £36.7 million (2018/19: £35.8 million) payable to central government under the rates retention scheme have been included in taxation and non-specific grant income.

Housing benefit subsidy grants received from government totalling £31.5 million (2018/19: £36.1 million), together with associated expenditure on housing benefits of £32.2 million (2018/19: £36.6 million), are included within Finance and Resources income and expenditure.

Capital grants and contributions income includes £26.9 million (2018/19: £13.6 million) of grant funding to support new homes under the Cambridge and Peterborough Devolution Deal. Of this, £9.9 million was received from the Cambridge and Peterborough Combined Authority, with the remaining £17.0 million coming directly from central government (in 2018/19 the full amount was paid by the Combined Authority).

Financing and investment expenditure includes interest payable on Public Works Loan Board (PWLB) borrowings of £7.5 million (2018/19: £7.5 million).

Non-ringfenced government grants income includes New Homes Bonus from central government of £5.5 million (2018/19: £5.6 million).

Financing and investment income includes losses on the value of central shopping centres held within investment properties of £5.1 million (2018/19: £10.9 million).

5 Movement in Reserves Statement – Adjustments Between Accounting Basis and Funding Basis Under Regulations

The total comprehensive income and expenditure recognised by the Council in the year is prepared in accordance with proper accounting practice. This note details the adjustments that are made to income and expenditure to reflect the resources that are specified by statute 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 an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules 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. The balance is not available to be applied to fund Housing Revenue Account (HRA) services.

Housing Revenue Account (HRA) Balance

The HRA balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

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 expenditure for which there are no outstanding grant conditions, 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.

Notes to the Main Financial Statements

Financial year 2019/20

(£000s)	Usable reserves					Unusable reserves
	General Fund balance	Housing Revenue Account balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(6,663)	0	0	(10,678)	0	17,341
Net revaluation (losses) / gains on property, plant and equipment	148	(6,092)	0	0	0	5,944
Movements in the market value of investment properties	(13,371)	242	0	0	0	13,129
Amortisation of intangible assets	(61)	0	0	(35)	0	96
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(1,737)	0	0	0	0	1,737
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal	(37)	(3,660)	0	0	0	3,697
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Minimum Revenue Provision	9,758	0	0	0	0	(9,758)
Private sector housing loan repayments – original loan less than £10,000	(23)	0	0	0	0	23
Capital expenditure charged against General Fund and HRA balances	2,243	1,672	0	0	0	(3,915)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,989	27,386	0	0	(30,375)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	17,503	(17,503)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	63	6,339	(6,402)	0	0	0
Transfer of capital receipts to administrative costs of disposal of non-current assets	0	(154)	154	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	14,298	0	0	(14,298)
Contribution from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(1,134)	0	1,134	0	0	0
Transfer to Capital Receipts Reserve on receipt of loan payment	0	0	(15)	0	0	15
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(778)	0	0	778

Notes to the Main Financial Statements

(£000s)	Usable reserves					Unusable reserves
	General Fund balance	Housing Revenue Account balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sales proceeds credited to the Comprehensive Income and Expenditure Statement as part of the gain / loss on disposal	11	0	0	0	0	(11)
Adjustments primarily involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	12,136	0	(12,136)
Adjustments primarily 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	(17)	0	0	0	0	17
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits (debited) or credited to the Comprehensive Income and Expenditure Statement	(12,355)	(1,878)	0	0	0	14,233
Employer's pension contributions and direct payments to pensioners payable in the year	5,717	1,661	0	0	0	(7,378)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	1,881	0	0	0	0	(1,881)
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the General Fund to the Housing Revenue Account under statutory regulation	95	(95)	0	0	0	0
Total adjustments	(12,493)	25,421	8,391	1,423	(12,872)	(9,870)

Minimum Revenue Provision includes £9,545,000 of voluntary contributions in year (2018/19: nil).

Notes to the Main Financial Statements

Financial year 2018/19

(£000s)	Usable reserves					Unusable reserves
	General Fund balance	Housing Revenue Account balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(6,187)	0	0	(10,666)	0	16,853
Net revaluation (losses) / gains on property, plant and equipment	(754)	(12,377)	0	0	0	13,131
Movements in the market value of investment properties	(7,856)	155	0	0	0	7,701
Amortisation of intangible assets	(107)	0	0	(5)	0	112
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(2,430)	0	0	0	0	2,430
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal	(28,036)	(4,620)	0	0	0	32,656
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Minimum Revenue Provision	455	0	0	0	0	(455)
Private sector housing loan repayments – original loan less than £10,000	(10)	0	0	0	0	10
Capital expenditure charged against General Fund and HRA balances	4,587	727	0	0	0	(5,314)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	7,761	13,921	0	0	(21,682)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	16,607	(16,607)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	27,032	7,874	(34,906)	0	0	0
Transfer of capital receipts to administrative costs of disposal of non-current assets	0	(199)	199	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	27,136	0	0	(27,136)
Contribution from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(1,134)	0	1,134	0	0	0
Transfer to Capital Receipts Reserve on receipt of loan payment	0	0	(15)	0	0	15
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(8,109)	0	0	8,109

Notes to the Main Financial Statements

(£000s)	Usable reserves					Unusable reserves
	General Fund balance	Housing Revenue Account balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	7,601	0	(7,601)
Adjustments primarily 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	12	0	0	0	0	(12)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits (debited) or credited to the Comprehensive Income and Expenditure Statement	(10,268)	(2,061)	0	0	0	12,329
Employer's pension contributions and direct payments to pensioners payable in the year	5,621	1,569	0	0	0	(7,190)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	1,322	0	0	0	0	(1,322)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1	0	0	0	0	(1)
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the General Fund to the Housing Revenue Account under statutory regulation	54	(54)	0	0	0	0
Adjustments primarily involving the Available for Sale Reserve:						
Transfer of Available for Sale reserve balance back to the General Fund upon IFRS 9 implementation	(221)	0	0	0	0	221
Total adjustments	(10,158)	4,935	(14,561)	(3,070)	(5,075)	27,929

Notes to the Main Financial Statements

6 Movement in Reserves Statement – Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans together with the amounts of earmarked reserves used to meet General Fund and HRA expenditure in 2019/20.

(£000s)	Balance at 1 April 2018	Transfer In	Transfer Out	Balance at 31 March 2019	Transfer In	Transfer Out	Balance at 31 March 2020
General Fund:							
Asset repair and renewal reserves	(2,963)	(1,550)	2,895	(1,618)	(1,215)	733	(2,100)
Insurance Fund	(1,127)	(34)	0	(1,161)	(77)	0	(1,238)
Technology Investment Fund	(126)	(1)	0	(127)	0	0	(127)
Development Plan Reserve	(314)	(415)	(210)	(939)	(192)	152	(979)
Revenue contributions to capital	(3)	0	0	(3)	0	0	(3)
Climate Change Fund	(344)	(251)	227	(368)	(100)	339	(129)
Fixed Term Priority Projects	(151)	0	151	0	0	0	0
Sharing Prosperity	(621)	(200)	561	(260)	0	175	(85)
Invest for Income Fund	(8,000)	0	0	(8,000)	0	8,000	0
Greater Cambridge Partnership Fund	(5,034)	(2,238)	1,646	(5,626)	(1,652)	1,950	(5,328)
Office accommodation strategy	(2,759)	0	1,859	(900)	0	166	(734)
Contribution to A14 Fund	(718)	(782)	0	(1,500)	0	0	(1,500)
Other	(2,668)	(3,319)	1,441	(4,546)	(2,745)	1,728	(5,563)
Total	(24,828)	(8,790)	8,570	(25,048)	(5,981)	13,243	(17,786)
Housing Revenue Account:							
Asset Repair and Renewal Reserve	(2,420)	(286)	210	(2,496)	(287)	278	(2,505)
Earmarked for debt redemption / reinvestment	(8,672)	(4,472)	0	(13,144)	(1,561)	0	(14,705)
Other	(33)	(8)	0	(41)	(6)	0	(47)
Total	(11,125)	(4,766)	210	(15,681)	(1,854)	278	(17,257)

7 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

(£000s)	2019/20		2018/19	
	Income	Expenditure	Income	Expenditure
Gains on the disposal of non-current assets	(2,772)	0	(2,312)	0
Payments to the government housing capital receipts pool	0	1,134	0	1,134
	(2,772)	1,134	(2,312)	1,134

8 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

(£000s)	2019/20		2018/19	
	Income	Expenditure	Income	Expenditure
Interest receivable and similar income	(2,478)	0	(1,854)	0
(Gains) and losses on trading accounts	(2,106)	1,990	(1,926)	1,734
(Gains) and losses on financial instruments held at fair value through profit and loss	709	0	(185)	0
Income and expenditure in relation to investment properties and changes in their fair value	2,587	1,696	(2,743)	1,669
Interest payable and similar charges	0	7,494	0	7,494
Pensions interest expense	0	3,323	0	2,976
	(1,288)	14,503	(6,708)	13,873

9 Comprehensive Income and Expenditure Statement – Taxation and Non-Specific Grant Income

(£000s)	2019/20	2018/19
Council tax income	(8,602)	(8,234)
Net council share of business rates income	(5,659)	(5,370)
Non-ringfenced government grants	(8,342)	(8,371)
Capital grants and contributions	(30,375)	(21,682)
	(52,978)	(43,657)

The business rates income retained by the Council under the business rates retention scheme of £5,659,000 (2018/19: £5,370,000) comprises the Council's share of income of £42,323,000 (2018/19: £41,213,000) less a tariff payment due to central government of £36,664,000 (2018/19: £35,843,000).

10 Members' Allowances

The total of allowances and expenses paid to members during the financial year was £351,000 (2018/19: £338,000). Details of allowance payments to individual members are published annually on the Council's website at <https://www.cambridge.gov.uk/councillors-duties-conduct-and-allowances>.

11 Related Party Transactions

The Council is required to disclose 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 or might have secured the ability to limit another party's ability to bargain freely with the Council.

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Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (for example housing benefits). Details of government grants received are set out at note 29.

Other Public Bodies

The leader of the Council also serves as a member of the Cambridgeshire and Peterborough Combined Authority. The following transactions have occurred with the Combined Authority during the year:

(£000s)	2019/20	2018/19
Income recognised in year	(10,003)	(13,567)
Debtor balance at 31 March	41	2,686

Members and Officers

The members and senior officers of the Council have direct control over the Council's financial and operating policies. Council members and senior officers are required to make declarations of interest concerning third parties, both in the form of an annual statement and by disclosing interests at Council meetings.

For 2019/20, several members declared they had interests with local voluntary bodies and other organisations. In the majority of cases, transactions between the Council and these organisations were not material to either party, and the member or officer was not in a position to control or direct them. Details of these interests are recorded in the Council's Register of Interests which is open to public inspection, and published on the Council's website at <https://www.cambridge.gov.uk/councillors-duties-conduct-and-allowances>.

The following transactions and balances are deemed to be material to either party:

Related Party	Member / Officer	Income from Related Party (£000s)	Expenditure with Related Party (£000s)	Debtor balance at 31 March 2020 (£000s)	Creditor balance at 31 March 2020 (£000s)
Cambridge BID Ltd	Cllr Rosy Moore – Director of Cambridge BID Ltd	123	6	19	0
Wintercomfort for the Homeless	Cllr Rod Cantrill – Trustee of Wintercomfort for the Homeless	5	110	1	1
Cambridge Sustainable Food CIC	Cllr Katie Thornburrow – Director of Cambridge Sustainable Food CIC	0	28	0	0
Sheridan House (Cambridge) Ltd	Cllr Rod Cantrill – Director of Sheridan House (Cambridge) Ltd	12	0	0	0

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In addition to the above, the Council collects levy payments from local businesses on behalf of Cambridge BID Ltd. During the year, the Council collected levy payments (net of refunds) totalling £809,000 (2018/19: £972,000) and paid £909,000 over to Cambridge BID (2018/19: £879,000). At 31 March 2020, the outstanding creditor balance due to Cambridge BID in respect of these levies was £14,000 (31 March 2019: £114,000).

Cambridge Investment Partnership LLP / CIP operating companies

The Council has a 50% stake in a limited liability partnership with Hill Investment Partnerships Limited. The partnership is primarily engaged in house building and redeveloping land in the Cambridge area. This includes delivering new affordable and social dwellings for council housing financed from the Housing Revenue Account. The partnership consists of four separate companies.

Cambridge Investment Partnership LLP, incorporated 30 November 2018, provides management services to CIP operating companies as needed. It also manages the main site and various design, build and sale contracts on behalf of the Council's social housing capital programme. The company reported a loss of £603,000 in 2019/20 (2018/19: nil). Note that up until 31 March 2019, the functions of this company were undertaken by CIP (Mill Road Development) LLP.

Operating companies are established for individual sites as they commence and details of those in existence during 2019/20 are as follows:

- ◆ CIP (Mill Road Development) LLP, incorporated on 22 December 2016. The company reported a profit of £2,000 in 2019/20 (2018/19: £500,000 loss). Note that the 2018/19 performance includes the management functions now undertaken by Cambridge Investment Partnership LLP from 1 April 2019.
- ◆ CIP (Cromwell Road) LLP, incorporated on 10 January 2019. The financial statements for the year ended 31 March 2020 had no transactions going through the Statement of Comprehensive Income (2018/19: nil).
- ◆ CIP Orchard Park L2 LLP was incorporated on 19 December 2019. The financial statements for the year ended 31 March 2020 had no transactions going through the Statement of Comprehensive Income.

The Council recognised income of £335,000 from the partnership during 2019/20 in respect of management recharges (2018/19: £199,000), and £471,000 of section 106 contributions in respect of housing developments (2018/19: nil). At 31 March 2020, short term debtors were £322,000 (2018/19: £439,000).

The cost of work carried out by the partnership in 2019/20 was £24,211,000 (2018/19: £8,571,000). This included expenditure of £7,849,000 at Mill Road (2018/19: £4,561,000), £4,315,000 at Cromwell Road (2018/19: nil), £5,269,000 at Anstey Way (2018/19: £3,562,000), and £6,778,000 at various other developments (2018/19: £448,000). At 31 March 2020, short term creditors were £812,000 (2018/19: £116,000).

The Council disposed of the former Mill Road depot site to CIP (Mill Road Development) LLP in December 2017. The deferred sales proceeds due from CIP are reflected in a loan note (currently expected to be repaid in 2021) as included at note 22. The outstanding balance at 31 March 2020 was £5,041,000 (31 March 2019: £4,850,000). Notional interest on the loan is reflected in interest income – this was £191,000 in 2019/20 (£184,000 in 2018/19).

In addition, the Council has a further outstanding long term investment balance of £5,019,000 at 31 March 2020 (31 March 2019: nil) with CIP (Mill Road Development) LLP, in

Notes to the Main Financial Statements

respect of loan financing provided (including accrued interest). This loan financing has generated £119,000 of interest income during 2019/20 (2018/19: nil).

The Council has an outstanding long term investment balance of £28,651,000 (including accrued interest) with CIP (Cromwell Road) LLP at 31 March 2020 (31 March 2019: £27,000,000), representing a loan note in consideration of development land transferred to the LLP in March 2019, together with additional loan financing provided since this date. This has generated £151,000 of interest income during 2019/20 (2018/19: nil).

The Council has an outstanding long term investment balance of £1,129,000 with CIP Orchard Park L2 LLP at 31 March 2020. This represents an interest-free loan provided for the purposes of land purchase. The other partner in the joint venture has advanced the same amount under equal terms.

In group accounting terms, these companies form a joint venture and have been consolidated accordingly into the Group Financial Statements.

Property Management Companies

During 2019/20, two new companies were incorporated to take on property management responsibility in respect of recent housing developments. These are as follows:-

- ◆ Iron Works (Cambridge) Management Company Ltd, incorporated on 21 October 2019. The Council is deemed to have control over this company.
- ◆ Timberworks (Cambridge) Management Company Ltd, incorporated on 6 December 2019. This is a joint venture with Hill Investment Partnerships Ltd in which the Council has a 50% stake.

Neither company had begun trading as at 31 March 2020, therefore there are no transactions for consolidation into the Group Financial Statements.

Cambridge City Housing Company Limited

The Council owns 100% of the share capital of Cambridge City Housing Company Limited (CCHC) which began trading in May 2016. The company provides homes for intermediate market rent in Cambridge.

The company made a profit of £207,000 for 2019/20 (2018/19: £189,000). Revaluation gains of £183,000 (2018/19: £149,000) are included in these results.

As detailed at note 22 the Council made a loan to CCHC of £7,500,000 in 2016/17. Interest of £152,000 (2018/19: £152,000) on the loan is included in financing and investment income.

The Council recognised income from management fees, repairs and service charges totalling £51,000 in 2019/20 (2018/19: £50,000). Total debtors at 31 March 2020 were £8,000 (31 March 2019: £16,000).

The company has been consolidated into the Group Financial Statements.

Cambridge Live

The Council transferred the running of the Cambridge Folk Festival, Corn Exchange and other aspects of the arts and recreation service to a new arts trust charity, Cambridge Live, a company limited by guarantee, on 1 April 2015. On 1 October 2018, following a period of financial difficulties, the Council took direct control of Cambridge Live and its trading

Notes to the Main Financial Statements

subsidiary (Cambridge Live Trading Limited). Their results have been consolidated into the Group Financial Statements from that date.

On 1 April 2019, all of the assets, liabilities and operations of Cambridge Live and Cambridge Live Trading Limited transferred to the Council for consideration of £1. The cost to the Council in terms of net liabilities assumed was £1,351,000, which included a net pension liability of £839,000 to be funded from the Council's unusable reserves. The two entities themselves are in the process of being wound up.

Storey's Field Community Trust

Storey's Field Community Trust is a company limited by guarantee established by the University of Cambridge and Cambridge City Council to jointly manage and operate the new community centre in North West Cambridge. The University and the Council each appoint three Trustees.

The Council incurred and recharged staff management costs of £163,000 to the Trust in relation to 2019/20 (2018/19: £131,000). There is a debtor balance of £44,000 at 31 March 2020 (31 March 2019: £39,000).

The Council recognised expenditure of £5,000 with the Trust in 2019/20 (2018/19: £4,000), in respect of facilities hire.

In group accounting terms, Storey's Field Community Trust is a joint venture, but the Council has not included the Trust's results in the Group Financial Statements on the grounds of materiality. The Trust has a year-end of 31 July, and in the year to 31 July 2019 recognised a net deficit of £191,000 (£215,000 in the year ended 31 July 2018). As at 31 July 2019, the Trust had net assets of £829,000 (£785,000 as at 31 July 2018).

Visit Cambridge and Beyond

The Council transferred the provision of tourism services to Visit Cambridge and Beyond (VCB), a company limited by guarantee, on 1 February 2016. As at 31 March 2020 there were 11 directors, of which one was appointed by the City Council. The Council is therefore not considered to have significant influence over the company. Upon incorporation, start-up costs of £90,000 were paid by the Council on behalf of the company and a long term loan established. The budget report for 2019/20 approved in February 2019 included a change so that this loan is no longer due, and it was provided against in full during 2018/19.

The Council has paid grant and other subsidies of £71,000 to VCB in 2019/20 (2018/19: £85,000), and has recharged VCB for its share of costs, including utilities and rent for offices at the Guildhall which is determined on a commercial basis. Income from VCB in 2019/20 totalled £67,000 (2018/19: £68,000). At 31 March 2020, short term debtors were £27,000 (2018/19: £13,000) and short term creditors were £6,000 (2018/19: £12,000).

It is intended that Visit Cambridge and Beyond will be wound up during 2020/21.

Shared services with other local authorities

The Council shares a number of services with Huntingdonshire District Council and South Cambridgeshire District Council. These include ICT, Building Control, and Legal, which commenced on 1 October 2015 under the banner of 3C Shared Services. In addition, the Council shares a waste service with South Cambridgeshire District Council and commenced a shared planning service with that council on 1 April 2018. There is a lead authority for each service and the Council accounts for shared service transactions in its accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

Notes to the Main Financial Statements

12 Employee Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

	2019/20	2018/19
£50,000 to £54,999	17	9
£55,000 to £59,999	3	4
£65,000 to £69,999	3	4
£70,000 to £74,999	4	8
£75,000 to £79,999	6	0
£90,000 to £94,999	0	2
£95,000 to £99,999	2	0
£125,000 to £129,999	0	1
£130,000 to £134,999	1	0
Total	36	28

The remuneration of senior officers, who are included in the above table, is disclosed in more detail, including employer's pension contributions, below.

Financial year 2019/20

(£) Position / Name		Salary	Election Payments	Pension Contribution	Total
Chief Executive (A Jackson)		130,013	4,533	23,411	157,957
Strategic Director (S Hemingway)		99,476	175	17,309	116,960
Strategic Director (F Bryant)		99,476	0	17,309	116,785
Head of Corporate Strategy (A Limb)		76,062	995	13,235	90,292
Head of Finance (Section 151 Officer) (C Ryba)		75,732	117	13,235	89,084
Head of Transformation (E Rospigliosi)	1	56,024	0	9,748	65,772

Notes:

1. Started 6 July 2019.
2. The Council shares a Director of Economic Development and Planning employed by SCDC. The Council's share of costs for 2019/20 remained unchanged at £67,756.

Notes to the Main Financial Statements

Financial year 2018/19

(£) Position / Name	Note	Salary	Election Payments	Pension Contribution	Total
Chief Executive (A Jackson)		127,464	2,790	22,608	152,862
Strategic Director (S Hemingway)		90,642	0	15,772	106,414
Strategic Director (F Bryant)		90,642	0	15,772	106,414
Head of Corporate Strategy (A Limb)		74,571	0	12,975	87,546
Head of Finance (Section 151 Officer) (C Ryba)	1	74,571	0	12,975	87,546

Notes:

- The Head of Finance was shared with South Cambridgeshire District Council (SCDC), with a charge of £38,670 in 2018/19.
- The Council shares a Director of Economic Development and Planning employed by SCDC. The Council's share of costs for 2018/19 remained unchanged at £67,756.

The Council is required to recognise the costs of redundancy in the accounts in line with accounting standards. The number of exit packages recognised in the accounts, analysed between compulsory redundancies and other departures, and the total cost per band are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Total number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
£0 - £20,000	2	2	2	2	22	14
£20,001 - £40,000	0	3	0	3	0	107
Total	2	5	2	5	22	121

The cost of exit packages includes the capital costs of early retirements (which are not relevant in every case) due to be paid to the Local Government Pension Scheme by the Council.

13 External Audit Costs

(£000s)	2019/20	2018/19
Fees payable to Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	40	40
Additional fees payable to Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the previous year	89	38
Fees payable to Ernst and Young LLP for the certification of grant claims and returns	34	21
	163	99

Notes to the Main Financial Statements

Due to the timing of work on the certification of grant claims, the fee of £34,000 recognised in 2019/20 covers certification work in respect of both 2019/20 (£13,000) and 2018/19 (£21,000), whilst the fee of £21,000 recognised in 2018/19 covered certification work in respect of 2017/18.

14 Property, Plant and Equipment

Financial year 2019/20

(£000s)	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Assets under construction	Total property, plant and equipment
Cost or valuation							
At 1 April 2019	612,585	148,160	26,023	5,798	1,333	13,138	807,037
Additions	10,401	751	1,231	1,223	6	28,730	42,342
Revaluation increases / (decreases) recognised in the revaluation reserve	(10,022)	7,032	0	0	0	0	(2,990)
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(6,161)	217	0	0	0	0	(5,944)
De-recognition – disposals	(2,662)	0	(752)	0	0	0	(3,414)
De-recognition – other	(815)	(271)	(264)	0	0	1	(1,349)
Assets reclassified (to) / from investment properties	0	160	0	0	0	184	344
Assets reclassified (to) / from intangible assets	0	0	0	0	0	(192)	(192)
Assets reclassified (to) / from other categories of property, plant and equipment	5,223	(245)	424	163	0	(5,565)	0
At 31 March 2020	608,549	155,804	26,662	7,184	1,339	36,296	835,834
Accumulated depreciation and impairment							
At 1 April 2019	0	(9,358)	(14,771)	(945)	0	0	(25,074)
Depreciation charge	(10,416)	(4,674)	(2,094)	(157)	0	0	(17,341)
Depreciation written out to the revaluation reserve	10,352	3,487	0	0	0	0	13,839
De-recognition – disposals	45	0	721	0	0	0	766
De-recognition – other	19	24	257	0	0	0	300
At 31 March 2020	0	(10,521)	(15,887)	(1,102)	0	0	(27,510)
Net book value							
At 31 March 2020	608,549	145,283	10,775	6,082	1,339	36,296	808,324
At 31 March 2019	612,585	138,802	11,252	4,853	1,333	13,138	781,963

Notes to the Main Financial Statements

Financial year 2018/19

(£000s)	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Assets under construction	Total property, plant and equipment
Cost or valuation							
At 1 April 2018	628,303	144,647	22,654	5,156	1,344	15,430	817,534
Additions	6,194	30,212	2,725	11	0	14,881	54,023
Revaluation increases / (decreases) recognised in the revaluation reserve	(15,885)	(157)	0	0	0	0	(16,042)
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(13,164)	33	0	0	0	0	(13,131)
De-recognition – disposals	(3,098)	0	(688)	0	0	0	(3,786)
De-recognition – other	(1,543)	(451)	0	0	0	(167)	(2,161)
Assets reclassified (to) / from investment properties	0	(2,400)	0	0	0	0	(2,400)
Assets reclassified (to) / from assets held for sale	0	(27,000)	0	0	0	0	(27,000)
Assets reclassified (to) / from other categories of property, plant and equipment	11,778	3,276	1,332	631	(11)	(17,006)	0
At 31 March 2019	612,585	148,160	26,023	5,798	1,333	13,138	807,037
Accumulated depreciation and impairment							
At 1 April 2018	0	(6,797)	(13,697)	(810)	0	(587)	(21,891)
Depreciation charge	(10,434)	(4,522)	(1,762)	(135)	0	0	(16,853)
Depreciation written out to the revaluation reserve	10,933	1,949	0	0	0	0	12,882
De-recognition – disposals	52	0	688	0	0	0	740
De-recognition – other	36	12	0	0	0	0	48
Assets reclassified to / (from) other categories of property, plant and equipment	(587)	0	0	0	0	587	0
At 31 March 2019	0	(9,358)	(14,771)	(945)	0	0	(25,074)
Net book value							
At 31 March 2019	612,585	138,802	11,252	4,853	1,333	13,138	781,963
At 31 March 2018	628,303	137,850	8,957	4,346	1,344	14,843	795,643

15 Property – Revaluation

The Council carries out a rolling programme that ensures that property, plant and equipment to be revalued are done so at least every five years.

Current year revaluations have been performed in accordance with the RICS Valuation – Global Standards (effective January 2020) together with the UK National Supplement and the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

The valuations were conducted by external valuers. The RICS registered valuers were:

Phillip Smith BSc (Hons) MRICS IRRV (Hons) (Wilks Head and Eve)
 Anna Groom MA MRICS (Bidwells LLP)
 Martin Swinley FRICS (Bidwells LLP)
 Adam Mossop MSc MRICS (Bidwells LLP)

Notes to the Main Financial Statements

Investment property is valued on a fair value basis and operational property is valued at current value derived on the basis of existing use value except for specialised operational assets which are assessed on the basis of depreciated replacement cost. The opinion of value was primarily derived using comparable recent market transactions on arm's length terms. Further detail on the basis for valuation is set out in the Statement of Accounting Policies on page 86 (investment properties) and page 89 (operational properties).

Council dwellings are revalued by Wilks Head and Eve as at 31 March each year. The basis of valuation is current value, measured at existing use value for social housing (EUV-SH). Valuations are undertaken with reference to 'Stock Valuation for Resource Accounting – Guidance for Valuers – 2016' published by the Ministry of Housing, Communities and Local Government (MHCLG). Valuations are also carried out in accordance with the RICS Valuation – Professional Standards ('Red Book'), except where they are varied to reflect the current policy requirements of MHCLG.

Valuations are undertaken using the beacon method. Under this method, the Council divides its housing stock into a number of 'archetypes'. Properties within each archetype have similar characteristics (e.g. location, property type, number of bedrooms), and as such are deemed to have the same current value. Within each archetype, one representative property (or 'beacon') is selected for valuation. Beacon properties are inspected by the valuers on a rolling 5-yearly cycle, with a desktop revaluation undertaken on all non-inspected beacons in each intervening year.

The valuation of other land and buildings is undertaken by Bidwells LLP. The following statement should be noted with regard to these valuations:

In reaching the final valuation figures Bidwells has departed from the RICS Valuation – Professional Standards in that they are not instructed to inspect the properties or read all the leases. Bidwells have undertaken external inspections of a sample of the properties valued this year and relied on information provided by Cambridge City Council; the accuracy of the valuation depends on the accuracy of the information provided.

In accordance with the Valuation Standards, Bidwells confirms that it last valued the properties in 2019 and has acted as valuers for Cambridge City Council since March 1994. They also confirm that in their last financial year the fees received from Cambridge City Council represented less than 5% of their turnover and they do not expect any material increase in these fees in 2020. Bidwells has a policy of rotating personnel undertaking this valuation so that no single member of staff values the portfolio for more than seven consecutive years. This rotation is undertaken in accordance with Bidwells Management System under ISO 9001:2000.

The Council has chosen to depart from the Professional Standards on the grounds of achieving best value for money in relation to property valuation work.

COVID-19

Due to the impact of COVID-19, both of the Council's external valuers have reported their valuations as at 31 March 2020 on the basis of material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book Global. This means that less certainty, and a higher degree of caution, should be attached to these valuations than would normally be the case. More detail is given at note 3.

Notes to the Main Financial Statements

Valuation Dates

The following table shows the current carrying value of property, plant and equipment assets by the date of the most recent valuation:

(£000s)	Council dwellings	Other land and buildings	Total
Valued at fair value as at:			
31 March 2020	608,549	138,063	746,612
31 March 2019	0	3,069	3,069
31 March 2018	0	1,089	1,089
31 March 2017	0	1,473	1,473
31 March 2016	0	1,589	1,589
Total valuation	608,549	145,283	753,832

Details on investment property valuation can be found at note 20.

Vehicles, plant and equipment, as short life operational assets, are held at depreciated historical cost as a proxy for fair value.

16 Property, Plant and Equipment – Depreciation

The majority of the Council's property, plant and equipment are council dwellings. Flats are assessed as having a remaining life of 42 years and houses 43 years.

The useful lives of other assets are generally estimated as:

- ◆ Infrastructure assets – 10 to 40 years
- ◆ Other buildings (main structure) – 5 to 90 years (material components may be depreciated over a lesser term)
- ◆ Vehicles, plant and equipment – 3 to 25 years

17 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, 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.

Notes to the Main Financial Statements

(£000s)	2019/20	2018/19
Opening Capital Financing Requirement	275,386	240,594
Capital expenditure		
Property, plant and equipment	42,342	54,023
Investment properties	5,413	1,232
Intangible assets	121	130
Capital expenditure charged to the Comprehensive Income and Expenditure Statement		
Revenue Expenditure Funded from Capital and de-minimis capital expenditure	1,737	2,430
Loans advanced		
Cambridge Investment Partnership	7,990	31,850
Local investment bond	0	2,200
Private sector housing improvement loans	52	40
Sources of finance		
Capital receipts	(14,298)	(27,136)
Government grants and other contributions	(17,503)	(16,607)
Minimum Revenue Provision	(9,758)	(455)
Revenue and reserves	(16,051)	(12,915)
Closing Capital Financing Requirement	275,431	275,386

Minimum Revenue Provision includes £9,545,000 of voluntary contributions in year (2018/19: nil).

18 Capital Commitments

(£000s)	31 March 2020	31 March 2019
Property, Plant and Equipment		
Park Street car park redevelopment	91,400	0
HRA new build properties	34,565	22,564
Housing capital programme	5,197	1,807
Vehicle asset replacement programme	489	149
Building works at the Guildhall to reduce carbon emissions	127	0
Silver Street public toilet refurbishment	92	540
Electric vehicle charge points	75	0
Footbridge across Hobson's Brook at Accordia Development	0	50
Revenue Expenditure Funded from Capital Under Statute		
Development land at Clay Farm	417	378
Community Development Grants Programme	0	153
	132,362	25,641

Notes to the Main Financial Statements

19 Investment Properties

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

(£000s)	2019/20	2018/19
Rental income from investment property	(10,542)	(10,444)
Direct operating expenses arising from investment property	451	460
Net gain	(10,091)	(9,984)

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

The following summarises the movement in the fair value of investment properties (measured at level 3 in the Fair Value Hierarchy) over the year.

(£000s)	2019/20	2018/19
Fair value at start of the year	170,782	175,281
<i>Additions:</i>		
Subsequent expenditure	136	2
Acquisitions	5,277	1,230
Unrealised gains / (losses) recognised in the financing and investment income line of the surplus / deficit on the provision of services from fair value adjustments	(13,129)	(7,701)
Disposals	0	(430)
<i>Transfers:</i>		
(To) / from property, plant and equipment	(344)	2,400
Fair value at the end of the year	162,722	170,782

20 Fair Value Measurement of Investment Properties

Investment properties are held at fair value and are classified as level 3 within the value hierarchy as defined within IFRS 13. Level 3 inputs used in valuing the properties are those which are unobservable and observable inputs where significant adjustments have been applied to determine specific property valuations, as opposed to level 1 (inputs from quoted prices) and level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

The portfolio is valued in line with the accounting policy detailed on page 86.

The valuation is undertaken by Bidwells LLP, on a fair value basis in line with IFRS 13 and in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards. Further details of Bidwells' approach to the valuations can be found at note 15.

The Council provides data to the valuers, including current lease and tenant data. The valuers use this and other inputs, including market transactions for similar properties, to produce valuations. These valuations and the assumptions they have made have been discussed with senior Council finance and property officers.

Notes to the Main Financial Statements

COVID-19

Due to the impact of COVID-19, the valuers have reported their valuations as at 31 March 2020 on the basis of material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book Global. This means that less certainty, and a higher degree of caution, should be attached to these valuations than would normally be the case. More detail is given at note 3.

Valuation Techniques

The following table shows an analysis of the fair values of investment property recognised in the balance sheet.

Property class	Fair value at 31 March 2020 (£'000)	Predominant valuation technique	Key unobservable inputs	Range
Central Cambridge shopping centres	21,975	Investment	NIY Yield	5.75% - 6.25%
Other retail	32,180	Investment	Market Rent (psf) Market Rent (psf ZA) EY Yield	£7.00 - £55.20 £18.00 - £180.00 5.52% - 14.90%
Offices	13,000	Investment	Market Rent (psf) EY Yield	£13.00 - £28.00 5.77% - 10.04%
Industrial	26,690	Investment	Market Rent (psf) EY Yield	£5.50 - £17.60 5.25% - 8.50%
Land	37,386	Investment / Comparable	Market Rent (per acre) NIY Yield EY Yield £/acre	£200 - £57,500 2.90% - 6.67% 4.90% - 10.00% £3,000 - £1,100,000
Leisure	1,000	Investment	EY Yield	7.49% - 10.00%
Other	30,491	Investment	Yield	3.50% - 13.19%
Total	162,722			

The predominant valuation techniques are:

- ◆ Investment method – this involves estimating the rental value of each lettable part of the property, making an assessment of void periods and associated costs and then capitalising at an appropriate yield. Hope value is included where there is future reversionary potential such as conversion to residential use.
- ◆ Comparable method – the opinion of value was primarily derived using comparable recent market transactions on an arm's length basis with appropriate adjustments.

Sensitivity Analysis

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy on investment property are:

- ◆ Market rent – this is estimated for each lettable unit by comparison with recent lettings from within the property itself or nearby making appropriate adjustments for size, specification, location and incentives.
- ◆ Voids – an estimate of the likely period required to re-let vacant property and the likelihood of lease renewal.
- ◆ Yield – opinion on the appropriate capitalisation rate to be applied by reference to transactions for comparable properties.

Notes to the Main Financial Statements

Significant increases/(decreases) in the rental value would result in a higher/(lower) fair value measurement.

Significant increases/(decreases) in the long term vacancy rate or yield would result in a lower/(higher) fair value measurement.

The current use of investment properties is highest and best use, with the exception of property in the Cambridge Northern Fringe East development area which is let out on a short term basis (with the Council able to exercise break clauses) pending redevelopment.

21 Leases

Council as Lessee

Finance Leases

The Council leases three car parks under long term peppercorn leases. The carrying value of these car parks included in property, plant and equipment was £34,270,000 as at 31 March 2020 (£36,235,000 at 31 March 2019).

Operating Leases

The Council leases in a number of operational properties under operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

(£000s)	31 March 2020	31 March 2019
Not later than one year	110	50
Later than one year and not later than five years	45	50
	155	100

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

(£000s)	2019/20	2018/19
Minimum lease payments	110	75

Council as Lessor

Operating Leases

The Council leases out commercial properties across the City under operating leases. The portfolio includes shops, industrial units and shopping centres.

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

(£000s)	31 March 2020	31 March 2019
Not later than one year	5,958	6,113
Later than one year and not later than five years	18,293	18,798
Later than five years	101,886	105,151
	126,137	130,062

Notes to the Main Financial Statements

The minimum lease payments receivable do not include contingent rents such as those based on turnover. In 2019/20, £2,147,000 of contingent rents were receivable by the Council (2018/19: £2,300,000).

22 Short Term and Long Term Investments

(£000s)	2019/20		2018/19	
	Long term	Short term	Long term	Short term
Loans to joint ventures	39,840	0	31,850	0
Loans to subsidiaries	7,500	0	7,500	0
Other investments	27,159	70,990	17,712	79,317
	74,499	70,990	57,062	79,317

23 Long Term Debtors

Long term debtors which fall due after a period of at least one year:

(£000s)	31 March 2020	31 March 2019
Deferred property sale proceeds	2,705	2,735
Private sector housing improvement loans	818	821
Lease premiums	178	181
Mortgage repossessions loans	7	7
Mortgages	1	1
	3,709	3,745

24 Short Term Debtors

(£000s)	31 March 2020	31 March 2019
Trade receivables	3,506	8,199
Prepayments	406	3,222
Other receivables	23,203	9,153
	27,115	20,574

25 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

(£000s)	31 March 2020	31 March 2019
Overnight money market funds	11,000	6,000
Bank deposit accounts	1,446	2,177
Bank current accounts	(872)	(526)
Cash held by the Council	16	10
	11,590	7,661

26 Short Term Creditors

(£000s)	31 March 2020	31 March 2019
Trade creditors	(382)	(34)
Other creditors	(32,697)	(29,103)
	(33,079)	(29,137)

27 Receipts in Advance

(£000s)	31 March 2020	31 March 2019
Housing tenants and leaseholders	(1,024)	(657)
Cambridge City Council share of non-domestic rates receipts in advance	(566)	(858)
Cambridge City Council share of council tax receipts in advance	(334)	(360)
Capital grants receipts in advance	(11)	(616)
Other	(6,400)	(1,694)
	(8,335)	(4,185)

28 Provisions

Insurance Provision

The insurance provision has been set aside to meet the estimated cost to the Council of outstanding insurance claims. However, the actual cost (if any) of individual claims and the timing of payments are uncertain and may be dependent upon the results of negotiation and/or legal action.

Under current insurance arrangements, the Council takes responsibility for meeting the first £10,000 of any liability claim up to a total combined loss in any insurance year of £200,000. For motor claims the Council takes responsibility for meeting the first £10,000 of any claim. For property losses, the Council is responsible for meeting up to £150,000 of claims in respect of General Fund property from the provision and up to £250,000 for HRA property from the HRA. The Council's external insurers meet claims or losses in excess of these amounts.

Business Rates Appeals Provision

Since the introduction of the Business Rates Retention Scheme from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses, both in respect of the current financial year and earlier years, in proportion to their local share of business rates income. The Council's share of business rates income is 40%.

A provision has therefore been recognised for the best estimate of the amount that will be repayable in respect of years up to 31 March 2020 following successful rating valuation appeals. This estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and historical data on successful appeals to date. The timing of the settlement of these appeals is uncertain as they are outside of the Council's control.

Notes to the Main Financial Statements

(£000s)	Insurance Provision	Business Rates Appeals Provision	Other Provisions	Total
Balance at 1 April 2019	(387)	(4,049)	(9)	(4,445)
Additional provisions made in 2019/20	(240)	(1,174)	0	(1,414)
Amounts used in 2019/20	315	1,023	0	1,338
Unused amounts reversed in 2019/20	102	0	0	102
Balance as at 31 March 2020	(210)	(4,200)	(9)	(4,419)

29 Grant Income

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2019/20:

(£000s)	2019/20	2018/19
Credited to taxation and non-specific grant income		
Revenue Support Grant	0	(571)
New Homes Bonus	(5,504)	(5,596)
New burdens and transitional grants	(33)	(76)
Syrian Resettlement Grant	(416)	(534)
Small Business Rate Relief Grant	(1,038)	(1,002)
Other business rate relief grants	(1,138)	(466)
Welfare reform grants	(105)	(109)
Local Authority EU Exit Grant	(35)	(17)
COVID-19 support grant	(73)	0
Capital grants and contributions	(30,375)	(21,682)
	(38,717)	(30,053)
Credited to services		
Discretionary Housing Payments	(202)	(224)
Rent Allowance and Rent Rebates Administration Subsidy	(311)	(346)
Rent Allowance Subsidy	(16,360)	(18,768)
Rent Rebates Subsidy	(14,608)	(16,963)
Non HRA Rent Rebates Subsidy	(556)	(386)
Other housing benefit grants	(123)	(126)
Flexible Homelessness Support	(457)	(477)
Preventing Homelessness	(135)	(317)
Other grants	(806)	(346)
	(33,558)	(37,953)

From time to time, the Council receives developer contributions that cannot yet be recognised as income as they have conditions attached to them that may require the monies to be returned to the developer. The outstanding balance held in short term receipts in advance at 31 March 2020 was £11,000 (31 March 2019: £616,000).

Notes to the Main Financial Statements

During the year, £624,000 of contributions were repaid to contributors (2018/19: nil). This addresses an issue in relation to historic section 106 contributions (mostly received 15 or more years ago) which could no longer be used for their specified purposes and needed to be returned.

30 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 5 and 6.

31 Unusable Reserves

(£000s)	31 March 2020	31 March 2019
Deferred Capital Receipts Reserve	(3,126)	(3,893)
Revaluation Reserve	(170,271)	(163,875)
Capital Adjustment Account	(577,071)	(556,990)
Financial Instruments Adjustment Account	92	75
Pensions Reserve	102,825	138,035
Collection Fund Adjustment Account	(3,490)	(1,609)
Accumulated Absences Account	454	454
Total unusable reserves	(650,587)	(587,803)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by capital receipts. When the deferred cash settlement actually takes place, amounts are transferred to the Capital Receipts Reserve.

(£000s)	2019/20	2018/19
Balance at 1 April	(3,893)	(12,002)
Deferred sale proceeds on disposal of non-current assets	(11)	0
Transfer to the Capital Receipts Reserve upon receipt of cash	778	8,109
Balance at 31 March	(3,126)	(3,893)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- ◆ revalued downwards or impaired and the gains are lost;
- ◆ used in the provision of services and 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.

Notes to the Main Financial Statements

(£000s)	2019/20	2018/19
Balance at 1 April	(163,875)	(171,845)
Net (gains) / losses on revaluations during the year	(10,849)	3,160
Amounts written off to the Capital Adjustment Account		
Difference between fair value depreciation and historical cost depreciation	3,845	3,925
Accumulated gains on assets sold or scrapped	608	885
Balance at 31 March	(170,271)	(163,875)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, amortisation and impairment losses 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.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 5 provides details of the source of all the transactions posted to the Capital Adjustment Account, apart from those involving the Revaluation Reserve.

(£000s)	2019/20	2018/19
Balance at 1 April	(556,990)	(567,975)
Charges for depreciation and impairment of non-current assets	17,341	16,858
Amortisation of intangible assets	96	107
Revaluation losses/(gains) on property, plant and equipment	5,944	13,131
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	13,129	7,701
Revenue Expenditure Funded from Capital Under Statute and de minimis capital spend	1,737	2,430
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	3,697	32,656
Repayment of private sector housing loans	38	25
Adjusting amounts written out of the Revaluation Reserve	(4,453)	(4,810)
Use of the Capital Receipts Reserve to finance new capital expenditure	(14,298)	(27,136)
Use of the Major Repairs Reserve to finance new capital expenditure	(12,136)	(7,601)
Application of grants and contributions to capital financing	(17,503)	(16,607)
Minimum revenue provision	(213)	(455)
Capital expenditure charged against the General Fund and Housing Revenue Account balances	(13,460)	(5,314)
Balance at 31 March	(577,071)	(556,990)

Notes to the Main Financial Statements

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 pays 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 details on pension transactions are shown at note 34.

(£000s)	2019/20	2018/19
Balance at 1 April	138,035	113,585
Remeasurements of the net defined benefit liability	(42,065)	19,311
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	14,233	12,329
Employer's pension contributions and direct payments to pensioners payable in the year	(7,378)	(7,190)
Balance at 31 March	102,825	138,035

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

(£000s)	2019/20	2018/19
Balance at 1 April	(1,609)	(287)
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	32	(7)
Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different to the non-domestic rates income calculated for the year in accordance with statutory requirements	(1,913)	(1,315)
Balance at 31 March	(3,490)	(1,609)

Notes to the Main Financial Statements

32 Financial Instruments

Categories of Financial Instrument

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

(£000s)	31 March 2020		31 March 2019	
	Long term	Short term	Long term	Short term
Financial assets				
Investments				
Fair value through profit and loss	14,909	14,869	15,462	9,993
Amortised cost	59,590	56,121	41,600	69,324
Debtors				
Fair value through profit and loss	3,523	0	3,526	0
Amortised cost	8	5,511	38	14,165
Cash and cash equivalents				
Amortised cost	0	11,590	0	7,661
Total	78,030	88,091	60,626	101,143
Financial liabilities (amortised cost)				
Borrowing	(213,572)	(82)	(213,572)	(82)
Creditors	0	(14,957)	0	(11,402)
Total	(213,572)	(15,039)	(213,572)	(11,484)

Private Sector Housing Improvement Loans

The Council makes means-tested loans of up to £20,000 to individuals, secured on the value of their property, in order to fund major improvements. These loans are normally repayable on sale of the property. These loans are interest free and are therefore deemed to be soft loans which are included in the balance sheet at fair value through profit and loss. The notional interest rate used for these loans is based on the Council's prevailing cost of borrowing for a maturity loan of 5 years duration. No allowance is made for the risk that the loans might not be repaid as they are secured.

(£000s)	2019/20	2018/19
Balance sheet carrying value as at 1 April	821	794
Nominal value of new loans recognised in the year	52	40
Interest – increase in discounted amount	16	19
Loans repaid	(38)	(25)
Fair value adjustment	(33)	(7)
Balance sheet carrying value as at 31 March	818	821
Loan payments outstanding (nominal value) at 31 March	910	895

Notes to the Main Financial Statements

Income, Expense, Gains and Losses

The following items of income, expense, gain or loss are reflected in the Comprehensive Income and Expenditure Statement in respect of financial instruments:

(£000s)	2019/20	2018/19
	Surplus or deficit on the provision of services	Surplus or deficit on the provision of services
Net (gains) / losses		
Financial assets classified as:		
Fair value through profit and loss	709	(185)
Amortised cost	544	381
Interest income		
Financial assets classified as:		
Fair value through profit and loss	(811)	(744)
Amortised cost	(1,667)	(1,110)
Interest expense		
Financial liabilities classified as:		
Amortised cost	7,494	7,494
Net (surplus) / deficit for the year	6,269	5,836

Financial assets measured at fair value in the balance sheet

The following financial assets are measured at fair value on a recurring basis:

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2020 (£000s)	31 March 2019 (£000s)
Units in CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical units	14,909	15,462
Enhanced cash funds	Level 1	Unadjusted quoted prices in active markets for identical units	14,869	9,993
Contingent proceeds on disposal of assets	Level 3	Present value of likely estimated sale proceeds discounted at appropriate rate where material	2,705	2,705
Private sector housing loans	Level 3	Present value of likely future cash flows discounted at appropriate rate where material	818	821
			33,301	28,981

The Council has disposed of a number of assets where the consideration cannot be known with certainty at the current balance sheet date as the final amount is contingent on a number of other events. Where possible the Council has estimated the fair value of these proceeds on a likely average basis. In the case of disposal of land in North East Cambridge the potential proceeds are so uncertain both in timing and amount and no value has currently been recognised in the accounts.

Equity shares are required to be valued at fair value if material.

Notes to the Main Financial Statements

The Council has a shareholding in Cambridge City Housing Company (representing 100% of the company's capital). The shares are carried at cost of £1 and have not been valued as fair value cannot be measured reliably. The Council has no current intention to dispose of the shareholding.

The Council owns 50% of the equity of Cambridge Investment Partnership LLP. This equity is carried at cost and has not been valued as fair value cannot be measured reliably. The Council has no intention to dispose of its interest.

Fair value of financial assets and liabilities that are not measured at fair value (but for which fair value disclosures are required)

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value (assessed as level 2 in the fair value hierarchy) can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- ◆ An average interest rate at 31 March 2019 of 2.59% (2018/19: 2.09%) has been used to estimate the fair value of long term loans from the Public Works Loans Board (PWLB).
- ◆ No early repayment is recognised.
- ◆ Where an instrument will mature in the next 12 months, the carrying amount is generally assumed to approximate to fair value.
- ◆ The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- ◆ The fair value of capital contributions received in advance is taken to be the amount received.

The fair values are assessed as follows:

(£000s)	31 March 2020		31 March 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortised cost				
Current debtors	5,511	5,511	14,165	14,165
Long term debtors	8	8	38	38
Current investments	56,121	56,121	69,324	69,324
Long term investments	59,590	59,807	41,600	41,600
Cash and cash equivalents	11,590	11,590	7,661	7,661
Financial liabilities				
Current liabilities	(14,957)	(14,957)	(11,402)	(11,402)
Short term borrowing	(82)	(82)	(82)	(82)
Long term borrowing	(213,572)	(251,791)	(213,572)	(264,497)

The fair value of the long term PWLB loans measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for a market transaction undertaken at the balance sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing rates.

Notes to the Main Financial Statements

The fair value of the loans from the PWLB have been assessed using the new loans rate. IFRS 13 and the Code require that in the absence of a quoted price for a liability, fair value should be measured from the perspective of a market participant. For PWLB loans, measurement is therefore required from the perspective of the PWLB, assessing the price that they would be able to secure if they were to sell the loans in an orderly market transaction. However, it is sometimes not possible to find observable active markets. The Council's treasury advisors have therefore advised using the PWLB new loan rate as a suitable proxy for a transfer value. This reflects the reality that the Council has a continuing ability to borrow at PWLB rates.

However, if the Council were to seek to take advantage of the lower prevailing market rates by repaying current PWLB loans, the PWLB would charge a premium and the Council would have to pay an early redemption rate. The exit price for PWLB loans as at 31 March 2020 was estimated at £366,201,000 (31 March 2019: £317,064,000).

33 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 for the Council as a result of changes in such measures as interest rates and stock market movements.

How the Council manages those risks

The Council maintains principles for overall risk management, as well as approved policies covering specific areas, such as Treasury Management. The principles behind how the Council intends to manage overall credit, liquidity and market risk in its investments are contained within the Annual Treasury Management and Investment Strategy report, submitted to full Council before the start of each financial year. This strategy can be amended, but only by full Council.

Credit risk

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

The Council seeks through the operation of its Treasury Management and Investment Strategy to minimise its exposure to risks in relation to investments.

The Treasury Management limits in place as at 31 March 2020 can be found in the Annual Treasury Management Strategy Statement Report 2020/21 to 2023/24, which is available on the Council's website²².

²²https://democracy.cambridge.gov.uk/documents/s49103/Annual%20Treasury%20Management%20Strategy%20Statement%202020-21%20to%202023-24_Final%20200117%2013022020%20Council.pdf

Notes to the Main Financial Statements

The Council uses the 'creditworthiness service' provided by Link Asset Services. This service has been progressively enhanced and uses a sophisticated modelling approach using credit ratings from the following rating agencies – Fitch, Moody's and Standard and Poor's. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- ◆ Credit watches and credit outlooks from credit rating agencies
- ◆ Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the appropriate duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service gives an appropriate level of security for its investments.

In light of the above investment strategy, the Council considers that it has taken all reasonable steps to reduce to a minimum any exposure to credit risks in relation to its investments at 31 March 2020 and that any residual risk cannot be quantified.

The following shows the original principal sums of external investments at 31 March analysed by the nature of financial institution and remaining period to maturity:

(£000s)	Maturity Band					Total
	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	Over 3 years	
31 March 2020						
United Kingdom						
Banks	21,000	15,000	6,000	0	0	42,000
Local authorities	5,000	3,000	5,000	10,000	0	23,000
Other institutions	0	0	0	0	2,200	2,200
Total	26,000	18,000	11,000	10,000	2,200	67,200

(£000s)	Maturity Band					Total
	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	Over 3 years	
31 March 2019						
United Kingdom						
Banks	12,000	15,000	9,000	0	0	36,000
Local authorities	8,000	5,000	20,000	0	0	33,000
Other institutions	0	0	0	0	2,200	2,200
Total	20,000	20,000	29,000	0	2,200	71,200

In addition to the above, the Council has investments in financial assets held at fair value through profit and loss, as detailed at note 32, which do not have a defined maturity date.

Notes to the Main Financial Statements

The following analysis summarises the Council's assessment of its potential maximum exposure to credit risk (impairment allowance) in relation to debtors:

(£000s)	31 March 2020		31 March 2019	
	Gross debt	Impairment allowance	Gross debt	Impairment allowance
Long term debtors	3,621	90	3,779	215
Current and former tenants	1,973	1,510	1,688	1,406
Other debtors	5,897	849	14,528	645
	11,491	2,449	19,995	2,266

Long term debtors include private sector housing improvement loans and council house mortgages. These debts are secured on properties.

The movement in the short term debtors' impairment allowance during the year can be summarised as follows:

(£000s)	31 March 2020	31 March 2019
Balance at 1 April	2,051	1,916
Increase in allowance for impairment	544	381
Balances written off during the year	(236)	(246)
Balance at 31 March	2,359	2,051

At 31 March 2020, of the total debtor and deferred debtor balances of £11.5 million (31 March 2019: £20.0 million), the past due amount was £3.6 million (31 March 2019: £2.7 million) and can be analysed by age as follows:

(£000s)	31 March 2020	31 March 2019
Customer Debts		
Less than three months	1,040	726
Three to six months	356	202
Six months to one year	396	226
More than one year	1,761	1,520
Balance at 31 March	3,553	2,674

Debts are not generally specifically impaired, so the short term debtors impairment allowance is based on estimated expected loss and past recoverability and can be analysed as follows:

(£000s)	31 March 2020	31 March 2019
Impairment allowance by age of debt		
Less than three months	215	299
Three to six months	190	114
Six months to one year	259	144
More than one year	1,695	1,494
Balance at 31 March	2,359	2,051

Notes to the Main Financial Statements

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the Public Works Loan Board (PWLB). There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

On 28 March 2012 the Council took out a number of fixed rate maturity loans with the PWLB to meet the cost of the HRA self-financing settlement due to central government. These loans had terms of between 26 and 45 years. The HRA business plan confirms the affordability of interest payments and the repayment of these loans on maturity and that the Council may be able to consider earlier redemption if advantageous. However, this will not be considered in the short term, due to current market conditions.

The maturity profile of future contractual payments (of both principal and interest) is set out below. Figures as at 31 March 2019 have been restated to include future interest payments.

(£000s)	31 March 2020	31 March 2019 (Restated)
Less than 1 year	7,494	7,494
Between 1 and 5 years	29,977	29,977
Between 5 and 10 years	37,471	37,471
Between 10 and 15 years	37,471	37,471
Between 15 and 20 years	68,398	58,459
Between 20 and 25 years	81,568	83,437
Between 25 and 30 years	72,179	74,061
Between 30 and 35 years	62,766	64,646
Between 35 and 40 years	22,480	34,282
	419,804	427,298

Accrued interest due on the PWLB loans at 31 March 2020 was £82,000 (2018/19: £82,000).

Market risk

Interest rate risk

The Council is exposed to minimal risk in terms of its exposure to movements in interest rates. This is because the majority of its investments are at fixed rates. Most investments are also of less than one year in duration and so changes to fair value will be minimal. The Council does, however, utilise bank deposit accounts and on-call money market funds for very short term cash deposits and the interest rate on these accounts is variable.

In general terms, a rise in interest rates would have the following effects:

- ◆ Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- ◆ Investments at fixed rates – the fair value of the assets will fall
- ◆ Loans at fixed rates – the fair value of liabilities will fall

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. The

Notes to the Main Financial Statements

treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. During 2019/20, if interest rates on variable rate deposits had been one percentage point higher, with all other variables held constant, the financial effect would have been an additional income of £372,000 (2018/19: £263,000).

Price risk

The Council does not generally invest in equity shares in individual companies. However, it has investments in Cambridge City Housing Company and Cambridge Investment Partnership which are held at cost as detailed at note 32.

The Council has a £15 million nominal investment in the Local Authorities' Property Fund. This investment is classified as 'fair value through profit and loss', meaning that all movements in price will impact on gains and losses recognised in the surplus or deficit on the provision of services.

A loss of £553,000 in respect of the Local Authorities' Property Fund has been recognised in the surplus or deficit on the provision of services in 2019/20 (2018/19: £237,000 gain). This reflects general movements in the value of the fund over 2019/20. A further movement in the bid price of 5% (positive or negative) would have resulted in a £745,000 gain or loss being recognised in 2019/20 (2018/19: £773,000).

The Council intends to hold the above investments over the long term.

The Council also holds a number of investments in enhanced cash funds, shown in current investments, which are 'fair value through profit and loss' assets and a loss of £123,000 (2018/19: £4,000) has been recognised in 2019/20 in respect of these assets.

Foreign exchange risk

The Council has no material financial assets or liabilities denominated in foreign currencies.

34 Defined Benefit Pension Schemes

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.

The Council participates in the Local Government Pension Scheme, administered locally by Cambridgeshire County Council. This is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme in 2019/20 was the responsibility of the Cambridgeshire Pension Fund Committee and Investment Sub-Committee. Policy is determined in accordance with the pension fund regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from

Notes to the Main Financial Statements

the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions relating to post-employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the employer contributions payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The table below shows the transactions that have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year.

(£000s)	Local Government Pension Scheme	
	2019/20	2018/19
Comprehensive Income and Expenditure Statement		
Cost of services:		
Current service cost	10,555	8,474
Past service cost (including curtailments)	(484)	707
Effect of business combinations	839	172
Financing and investment income and expenditure:		
Net interest cost	3,323	2,976
Total post-employment benefit charged to the surplus or deficit on the provision of services	14,233	12,329
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	23,199	(8,560)
Changes in financial assumptions	(29,305)	27,912
Changes in demographic assumptions	(8,074)	0
Other experience changes	(27,885)	(41)
Total post-employment benefit (credited) / charged to other comprehensive income and expenditure	(42,065)	19,311
Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement	(27,832)	31,640
Movement in Reserves Statement		
Charges made to the surplus or deficit on the provision of services	14,233	12,329
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(6,855)	(5,139)
Actual charges to the General Fund and Housing Revenue Account – Employers’ contributions payable to the scheme	7,378	7,190

Notes to the Main Financial Statements

Pensions Assets and Liabilities Recognised in the Balance Sheet

(£000s)	2019/20	2018/19
Present value of the defined benefit obligation	(318,219)	(367,285)
Fair value of plan assets	215,394	229,250
Net liability arising from defined benefit obligation	(102,825)	(138,035)

The net liability shows the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £102.8 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

Assets and liabilities in relation to post-employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

(£000s)	2019/20	2018/19
Opening balance at 1 April	(367,285)	(327,231)
Current service cost	(10,555)	(8,474)
Past service cost	484	(707)
Effect of business combinations	(4,496)	(1,743)
Interest cost	(8,902)	(8,913)
Contributions by scheme participants	(1,636)	(1,511)
Benefits paid	8,629	8,888
Estimated unfunded benefits paid	278	277
Remeasurements – changes in financial assumptions	29,305	(27,912)
Remeasurements – changes in demographic assumptions	8,074	0
Remeasurements – other experience	27,885	41
Closing balance at 31 March	(318,219)	(367,285)

Reconciliation of fair value of the scheme (plan) assets:

(£000s)	2019/20	2018/19
Opening balance at 1 April	229,250	213,646
Effects of business combination	3,657	1,571
Interest income on plan assets	5,579	5,937
Contributions by scheme participants	1,636	1,511
Employer contributions	7,100	6,913
Contributions in respect of unfunded benefits	278	277
Benefits paid	(8,629)	(8,888)
Unfunded benefits paid	(278)	(277)
Remeasurements – return on assets excluding amount in net interest expense	(23,199)	8,560
Closing balance at 31 March	215,394	229,250

Notes to the Main Financial Statements

Local Government Pension Scheme asset breakdown

(£000s)	Fair value of scheme assets			
	2019/20		2018/19	
	Quoted prices in active markets	Quoted prices not in active markets	Quoted prices in active markets	Quoted prices not in active markets
Equity securities:				
Consumer	0	0	6,926	0
Manufacturing	0	0	4,126	0
Energy and utilities	0	0	4,814	0
Financial institutions	0	0	8,618	0
Health and care	0	0	1,387	0
Information technology	0	0	1,220	0
Debt securities:				
UK Government	0	11,151	0	5,687
Private equity	0	17,667	0	17,357
Real estate:				
UK property	0	16,117	0	0
Overseas property	0	3	0	0
Investment funds and unit trusts:				
Equities	0	130,557	0	128,424
Bonds	0	14,608	0	21,304
Infrastructure	0	19,421	0	9,542
Other	0	0	0	17,006
Derivatives	0	2,620	0	0
Cash and cash equivalents	3,250	0	2,839	0
Closing balance at 31 March	3,250	212,144	29,930	199,320

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme liabilities have been assessed for the County Council Fund by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2019.

Notes to the Main Financial Statements

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2019/20	2018/19
Mortality Assumptions:		
<i>Longevity at 65 for current pensioners</i>		
Men	22.0	22.4
Women	24.0	24.4
<i>Longevity at 65 for future pensioners</i>		
Men	22.7	24.0
Women	25.5	26.3
Rate of increase in salaries	2.40%	2.80%
Rate of increase in pensions	1.90%	2.50%
Rate for discounting scheme liabilities	2.30%	2.40%
Take up of option to convert annual pension into retirement lump sum (in respect of pre April 2008 service)	25.00%	25.00%
Take up of option to convert annual pension into retirement lump sum (in respect of post April 2008 service)	64.00%	63.00%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. The sensitivity analysis below has been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes whilst all other factors remain constant. The assumptions in longevity for example assume that life expectancy increases for men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumption at 31 March 2020	Approximate % increase to employer liability	Approximate monetary amount (£000s)
0.5% decrease in the real discount rate	10%	30,352
0.5% increase in the salary increase rate	1%	2,647
0.5% increase in the pensions increase rate	9%	27,471

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve an appropriate funding level over the period until 31 March 2023.

The Council paid a deficit repair contribution of £8,444,000 during 2017/18 to cover the 3 years until 31 March 2020. The final £2,913,000 of this contribution was recognised in 2019/20 (2018/19: £3,030,000). A further deficit repair contribution of £8,905,000 was paid in April 2020, and will be recognised over the next 3 years.

Notes to the Main Financial Statements

The duration of the employer funded liabilities is 21 years. This is the weighted average time until the payment of expected future discounted cash flows, determined based on membership and the financial and demographic assumptions as at the most recent actuarial valuation. This duration is as it stood at the previous formal valuation as at 31 March 2019.

35 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

(£000s)	2019/20	2018/19
Interest received	1,114	811
Interest paid	(7,494)	(7,494)
Dividends received	672	664

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

(£000s)	2019/20	2018/19
Depreciation	17,341	16,853
Impairment and downward valuation	19,073	20,832
Amortisation	92	112
Increase in impairment for bad debts	303	489
Increase in creditors	5,213	2,979
Decrease / (increase) in debtors	6,537	(1,909)
(Increase) / decrease in inventories	(54)	18
Movement in pension liability	6,855	5,139
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,697	32,656
Other non-cash items charged / (credited) to the net surplus or deficit on the provision of services	209	(410)
	59,266	76,759

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

(£000s)	2019/20	2018/19
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,469)	(34,906)
Any other items for which the cash effects are investing or financing cash flows	(30,375)	(21,682)
	(36,844)	(56,588)

36 Cash Flow Statement – Investing Activities

The cash flows for investing activities are as follows:

(£000s)	2019/20	2018/19
Purchase of property, plant and equipment, investment property and intangible assets	(47,191)	(56,055)
Purchase of short term and long term investments	(101,116)	(93,200)
Other payments for investing activities	(53)	(40)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,236	11,393
Proceeds from short term and long term investments	92,000	95,000
Other receipts from investing activities	15,484	14,248
	(33,640)	(28,654)

37 Cash Flow Statement – Financing Activities

(£000s)	2019/20	2018/19
Other receipts from financing activities	2,791	3,347
Net cash flows from financing activities	2,791	3,347

Other receipts from financing activities reflect movements in the cash collected for non-domestic rates and council tax collected by the Council as an agent for others.

38 Reconciliation of Liabilities Arising from Financing Activities

(£000s)	1 April 2019	Financing cash flows	31 March 2020
Long term borrowings	(213,572)	0	(213,572)
Short term borrowings	(82)	0	(82)
Short term creditors: non-domestic rates and council tax collected as an agent for others	(10,597)	(2,791)	(13,388)
Total liabilities from financing activities	(224,251)	(2,791)	(227,042)

39 Impact of the Adoption of New Accounting Standards on the Financial Statements – Effective for the 2020/21 Financial Year

The Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code') requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of new or amended standards within the 2020/21 Code. The standards adopted by the 2020/21 Code include:

- ◆ Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- ◆ Annual Improvements to IFRS Standards 2015-2017 Cycle;
- ◆ Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement;
- ◆ Amendments to References to the Conceptual Framework in IFRS Standards; and

Notes to the Main Financial Statements

- ◆ Amendment to line item specifications for the net assets statement as detailed in the 2020/21 Code.

These standards are adopted with effect from 1 April 2020, but are not anticipated to have a material impact on the Statement of Accounts.

40 Date the Statement of Accounts was Authorised for Issue

The audited accounts were authorised for issue by the Council's Section 151 officer on XX November 2020. This is the date up to which events after the reporting period have been considered.

41 Events After the Reporting Period

As noted above the accounts were authorised for issue on XX November 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Additional Financial Statements and Information

Housing Revenue Account Income and Expenditure Account

This statement sets out details of the income and expenditure in relation to the provision of Council dwellings.

(£000s)	Note	2019/20	2018/19
Income			
Dwelling rents	2	(36,765)	(36,984)
Non-dwelling rents		(822)	(757)
Charges for services and facilities		(3,491)	(3,304)
Contributions towards expenditure		(442)	(504)
Reimbursement of costs		(18)	(26)
Total		(41,538)	(41,575)
Expenditure			
Repairs and maintenance		10,155	9,769
Supervision and management		7,392	7,160
Rents, rates, taxes and other charges		178	207
Depreciation, impairment and reversal of revaluation losses on non-current assets		16,801	23,048
Increased provision for bad debts		336	173
Total		34,862	40,357
Net expenditure		(6,676)	(1,218)
HRA services share of Corporate and Democratic Core		303	294
Net expenditure on HRA services as included in the Comprehensive Income and Expenditure Statement		(6,373)	(924)
HRA share of other income and expenditure included in the Comprehensive Income and Expenditure Statement			
(Surplus) or deficit on sale of HRA non-current assets		(2,679)	(3,254)
Interest payable on PWLB loans		7,494	7,494
Interest and investment income		(1,516)	(1,486)
Capital grants and contributions receivable		(27,386)	(13,921)
(Surplus) / deficit for the year on HRA services		(30,460)	(12,091)

Statement of Movement on the Housing Revenue Account

(£000s)	Note	2019/20	2018/19
(Surplus) / deficit for the year on the HRA Income and Expenditure Account		(30,460)	(12,091)
Adjustments between accounting basis and funding basis under statute			
Net revaluation (losses) / gains and impairment losses on property, plant and equipment		(6,092)	(12,377)
Movement in investment property value		242	155
Gain on sale of non-current assets		2,679	3,254
Capital expenditure funded by the Housing Revenue Account	7	1,672	727
Capital contributions unapplied credited to the Comprehensive Income and Expenditure Statement		27,386	13,921
Other capital adjustments		(154)	(199)
Net charges made for retirement benefits made in accordance with IAS19	10	(1,878)	(2,061)
Employers contributions payable to the Cambridgeshire Pension Fund	10	1,661	1,569
Sums to be debited / (credited) to the HRA that are not income or expenditure in accordance with GAAP		(95)	(54)
Net (increase) / decrease before transfers to / from earmarked reserves		(5,039)	(7,156)
Transfers to earmarked reserves		1,576	4,556
Total movement on Housing Revenue Account for the year		(3,463)	(2,600)
Housing Revenue Account balance brought forward		(11,620)	(9,020)
Housing Revenue Account balance carried forward		(15,083)	(11,620)

Notes to the Housing Revenue Account

1 Introduction

The Local Government and Housing Act 1989 sets the framework within which the HRA operates. The account is 'ring-fenced', meaning that authorities do not have discretion to fund any HRA deficits from the General Fund. Transfers from the General Fund can only be made at the direction of the Secretary of State.

2 Gross Rent

This represents income receivable in respect of all dwellings within the HRA, gross of rent rebates and net of rents not payable when properties are empty. As at 31 March 2020, 1.6% of properties were vacant (31 March 2019: 1.6%).

The average rent payable in 2019/20 was £100.29 per week (2018/19: £100.99 per week).

3 Asset Values within the HRA

(£000s)	Asset Values		Depreciation	
	31 March 2020	31 March 2019	2019/20	2018/19
Dwellings	608,549	612,585	10,416	10,434
Other land and buildings	9,917	9,667	166	139
Infrastructure	3,441	2,381	68	68
Vehicles, plant and equipment	147	182	28	25
Investment properties	5,724	5,667	0	0
Intangible assets	224	134	31	5
Assets under construction	35,599	12,263	0	0
	663,601	642,879	10,709	10,671

The value of council dwellings at 1 April 2019, based on vacant possession, was £1,612 million (1 April 2018: £1,653 million). Vacant possession value is the estimate of the total sum that would be received if all the dwellings were sold on the open market. The balance sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market, and the balance sheet value is therefore lower than the vacant possession valuation. The difference between the two values shows the economic cost of providing housing at less than market value.

Net revaluation losses on property, plant and equipment of £6.1 million have been charged to the Comprehensive Income and Expenditure Statement in 2019/20 (2018/19: £12.4 million). Remaining valuation movements in the value of property, plant and equipment have been charged to the revaluation reserve.

4 Loan Interest Charges

The Council made an HRA self-financing settlement payment of £213.6 million on 28 March 2012. To meet this payment the Council took out a number of long term maturity loans with the Public Works Loan Board (PWLB).

Additional Financial Statements and Information

Under HRA self-financing rules the Council has adopted a 'two-pool' approach so that HRA self-financing loans and the resultant interest are directly attributable to the HRA. This has led to external interest charges of £7,494,000 on this debt being charged to the HRA in 2019/20 (2018/19: £7,494,000).

5 Housing Stock

The Council was responsible for an average stock of 7,150 dwellings during the year. The stock as at 31 March 2020 was as follows:

	31 March 2020	31 March 2019
Houses & bungalows	3,530	3,533
Flats	3,064	3,041
Sheltered housing units	512	510
Shared ownership properties (whole property equivalent)	48	62
Total	7,154	7,146
The change in stock during the year can be summarised as follows:		
Stock at 1 April	7,146	7,170
Right to buy sales	(29)	(27)
Open market disposals	0	(2)
Net shared ownership changes	(14)	(5)
Acquisitions	3	2
New properties	42	9
Other changes	12	(1)
Demolitions	(6)	0
Stock as at 31 March	7,154	7,146

6 Rent Arrears

Rent arrears at 31 March 2020 were £1,973,000 (31 March 2019: £1,688,000) and as a proportion of gross rent income have increased from 4.19% in 2018/19 to 4.89% in 2019/20.

At 31 March 2020 a net provision for bad debt of £1,510,000 was held on the Balance Sheet (31 March 2019: £1,406,000).

7 Financing of Capital Expenditure

(£000s)	2019/20	2018/19
Capital expenditure		
Dwellings	10,367	6,194
Other land and buildings	194	11,451
Plant, vehicles and equipment	16	61
Infrastructure assets	1,128	0
Assets under construction	25,915	13,066
Intangible assets	121	130
	37,741	30,902
Financed by:		
Capital receipts	8,086	8,654
Major repairs reserve	12,136	7,602
Revenue financing of capital	1,672	727
Capital contributions and grants	15,847	13,919
	37,741	30,902

8 Capital receipts within the HRA

(£000s)	2019/20	2018/19
Dwellings	6,242	7,851
Land	97	23
Total receipts	6,339	7,874
Payable to central government	(1,134)	(1,134)
Usable capital receipts	5,205	6,740

9 Major Repairs Reserve (MRR)

(£000s)	2019/20	2018/19
Balance at 1 April	(11,224)	(8,154)
Transfer to MRR during the year	(10,713)	(10,671)
HRA capital expenditure on housing charged to MRR	12,136	7,601
Balance at 31 March	(9,801)	(11,224)

10 Contributions from the Pensions Reserve

The Housing Revenue Account is charged with a share of current service costs in line with IAS 19. The difference between this cost and employer contributions payable is then appropriated from the pensions reserve so that the overall amount to be met from rents reflects employer contributions payable by the Council.

Additional Financial Statements and Information

Collection Fund Statement

The Collection Fund Statement is an agent's statement that reflects the statutory obligation for billing authorities 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.

(£000s)	Note	2019/20		2018/19	
		Council Tax	Non-domestic rates	Council Tax	Non-domestic rates
Council tax	2	(79,879)		(74,395)	
Non-domestic rates income			(115,512)		(109,978)
Contributions towards previous year's estimated Collection Fund deficit:					
Central government		0	(465)	0	(533)
Cambridge City Council		0	(372)	(16)	(426)
Cambridgeshire County Council		0	(84)	(101)	(96)
Cambridgeshire Police and Crime Commissioner		0	0	(16)	0
Cambridgeshire Fire Authority		0	(9)	(5)	(10)
Transitional protection receipts		0	0	0	(308)
Total income		(79,879)	(116,442)	(74,533)	(111,351)
Council tax expenditure					
Cambridge City Council	4	8,634	0	8,243	0
Cambridgeshire County Council	4	57,361	0	53,728	0
Cambridgeshire Police and Crime Commissioner	4	9,733	0	8,543	0
Cambridgeshire Fire Authority	4	3,092	0	2,956	0
Impairment of council tax debts	5	1,350	0	1,004	0
Non-domestic rates expenditure					
Cambridge City Council		0	44,029	0	42,810
Cambridgeshire County Council		0	9,907	0	9,632
Cambridgeshire Fire Authority		0	1,101	0	1,070
Non-domestic rates due to central government		0	55,037	0	53,512
Transitional protection payments		0	331	0	0
Impairment of non-domestic rates debts	6	0	641	0	941
Provision for non-domestic rates appeals	6	0	377	0	(137)
Allowable costs of non-domestic rates collection		0	237	0	234
Total expenditure		80,170	111,660	74,474	108,062
(Surplus) / deficit for the year		291	(4,782)	(59)	(3,289)
(Surplus) / deficit as at 1 April		(40)	(4,012)	19	(723)
(Surplus) / deficit as at 31 March	7	251	(8,794)	(40)	(4,012)

Notes to the Collection Fund Statement

1 General

This statement shows the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts for income relating to council tax and non-domestic rates on behalf of those bodies (including the Council's own General Fund) for which the income has been raised. The costs of collection are accounted for in the General Fund.

2 Council Tax

Under the arrangements for council tax, each domestic property within the Council's area is assigned to one of eight 'valuation bands' (A to H) based on the estimated price it would have achieved if it had been sold at 1 April 1991. The council tax is set for Band D properties and the tax for other bands is calculated as a proportion of the Band D tax. The Band D council tax for the year ended 31 March 2020 was set at £1,803.01, made up as follows:

(£)	2019/20	2018/19
Cambridge City Council	197.50	191.75
Cambridgeshire County Council	1,312.11	1,249.83
Cambridgeshire Police and Crime Commissioner	222.66	198.72
Cambridgeshire Fire Authority	70.74	68.76
Total	1,803.01	1,709.06

The following table shows the calculation of the Council Tax Base for 2019/20 (used to determine the tax needed at Band D to finance spending).

Valuation band	Total number of dwellings on the valuation list	Total equivalent dwellings (after discounts, exemptions etc.)	Ratio to Band D	Band D equivalents
A	4,208	3,285	6/9	2,190
B	10,396	8,614	7/9	6,700
C	19,758	17,429	8/9	15,493
D	9,993	8,694	9/9	8,694
E	5,729	4,960	11/9	6,062
F	3,654	3,218	13/9	4,648
G	3,193	2,690	15/9	4,483
H	482	299	18/9	598
Total	57,413	49,189		48,868
Tax Base adjustments				(5,183)
Tax base for Council Tax Setting				43,685

Adjustments to the Council Tax base are made for growth, losses in collection, student exemptions and empty and second homes to calculate the base for council tax setting purposes.

Additional Financial Statements and Information

The income of £79.9 million in 2019/20 was receivable from the following sources:

(£000s)	2019/20	2018/19
Billed to council tax payers	79,810	74,359
Transfers (to) / from General Fund	69	36
Total	79,879	74,395

3 National Non-Domestic Rates Income

The local rateable value as at 31 March 2020 was £310,766,537 (31 March 2019: £299,159,267) and the Uniform Business Rate in 2019/20 was set by the government at 50.4p (2018/19: 49.3p).

4 Council Tax Expenditure

(£000s)	2019/20			2018/19		
	Precepts and demands	Distribution of previous year's surplus	Total	Precepts and demands	Distribution of previous year's surplus	Total
Cambridge City Council	8,628	6	8,634	8,243	0	8,243
Cambridgeshire County Council	57,320	41	57,361	53,728	0	53,728
Cambridgeshire Police and Crime Commissioner	9,727	6	9,733	8,543	0	8,543
Cambridgeshire Fire Authority	3,090	2	3,092	2,956	0	2,956

5 Provision for Non-Payment - Council Tax

A contribution of £1,350,000 was made to a provision for bad and doubtful debts in 2019/20 (2018/19: £1,004,000).

6 Provision for Non-Payment and Appeals - Non-Domestic Rates

A contribution of £641,000 was made to a provision for bad and doubtful debts in 2019/20 (2018/19: £941,000).

A provision is held for appeals relating to rateable value reductions in respect of 2019/20 and prior years. At 31 March 2020, this provision is £10,499,000 (31 March 2019: £10,122,000).

7 Collection Fund Surpluses and Deficits

The deficit of £251,000 at 31 March 2020 relating to council tax (31 March 2019: £40,000 surplus) will be redistributed in subsequent financial years to Cambridgeshire County Council, Cambridgeshire Police and Fire Authorities and the Council in proportion to their shares of the total council tax raised.

Additional Financial Statements and Information

The total council tax (surplus) / deficit is therefore shared as follows:

(£000s)	31 March 2020	31 March 2019
Council Tax:		
Cambridge City Council	28	(4)
Cambridgeshire County Council	183	(29)
Cambridgeshire Police and Crime Commissioner	31	(5)
Cambridgeshire Fire Authority	9	(2)
Total	251	(40)

The surplus of £8,794,000 at 31 March 2020 relating to non-domestic rates (31 March 2019: £4,012,000) will be redistributed in subsequent financial years to Cambridgeshire County Council, Cambridgeshire Fire Authority, central government and the Council in proportion to their shares of business rates income.

The total non-domestic rates surplus is therefore shared as follows:

(£000s)	31 March 2020	31 March 2019
Non-domestic rates:		
Cambridge City Council	(3,518)	(1,605)
Central government	(4,397)	(2,006)
Cambridgeshire County Council	(791)	(361)
Cambridgeshire Fire Authority	(88)	(40)
Total	(8,794)	(4,012)

Group Financial Statements for the year ended 31 March 2020

Introduction

In order to provide a full picture of the Council's economic activities and financial position, Group Financial Statements are presented in addition to the Council's single entity financial statements and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 'Code'). They comprise:

- ◆ Group Movement in Reserves Statement
- ◆ Group Comprehensive Income and Expenditure Statement
- ◆ Group Balance Sheet
- ◆ Group Cash Flow Statement

These statements are set out on the following pages, together with accompanying disclosure notes. Disclosure notes have only been restated where they are materially different from those of the Council's single entity accounts.

In addition to the financial performance of the Council, the Group Financial Statements comprise:

- ◆ Cambridge City Housing Company Limited
- ◆ Cambridge Investment Partnership
- ◆ Cambridge Live Group

Cambridge City Housing Company Limited (CCHC) was incorporated on 15 February 2016 and began trading in May 2016.

The objective of the company is to provide and manage housing that is affordable for those in housing need and any other property related activity in Cambridge and neighbouring districts that also generates a financial return for the Council.

As the company is wholly owned by Cambridge City Council, it has been consolidated as a subsidiary in the Group Financial Statements.

The Council also has a 50% stake in a limited liability partnership (Cambridge Investment Partnership) with Hill Investment Partnerships Limited. The partnership is primarily engaged in house building and redeveloping land in the Cambridge area. This includes delivering new affordable and social dwellings for council housing financed from the Housing Revenue Account. As at 31 March 2020, the partnership consisted of four separate companies.

Cambridge Investment Partnership LLP, incorporated 30 November 2018, provides management services to CIP operating companies as needed. It also manages the main site and various design, build and sale contracts on behalf of the Council's social housing capital programme. The company reported a loss of £603,000 in 2019/20 (2018/19: nil). Note that up until 31 March 2019, the functions of this company were undertaken by CIP (Mill Road Development) LLP.

Operating companies are established for individual sites as they commence and details of those in existence during 2019/20 are as follows:

Group Financial Statements

- ◆ CIP (Mill Road Development) LLP, incorporated on 22 December 2016. The company reported a profit of £2,000 in 2019/20 (2018/19: £500,000 loss). Note that the 2018/19 performance includes the management functions now undertaken by Cambridge Investment Partnership LLP from 1 April 2019.
- ◆ CIP (Cromwell Road) LLP, incorporated on 10 January 2019. The financial statements for the year ended 31 March 2020 had no transactions going through the Statement of Comprehensive Income (2018/19: nil).
- ◆ CIP Orchard Park L2 LLP was incorporated on 19 December 2019. The financial statements for the year ended 31 March 2020 had no transactions going through the Statement of Comprehensive Income.

Cambridge Live was established as an arts trust charity to manage the running of live events in the city including Cambridge Folk Festival and a program of events in the Corn Exchange. The trust ran into difficulty in 2018 and Council staff took over the management of the organisation on 1 October 2018. The trust and an associated subsidiary trading company (Cambridge Live Trading Limited) are in the process of being wound up, and all activities, assets and liabilities transferred to the Council on 1 April 2019. The results of the companies have been consolidated on a subsidiary basis from 1 October 2018, which is the date upon which the Council took direct control of its operations.

Accounting Policies

The results of these entities are adjusted where applicable to align their accounting policies with those of the Council. All entities have a financial year-end of 31 March.

CCHC holds properties for rent which have been recognised as property, plant and equipment in the Group Financial Statements.

As a subsidiary, the accounts of CCHC have been consolidated with those of the Council on a line by line basis, and any balances and transactions between parties have been eliminated in full. CCHC income and expenditure, adjusted for transactions with the Council, is included on the relevant service lines in the Group Comprehensive Income and Expenditure Statement. Similarly, year-end balances are incorporated into the relevant lines on the Group Balance Sheet, after removing balances owed between the parties. The same approach has been applied for the Cambridge Live Group, as the Council has direct control of these entities.

In line with the requirements of the Code, the Council accounts for its interest in the CIP entities using the equity method. This requires an investor to bring the investment into the Group Balance Sheet at cost and then to adjust the carrying value by the change in the investor's share of net assets. The share of CIP's operating results is included in the Group Comprehensive Income and Expenditure Statement. Unrealised profits on transactions between the Council and the joint venture are eliminated to the extent that they do not reduce the carrying value of the investment below zero.

Group Financial Statements

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditures or reduce local taxation) and other reserves. The '(surplus) or deficit on the provision of services' line shows the true economic cost of providing services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

Financial year 2019/20

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(£000s)	General Fund balance	Earmarked General Fund reserves	Housing Revenue Account balance	Earmarked HRA reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total usable reserves	Unusable reserves	Total Council reserves	Council share of subsidiaries' and joint ventures' reserves	Total Group reserves
Balance as at 1 April 2019	(14,889)	(25,048)	(11,593)	(15,681)	(55,048)	(11,224)	(10,490)	(143,973)	(587,803)	(731,776)	182	(731,594)
Movement in reserves during 2019/20												
(Surplus) / deficit on the provision of services	16,937	0	(30,442)	0	0	0	0	(13,505)	0	(13,505)	(291)	(13,796)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(52,914)	(52,914)	(191)	(53,105)
Total comprehensive income and expenditure	16,937	0	(30,442)	0	0	0	0	(13,505)	(52,914)	(66,419)	(482)	(66,901)
Adjustments between group accounts and authority accounts	279	0	(45)	0	0	0	0	234	0	234	(234)	0
Net (increase) / decrease before transfers	17,216	0	(30,487)	0	0	0	0	(13,271)	(52,914)	(66,185)	(716)	(66,901)
Adjustments between accounting basis and funding basis under regulations	(12,493)	0	25,421	0	8,391	1,423	(12,872)	9,870	(9,870)	0	0	0
Net (increase) / decrease before transfers to earmarked reserves	4,723	0	(5,066)	0	8,391	1,423	(12,872)	(3,401)	(62,784)	(66,185)	(716)	(66,901)
Transfers to / from earmarked reserves	(7,262)	7,262	1,576	(1,576)	0	0	0	0	0	0	0	0
(Increase) / decrease in year	(2,539)	7,262	(3,490)	(1,576)	8,391	1,423	(12,872)	(3,401)	(62,784)	(66,185)	(716)	(66,901)
Balance as at 31 March 2020	(17,428)	(17,786)	(15,083)	(17,257)	(46,657)	(9,801)	(23,362)	(147,374)	(650,587)	(797,961)	(534)	(798,495)

Group Financial Statements

Financial year 2018/19

(£000s)	General Fund balance	Earmarked General Fund reserves	Housing Revenue Account balance	Earmarked HRA reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total usable reserves	Unusable reserves	Total Council reserves	Council share of subsidiaries' and joint ventures' reserves	Total Group reserves
Balance as at 1 April 2018	(13,050)	(24,828)	(9,012)	(11,125)	(40,487)	(8,154)	(5,415)	(112,071)	(638,203)	(750,274)	(480)	(750,754)
Movement in reserves during 2018/19												
(Surplus) / deficit on the provision of services	8,099	0	(12,072)	0	0	0	0	(3,973)	0	(3,973)	225	(3,748)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	22,471	22,471	437	22,908
Total comprehensive income and expenditure	8,099	0	(12,072)	0	0	0	0	(3,973)	22,471	18,498	662	19,160
Adjustments between accounting basis and funding basis under regulations	(10,158)	0	4,935	0	(14,561)	(3,070)	(5,075)	(27,929)	27,929	0	0	0
Net (increase) / decrease before transfers to earmarked reserves	(2,059)	0	(7,137)	0	(14,561)	(3,070)	(5,075)	(31,902)	50,400	18,498	662	19,160
Transfers to / from earmarked reserves	220	(220)	4,556	(4,556)	0	0	0	0	0	0	0	0
(Increase) / decrease in year	(1,839)	(220)	(2,581)	(4,556)	(14,561)	(3,070)	(5,075)	(31,902)	50,400	18,498	662	19,160
Balance as at 31 March 2019	(14,889)	(25,048)	(11,593)	(15,681)	(55,048)	(11,224)	(10,490)	(143,973)	(587,803)	(731,776)	182	(731,594)

Group Financial Statements

Group Comprehensive Income and Expenditure Statement

This statement shows the accounting costs in the year of providing services in accordance with generally accepted accounting practices, rather than the amounts 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 the Movement in Reserves Statement.

(£000s)	2019/20			2018/19 (Restated)		
	Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
Climate Change, Environment and City Centre	10,795	(3,627)	7,168	12,908	(4,128)	8,780
Communities	16,928	(8,768)	8,160	14,246	(4,617)	9,629
General Fund Housing	6,271	(2,044)	4,227	6,509	(2,080)	4,429
Planning Policy and Open Spaces	11,831	(3,610)	8,221	8,306	(2,151)	6,155
Transport and Community Safety	8,492	(10,304)	(1,812)	6,580	(10,555)	(3,975)
Housing Revenue Account	35,165	(41,520)	(6,355)	40,651	(41,556)	(905)
Finance and Resources	37,315	(33,673)	3,642	41,423	(37,805)	3,618
Strategy and External Partnerships	4,770	(363)	4,407	6,260	32	6,292
Other Group housing services	78	(293)	(215)	35	(295)	(260)
Cost of services	131,645	(104,202)	27,443	136,918	(103,155)	33,763
Other operating expenditure	1,134	(2,772)	(1,638)	1,134	(2,312)	(1,178)
Financing and investment income and expenditure	14,503	(1,126)	13,377	13,876	(6,552)	7,324
Taxation and non-specific grant income	0	(52,978)	(52,978)	0	(43,657)	(43,657)
(Surplus) / deficit on the provision of services	147,282	(161,078)	(13,796)	151,928	(155,676)	(3,748)
<i>Items that will not be reclassified to the (surplus) / deficit on the provision of services</i>						
(Surplus) / deficit on revaluation of non-current assets and impairment losses charged to revaluation reserve			(11,040)			3,032
Remeasurements of the net defined benefit liability			(42,065)			19,876
Other comprehensive (income) / expenditure			(53,105)			22,908
Total comprehensive (income) / expenditure			(66,901)			19,160

Prior year figures have been reclassified to reflect changes in the Council's internal reporting structure – there is no change to the total surplus on the provision of services figure reported previously.

Group Financial Statements

Group Balance Sheet

The Group Balance Sheet shows the value at the stated date of the Group's assets and liabilities. The net assets are matched by reserves. Reserves are reported in two categories. The first category is usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Group is not able to use to provide services. This category of reserves includes those reserves that hold unrealisable gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

(£000s)	Notes	2019/20	2018/19
Property, plant and equipment	5	816,251	789,832
Heritage assets		669	669
Investment property		162,722	170,782
Intangible assets		555	336
Long term investments	7	66,999	49,562
Long term debtors		3,709	3,745
Long term assets		1,050,905	1,014,926
Short term investments	7	70,990	79,894
Inventories		187	151
Short term debtors		27,107	20,774
Cash and cash equivalents		11,786	9,837
Current assets		110,070	110,656
Short term borrowing		(82)	(82)
Short term creditors		(33,103)	(29,633)
Receipts in advance		(8,335)	(7,266)
Provisions		(4,419)	(4,445)
Current liabilities		(45,939)	(41,426)
Long term borrowing		(213,572)	(213,572)
Other long term liabilities		(102,882)	(138,895)
Receipts in advance		(87)	(95)
Long term liabilities		(316,541)	(352,562)
Net assets		798,495	731,594
Usable reserves		(147,034)	(143,098)
Unusable reserves		(651,461)	(588,496)
Total reserves		(798,495)	(731,594)

Group Financial Statements

Group Cash Flow Statement

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

(£000s)	Notes	2019/20	2018/19
Net surplus / (deficit) on the provision of services		13,796	3,748
Adjustment to the net surplus / (deficit) on the provision of service for non-cash movements	8	55,145	78,304
Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities		(36,844)	(56,588)
Net cash flows from operating activities		32,097	25,464
Net cash flows from investing activities		(32,939)	(27,290)
Net cash flows from financing activities		2,791	3,347
Net increase / (decrease) in cash and cash equivalents		1,949	1,521
Cash and cash equivalents at the beginning of the year		9,837	8,316
Cash and cash equivalents at the end of the year		11,786	9,837

Index to the Notes to the Group Financial Statements

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Notes to the Group Financial Statements

1 Group Boundary

Cambridge City Housing Company Limited (CCHC) was incorporated on 15 February 2016 and commenced trading in May 2016. The Council purchased 100% of the share capital, £1, on incorporation. CCHC is a subsidiary for accounting purposes and has been consolidated into the Group Financial Statements.

The Council contributed 50% of the equity of each of the following organisations (together the Cambridge Investment Partnership), which are all treated as joint ventures for accounting purposes:

- ◆ CIP (Mill Road Development) LLP, incorporated on 22 December 2016
- ◆ Cambridge Investment Partnership LLP, incorporated on 30 November 2018
- ◆ CIP (Cromwell Road) LLP, incorporated on 10 January 2019
- ◆ CIP Orchard Park L2 LLP, incorporated on 19 December 2019

Cambridge Live is a company limited by guarantee and was incorporated on 12 May 2014. It has one wholly owned trading subsidiary, Cambridge Live Trading Limited (incorporated 13 May 2014). Both companies (together the 'Cambridge Live Group') have been treated as subsidiaries from 1 October 2018, which is the date that the Council took direct control of their operations, and have been consolidated accordingly into the Group Financial Statements.

All of the assets, liabilities and activities of the Cambridge Live Group transferred to the Council on 1 April 2019, and are therefore incorporated within the Council's financial statements from this date. The two entities are now in the process of being wound up.

2 Basis of Consolidation

The financial statements of CCHC and the Cambridge Live Group have been consolidated with those of the Council on a line by line basis which has eliminated balances, transactions, income and expenditure between the Council and the subsidiaries.

The Council's share of CIP (Mill Road Development) LLP's post acquisition results is a loss of £456,000 (31 March 2019: £457,000). In addition, the Council's share of the provision for unrealised profit on the disposal of the Mill Road site is £681,000 (31 March 2019: £681,000). As these amounts exceed the value of the Council's investment, the consolidated value of the LLP for group accounting purposes is currently nil (31 March 2019: nil).

The Council's share of Cambridge Investment Partnership LLP's post acquisition results is a loss of £302,000 (31 March 2019: nil). As this amount exceeds the value of the Council's investment, the consolidated value of the LLP for group accounting purposes is currently nil (31 March 2019: nil).

3 Business Activity of the Subsidiaries and Joint Venture

The objective of CCHC is to provide and manage intermediate housing for rent for those in housing need and any other property related activity in Cambridge and neighbouring districts that also generates a financial return to the Council.

The objective of the Cambridge Investment Partnership is to bring forward sites for redevelopment and to provide housing, including affordable housing.

Notes to the Group Financial Statements

The objective of Cambridge Live was the advancement of art for the public benefit. It fulfilled this objective through the delivering of an extensive events programme from a number of venues around Cambridge. Cambridge Live Trading Limited existed to support the work of Cambridge Live through the operation of commercial trading activities. The activities of both entities transferred to the Council on 1 April 2019.

4 Accounting Policies

In preparing the Group Financial Statements the Council has aligned the accounting policies of all group entities with those of the Council. These are set out on pages 77 to 95.

5 Property Plant and Equipment

Financial year 2019/20

(£000s)	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Assets under construction	Total property, plant and equipment
Cost or valuation							
At 1 April 2019	612,585	156,056	26,275	5,798	1,333	13,138	815,185
Additions	10,401	751	1,231	1,223	6	28,730	42,342
Revaluation increases / (decreases) recognised in the revaluation reserve	(10,022)	7,123	0	0	0	0	(2,899)
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(6,161)	308	0	0	0	0	(5,853)
De-recognition – disposals	(2,662)	0	(752)	0	0	0	(3,414)
De-recognition – other	(815)	(422)	(516)	0	0	1	(1,752)
Assets reclassified (to) / from investment properties	0	160	0	0	0	184	344
Assets reclassified (to) / from intangible assets	0	0	0	0	0	(192)	(192)
Assets reclassified (to) / from other categories of property, plant and equipment	5,223	(245)	424	163	0	(5,565)	0
At 31 March 2020	608,549	163,731	26,662	7,184	1,339	36,296	843,761
Accumulated depreciation and impairment							
At 1 April 2019	0	(9,471)	(14,937)	(945)	0	0	(25,353)
Depreciation charge	(10,416)	(4,774)	(2,094)	(157)	0	0	(17,441)
Depreciation written out to the revaluation reserve	10,352	3,587	0	0	0	0	13,939
De-recognition – disposals	45	0	721	0	0	0	766
De-recognition – other	19	137	423	0	0	0	579
At 31 March 2020	0	(10,521)	(15,887)	(1,102)	0	0	(27,510)
Net book value							
At 31 March 2020	608,549	153,210	10,775	6,082	1,339	36,296	816,251
At 31 March 2019	612,585	146,585	11,338	4,853	1,333	13,138	789,832

Notes to the Group Financial Statements

Financial year 2018/19

(£000s)	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Assets under construction	Total property, plant and equipment
Cost or valuation							
At 1 April 2018	628,303	152,244	22,654	5,156	1,344	15,430	825,131
Additions	6,194	30,363	2,977	11	0	14,881	54,426
Revaluation increases / (decreases) recognised in the revaluation reserve	(15,885)	(134)	0	0	0	0	(16,019)
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(13,164)	158	0	0	0	0	(13,006)
De-recognition – disposals	(3,098)	0	(688)	0	0	0	(3,786)
De-recognition – other	(1,543)	(451)	0	0	0	(167)	(2,161)
Assets reclassified (to) / from investment properties	0	(2,400)	0	0	0	0	(2,400)
Assets reclassified (to) / from assets held for sale	0	(27,000)	0	0	0	0	(27,000)
Assets reclassified (to) / from other categories of property, plant and equipment	11,778	3,276	1,332	631	(11)	(17,006)	0
At 31 March 2019	612,585	156,056	26,275	5,798	1,333	13,138	815,185
Accumulated depreciation and impairment							
At 1 April 2018	0	(6,797)	(13,697)	(810)	0	(587)	(21,891)
Depreciation charge	(10,434)	(4,648)	(1,783)	(135)	0	0	(17,000)
Depreciation written out to the revaluation reserve	10,933	2,054	0	0	0	0	12,987
Impairment recognised in the surplus / deficit on the provision of services	0	(92)	(145)	0	0	0	(237)
De-recognition – disposals	52	0	688	0	0	0	740
De-recognition – other	36	12	0	0	0	0	48
Assets reclassified to / (from) other categories of property, plant and equipment	(587)	0	0	0	0	587	0
At 31 March 2019	0	(9,471)	(14,937)	(945)	0	0	(25,353)
Net book value							
At 31 March 2019	612,585	146,585	11,338	4,853	1,333	13,138	789,832
At 31 March 2018	628,303	145,447	8,957	4,346	1,344	14,843	803,240

6 Property – Revaluations

Full details of the revaluation policy and approach adopted in respect of Council assets is set out at note 15 to the Council's financial statements on page 27.

CCHC properties are subject to annual revaluation by external valuers as at 31 March each year. The RICS registered valuer was Phillip Smith BSc (Hons) MRICS IRRV (Hons) (Wilks Head and Eve).

The basis of valuation is current value derived from existing use. Valuations are undertaken with reference to 'Stock Valuation for Resource Accounting – Guidance for Valuers – 2016' published by the Ministry of Housing, Communities and Local Government (MHCLG). Valuations are also carried out in accordance with the RICS Valuation – Professional Standards ('Red Book'), except where they are varied to reflect the current policy requirements of MHCLG.

Notes to the Group Financial Statements

Valuations are undertaken using the beacon method. Under this method, the company divides its housing stock into a number of 'archetypes'. Properties within each archetype have similar characteristics (e.g. location, property type, number of bedrooms), and as such are deemed to have the same current value. Within each archetype, one representative property (or 'beacon') is selected for valuation. Beacon properties are inspected by the valuers on an annual basis.

COVID-19

On 11 March 2020, the World Health Organisation declared a global pandemic in respect of COVID-19. Subsequently, on 23 March 2020, the Prime Minister announced that to limit the spread of the disease he would be requiring people to stay at home as much as possible. Since then, there have been various levels of business and movement restrictions in place at different times.

The pandemic, and the response to it, have significantly impacted market activity across many sectors, and have presented the Group's property valuers with an unprecedented set of circumstances on which to base their valuation judgements. In particular, evidence from transactions taking place before the pandemic now has less weight to inform opinions of value.

As such, both of the Group's external property valuers have reported their valuations on the basis of material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to these valuations than would normally be the case. This includes the valuation of investment properties, council dwellings, and other land and buildings.

Valuation Dates

The following table shows the current carrying value of Group property, plant and equipment assets by the date of the most recent valuation:

(£000s)	Council dwellings	Other land and buildings	Total
Valued at fair value as at:			
31 March 2020	608,549	145,990	754,539
31 March 2019	0	3,069	3,069
31 March 2018	0	1,089	1,089
31 March 2017	0	1,473	1,473
31 March 2016	0	1,589	1,589
Total Valuation	608,549	153,210	761,759

7 Short Term and Long Term Investments

(£000s)	2019/20		2018/19	
	Long term	Short term	Long term	Short term
Loans to joint ventures	39,840	0	31,850	0
Other investments	27,159	70,990	17,712	79,894
	66,999	70,990	49,562	79,894

Notes to the Group Financial Statements

8 Cash Flow Statement – Operating Activities

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

(£000s)	2019/20	2018/19
Depreciation	17,441	17,000
Impairment and downward valuation	18,981	21,425
Amortisation	92	112
Increase in impairment for bad debts	303	489
Increase in creditors	1,625	3,728
Decrease / (increase) in debtors	6,767	(1,890)
(Increase) / decrease in inventories	(39)	20
Movement in pension liability	6,855	5,139
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,697	32,656
Other non-cash items credited to the net surplus or deficit on the provision of services	(577)	(375)
	55,145	78,304

Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 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 Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 'Code'), supported by International Financial Reporting Standards (IFRS).

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.

Going Concern

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

The Council has carried out a detailed assessment of the likely impact of COVID-19 on its financial position and performance during 2020/21 and beyond. This included consideration of the following:-

- ◆ Loss of income on a service by service basis, due to temporary closures, reduction in demand, and increased collection losses.
- ◆ Additional expenditure on a service by service basis, e.g. provision of new and expanded services in response to the crisis (such as additional costs relating to temporary accommodation for the homeless), and additional costs associated with changes to working practices (such as remote working).
- ◆ Changes to government policy, e.g. changes to business rate reliefs, guidance on supplier relief, additional funding for local authorities, and additional responsibilities which sit alongside this.
- ◆ The impact on the Council's capital programme, e.g. delays caused by government restrictions, and whether there is a need to rephase work for other reasons.
- ◆ The impact on the Council's subsidiaries and joint ventures.
- ◆ The impact of all of the above on the Council's cash flow and treasury management, including availability of liquid cash (as at 16 November 2020 the Council had around £41.6 million in cash and on-demand/short notice deposits), impact on investment returns, and availability of external borrowing if required.
- ◆ The estimated overall impact on the Council's General Fund and Housing Revenue Account reserves.

This review has highlighted that COVID-19 poses a significant financial challenge for the Council, as it will for all local authorities.

The half-year forecast for 2020/21 shows an estimated General Fund budget gap for the year of £1.0 million. By way of context, the General Fund balance as at 31 March 2020 was £17.4 million, and the Council's prudent minimum balance on the General Fund is £6.3 million.

Statement of Accounting Policies

In respect of 2021/22, the Medium Term Financial Strategy published in October 2020 shows a General Fund savings requirement still to be identified of £3.0 million, following the planned use of £2.5 million of General Fund reserves.

It is therefore noted that there is significant headroom within the General Fund (even without the identification of additional savings) to absorb the estimated financial impact of COVID-19 in the short to medium-term. Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. 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 those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- ◆ Interest payable on borrowings and receivable on investments is accounted for 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 there is evidence that debts are unlikely to 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 non-domestic rates and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in less than three months from the date of acquisition and that are convertible to known amounts of cash with an insignificant risk of change in value (no loss of interest). The Council therefore treats all fixed term deposits, which have no contractual provision for early redemption, and if they were redeemed early would suffer a penalty of at least a loss of interest, as investments.

Statement of Accounting Policies

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.

4 Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or where the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e, in the current and future years affected by the change.

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

5 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 non-current assets 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; and
- ◆ amortisation 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 to contribute towards the reduction in its overall borrowing requirement. This provision, known as Minimum Revenue Provision (MRP), is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation is therefore replaced by the 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.

The provisions for depreciation charges to revenue for non-current assets in the HRA are different. The Major Repairs Reserve is credited and the HRA balance is debited with a sum equal to depreciation on all HRA non-current assets. This means that depreciation is a charge to the HRA, but that balances are held in the Major Repairs Reserve for future spend on the housing stock. HRA revaluation and impairment losses are reversed in the same manner as for the General Fund.

6 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, flexi-leave and time off in lieu for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the surplus or deficit on the provision of services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund balance by a credit to the Accumulated Absences Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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 termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Cambridgeshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the Cambridgeshire County Council pension fund 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 future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.3% (based on the yields of the constituents of the iBoxx £ Corporates AA index, gilts yields, and the Council's weighted average duration).

Statement of Accounting Policies

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 pension liability is analysed into the following components:

- ◆ Service Cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment 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.
 - Net interest on the net defined benefit liability – i.e. the net interest expense for the Council. This is 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 line of the Comprehensive 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.
- ◆ Remeasurements comprising:
 - The return on plan assets excluding amounts included 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 pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as other comprehensive income and expenditure.

In relation to retirement benefits, 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, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that 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 pensioners and any such amounts payable but unpaid at the year-end. The balance 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 than as benefits are earned by employees.

Statement of Accounting Policies

7 Events After the Reporting Period

Events after the reporting period 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 is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect

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

8 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the account.

9 Fair value measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either

- a) in the principal market for the asset or liability; or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that the participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

Statement of Accounting Policies

- ◆ Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- ◆ Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- ◆ Level 3 – unobservable inputs for the asset or liability

10 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.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

11 Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristic. There are three main classes of financial asset measured at:

- ◆ 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).

Statement of Accounting Policies

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 for interest receivable are based on the carrying amount of the asset multiplied 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 receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has also made a number of interest-free loans for private sector housing improvements, which are classified as 'soft loans'. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (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. Interest is credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement annually based upon an effective rate of interest, which serves to increase the amortised cost of the loans in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value Through Profit or Loss

Financial assets that are measured at FVPL are recognised on the 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. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

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 and determinable payments – discounted cash flow analysis

Statement of Accounting Policies

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

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

Any gains or losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

Where fair value cannot be measured reliably, the instrument is measured at cost (less any impairment losses).

12 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, 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 not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) 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 Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Statement of Accounting Policies

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

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 to the relevant service line(s) 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 posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted 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.

14 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first-in first-out (FIFO) costing formula.

15 Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Investment properties are not depreciated, but assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, and as a minimum every five years. Gains and losses on revaluation are posted 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.

Rentals received in relation to investment properties are credited to the financing and investment income line and result 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. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement

Statement of Accounting Policies

and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

16 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 and the fair value of the property, plant or equipment at lease inception is above the Council's de-minimis levels of £2,000 for vehicles and £15,000 for other items. All other leases are classified as operating leases.

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

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- ◆ a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- ◆ a finance charge (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.

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 provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision 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.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the

Statement of Accounting Policies

lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, 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 (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. 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 (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset 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 liability (together with any premiums received); and
- ◆ finance income (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 will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the Capital Receipts Reserve in the Movement in Reserves Statement. 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 paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets 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.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is 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, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Statement of Accounting Policies

17 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

18 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the 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.

A de-minimis level of £2,000 has been adopted for vehicles and £15,000 for all other items. Assets that cost less than these limits are classified as revenue, rather than capital expenditure.

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.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance and therefore will not increase the cash flows of the Council. In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Statement of Accounting Policies

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

- ◆ Infrastructure, community assets and assets under construction – depreciated historical cost
- ◆ Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- ◆ Operational land and buildings – current value, determined as the amount that would be paid for the asset in its existing use (EUV). Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.
- ◆ Surplus assets – the current value measurement basis is fair value, estimated at highest and best use from a market participant's perspective.
- ◆ Vehicles, plant & equipment – as these assets have short lives or low values (or both), a depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five 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 a revaluation or impairment loss previously charged to a service.

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

- ◆ 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)
- ◆ 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, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed 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 this 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 by:

- ◆ 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)
- ◆ 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

Statement of Accounting Policies

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.

The Council is undertaking a number of housing redevelopments where part of the cost of building social housing units is being 'paid' by the transfer of land on which the developer will build and sell market units. The Council assesses that it transfers the risks and rewards of ownership of this land at the point that the agreement with the developer becomes unconditional rather than at legal disposal (once the value of social housing build work equals the value of the land).

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. Housing sold under the Right to Buy legislation is not reclassified as assets held for sale as its primary purpose remains as a dwelling until the point of disposal and it is only considered significantly more likely than probable that a disposal will actually occur very close to the disposal itself. The carrying value of housing sold under right to buy remains the same as if it had been transferred to 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. A proportion of receipts relating to housing disposals are payable to the Government. 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 Capital Receipts 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 non-current assets is fully provided for under separate arrangements for capital financing.

Statement of Accounting Policies

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 the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- ◆ Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuers
- ◆ Vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- ◆ Infrastructure – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer

Depreciation is based on the value of assets as at 1 April, so no charge is made in the year of acquisition and a full charge is made in the year of disposal.

Where an item of property, plant and equipment 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.

19 Heritage Assets

Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.

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

Civic Regalia and Art Collection

The collection of civic regalia includes ceremonial maces, chains of office and other civic items. These items are reported in the Balance Sheet at insurance valuation which is based on market values. Further information on the most significant items in the collection can be found on the Council's [website](#)²³.

²³ <https://www.cambridge.gov.uk/ceremonial-maces-1207-charter-and-the-citys-coat-of-arms>

Statement of Accounting Policies

The art collection (both oil and watercolour) includes portraits of historic figures with links to the city (many of them previous mayors and MPs) and paintings of the city. These items are reported in the Balance Sheet at insurance valuation which is based on market values.

These items are deemed to have indeterminate lives and high residual values so the Council does not consider it appropriate to charge depreciation. Carrying amounts are reviewed where there is evidence of impairment, for example where there is physical deterioration, breakage or doubts as to authenticity. Any impairment is recognised and measured in accordance with the Council's general policy on impairment of non-current assets. The Council does not normally make any purchases or disposals of these items.

Cellarer's Chequer

The Council owns Cellarer's Chequer on the site of Barnwell Priory. The Cellarer was the second most important position in a monastery after the Abbot, dealing with the sourcing of provisions and supplies for the community. The Chequer is constructed from Barnack Stone with a tiled roof. It is in Early English style and is thought to be mid-13th century, retaining a doorway, windows and fireplace from this period. Further details can be found on the Council's [website](#)²⁴.

The Council considers that obtaining an accurate valuation for the Chequer would involve a disproportionate cost in comparison to the benefits to users of the accounts. This is because of the lack of comparable values. Consequently, this asset is not recognised on the Balance Sheet.

20 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

²⁴ <https://www.cambridge.gov.uk/cellarers-chequer>

Statement of Accounting Policies

Contingent Liabilities

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

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

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 where it is probable that there will be an inflow of economic benefits or service potential.

21 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. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

22 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

23 Value Added Tax (VAT)

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.

24 Foreign Exchange Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into Sterling at the exchange rate on the date that the transaction was effective. Where amounts in foreign currency are outstanding at the year-end they are converted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

25 Group Financial Statements

Subsidiary entities are those over which the Council is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The income, expense, assets, liabilities, equity, and reserves of subsidiaries are consolidated in full into the appropriate financial statement lines within the Group Financial Statements. Appropriate adjustments are made to align the accounting policies of subsidiaries with those of the Council.

Joint ventures are arrangements in which the Council has joint control with one or more other parties, and where it has the rights to the net assets of the arrangement.

Joint ventures are recognised in the Group Financial Statements using the equity method. The investment is initially recognised at cost. It is increased or decreased subsequently to reflect the Council's share of the entity's profit or loss or other gains and losses following acquisition. Once the value of the investment reaches zero it is not reduced further.

Unrealised profits on transactions with joint ventures are only eliminated against the investment to the extent that it reduces the carrying value of the investment in the Group Financial Statements to nil. The Council does not then recognise further profits in the joint venture until they exceed unrecognised unrealised profits.

Where the impact of entities on the Group Financial Statements is considered to be immaterial, they are not consolidated.

Glossary of Financial Terms

Accounting Period

The period of time covered by the accounts, normally 12 months commencing on 1 April for local authorities.

Accruals

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

Amortisation

A measure of the consumption of the value of intangible assets, based on the remaining economic life.

Capital Expenditure

Expenditure on new assets such as land and buildings, or on enhancements to existing assets which significantly prolong their useful life or increase their value.

Capital Receipt

Income from the sale of capital assets such as council houses, land, or other buildings.

Cash Equivalents

Cash equivalents are investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Contingent Liabilities

Potential liabilities which are either dependent on a future event or cannot be reliably estimated.

Creditors

Amounts owed by the Council at 31 March for goods received or services rendered but not yet paid for.

Current Assets

Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period.

Glossary of Financial Terms and Abbreviations

Debtors

Amounts owed to the Council which are collectable or outstanding at 31 March.

Depreciation

A measure of the consumption of the value of non-current assets, based on the remaining economic life.

Effective Rate of Interest

The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance sheet at initial measurement.

Equity Instrument

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (e.g. an equity share in a company).

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 that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

Financial Asset

A right to future economic benefits controlled by the Council. Examples include bank deposits, investments, trade receivables and loans receivable.

Financial Liability

An obligation to transfer economic benefits controlled by the Council. Examples include borrowings, financial guarantees and amounts owed to trade creditors.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Government Grants

Payments by central government towards Council expenditure. They may be specific, for example Housing Benefit Subsidy, or general such as Revenue Support Grant.

Heritage Assets

Heritage Assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.

Glossary of Financial Terms and Abbreviations

Impairment

The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the Balance Sheet.

Non-current Assets

Assets which can be expected to be of use or benefit the Council in providing its service for more than one accounting period.

Operating Lease

A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

Outturn

Refers to actual income and expenditure or balances as opposed to budgeted amounts.

Precepts

The amount which a local council which cannot levy a council tax directly on the public (for example a county council or police & fire authority) requires to be collected on its behalf.

Provisions

Monies set aside for liabilities which are likely to be incurred but where exact amounts or dates are uncertain.

Reserves

Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions which are set up to meet known liabilities.

Revenue Expenditure

Spending on day to day items including employees' pay, premises costs and supplies and services.

Revenue Expenditure Funded from Capital Under Statute

Expenditure which legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax.

Revenue Support Grant

Grant paid by central government to a local council towards the costs of its services.

Glossary of Financial Terms and Abbreviations

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. This specifies the principals and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority.

Abbreviations used in the accounts

CIPFA	Chartered Institute of Public Finance and Accountancy
GAAP	Generally Accepted Accounting Practice
HRA	Housing Revenue Account
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
LGPS	Local Government Pension Scheme
MRP	Minimum Revenue Provision
SOLACE	Society of Local Authority Chief Executives and Senior Managers

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Cambridge City Council Audit results report

Year ended 31 March 2020
17 November 2020

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Cambridge City Council
The Guildhall
Market Square
Cambridge
CB2 3QJ

17 November 2020

Dear Civic Affairs Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Civic Affairs Committee. This report summarises our preliminary audit conclusion in relation to the audit of Cambridge City Council (the Authority) for 2019/20. We have agreed the content of the report with the Head of Finance.

At the date of this report our audit of the Authority's accounts for the year ended 31 March 2020 is in progress. Subject to concluding the outstanding matters listed in our report, we anticipate issuing an unqualified audit opinion on the financial statements in the form at Section 3 of this report. We have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources. As set out on pages 5 to 9 the Covid-19 pandemic has impacted the statements and our audit opinion

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

We would like to thank your staff for their help during the engagement given the additional pressures they have faced responding to the pandemic and working remotely. We are particularly pleased to report a significant improvement in the quality of the working papers and the responsiveness of officers to our audit queries which has led to a much smoother audit process this year.

We welcome the opportunity to discuss the contents of this report with you at the Civic Affairs Committee meeting on 25 November 2020.

Yours faithfully

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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

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

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

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



01

Executive Summary

Executive Summary

Scope update

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

Change in materiality - We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of 2% of gross expenditure on provision of services, we have updated our overall materiality assessment to £2.84m (Outline Audit Plan – £2.778m). This results in updated performance materiality, at 50% of overall materiality, of £1.419m, and an updated threshold for reporting misstatements of £0.142m.

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

Status of the audit

As at the date of this report, the audit of Cambridge City Council's financial statements for the year 31 March 2020 is in progress. We continue to undertake the procedures outlined in our Outline Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- ▶ Journals testing
- ▶ Employment costs
- ▶ Long term debtors, investments and financial Instruments
- ▶ Lease disclosures
- ▶ Exit packages
- ▶ Grant Income and Receipts in Advance
- ▶ NDR Appeals Provision
- ▶ Related Party transactions
- ▶ Cash flow statement
- ▶ Consistency of Narrative Report
- ▶ Review of the Authority's going concern assessment and disclosure
- ▶ Property valuations and internal consultation on disclosures
- ▶ Manager and Associate Partner file review
- ▶ Receipt and review of the final version of the financial statements
- ▶ Completion of our audit report consultation processes
- ▶ Review of subsequent events
- ▶ Receipt and review of the signed management representation letter

We expect to issue the audit certificate at the same time as the audit opinion.

Our audit opinion will emphasise the valuation of investment properties and other land and buildings valued using market data. We will include an "emphasis of matter" paragraph to draw users attention to revised valuation uncertainty disclosures in the accounts as a result of the Covid-19 pandemic. This is not a modification to the audit report.

Executive Summary

Audit differences

We have so far identified 1 unadjusted audit difference in the draft financial statements which management has chosen not to adjust. We ask that this be corrected or a rationale as to why it is not corrected be approved by the Civic Affairs Committee and included in the Letter of Representation. The aggregated impact of unadjusted audit differences is £206,000. There is no impact on the Authority's general fund due to a statutory override. We agree with management's assessment that the impact is not material.

We have also identified some disclosure related differences which have been adjusted by management. See Section 04.

Areas of audit focus

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

Significant risk	Findings & conclusions
Misstatements due to fraud or error	<p>We have not identified any:</p> <ul style="list-style-type: none"> ▶ material weaknesses in controls or evidence of material management override; ▶ instances of inappropriate judgements being applied; or ▶ other transactions during our audit which appeared unusual or outside the Authority's normal course of business <p>This work is ongoing. We will inform the Committee verbally should any matters arise that we wish to bring to your attention.</p>
Incorrect capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	<p>We have not identified any material issues or unusual transactions to indicate any misreporting of the Authority's financial position through the inappropriate capitalisation of revenue expenditure.</p> <p>Our testing of REFCUS identified that the Council accounted for expenditure on assets below its de minimis policy as REFCUS. The Code requires that such expenditure is accounted for as revenue expenditure.</p> <p>As the amounts are trivial we have not treated this as an audit difference.</p>
Investment Property Valuations & other assets valued using market information	<p>Our work in response to this risk is ongoing, including the work by our valuations specialist (EY Real Estates).</p> <p>We have not identified any material valuation differences to date. We will inform the Committee verbally should any matters arise that we wish to bring to your attention.</p> <p>We noted that the draft accounts did not disclose the material valuation uncertainty reported by the Authority's valuer in their valuation report. This will need to be updated in the final accounts.</p>

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Executive Summary

Areas of audit focus (continued)

Other area of audit focus	Findings & conclusions
Other Land and Buildings valuations	<p>Our work in this regard is substantially complete but still subject to review.</p> <p>We note that the draft accounts did not disclose the material valuation uncertainty reported by the Authority's valuer in their valuation report. This will need to be updated in the final accounts. We have no other matters to report to date.</p> <p>We will update the Committee verbally should any matters arise from our review process that we wish to bring to your attention.</p>
Council dwellings valuation	<p>Our work is ongoing.</p> <p>Again we note that the draft accounts did not disclose the material valuation uncertainty reported by the Authority's valuer in their valuation report. This will need to be updated in the final accounts. We have no other matters to report to date.</p> <p>We will update the Committee verbally should any matters arise from our remaining work in this area that we wish to bring to your attention.</p>
Pension Liability Valuation & other pension disclosures	<p>Our work is substantially complete but subject to review.</p> <ul style="list-style-type: none"> ▶ The Authority re-engaged its actuary to update pension asset values and the estimated impacts of the McCloud and Guaranteed Minimum Pension (GMP) rulings on the pension liability. We expect the pension liability in the final accounts to decrease by approximately £484,000 as a result of this amendment. ▶ The Authority has chosen not to amend the defined benefit pension liability for the impact of the Goodwin ruling. We estimate that this would increase the liability by approximately £206,000. This is shown as an uncorrected audit difference in Section 4. <p>We have no other matters to report to date.</p>
Presentation and disclosure of accounting items	<p>We commenced the final accounts phase of the audit in the last week of October. As at 16th November most of the audit is well progressed with few errors being identified. The quality of the working papers that have been prepared by the Council have been of a high quality and officers have responded in a timely manner to follow up queries. This represents rapid and substantial progress from the prior year. We have no matters of concern to report to the Committee in this regard.</p>

Executive Summary

Areas of audit focus (continued)

Other area of audit focus	Findings & conclusions
Group accounts	<p>This work is substantially complete, subject to review.</p> <p>We have no matters to report to date. We will update the Committee verbally should any matters arise from our review process that we wish to bring to your attention.</p>
<p>Going concern</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 264</p>	<p>Our work in this regard is outstanding as we have recently received the Authority's updated going concern assessment. We will consider the robustness of the assessment.</p> <p>Following our review of the Authority's assessment we will determine whether we need to add an emphasis of matter paragraph to our opinion drawing the readers attention to the going concern disclosures made by the Authority.</p> <p>We do not expect to have any matters to report to the Committee in this regard as the Authority only relatively recently completed the assessment for the 2018/19 Statement of Accounts. We will update the Committee verbally should any matters arise from our review of the Authority's assessment that we wish to bring to your attention.</p>

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

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

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



Executive Summary

Control observations

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

Value for money

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

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We identified only minor factual amendments as a result of this work.

Subject to the finalisation of the areas in the Status of Audit work section, we have no other matters to report.

Independence

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



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

As part of our work to identify fraud risks during the planning stages, we identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation. These are set out on the following page.

What judgements are we focused on?

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

What did we do?

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

To address the residual risk of management override we:

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

What are our conclusions?

We have not identified any

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

However, this work is not yet complete. We will inform the Committee verbally should any matters arise that we wish to bring to your attention.





Areas of Audit Focus

Significant risk

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 judgements are we focused on?

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

What did we do?

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

This included:

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

What are our conclusions?

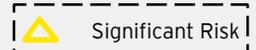
Our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position through the inappropriate capitalisation of revenue expenditure.

The Authority has a policy, in common with other councils, that it will not capitalise expenditure with a value below £2,000 for vehicles and £15,000 for other items. This is called the de minimis policy and is allowable under accounting standards to reduce the need to apply capital accounting rules to small value expenditure.

Our testing of REFCUS identified that the Council accounted for expenditure on assets below its de minimis policy as REFCUS.

Where an Authority applies a de minimis policy, the Code requires that such expenditure is accounted for as revenue expenditure. This expenditure should not be financed from capital resources. Including these amounts in REFCUS is not accepted practice.

On further investigation we agreed with officers that the total de minimis expenditure was below our audit differences threshold. Therefore we have not treated this as an audit difference. However, we recommend the Authority revisits its practice of treating de minimis expenditure as REFCUS and either capitalises that expenditure or accounts for it as revenue.





Areas of Audit Focus

Significant risk

Investment Property Valuations & other assets valued using market information

What is the risk?

The Council's investment property portfolio is a material balance (£163m at 31 March 2020) disclosed on the Council's balance sheet. In addition, the Council owns other assets that are valued on the basis of market information.

The Royal Institution of Chartered Surveyors (RICS) issued guidance to valuers following the Covid-19 pandemic that there likely exists a material uncertainty surrounding property valuations (and other assets valued using market data) in the 2019-20 period. 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 and other assets within the Council's financial statements.

What judgements are we focused on?

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

What did we do?

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

What are our conclusions?

- ▶ Our work in response to this risk is ongoing, including the work by our valuations specialist (EY Real Estates).
- ▶ We have not identified any material valuation differences to date. We will inform the Committee verbally should any matters arise that we wish to bring to your attention.
- ▶ We noted that the draft accounts did not disclose the material valuation uncertainty reported by the Authority's valuer in their valuation report. This will need to be updated in the final accounts.
- ▶ Given the size of the Authority's investment property portfolio, we will include a paragraph in the audit report to emphasise the revised disclosure on the material uncertainty.





Areas of Audit Focus



Other Land and Buildings valuations

Other Land and Buildings (OLB) represents a significant balance in the Council's accounts (£145m at 31 March 2020) and is subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end balances held in the balance sheet.

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

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

We have:

Page 270 Considered 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 tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);

- ▶ Considered whether valuations are carried out with sufficient frequency to ensure that carrying values are not materially different from market value.
- ▶ Considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Considered appropriateness of changes to useful economic lives as a result of the most recent valuation;
- ▶ Tested accounting entries have been correctly processed in the financial statements; and
- ▶ Considered the impact of any material uncertainty reported by the Council's valuers on our audit report.

Findings and conclusions

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

We note that the draft accounts did not disclose the material valuation uncertainty reported by the Authority's valuer in their valuation report. This will need to be updated in the final accounts.

We have no other matters to report to date. We will update the Committee verbally should any matters arise from our review process that we wish to bring to your attention.



Areas of Audit Focus



Council House valuations

Council dwellings represent a significant balance in the Council's accounts (£612m at 31 March 2019) and are subject to valuation changes, impairment reviews and depreciation charges. In 2018/19 we identified issues in how the Council's valuer applied indexation to some beacon valuations. As the value of council houses are significant, and the outputs from the its valuer are subject to estimation, there is a higher inherent risk balances may be under/overstated or the associated accounting entries incorrectly posted.

We have:

- ▶ Considered 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; and
- ▶ Tested a sample of beacon valuations to comparable sales to ensure that the approach is reasonable;
- ▶ Considered specifically the use of indices to derive the 31 March valuation; and

Consider the impact of any material uncertainty reported by the Council's valuers on our audit report.

Findings and conclusions

Our work in this regard is ongoing at the time of writing this report.

Again we note that the draft accounts did not disclose the material valuation uncertainty reported by the Authority's valuer in their valuation report. This will need to be updated in the final accounts.

We have no other matters to report to date. We will update the Committee verbally should any matters arise from our remaining work in this area that we wish to bring to your attention.



Areas of Audit Focus



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 £138 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.

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

We have:

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

Findings and conclusions

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

- ▶ The Authority re-engaged its actuary to update pension asset values and the estimated impacts of the McCloud and Guaranteed Minimum Pension (GMP) rulings on the pension liability. We expect the pension liability in the final accounts to decrease by approximately £484,000 as a result of this amendment.
- ▶ The Authority has chosen not to amend the defined benefit pension liability for the impact of the Goodwin ruling. We estimate that this would increase the liability by approximately £206,000. This is shown as an uncorrected audit difference in Section 4.

We have no other matters to report to date. We will update the Committee verbally should any matters arise from our review process that we wish to bring to your attention.



Areas of Audit Focus



Presentation and disclosure of accounting items

The Council's draft 2018/19 statements contained numerous errors and several supporting working papers were insufficient as a result of weaknesses in the capacity and capability in the finance team.

Since January 2020, the finance team has been strengthened and the Council has put in place a plan to prepare its 2019/20 statements by the end of June. However, there remains an inherent risk that the accounts may contain errors.

We have been in discussions with the new members of the finance team throughout the closure of the 2019/20 audit. As a result of our experience in 2018/19, in order to identify any significant issues at an early stage, we:

- Undertook an early detailed review of the account to assess the overall quality of accounts presented for audit;
- Provided officers with a list of audit working paper requirements before we commence the detailed work on the final accounts;
- Reviewed the adequacy of the working papers provided before we commence detailed audit work

Findings and conclusions

We commenced the final accounts phase of the audit in the last week of October. As at 16th November most of the audit is well progressed with few errors being identified.

The quality of the working papers that have been prepared by the Council have been of a high quality and officers have responded in a timely manner to follow up queries. This represents rapid and substantial progress from the prior year.

We have no matters of concern to report to the Committee in this regard.



Areas of Audit Focus



Group Accounts

The Council has been preparing group accounts for several years. For 2019/20 we understand that Cambridge Live will no longer be a separate entity requiring consolidation.

The Council will need to undertake its annual assessment of the group boundary to determine the procedures it needs to undertake to consolidate the relevant component entities.

We have yet to engage with the auditors of the significant components to understand and evaluate any risks they have recognised on the 2019/20 audits and what impact that has on our consideration of the group accounts. There may be new risks for 2019/20 relating to the impact of Covid-19.

We:

Reviewed the Council's assessment of its group boundary;

Determined we would be able to obtain sufficient assurance of the group consolidation without the need to liaise with component auditors;

Evaluated any risks at component level on the group accounts; and

Audited the consolidation process and group accounts.

Findings and conclusions

This work is substantially complete, subject to review by the Manager and Associate Partner.

We have no matters to report to date. We will update the Committee verbally should any matters arise from our review process that we wish to bring to you attention.



Areas of Audit Focus



Going concern disclosure

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

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

Findings and conclusions

Our work in this regard is outstanding as we have only recently received the Authority's updated going concern assessment. We will consider the robustness of the assessment in light of:

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

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

We do not expect to have any matters to report to the Committee in this regard as the Authority only recently completed the assessment for the 2018/19 Statement of Accounts. We will update the Committee verbally should any matters arise from our review of the Authority's assessment that we wish to bring to your attention.

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03 Audit Report



Audit Report

Draft audit report

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

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGE CITY COUNCIL

Opinion

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

- ▶ Authority and Group Movement in Reserves Statement,
- ▶ Authority and Group Comprehensive Income and Expenditure Statement,
- ▶ Authority and Group Balance Sheet,
- ▶ Authority and Group Cash Flow Statement
- ▶ Notes 1 to 41 to the main financial statements; and notes 1 to 8 of the Group Financial Statements
- ▶ Housing Revenue Account; Statement of Movement on the Housing Revenue Account and notes 1 to 10 to the Housing Revenue Account;
- ▶ Collection Fund Statement and notes 1 to 7 to the Collection Fund Statement
- ▶ Statement of Accounting Policies

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

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of Cambridge City Council as at 31 March 2020 and of its expenditure and income for the year then ended; and

▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

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

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

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

We draw attention to note 3 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty of the statement of accounts, which describes the valuation uncertainty the Authority is facing as a result of the Covid-19 pandemic in relation to specific property valuations. Our opinion is not modified in respect of this matter.



Audit Report

Draft audit report

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

Our opinion on the financial statements

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.



Audit Report

Draft audit report

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

Our opinion on the financial statements

Responsibility of the Head of Finance

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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



Audit Report

Draft audit report

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

Our opinion on the financial statements

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

Certificate

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

Use of our report

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

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



04 Audit Differences





Audit Differences

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

Summary of adjusted differences

There is one audit difference to date which the Authority has determined not to amend which is set out on the next page.

We highlight in this section any misstatements greater than our performance materiality, £1,419,000, which have been corrected by management that were identified during the course of our audit. At the time of writing the report we have not identified any such misstatements.

We have identified and agreed a few disclosure changes as a result of our work on leases, exit packages and officer remuneration banding. However, we do not consider these amendments to be sufficiently significant to warrant further reporting at this stage. We will revisit this assessment should the volume of audit differences increase from the remainder of our work and update the Committee accordingly.

Audit Differences

Summary of unadjusted differences

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

Uncorrected misstatements Council and Group 31 March 2019		Effect on the current period:	 Balance Sheet (Decrease)/Increase			
			Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)
		£'000	£'000	£'000	£'000	£'000
Impact of Goodwin on defined benefit pension liability		206			(206)	
Total uncorrected audit differences		206	-	-	(206)	-

Management have determined not to amend the statements for this audit difference as it is immaterial.

Uncorrected misstatements in the statement of cash flows

We are yet to audit the cash flow statements.

Uncorrected disclosure misstatements

We have identified no audit differences to date in respect of required disclosures which management have determined not to amend.

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05

Value for Money



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 (VFM) conclusion.

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

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

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

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

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

Impact of covid-19 on our VFM assessment

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

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

Overall conclusion

We did not identify any significant risks around these criteria. We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



06 Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Our review of the financial information in the Statement of Accounts 2019/20 and published with the financial statements is ongoing. We have not identified any inconsistencies to date. We will verbally update the Committee should any matters arise from our review which we wish to report.

We reviewed the latest version of the Annual Governance Statement and identified some minor factual inaccuracies. We expect management to amend the Annual Governance Statement in this regard and therefore have no matters we wish to bring to the Committee's attention.

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Whole of Government Accounts

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

We have no issues to raise.

Other powers and duties

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

We have had no reason to exercise these duties.



07

Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

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

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

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

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

We include the table below to update the Committee on the matters we reported on conclusion of the 2018/19 audit.

2018/19 finding	2019/20 finding
The fixed asset register was not kept up to date and did not reconcile to the general ledger	The fixed asset register has been kept up to date and a reconciliation to the general ledger was provided prior to the start of the audit.
The financial model used by officers to produce the draft financial statements did not contain adequate internal consistency checks.	Our review of the draft financial statements did not identify any fundamental issues with internal consistency.
The Council's review of the published draft financial statements presented for audit did not identify material inconsistencies within the statements	Our review of the draft financial statements did not identify any fundamental issues.

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08 Data Analytics



Use of Data Analytics in the Audit

► Data analytics – Journal Entry Analysis and Payroll Analysis

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

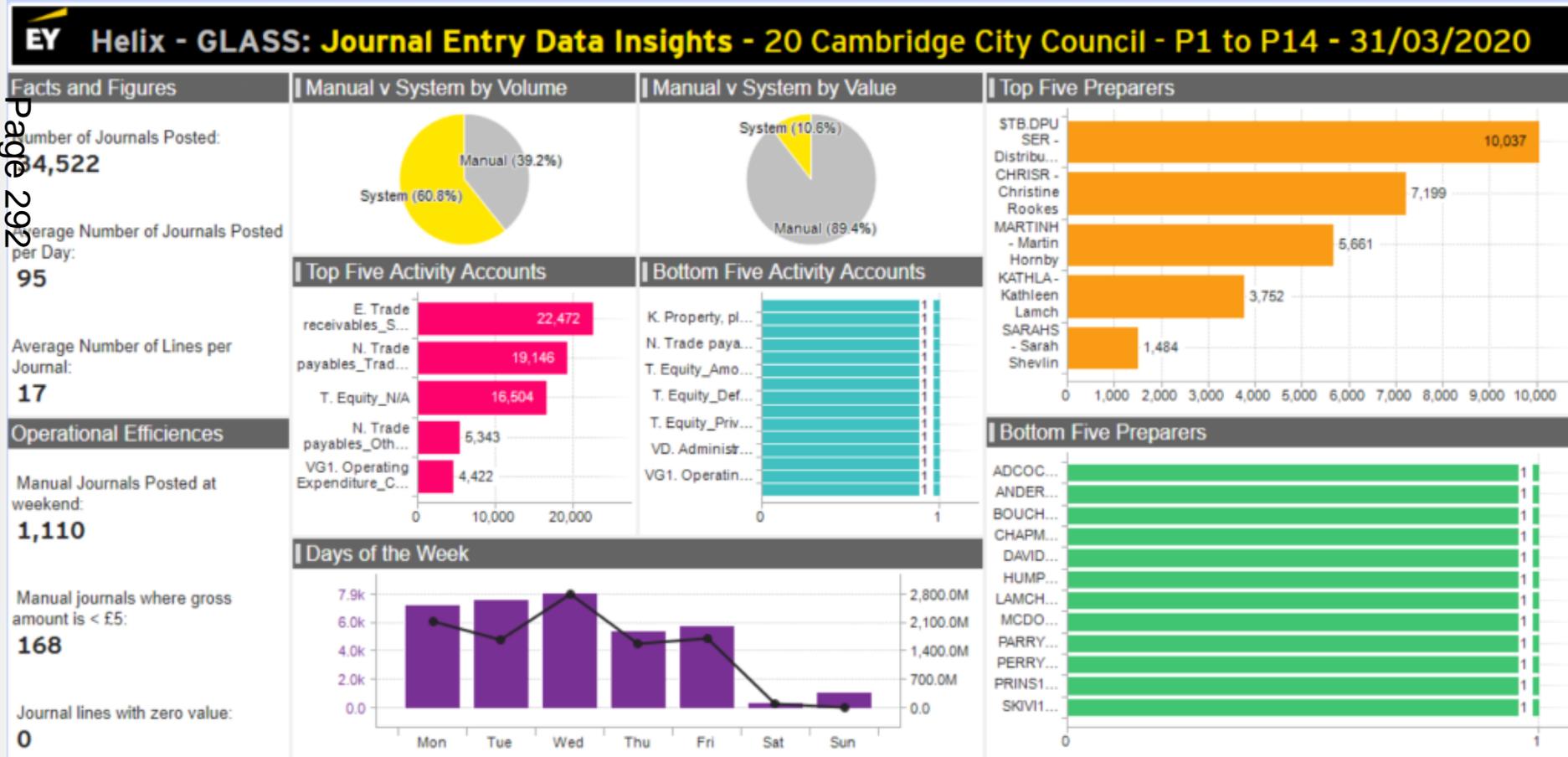


Use of Data Analytics in the Audit

► Data analytics – Journal Entry Analysis and Payroll Analysis

Journal Entry Data Insights

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the statement of accounts. The graphic outlined below summarises the journal population for 2019/20. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions. The purpose of this approach is to provide a more effective and risk focused approach to auditing journal entries.



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09

Independence

Independence

Confirmation

We confirm there are no changes in our assessment of independence since our confirmation in our Outline Audit Plan dated 24 June 2020. We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Civic Affairs committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Civic Affairs Committee on 25 November 2020.

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

Page 29 Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table overleaf includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

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

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

In our Outline Audit Plan and subsequent reporting to the Civic Affairs Committee, we have communicated our proposal to increase the scale fee for 2019/20 to £84,044. This proposal is currently being considered by PSAA as part of their national consideration of EY's fee proposals. The table below does not reflect those proposals. If agreed, the increased scale fee would reduce the need for future scale fee variations.

All fees exclude VAT	Final fee 2019/20	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£	£
Code work - scale fee	40,024	40,024	40,024	40,024
Additional code work:				
• Impact of 50% performance materiality (Note 1)	TBC	8,000-15,000	N/A	N/A
• Capital transactions	-	-	-	10,500
• Group accounts	10,500	7,500 - 10,500	-	10,500
• Additional audit overruns and delays (Note 5)	TBC	-	-	64,892
• Going concern disclosure (Note 2)	TBC	TBC	-	3,331
• Asset valuations impacted by Covid-19 (Note 3)	TBC	5,000 - 10,000	-	-
• EY consultations on auditor report (Note 4)	TBC	-	-	-
Total audit	TBC	TBC	40,024	129,247
Housing Benefit Agreed Upon Procedures	TBC	12,568	N/A	20,750
Total other non-audit services	TBC	12,568	N/A	20,750
Total fees	TBC	TBC	40,024	149,997

Notes: These items are outside of the PSAA scale fee and will be subject to agreement with the Head of Finance and then PSAA.

- 1. We reduced performance materiality as a result of the extensive findings in last years report. This necessitates additional fee due to increased sample sizes.*
- 2. We have carried out additional work to review, assess and challenge the Authority's going concern assessment and associated disclosure.*
- 3. We have carried out additional work in response to the material uncertainty reported by the Authority's valuer on investment property valuations, including engaging our own expert. This has led to an emphasis of matter paragraph in the audit report.*
- 4. To ensure that we are giving the right assurance to the Authority, EY have instigated a consultation process involving the Firm's Professional Practice Directorate.*
- 5. We do not currently expect significant overruns in 2019/20.*

Independence

New UK Independence Standards

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

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services - Remuneration advisory services - Internal audit services - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.

Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.

Permitted services required by law or regulation will not be subject to the 70% fee cap.

Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.

A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.

- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

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

Other communications

EY Transparency Report 2020

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



10 Appendices

Appendix A

Required communications with the Civic Affairs Committee

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

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Terms of engagement	Confirmation by the Civic Affairs Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.		The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.		Outline Audit Plan - June 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.		Outline Audit Plan - June 2020
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 		Audit Results Report - November 2020

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Cambridge City Council's ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - November 2020
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Civic Affairs committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Civic Affairs Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Civic Affairs Committee responsibility. 	Audit Results Report - November 2020

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit Results Report - November 2020
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	Outline Audit Plan - June 2020 and Audit Results Report - November 2020

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Details of any contingent fee arrangements for non-audit services ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The Civic Affairs committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Civic Affairs committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Civic Affairs committee may be aware of. 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - November 2020

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Group Audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Outline Audit Plan - June 2020 and Audit Results Report - November 2020
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - November 2020
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - November 2020
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - November 2020
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Outline Audit Plan - June 2020 and Audit Results Report - November 2020

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About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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XX November 2020

Statement of Accounts 2019/20 – Letter of Representations

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

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Group and the Council.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority

Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because they relate solely to changes to the pension fund liability for which we have not sought a formal actuarial estimate, and the impact on the financial statements is not material.

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

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;

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

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

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

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

3. We have made available to you all minutes of the meetings of the Group and of the Council, and the following committees: Civic Affairs; Council; Housing Scrutiny; Strategy and Resources Scrutiny; and Executive, (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 22 October 2020.

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

have been appropriately accounted for and disclosed in the consolidated and council financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

E. Subsequent Events

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

F. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We will provide to you the final version of documents when available and prior to issuance by us, such that you can perform your procedures.

H. Specific Representations

Use of the Work of a Specialist

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

Property valuation Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete, including the effects of the COVID-19 pandemic and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
3. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events, including due to the COVID-19 pandemic.

Retirement benefits

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

Yours faithfully

Caroline Ryba
Head of Finance and Section 151 Officer

Cllr Mike Sargeant
Chair of Civic Affairs Committee

FREEDOM OF INFORMATION, DATA PROTECTION AND TRANSPARENCY: ANNUAL REPORT 2019/2020

To: Civic Affairs Committee	14th October 2020
Report by:	Madelaine Govier
	Data Protection Officer & Information Governance Manager
	(3C Shared Services - Information Governance)
	Email: Madelaine.govier@3csharedservices.org
Wards affected	All

1. INTRODUCTION

1.1 The purpose of this report is to provide an update on Information Governance activity and performance during 2019/20 (April 2019 - March 2020).

1.2 It provides:

- An overview of the current arrangements in place to monitor the Information Governance arrangements at the Council including Data Protection Compliance and Information Security / Cyber Security Compliance.
- An update on performance relating to:
 - Freedom of Information (FOI) Act / Environmental Information Regulations (EIR) Requests
 - Data Subject Access Requests
 - Personal Data Breaches
 - Uptake of Information Governance Training

2. RECOMMENDATIONS

2.1 The Committee is asked to note the report.

3. BACKGROUND

- 3.1 Information is a vital asset and needs to be managed securely by the council. Appropriate policies, guidance, accountability and structures must be in place to manage the council's information legally, securely and effectively in order to minimise risk to the public and staff and to protect its finances and assets.
- 3.2 Information Governance describes the holistic approach to managing information by implementing processes, roles and metrics to transform information into business assets. This includes coverage around access to information, data quality, information management, information security and information sharing, data privacy and Data Protection compliance.

4. ORGANISATIONAL ARRANGEMENTS

- 4.1 The Information Governance Service for the City Council, South Cambs District Council and Huntingdonshire District Council is currently provided by 3C ICT Shared service hosted by Huntingdonshire District Council. The Information Governance (IG) Team lead on Information Requests, Data Protection Compliance, Data Privacy and provide additional advice around Information Management; whilst the 3C ICT Network team provide support on Information Security.
- 4.2 The IG Team consists of six members, four of whom, including the current Data Protection Officer (DPO), joined this year. The DPO is a statutory role required by Local Authorities, and is responsible for leading the IG team. As a shared service, the team leader is also the DPO for all three Authorities.
- 4.3 Updates on IG arrangements across Cambridge City Council are provided to the Information Security Group (ISG). This Group is designed to facilitate the necessary engagement and to ensure the relevant accountability of staff across the various Services and assist in driving any improvements required. It is chaired by the Senior Information Risk Owner (Fiona Bryant) and comprises of number of managers / heads of services across most service areas within the Council.
- 4.4 The Information Security Group meets quarterly and last met in early November 2020

5. DATA PROTECTION COMPLIANCE

- 5.1 The team have carried out a review of the Data Protection arrangements this year to determine the areas for priority action.
- 5.2 The main areas covered included: Lawfulness, Fairness and Transparency, Individual Rights, Accountability and Governance, Data Security, International Transfer and Breaches. Each area consisted of a number of sub-categories. See [Appendix A](#) for details.
- 5.3 In summary, a key finding from the review was that, whilst appropriate procedures were generally in place, there are some gaps and improvements to be delivered in document management and access. Improvements are required in the following areas for example:

Area	High Level Finding	Risk	Actions needed
Information Asset Registers / Flows	Although Information Asset records are held by Service areas, Information Governance do not currently hold a central repository Information Asset records also should be reviewed regularly to ensure information is accurate.	The risk is delays to responses to information requests, and inaccurate responses if central repository does not contain up to date information.	Update review of existing information to ensure this is up to date; and collate this centrally
Records of Processing (Article 30)	Although the Information Asset Register does collect most of the information required for Article 30; this is not held centrally; in addition to this more information would be required on disclosures and transfers.	Risk of inappropriate transfer of data	Review existing information to ensure transfers and method of these are documented.
Policies	Ensuring clear accessibility for all staff to up to date policies, including, for example IT Policies located within a	The risk is staff may not be aware of updates	Review of policies and publication ensuring clear access to all.

	repository (Protocol Policy)		
Training Arrangements	<p>Compulsory e-learning was undertaken for all City staff - pre GDPR.</p> <p>There is currently a requirement to undertake this every 2 years.</p> <p>All new starters have also have e learning as part of their induction process.</p>	<p>Although compliant with legislation, timing for refresher training is not currently in line with other partners in the public sector. This can present issues when signing up to Information Sharing Agreements.</p>	<p>Review IG training provision & reporting for induction, refresher, specific roles.</p>
Information Sharing Arrangements	<p>No central register for the data sharing agreements signed by Council</p>	<p>Lack of clear central visibility on appropriateness of contracts / sharing agreements already in place. May lead to compliance risk</p>	<p>Central information Sharing Log is to be created.</p> <p>The Information Asset Register work, is also likely to identify where additional agreements/contracts may be needed.</p>
Incorporation of Privacy by Design in Projects	<p>The Data Privacy Impact Assessment (DPIAs) are being completed but Information Governance require further assurance that all those required are in place.</p> <p>DPIAs are currently treated as a standalone document to be completed at project initiation.</p>	<p>Possible risk that privacy risks may either not identified / identified in a timely manner.</p>	<p>The DPIA process needs to be better documented and integrated with Project management / Change Processes.</p>

5.4 The actions required to address these issues have been factored into the ongoing IG forward plan 2020/21.

- 5.5 Updates to monitor the status and progress on this will be provided to the City's Information Security Group (ISG).

6. INFORMATION SECURITY COMPLIANCE / CYBER ESSENTIALS

- 6.1 In an increasingly connected world, cyber security plays a critical role in not only securing systems and data, but also gives the assurance in sharing data.
- 6.2 The council has continued to invest, develop and improve its cyber security position covering systems, processes and procedures. Over the past 12 months, 3C ICT have been monitoring and managing cyber security risks across a number of different areas. (See [Appendix B](#))
- 6.3 Last year's report to Committee referenced a proposal to adopt Cyber Essentials Plus as a framework for security assurance. Whilst Cyber Essentials is a simple but effective scheme to provide cyber security assurance, however, it only covers 5 basic controls.
- 6.4 Threats and risks to our organisation come in many shapes and sizes. In order to cover the areas of risks that an organisation of our size and type should be routinely managing, 3C ICT have instead adopted the 10 steps to Cyber Security (NCSC10) which goes further than Cyber Essentials.

The approach is supported and backed by the NCSC (National Cyber Security Centre) who are the national information governance authority. The Cyber Essential controls are still covered, but in addition, more enterprise level risks are catered for within the NCSC10 steps approach. Using this approach, we are now able to measure the rate and level of improvement in cyber security risk.

- 6.5 Throughout FY 2019 to 2020 we have documented improvements in a number of key cyber risk areas including Risk management methodology, Incident Management, Systems Monitoring, user education and awareness and Remote Working. Across all the 10 themes the RAG statuses are green and amber, with four being Amber and six being Green. See [Appendix B](#) for summary of themes and RAG status.
- 6.6. The four residual amber areas include risk management, incident management and user education and awareness. The rationale behind the amber status for these four areas is the following:
- Risk management – We're only a little over 6 months into this method of monitoring and scoring the Cyber Security risks. This will be considered green when we have a consistent and repeatable process for 12 months
 - Incident Management – requires further testing to be considered mature
 - User education and awareness – Training plan and reporting and monitoring to be agreed by Information Security Groups to achieve green. In the meantime,

regular comms about current trends and threats mitigates this. IT technical training is underway for specific posts.

- Monitoring – consolidation of tools and completion of project to improve management and monitoring with specific part of the infrastructure

We have an action plan in place which is designed to achieve green status on all 10 steps by end March 2021.

- 6.7 The intention is to use the detailed information and evidence gathered as part of this approach to complete the cyber essentials assessment in any case, however, because this approach is also endorsed by the Cabinet Office / PSN accreditation authority, we believe that following the 10 steps to cyber security is a more suitable approach to measuring and assessing information assurance.
- 6.8 We are planning an independent review of this assurance assessment which will be completed by end March 2021 to ensure that we have external verification on the assessment

7. PERFORMANCE UPDATE

7.1 FREEDOM OF INFORMATION / ENVIRONMENTAL REQUESTS

The public has the right of access to information held by the Council under the Freedom of Information Act. The Freedom of Information Act (FOI) works alongside the Environmental Information Regulations (EIR).

- 7.2 Freedom of Information requests relate to requests for information that are not dealt with as part of the day-to-day business processes. Service areas are responsible for responding to requests and 3C ICT Information Governance Team manages the process, provide support and ensure compliance. The Council works to a target of 90% response compliance within 20 days (statutory requirement) as advised by the Information Commissioner. We achieved 88%. Reasons for this included: -

Service Areas not responding to requests for data on time and in some cases, FOI requests were not recognised as FOIs. The importance of responding to these on time and correctly as well as the importance of undertaking training this is being reinforced through the Information Security Group Meetings. In addition, the escalation process is being reviewed to see if any improvements can be made.

This report relates to those formally processed requests.

- 7.3 For the year 2019/20 (April – March) the council received a total of 716 requests under FOI and EIR, representing a 21.5% decrease in the number of requests received in 2018/19.

7.4 [Appendix B](#) demonstrates the year on year trend in the number of FOI requests since 2013/2014.

7.5 There are services which receive a high percentage of FOIs.
[Appendix C](#) shows the numbers and the percentages per service.

There are six departments (Environmental, planning, IT, Housing, Commercial and Revenues & benefits) with significant numbers of requests.

7.6 The IG team have recently developed reports, which will be shared with the Information Security Group on a quarterly basis, to understand trends, and to help departments focus on what should be uploaded onto their publication scheme

8.1 INDIVIDUAL DATA REQUESTS

The Data Protection Act 2018 is the UK's implementation of the General Data Protection Regulations (GDPR). Data protection is primarily concerned with personal data about individuals rather than general information.

8.2 The Information Governance Team coordinate requests relating to individuals rights such as right to request access to the personal data the Council holds, right to erasure, right to rectification as well as third party requests for personal data such as from the Police or to prevent or detect fraud .

[Appendix D](#) includes the performance data related to this area.

There were 27 requests made during the year, of which 23 were responded to within target date. Reasons for delays included lack of awareness in recognising what constituted a Data Subject Access Request; establishing whether a request was valid and delays information being supplied by the service areas. The need for training of all staff is being reiterated through ISG, as well as additional training for Information Champions being given as appropriate.

9. PERSONAL DATA BREACHES

9.1 The guidance on notification of data breaches under the Data Protection Act / GDPR is that where a breach incident is likely to result in risk to the rights and freedoms of individuals, the Council must inform the ICO within 72 hrs and if it's likely to result in high risk to rights and freedoms of individuals, the Council has a lawful duty to inform the individuals without undue delay.

9.2 As a result the IG team have established a framework to ensure that each reported incident is assessed for:

- The potential detriment and adverse effect to the data subject. This includes emotional distress and information about the private aspects of a person's life becoming known to others.
- The extent of detriment. Which could depend on the volume of the data and its sensitivity.

This is performed by the IG team when an incident is logged by a Service Area.

9.3 The IG Team have also developed a register to log incidents / near misses relating to personal data. This allows trends to be identified, with the view to establish if any specific training needs are required or if any actions are needed to enhance the current measures to prevent the likely reoccurrence.

9.4 **Performance Data – Data Breaches**

Although 10 incidents were reported in 2019/20 (April 2019 – Mar 2020), None of these met the threshold for reporting to the ICO. A breakdown of these is provided in [Appendix E](#).

9.5 In all instances, immediate steps were taken by officers to mitigate the incident, once known. Examples included contacting incorrect receiver of emails from the recipients of the email and those affected and removing documents from the Council's website.

9.6 A quarterly update on incidents is now provided to the ISG to ensure visibility and ensure any improvements needed are discussed and followed through as appropriate.

10 **TRAINING**

10.1 To ensure organisational compliance with the law and relevant guidance relating to Information Governance (IG), staff must receive appropriate training.

10.2 In 2018, when the GDPR legislation was implemented, staff underwent compulsory training via the e-learning module, or for operational staff, via videos shown during team meetings. At the City Council, it was proposed that staff completed training every two years. As a result, a vast majority of staff would be expected to retake the module this year; monthly reminders are currently being sent out via the HR team as appropriate.

10.3 In addition to this bi-annual refresher, all new starters who manage confidential information are expected to undertake training on handling confidential information.

10.4 The new IG Team intend to provide quarterly updates on training uptake to the ISG.

11. CONSULTATIONS

Senior managers have been consulted in the production of this report.

12. CONCLUSIONS

The Council takes transparency issues seriously and is broadly compliant with the legislation. A number of measures have been put in place to increase the Council's performance in these areas, and to reduce the risk of breaches in compliance with the legislation.

Officers will continue to review practice, learning from 3C ICT partners and others to strive to continually improve performance, serve residents better and reduce the council's exposure to risk.

13. IMPLICATIONS

(a) Financial Implications

No decisions with financial implications are proposed in this report.

(b) Staffing Implications

Staff will continue to be supported to understand and meet their obligations regarding transparency issues, including through the roll-out of the new Fol tracking software.

(c) Equality and Poverty Implications

This report does not propose decisions with equalities impacts, so and EqIA has not been produced.

(d) Environmental Implications

No decisions with environmental implications are proposed in this report.

(e) Procurement

N/a

(f) Consultation and communication

As set in the body of the report, the need for vigilance and training on data protection and related matters has been communicated to managers and staff regularly.

(g) Community Safety

N/a

14. BACKGROUND PAPERS

None

15. APPENDICES

<u>Appendix A</u>	Scope and Categories for Data Protection Gap Analysis
<u>Appendix B</u>	Areas for monitoring and managing cyber security risks
<u>Appendix C</u>	Yearly trends of FOI Requests received by Cambridge City Council (Numbers and Percentage of FOI responses responded to within 20 working days, and Complaints)
<u>Appendix D</u>	Breakdown of FOI Requests by Service Area (Percentage, Number of Requests, Compliance Levels)
<u>Appendix E</u>	Individual Rights Requests (Subject Access Requests)
<u>Appendix F</u>	Personal data breaches

16. BACKGROUND PAPERS

None

17. REPORT DETAILS AND CONTACT

<p>Report:</p> <p>Freedom of Information, Data Protection and Transparency: Annual Report 2019/2020</p>	<p>Drafted: 1st September 2020</p> <p>Last Revision: 1st September 2020</p>
<p>The author and contact officer for queries on the report</p>	<p>Information Governance Manager / Data Protection Officer</p> <p><u>infogov@3csharedservices.org</u></p>

APPENDICES

APPENDIX A:

SCOPE AND CATEGORIES FOR DATA PROTECTION GAP ANALYSIS

Lawfulness, fairness and transparency	Individual Rights	Accountability and Governance	Data Security, International transfers and breaches
<ul style="list-style-type: none"> Information held Lawful basis Consent Consent for children Vital interest Legitimate interests 	<ul style="list-style-type: none"> Right to be informed including privacy information. Communicate the processing of children's information Right of access Right to rectification and data quality Right to erasure including retention and disposal Right to restrict processing Right to data portability Right to object Rights related to automated decision making including profiling 	<ul style="list-style-type: none"> Policy, Compliance and Training Processor contracts Information Risks Data Protection by Design Data Protection Assessments Data Protection Officers(DPO) Management Responsibility 	<ul style="list-style-type: none"> Security policy Breach Notification International transfers

APPENDIX B:

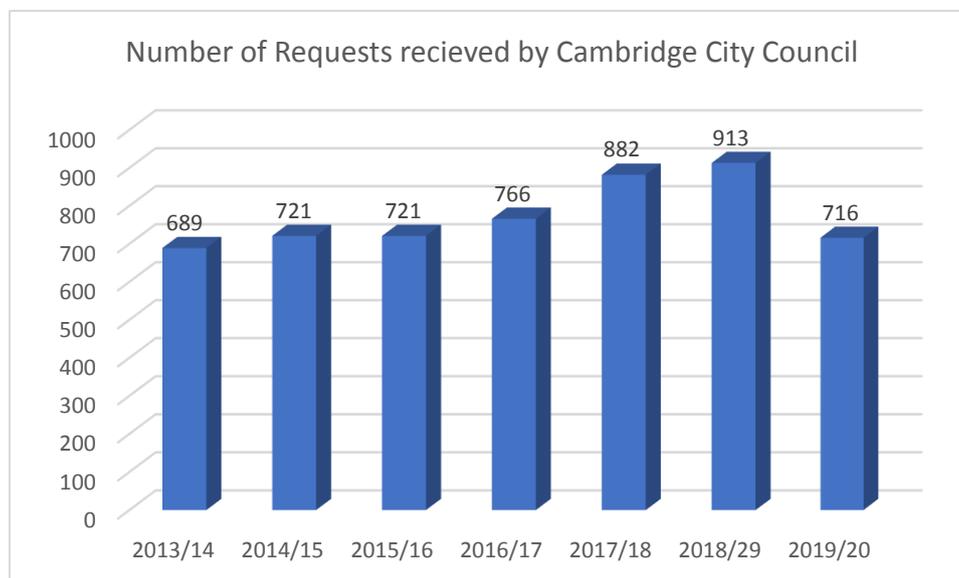
AREAS FOR MONITORING AND MANAGING CYBER SECURITY RISKS.

10 Steps Theme	Rating	RAG	Direction of travel
Risk Management	5	AMBER	↑
Secure Configuration	7	GREEN	↔
Network Security	7	GREEN	↑
Managing user privileges	7	GREEN	↔
Incident management	5	AMBER	↑
User education and awareness	5	AMBER	↑
Malware prevention	8	GREEN	↔
Monitoring	6	AMBER	↔
Removable media controls	8	GREEN	↔
Remote and mobile working	7	GREEN	↑

APPENDIX C:

YEARLY TREND OF FOI REQUESTS RECEIVED BY COUNCIL

a) NUMBER OF FOI REQUESTS RECEIVED (YEARLY)



b) COMPLIANCE LEVEL

Year	Number of Requests	% of requests responded to in 20 working days	% of requests responded to outside of 20 days target	ICO Target (%)
2013/14	689	92	8	85
2014/15	721	84	16	85
2015/16	721	91	9	85
2016/17	766	87	13	90
2017/18	882	90	10	90
2018/29	913	91	9	90
2019/20	716	88	12	90

c) FOI/EIR Complaints / Internal Reviews

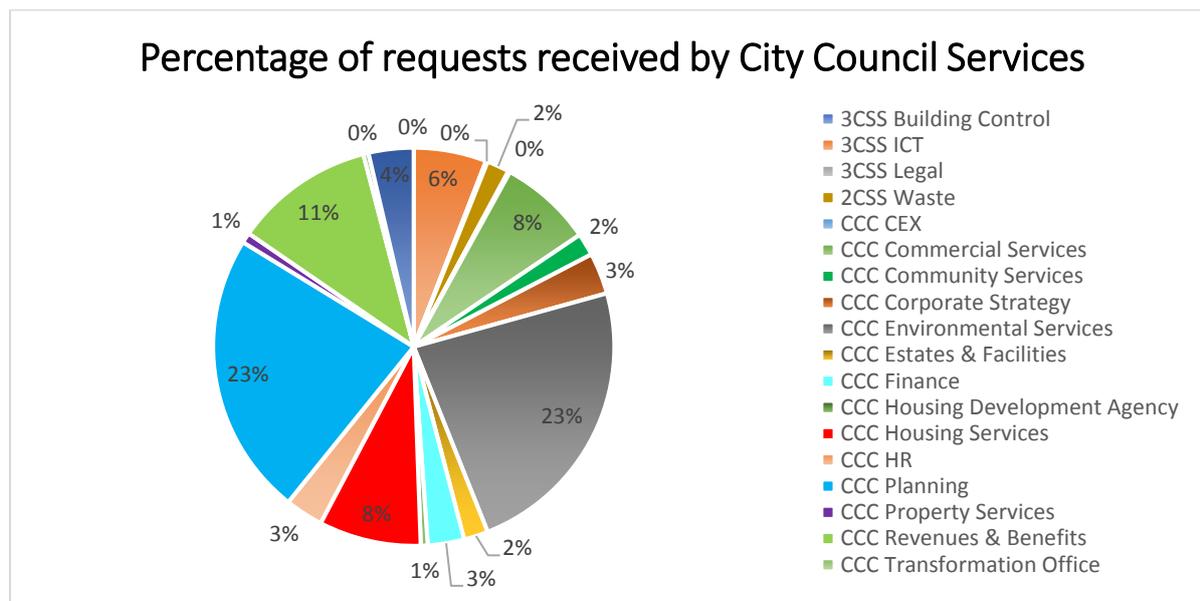
	Received	Compliance with time frame
Internal Reviews / Complaints	4	4
ICO Investigations	1	1

Whilst these have been investigated by the regulator (ICO) these have resulted in no action or they have found in the Councils favour.

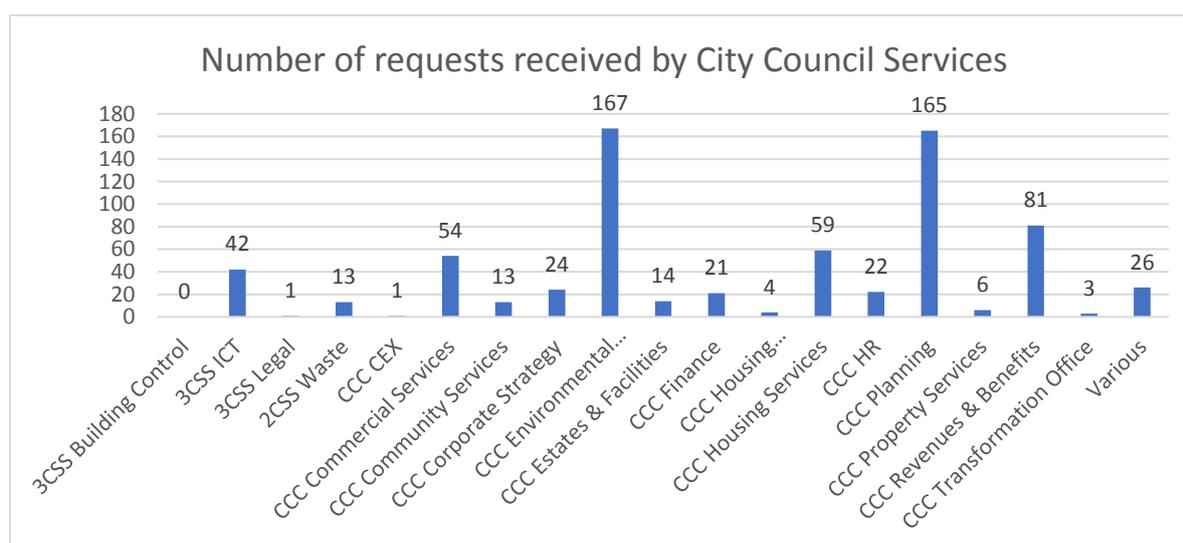
APPENDIX D:

BREAKDOWN OF FOI REQUESTS BY SERVICE AREAS

a) Percentage of Requests received by each Service Area



b) Numbers of Requests responded to by each area



c) Compliance level by each area

Service	Received	Response in 20 working days	% responded to in 20 working days	Average response time (working days)
3CSS Building Control	0	0	0	0
3CSS ICT	42	29	69%	23.5
3CSS Legal	1	0	0%	23.0
2CSS Waste	13	9	69%	21.2
CCC CEX	1	1	100%	20.0
CCC Commercial Services	54	53	98%	8.7
CCC Community Services	13	13	100%	8.8
CCC Corporate Strategy	24	23	96%	14.3
CCC Environmental Services	167	158	95%	13.1
CCC Estates & Facilities	14	9	64%	19.2
CCC Finance	21	18	86%	14.0
CCC Housing Development Agency	4	3	75%	24.8
CCC Housing Services	59	56	95%	13.6
CCC HR	22	22	100%	18.3
CCC Planning	165	131	79%	17.2
CCC Property Services	6	5	83%	17.7
CCC Revenues & Benefits	81	79	98%	9.9
CCC Transformation Office	3	2	67%	34.3
Various	26	21	81%	18.3
	716	632	88%	

APPENDIX E:

Individual Rights Requests

This includes other requests other formal requests for information (other than FOI/EIR)

E.g. Subject Access Requests, Erasure Requests

Other Requests	Received	Compliance with time frame
Subject Access Requests (SAR) (including Erasure Requests, etc.)	27	23
SAR Complaints	0	-

APPENDIX F:

PERSONAL DATA BREACHES

Personal data breaches recorded in 2019/20 (April 2019 – Mar 2020) by Category.

Type of Incident (Category)	Number	Reported to ICO
Documents sent in error to wrong recipient in post	5	Not reportable to ICO
Personal details inappropriately disclosed (e.g. via email/ shared)	3	Not reportable to ICO
Documents lost in transit	1	Not reportable to ICO
Total	10	

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Item

Municipal Year 2021/22 (Indicative)

To:

Civic Affairs Committee 25/11/2020

Report by:

Democratic Services Manager, Gary Clift

Tel: 01223 - 457011 Email: gary.clift@cambridge.gov.uk

Wards affected:

None directly affected

1. Introduction

- 1.1 The report seeks comments and approval of the Council's meeting calendar for the Municipal Year 2021/22 (indicative).

2. Recommendations

- 2.1 To comment on the meetings calendar 2021/22 and, if required, to delegate final approval to the Chief Executive in consultation with Group Leaders.
- 2.2 To agree to change the date of Strategy and Resources Scrutiny Committee from 12 April to 29 March 2021 as explained in the report.
- 2.3 To agree to cancel the April 2021 Council meeting for the reasons outlined in the report.

3. Background

- 3.1 This committee sets the forward programme of dates for the Council and committee meetings, with Group Leaders having seen the draft calendar for any prior comment. The four Area Committees agree dates at respective meetings in February-April each year.

- 3.2 The calendar avoids as far as possible main school holidays and political party conferences. Liaison with partner authorities is done so the calendar seeks to avoid date clashes wherever possible. Planning and Transport Scrutiny Committees have been scheduled in accordance with usual practice however given the Council is in the process of preparing a joint draft Local Plan with South Cambridgeshire District Council (SCDC) meetings may need to be rescheduled to align with the Local Plan process.

Council meeting 22 April 2021

- 3.3 There are scheduled elections for the 42 seats on the city council on 6 May 2021. The last time there were 'all-out' elections for the city council was 2004. The elections had been scheduled for May 2020 but were re-scheduled under the Coronavirus Act 2020. Not only will there be 'all-out' city council elections in Cambridge on 6 May 2021, there will be elections for County Councillors, the Police and Crime Commissioner and the Combined Authority Mayor. The Notice of Election (the start of the election timetable) will be Monday 29 March 2021.
- 3.4 Members have cancelled April Council meetings before in 2017, 2019 and had agreed to cancel April 2020 prior to the coronavirus lockdown, which meant all meetings were cancelled prior to making virtual meetings the norm. Forward planning by senior managers means there will be no decisions for Council from either the Executive or regulatory committees in April 2021. It is worth noting that the county council has no scheduled meetings in April 2021. In addition to there being no known business for decision, cancelling Council allows all councillors to focus on the elections.

Strategy and Resources Scrutiny Committee-March 2021

- 3.5 Another impact of the city council elections moving to 2021 is that the current date for Strategy and Resources Scrutiny Committee on 12 April 2021 looks an anomaly. It is recommended this is moved to Monday 29 March, the day the Notice of Election is scheduled and which is the first day of the school Easter holiday (with the Easter weekend at the end of the week).

4. OPTIONS

The Committee can suggest alternatives to the calendar proposed.

5. Implications

(a) Financial Implications - none

(b) Staffing Implications-none

(c) Equality and Poverty Implications

The calendar spreads the meetings across days of the week (Monday-Thursday) and hours of the day. There are more meetings in the late afternoon/evening to suit current councillor preferences. The 2021/22 calendar avoids, where possible, meetings in school holidays following the committee's earlier decision (19/17/CIV).

(d) Environmental Implications - none

(e) Procurement Implications - none

(f) Community Safety Implications - none

5. Consultation and communication considerations

Group Leaders, the Monitoring Officer and s151 Officer have been consulted on the proposed calendar.

6. Background papers

GCP, Combined Authority and SCDC and County Council draft meetings calendars and published meeting dates.

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