



Cambridge City Council Civic Affairs

Date: Wednesday, 22 September 2021

Time: 5.30 pm

Venue: Committee Room 1 & 2, The Guildhall, Market Square, Cambridge, CB2 3QJ

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

Agenda

1	Apologies	
2	Declarations of Interest	
3	Minutes	(Pages 3 - 6)
4	Public Questions	
5	Internal Audit Plan: Progress Report	(Pages 7 - 22)
6	Annual Governance Statement	(Pages 23 - 66)
7	Statement of Accounts 2020/21	(Pages 67 - 276)
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9	Risk Management Strategy and Framework	(Pages 301 - 326)
10	Freedom Of Information, Data Protection And Transparency: Annual Report 2020/21	(Pages 327 - 344)
11	Calendar of Meetings 2022/23	(Pages 345 - 348)

Civic Affairs Members: Sergeant (Chair), Davey (Vice-Chair), Dryden, Flaubert, Gehring and O'Reilly

Alternates: Dalzell and Moore

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Public Document Pack Agenda Item 3

Civic Affairs

Civ/1

Wednesday, 14 July 2021

CIVIC AFFAIRS

14 July 2021
5.30 - 6.23 pm

Present: Councillors Sergeant (Chair), Dalzell, Davey (Vice-Chair), Dryden, Flaubert and O'Reilly

Officers:

Head of Shared Internal Audit Service: Jonathan Tully
Electoral Services Manager: Vicky Breading
Committee Manager: Claire Tunnicliffe

FOR THE INFORMATION OF THE COUNCIL

21/19/Civ Apologies

Apologies were received from Councillor Gehring, Councillor Dalzell attended as the alternate.

Apologies were also received from Robert Pollock, Chief Executive, Rob Bennett, Independent Person.

21/20/Civ Declarations of Interest

None were declared.

21/21/Civ Minutes

The minutes of the meetings held on 17 May and 27 May were approved as a correct record and signed by the Chair.

21/22/Civ Public Questions

No public questions were received.

21/23/Civ Review of Elections 2021

The Committee received a report from the Electoral Services Manager regarding the Review of Elections 2021

In response to the report the Committee thanked the Electoral Services Manager and the Electoral Team for the mammoth effort it had taken to organise the four elections during COVID-19, the hard work was appreciated.

The pandemic had disrupted the usual planning of the electoral process and staff were to be commended for the way in which they had ensured the delivery of a successful election(s). It was noted the additional work that had been carried out, the mitigation measures in place to safeguard both staff, politicians, and voters, making sure of social distancing at the polling booths and the count, the introduction of new ways of working while having to deal with the usual workloads.

The Electoral Services Manager confirmed the virtual briefings and staff training had worked well and welcomed the introduction of the timed delivery of nomination papers.

Confirmed that the Presiding Officer had the power to remove disruptive individuals off private land, whether inside or outside. If those individuals were on public land outside of the private boundary it would become a police matter.

The count venue had been relocated out of the Guildhall and feedback received from staff and election agents had been largely positive. Any negative feedback had stemmed from measures in place because of COVID-19 so could be addressed and dealt with in time for the next election count.

Due to the boundary changes there were relationships which were yet to be established with the administrators of the new polling stations, but these would develop with time.

In response to a question why residents living opposite St Philip Howard Polling Station could not use it. The Electoral Services Manager advised this would be looked into and a response given outside of the meeting.

Committee Manager note: St Philip Howard polling station was not a polling station on 6 May, as the Council had been refused use of it during the pandemic. This meant electors living nearby needed to be relocated to the next closest station. Following the polling district review, it was identified as the polling station for those in the immediate vicinity and barring no further

refusal by St. Phillip Howard, it will be those elector's polling station in May 2022.

The Electoral Services Manager asked for her thanks to be recorded for the work of Andrew Grant, Returning Officer (RO) and the support provided by the County RO. Also emphasised the resilience of the counting staff, and especially the count supervisors, who worked such long hours and maintained COVID-19 measures.

The Committee

NOTED the report.

21/24/Civ Internal Audit Plan 2021/22

The committee received a progress report from the Head of Internal Audit regarding the Internal Audit Plan 2021/2022 and current opinion on the control environment based on work from the last six months.

The Committee Manager read out a question on behalf of the Independent Person regarding duplicate payments. The Head of Internal Audit acknowledged there was an increased risk of duplicate payments during the pandemic with remote working. The Council had recently submitted payments data to the Cabinet Office through the National Fraud Initiative exercise and would investigate any potential duplicated payments. In addition, the Council was investigating ways to carry out more routine data matching using the IT systems already in place.

The financial statements and value for money position of local authorities, which the City Council shares services with, are reviewed by the External Auditors. Internal Audit will review shared services risks and systems where they are the lead authority. Assurance is provided in the Annual Governance Statement, and any significant issues would be reported.

Following a discussion on cyber security risk, the Head of Internal Audit agreed this was one of the biggest areas of risk. The assurance is provided by Huntingdonshire District Council as the lead authority for ICT. Different reviews were undertaken regularly to ensure robust measures were in place`.

Audits offered an opportunity to challenge, look for improvements and determine if working practices needed to be changed.

Noted the comment on partners, shared services, third parties and trading companies and the risks they presented to the City Council. This was a complex area due to the variety of different governance arrangements in place. The Council completes assurance mapping which evidences sources of assurance from partners as part of the Annual Governance Statement process

The Committee:

Resolved (unanimously) to:

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

The meeting ended at 6.23 pm

CHAIR



Item

INTERNAL AUDIT UPDATE

To:

Civic Affairs Committee [22/09/2021]

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 July 2021 to September 2021, 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. Background

- 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) Net Zero Carbon, Climate Change and 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 2021.
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 July 2021 meeting the Committee approved our current audit plan.
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 three new reviews to add to the plan, which is providing assurance on the Covid-19 Income Grants to Local Government. This work was unplanned and was required 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.

Progress against the plan

Key Themes

9. 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.
10. Our reviews are categorised by themes to help us communicate the areas of focus. Our key themes for 2021 / 2022 include:

Theme	Details
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.
Counter fraud	The fraud risk profile has increased during the COVID-19 pandemic as fraudsters seek the opportunity to take advantage of reduced internal controls and the urgency of government led support. Our plan will consider these risks and the controls.
Transformation	The Council continually seeks continuous improvement and we will review any new key systems, once they are implemented, for benefits realisation and to provide assurance that key controls continue to operate effectively.
Governance	We will review key governance areas where there is a statutory requirement to undertake specific work, and this will feature in the Annual Governance Statement.

Assurance and opinion

11. The audit plan enables me to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place (comprising risk management, corporate governance and financial control). This opinion will inform the Annual Governance Statement.
12. It is the opinion of the Head of Shared 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, governance and risk management arrangements. This remains at a similar level to the previous report, based on the outcomes of our work, however we recognise the risks and challenges that the Council has faced during the Covid-19 pandemic and the potential impact this has on the control environment. Consequently, our ongoing audit plan now features Resilience and Recovery as one of our key themes.

Finalised reviews

The following reviews have reached completion, since July 2021:

Audit	Assurance and actions		Summary of report and actions
Grant assurance - RHLG / SBGF / LADG 	Assurance: Current: Full Previous: New review Actions: Critical 0 High 0 Medium 0 Low 0		<p>We provided assurance to BEIS by sampling business grants issued to customers from the first three grant schemes: Small Business, Retail Hospitality and Leisure, plus the Local Authority Discretionary Grant funds.</p> <p>While it is not possible to completely eradicate the risk of fraud, this review concluded that reasonable pre and post assurance checks had been completed whilst maintaining prompt speed of payment to help support customers.</p>
Grant assurance – Cultural Recovery Fund 	Assurance: Current: Full Previous: New review Actions: Critical 0 High 0 Medium 0 Low 0		<p>The Council was awarded grants in excess of £650,000 from Arts Council England including £400,211 from the Department for Culture, Media and Sport's Cultural Recovery Fund. This funding was allocated across three service areas: Community, Corn Exchange and the Folk Festival.</p> <p>To enable release of the final 10% of approved funding the grant conditions required a qualified accountant within Internal Audit to confirm that the expenditure of funding in each service area had been in line with the intended purposes of each grant. Once we were made aware of this requirement, we promptly reviewed the grants and the associated expenditure, and this provided assurance that the grant expenditure was correct and eligible.</p>

Audit	Assurance and actions		Summary of report and actions
Payroll – Core controls 	Assurance: Current: Full Previous: Reasonable Actions: Critical 0 High 0 Medium 0 Low 2		<p>As a key financial system, we review the core controls of the Payroll System annually. We focused our testing on the following areas across the financial year:</p> <ul style="list-style-type: none"> • Payroll reconciliations • Gross to Net Pay reports • Third Party Payments to HMRC and the Pension Fund. <p>Our review confirmed payroll reconciliations were being undertaken regularly, and this provided assurance for the BACS, HMRC PAYE and Pension processes. The review identified a couple of opportunities to improve the reconciliation process. Due to the COVID-19 pandemic, the Payroll team have been working remotely and there are good arrangements in place to ensure that key controls have continued to operate whilst working remotely.</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
Tackling poverty & inequality and helping people in the greatest need			
Estates & Facilities - Fire Safety	Compliance	We have completed our testing and issued the draft report to the team for review. This has provided Reasonable Assurance that controls are operating effectively.	Review of Corporate framework for Fire Risk Management - recognising there was a policy change introduced in 2019/20.
HRA - Electrical Safety Compliance - Follow-up	Follow-up	This work is scheduled for later in the year.	Follow-up review to ensure that actions have been implemented successfully.
HRA - Gas Safety Compliance - Follow-up	Follow-up	This work is scheduled for later in the year.	Follow-up review to ensure that actions have been implemented successfully.
Leading Cambridge's response to the climate change emergency and biodiversity crisis			
Carbon management - Data Quality	Data quality	This review is currently in progress.	Council carbon emission data is collected to produce an annual Greenhouse Gas report. Data is quality assured by Internal Audit before being published.

Audit	Assurance type	Progress update	Scope and description
Delivering quality services within financial constraints while transforming the council			
Procure to Pay	Compliance	This work is scheduled for later in the year.	Desktop review of the procurement system and new processes. A sample of transactions will be reviewed to ensure they are promptly and appropriately authorised.
Payroll – system changes	Benefits realisation	This work is scheduled for later in the year.	We have allocated some resource to test the implementation of the new HR / Payroll system.
Fleet management - Fuel cards	Making Resources Count	This review is currently in progress.	This review considers processes and guidance for fuel cards, analytical review of expenditure and a compliance check to procedures.
Risk Management Strategy	Risk based	This review is currently in progress. The core part of our work is completed, and a separate report is being presented to the Civic Affairs Committee.	Review of the current Strategy & Framework for effectiveness, to best practice standards, to inform planned revision to the Strategy.
Information Governance - GDPR	Governance	This work is scheduled for later in the year.	Time allocated for a review of a selection of thematic areas.
VAT	Compliance	This review is currently in progress.	Review of any recent changes to VAT rules and application in the Financial Management System. Transactional testing to consider matches from the National Fraud Initiative exercise.

Audit	Assurance type	Progress update	Scope and description
Core Assurance Work			
Payroll – Core controls	Key Financial System	This work is scheduled for later in the year.	An annual key controls audit as part of cyclical review of core systems.
Grant assurance - Disabled Facility Grant	Grant assurance	This review is currently in progress.	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.
Financial Management Code	Policy and procedures	This work is scheduled for later in the year.	To provide assurance that the Council has effectively implemented a Financial Management Code.
Grant assurance – other Business Support Grants	Grant assurance	This work is scheduled for later in the year.	Sample testing of grant payments to provide Central Government with assurance that effective internal controls were in operation throughout the grant process. Target timeline to be defined by BEIS.
SIPS assurance	Grant assurance	This review is currently in progress.	Sample testing of transactions to provide Central Government with assurance on the benefits administration process.
Ethics, Culture and Governance	Governance	This work is scheduled for later in the year.	Each year we will allocate some resource to assess and make appropriate recommendations to improve the organisation's governance processes, including promoting appropriate ethics and values within the organisation.

Counter fraud and corruption update

National Fraud Initiative

13. 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.
14. We have completed the data submission 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. We successfully project managed this exercise to avoid the financial penalties from the Cabinet Office for poor quality or late data. We have now received the results (totalling 1889 records) from the data matching routine and will follow these up throughout 2021/2022.

Other audit and assurance activity

Business Grants

15. 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, our Local Discretionary Grant Scheme, National Lockdown, Restart and Additional Resources Grant schemes.
16. 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 12,169 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.

17. Nationally, as expected, there have been high volumes of attempted fraud over the past year. We have completed assurance reporting to Central Government and also worked with Counter Fraud agencies to share intelligence on areas of fraud risk. This has been important safeguard as it helps us to proactively adapt our controls in response to the latest intelligence.
18. The work helps the Council to have assurance that it has taken proportionate and effective controls to mitigate the risk of fraud and error.

Public Sector Internal Audit Standards

19. 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).
20. 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

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

Risk management

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

Conclusion

23. The work carried out by the Internal Audit Team conforms to the Public Sector Internal Audit Standards.
24. A continuous risk-based audit plan is completed, providing assurance. The team also provides added value consulting activities such as providing advice and fraud and error activities.
25. The audit work completed in 2021/2022 enables Internal Audit to form an opinion on the internal control environment, governance and risk management arrangements. There is Reasonable assurance awarded during the year, and this remains at a similar level to the previous report to the Committee.

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.



Item

Annual Governance Statement and Local Code of Governance

To:

Civic Affairs Committee [22/09/2021]

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 2020/2021, 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 Statement is prepared to a timetable set in the Accounts and Audit regulations.
- 3.7 The Annual Governance Statement primarily reflects events from the previous financial year, in this case 2020/2021, but can consider significant events up to the date that the Statement of Accounts are approved.
- 3.8 The Covid-19 pandemic commenced at the end of the 2019/2020 financial year but has continued to have a significant impact on the Council in 2020/2021.
- 3.9 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.
- 3.10 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.

Financial Management Code

- 3.11 The latest guidance from CIPFA requires that we evaluate our compliance with the Financial Management Code. This is a new requirement, and we have added a new section to the AGS to highlight 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.
- 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 Council's 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) Net Zero Carbon, Climate Change and 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 as part of the Statement of Accounts.

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

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.

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Covering Note

This is the draft Annual Governance Statement (AGS) for 2020/2021.

The AGS has been prepared as per the Accounts and Audit Regulations 2015, and Proper Professional Practice. This includes guidance from CIPFA and SOLACE.

The current status of this document is draft. It is unaudited and may be updated and amended.

The draft AGS has been published as required by relevant legislation: <http://www.legislation.gov.uk/uksi/2015/234/regulation/15/made>. It has been prepared in accordance with regulation 6(1)(b). As a draft document the statement has not yet been approved in accordance with regulation 6(2)(b), and the final version will be approved by the Civic Affairs Committee in advance of the Statement of Accounts.

The AGS should reflect events in the relevant financial year, plus up to when the Accounts are approved by Committee. The document and action plan will continue to be developed during this period. The Covid-19 events in particular have continued to have a significant effect on Councils since March 2021. Consequently, it is appropriate to reflect this in the AGS, and further updates may need to be included if new guidance is issued from professional bodies and Central Government.

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

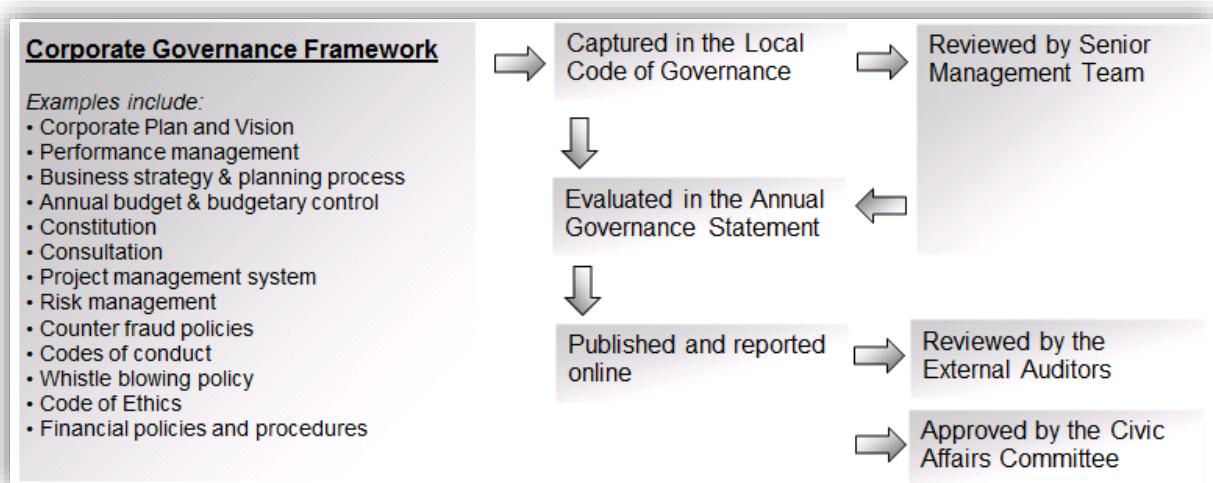
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

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, 'One Cambridge - Fair for All', in which economic dynamism and prosperity are combined with social and environmental 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 included five strategic-level objectives for 2020/2021:

- 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 2021 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	<p>Council agrees the budget and policy framework, such as the Corporate Plan, Medium Term Financial Strategy. Further details are published on our website.</p>
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	<p>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 Team. Both teams consider policy formulation and future planning. Further details are published on our website.</p>
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. The Committee has also appointed an independent person which is regarded as best practice.</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.

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.

Regular updates are presented to the Civic Affairs Committee throughout the year and the July 2021 report outlined the key findings of the internal audit work undertaken during 2020/2021, including any areas of significant weakness in the internal control environment.

Resource was allocated to supporting the Council deliver Covid-19 activities, where this could help to maintain or improve the governance, risk and control environment. Consequently, resources have been diverted from typical assurance-based activities. Internal audit maintains a risk-based plan and this approach was supported by the Civic Affairs Committee. The breadth of and volume of other risk-based assurance was less than usual, however core assurance work was delivered, and we considered the governance, risk and 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 2020/2021, and this remains at a similar level to the previous year.

Partnership assurance

The Council has services which are delivered in partnership with other Councils. Where other Councils are the lead authority, they will provide assurance back to Cambridge City Council that controls are effective, and where there is opportunity for improvement. This includes Waste Services, Planning and Development, plus Information and Communications Technology. A limited assurance report was issued at South Cambridgeshire District Council for [Planning Performance](#), and an action plan has been developed for improvement.

The Council set up an Investment Partnership with Hill Investment Partnerships in 2017. Updates on all the Cambridge Investment Partnerships current projects are provided quarterly to the Housing Scrutiny Committee, and information is available on their [website](#).

Cambridge City Housing Company Ltd was established in 2016 as a wholly owned company. The Council's published annual statement of accounts includes details of the Housing Company, and reports on the Council's relationship with the Housing Company, financial performance and loan arrangements. The Council receives information on the Housing Company through its Strategy & Resources Scrutiny Committee. The Committee reviews the Housing Company's business plan, and the Council's published Corporate Plan sets out the objectives, activities and people involved in management and decisions.

External reviews

The Planning Advisory Service was commissioned to undertake a [Planning Committee Peer review](#) of Cambridge City Council and the Joint Development Control Committee. This was organised by the Local Government Association (LGA). The review highlighted 11 recommendations for improvement.

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

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

External Audit

Ernst & Young (now EY) are the appointed external auditor, and their results report (ISA260) will be presented to the Civic Affairs committee later in 2021. For 2019/2020 financial year 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.

The Financial Management Code

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

Councils are required to be compliant with the code from the next 2021/2022 financial year, and we must demonstrate that the requirements of the code are being satisfied. A high-level review of the Financial Management Standards (FMS) contained within the code has already been completed, to provide assurance and develop any actions needed to achieve compliance.

Impact of Coronavirus

Pandemic events have 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 can also impact our strategic outcomes, financial and organisational resilience, stakeholder engagement and accountability.

In response to the pandemic we have implemented mitigating measures through our business continuity framework, with continuous risk management, and proactively worked with our stakeholders, partners and customers. This has positively 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.

Our [Annual Report for 2020/2021](#) illustrates how it was an exceptional year and highlights how council services sought to adapt to the restrictions imposed by the government in response to the global coronavirus pandemic, seeking new ways of working – including with communities and partners - to deliver the services that are important to local people and to respond to the challenges of Covid-19.

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

Progress from the last Annual Governance Statement

The Council prepared an [Annual Governance Statement for 2019/2020](#) which was approved by the Civic Affairs Committee in November 2020:

Action	Update and status
Reprioritise resources to focus on critical activities in response to external factors such as Covid-19 and Brexit.	<p>We reprioritised our resources to focus on the critical activities, and this helped us to deliver resources where it was needed most. Consequently, some activities which contribute to our governance arrangements, such as decision making, service plan reviews, and Member Elections were deferred to a later date. We worked with partners, through the local resilience forum, to manage the wider community impacts.</p> <p>The Council's Forward-Plan of work is regularly reviewed to ensure our activities are prioritised according to need, and this enables us to respond to emerging and unplanned events. We will continue engage with our stakeholders to ensure they are informed of any changes, and planned activities will be delivered at the earliest opportunity.</p>
Complete statutory financial reporting to revised timetables	<p>This continuing risk of completing, auditing and approving Statement of Accounts to statutory deadlines 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. The Council worked with the external auditors to manage the process for approval of the 2019/2020 Statement of Accounts to the revised timetable and these were approved in November 2020, which was an improvement on the previous year.</p>
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>Historic events highlighted risks which could restrict our access to the workplace, resulting in delays of public meetings and achievement of outcomes. This provided an opportunity to review the management of our workspaces. Temporary enabling legislation enabled us to hold Committee meetings online, and the Council successfully adapted during this period.</p> <p>The Council took positive steps to address these risks, and has been regularly reviewing our workspace arrangements, including physical security, maintaining good health and safety, and leveraging our use of digital and agile working throughout the pandemic.</p>

Action	Update and status
Prepare for longer term financial risks, and respond to any further pressures, by updating our financial modelling.	<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 Council delivered an updated Medium-Term Financial Strategy and commenced work on Financial Resilience to support the Financial Management Code.</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>
Maintain effective internal controls during rapid change	<p>The Council had already implemented a number of initiatives to support agile working, which has helped with our adaptation to the impact of Covid-19. Teams implemented new procedures to continue working effectively in different workspace and environments. Working differently introduces unidentified risks, where internal controls cannot operate as effectively, and potential opportunities for improved ways of working. This was recognised by the Civic Affairs Committee, Management, and the Internal Audit Plan has considered changes to control environment as part of its ongoing assurance work.</p>
Minimising the risk of fraud and error	<p>The Council has delivered business and personal grant support schemes as part of the Covid-19 pandemic response. New and emerging grant support schemes are a desirable target for fraudsters, diverting resources and support away from those in need.</p> <p>We completed fraud risk assessments, and developed appropriate controls, to manage any increased risk of fraud and error and also help ensure support is provided to those in need. We have worked with the Department for Business, Energy & Industrial Strategy to provide assurance that the grant schemes are being delivered effectively and have provided intelligence of potential organised crime to the relevant professional bodies.</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 will 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"> We worked closely with Public Health colleagues to coordinate and support the wider county' public health response to the pandemic, including sharing local community intelligence to help contain outbreaks and reduce community transmission of the virus. The Council has been an active partner in implementing the local outbreak management plan in the city as directed by a multi-agency Covid-19 Health Protection Board and has also participated in local recovery and resilience planning. We redeployed staff to activities such as keeping the city centre safe, and used our website to signpost to national guidance, policy and advice on Health and Safety. The Local Code of Governance was reviewed and updated to reflect the latest professional standards and guidance. We contributed to the Local Government Ethical Standards review which considered the 15 best practice recommendations developed by the Committee on Standards in Public Life. We proactively implemented risk-based controls to mitigate the increased potential for Business Grants fraud. The Environment and Community Scrutiny Committee reviewed the Council's use of the Regulatory of Investigatory Powers Act and approved the general surveillance policy.
B Openness & stakeholder engagement	<ul style="list-style-type: none"> We maintained openness through access to meetings, information and online support. We actively communicated with residents throughout the Covid-19 pandemic. This included using the website to signpost people to where they could get help, keeping them updated on changes to services, and financial support for businesses and residents. The 2020 Annual Briefing for Cambridge Businesses and Organisations was delivered online. The budget for the next financial year was also promoted online to help engage with our stakeholders, residents and businesses. Three priorities were set to tackle the systemic challenges facing the Council: <ul style="list-style-type: none"> Tackling poverty & inequality and helping people in the greatest need; Leading Cambridge's response to the climate change emergency and biodiversity crisis; Delivering quality services within financial constraints while transforming the council; We continued to consult and engage with stakeholders, including: the Statement of Licensing Policy, Cumulative Impact Assessment and the Single Equality Scheme 2021 to 2024.

Principle	Review of effectiveness
C Defining outcomes - economic, social, environmental	<ul style="list-style-type: none">Our Corporate Plan 2019-2022, defines our outcomes and strategic level objectives. Performance, achievements, and further actions linked to the Corporate Plan are included in the Corporate Plan Annual Report. It reflects the impact of the pandemic including activities which could not be delivered, and also new activities which could not be planned.The Environmental and Community Scrutiny Committee approved a Climate Change Strategy and Carbon Management Plan for 2021-2026 framework, following public consultation. The revised strategic approach builds on what the Council has achieved to date but sets out a new ambition for working with residents, businesses and communities in the context of the Climate Emergency.The Environmental and Community Scrutiny Committee endorsed the approach to decarbonising our vehicle fleet, seeking to commit to replace old vehicles with ultra-low emission vehicles (ULEVs) whenever possible.The Environmental and Community Scrutiny Committee endorsed the revised Anti-Poverty Strategy for 2020-2023 and the accompanying action plan. It reviewed activities to reduce poverty from the previous Strategy period and sets out 5 key objectives and actions for the next 3 years.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 and approved the bringing forward of a development programme to provide new housing in 2022-32.

Principle	Review of effectiveness
D Determine interventions to achieve outcomes	<ul style="list-style-type: none">In response to the Covid-19 pandemic we took swift action to help support the public and provided regular 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 national and local business support grants.The Strategy and Resources Scrutiny Committee noted our response to pandemic which was set out in the Outline Coronavirus Recovery Plan. We worked in partnership across the County to deliver a Public Health response with the County Council, NHS, to deliver mutual aid networks. The Committee also received an update on the Council's intermediate housing company, Cambridge City Housing Company Limited (CCHC) and Business Plan.The Environmental and Community Scrutiny Committee reviewed the annual report for the Community Grants fund for voluntary, community, and not for profit organisations. It provided an overview of the process, eligibility criteria and budget and detailed the applications received with recommendations for 2021-22 awards.The Housing Scrutiny Committee approved the Tenancy Policy, Rechargeable Works Policy and Hoarding Policy, and the Homelessness and Rough Sleeper Strategy.The Environmental and Community Scrutiny Committee approved strategies that helped achieve outcomes, such as "Developing a Litter Strategy for the City", and "Public Art Commission and Strategy".

Principle	Review of effectiveness
E Develop capacity and capability of entity	<ul style="list-style-type: none">The pandemic challenged our capacity, consequently elections were postponed, democratic meetings were delayed, and employees were not able to attend the workplace. Digital enabling technology enabled the Council to adapt and respond with different ways of working, and the Civic Affairs Committee recommended a convention for running meetings online throughout the year.The Chief Executive announced that they planned to leave the Council in September 2020, and the Council appointed an Interim Chief Executive to provide continuity during the recruitment process. The new Chief Executive started in April 2021 and the existing Interim Chief Executive was temporarily appointed to the statutory positions of Returning Officer and Electoral Registration Officer during the transition; and this helped maintain business continuity for delivery of the elections in May 2021.The County Council resolved to withdraw from the Joint Development Control Committee (JDCC), and consequently the JDCC would not be quorate. The Civic Affairs Committee recommended the creation of a new joint planning committee between Cambridge City Council and South Cambridgeshire District Council, and the standing orders and Scheme of delegation were subsequently approved.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.

Principle	Review of effectiveness
F Manage risk & performance, internal control, finance	<ul style="list-style-type: none"> The 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. A report presented to the council's Strategy and Resources Committee on 12 July 2021 estimated that, so far, the cost of the pandemic to the council is £18.5million. This is largely due to increased spending on housing and providing accommodation for former rough sleepers, alongside reduced income from car parking, Council Tax and Cambridge Live events. These additional costs have only partially been mitigated by government grants, so far totalling £11.3m – or just 61.3% of the additional net expenditure - leading to a shortfall of £7.2m. 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 considered risks in response to Covid-19 to help manage the impact with timely and proportionate mitigation, plus Brexit as part of our Contingency Planning. There was a period of unplanned ICT outage during the year which impacted service delivery. Continuity and resilience plans were used to prioritise our services, and our customers were kept informed during our recovery process. Our software deployment protocols have been updated to reduce the likelihood of this risk reoccurring. The 3CICT service have agreed action plans to improve and develop controls identified as part of audit reviews. The Strategy and Resources Scrutiny Committee received an update and Business Plan for the Council's intermediate housing company, Cambridge City Housing Company Limited (CCHC), plus an update on North East Cambridge (NEC) programme and progress against the three key projects associated with its strategic regeneration. The Environmental and Community Scrutiny Committee received an update on the work of the Health and Wellbeing Board and Cambridge Community Safety Partnership as a part of the Council's commitment given in its "Principles of Partnership Working".

Principle	Review of effectiveness
G Transparency, reporting, audit, accountability	<ul style="list-style-type: none">We received an unqualified opinion on the Statement of Accounts for 2019/2020, 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 and approved by 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 2020/2021 accounts.The Housing Scrutiny Committee was presented with the findings of a self-assessment undertaken in response to the publication of the Housing Ombudsman's (HO) Complaint Handling Code and Self-Assessment Tool. This highlighted an action plan for improvement in 2021.The Strategy and Resources Scrutiny Committee received an update on the work of the partnerships, including The Cambridgeshire and Peterborough Combined Authority (including the Business Board), Greater Cambridge Partnership, Fast Growing Cities, London-Stanstead-Cambridge Consortium, and the Cambridge – Milton Keynes – Oxford Arc.The Civic Affairs Committee received the annual report on transparency, including Data Protection, Freedom of Information and Environmental Information Regulations.We successfully delivered the local elections. This complex process was more challenging due to the pandemic, and lessons learnt have been considered by the Civic Affairs Committee.

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 helps us to identify opportunities to improve the governance arrangements over the next twelve months.

Some of these may feature in previous statements where the work is continuous and ongoing. They consider both historic governance issues that have arisen during the 2020/2021 financial year and up to the date the Statement of Accounts are approved, and we also look ahead for potential issues for 2021/2022 from our risk management process, corporate plans and strategies. These focus on the following themes, which are developed into detailed action plans for improvement across our governance framework:

Theme	Details
Managing our recovery and resilience	2020/2021 was an exceptional year and council services adapted to the restrictions imposed by the government in response to the global coronavirus pandemic, seeking new ways of working (including our communities and partners) to deliver the services that are important to local people and to respond to the challenges of Covid-19. Some services could continue as business as usual, whereas others had to stop or rapidly change. We will continue to review how we deliver our services and seek out the best way to do this as we respond to further changes from the pandemic.
Transformation, resources and risk management	<p>The budget for the 2020/2021 financial year set three priorities to tackle the systemic challenges facing the Council:</p> <ul style="list-style-type: none"> - Tackling poverty & inequality and helping people in the greatest need; - Leading Cambridge's response to the climate change emergency and biodiversity crisis; - Delivering quality services within financial constraints while transforming the council; <p>We will review our Risk Management Strategy and Framework to ensure that it reflects our current appetite and supports an agile and transformative approach to working.</p>
Maintaining financial resilience and compliance	External pressures continue to create financial uncertainty and it is important the Council proactively manages this risk. The Council must be compliant with the new Financial Management Code from 2021/2022, which aims to improve the financial resilience of organisations by embedding enhanced standards of financial management. A high-level assessment was undertaken in 2020/2021 in preparation and an action plan has been developed for the Council to be compliant. This will help provide assurance that the we are proactively managing our financial risks.

Theme	Details
Minimising the fraud and error risks	<p>A revised national Fighting Fraud and Corruption Locally Strategy was issued by CIFAS for Local Government. We will review and update our local policies and procedures to reflect this.</p> <p>We will continue to undertake post assurance work on Business Grant Schemes, working with the Cabinet Office, BEIS, and HMRC through data sharing initiatives.</p>
Maintaining good ethical governance	The Council is committed to maintaining good ethical governance, and our Local Code of Governance reflects the Seven Principles of Public Life in local government. To help enhance this process we will review our local guidance and promote any changes.
Proactively preparing for emerging legislative change	We will monitor and respond to emerging legislation (across key areas such as procurement, planning, environmental). This will be reflected in our Corporate Plan which will be revised, along with supporting policies and procedures.

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:-

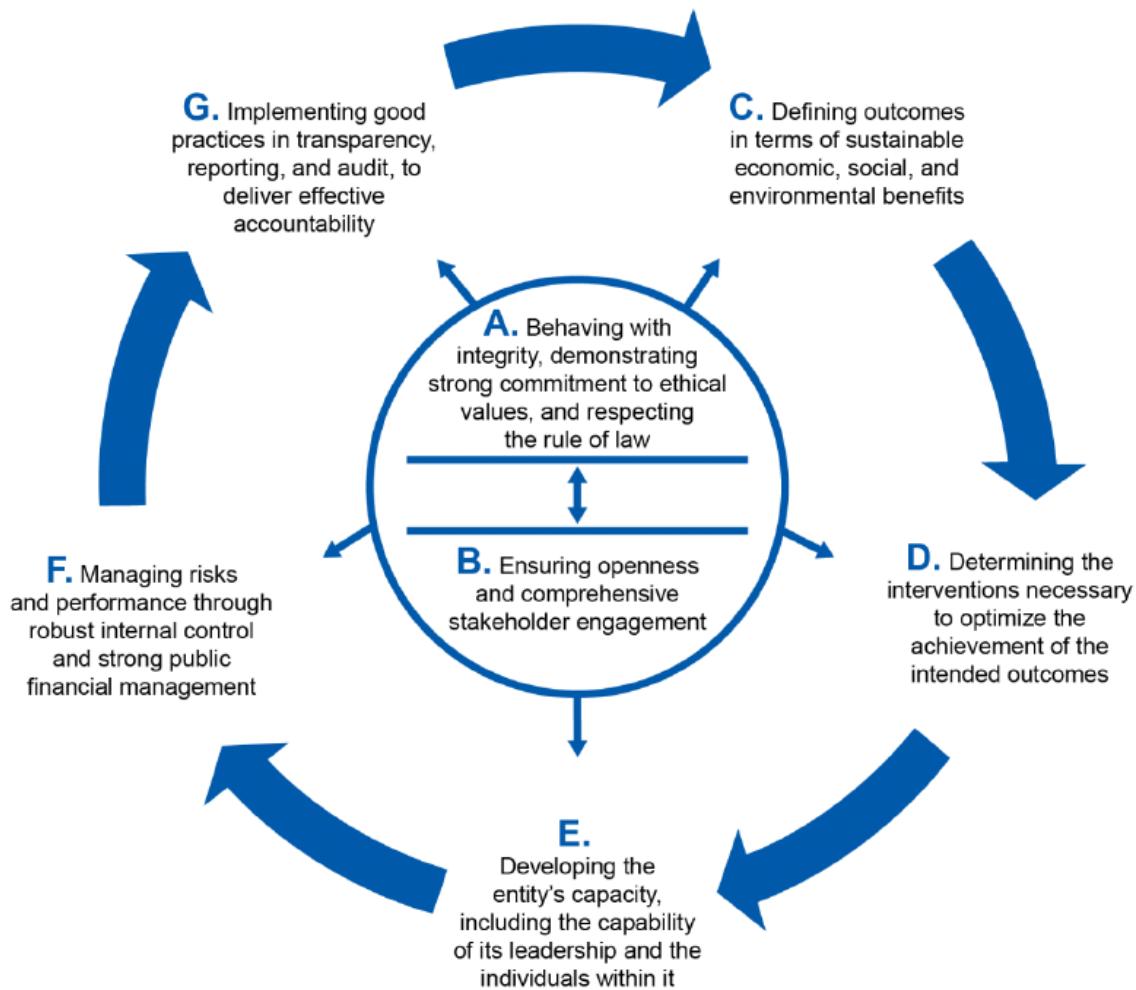
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions 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><u>The Local Government and Social Care Ombudsman provides an annual summary of statistics on their decisions and provides feedback to help Councils help improve service delivery.</u></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 by the Civic Affairs Committee.</p>	Constitution Register of Interests Employee Code of Conduct Member Code of Conduct Member/Officer Protocol Complaints Procedure Annual Complaints Report <u>LGSCO Annual Letter</u> Terms of Reference for Civic Affairs Committee Whistleblowing Policy Prevention of Fraud & Corruption Policy Annual Report on the Prevention of Fraud and Corruption

	<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 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>	Committee Agendas Constitution Committee Forward Plan Agendas and Minutes of Committees Council Website Standard Committee Report Templates Area Committee Terms of Reference Terms of Reference of Joint Development Control Committee Membership and Terms of Reference of these bodies Public participation at Committee meetings Public petition scheme

	<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.</p> <p>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.</p> <p>The Council operates in accordance with principles of partnership working agreed with our key partner organisations.</p> <p>The Council ensures that the authority as a whole is open and accessible to the community, service users and its staff.</p> <p>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.</p> <p>It treats everyone fairly and strives to treat all as rational people able to make up their own minds.</p> <p>It also strives to provide services on the basis of need rather than ability to pay.</p> <p>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.</p> <p>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.</p> <p>This is achieved through a mix of corporate consultation initiatives with more targeted consultation on service specific issues led by relevant departments.</p> <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>Partnership Guidance</p> <p>Principles of Partnership Working</p> <p>Survey results</p> <p>Public participation at Committee meetings</p> <p>Public petition scheme</p> <p>Council Website</p> <p>Cambridge Matters</p> <p>Annual Statement</p> <p>Charging policies</p> <p>Council Website</p> <p>Council Tax Leaflet</p> <p>Annual Report</p> <p>Open Door Magazine</p> <p>Consultation reports</p> <p>Statement of Community Involvement</p> <p>Code of Best Practice on Consultation and Community Engagement</p> <p>Consultation pages on website</p> <p>Council Publications</p> <p>Code of Best Practice on Consultation and Community Engagement</p>
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	<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.</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>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 Corporate Plan Annual Statement Environmental Assessment Tool for Council Policies Plans and Projects Environmental Policy Statement Committee reports Budget Setting Report CPCA Business Board Strategic Economic Plan 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 for both the General Fund and the Housing Revenue Account.</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 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 – GF & HRA</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 and are documented through Terms of Reference.</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>	Constitution Member/Officer Protocol Constitution Partnership Guidance Principles of Partnership Working Competency Framework Organisational Development Strategy IIP Accreditation Council Induction Programme Performance Review Process Job Descriptions Performance Review Process Member Induction Programme Recruitment Guidance

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. The Strategy sets a risk appetite which considers both opportunity and risk management.</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>	Publication Scheme, Open data Freedom Of Information, Data Protection And Transparency: Annual Report Annual Report and Statement of Accounts
	<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>	Shared Services Collaboration Agreements Risk based Internal Audit Plan Head of Internal Audit Annual Opinion Annual Governance Statement Terms of Reference of Civic Affairs Committee Risk Register Annual Audit Letter

	<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 Terms of Reference</p> <p>Independent Remuneration agendas, reports and minutes</p> <p>Members' Allowance Scheme</p> <p>Pay Policy Statement</p>	<p>Panel</p> <p>Panel</p>
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Partnerships and separate bodies

The Council works in partnerships with several bodies. The Council has two significant separate bodies:

<u>Who</u>	<u>Background</u>	<u>Governance</u>
<u>Investment Partnership</u>	<p>The Council set up an Investment Partnership with Hill Investment Partnerships in 2017. The members agreement has the following objectives:</p> <p>Investment in the development of land to create successful new places that meet both the financial objectives (primarily a revenue return) and social objectives of the Cambridge City Council (particularly housing that is affordable and is needed locally), provided always that the individual sites may be developed to meet either financial or social objectives;</p> <p>improve the use of Council assets and those of other Public Sector Bodies in the Cambridge, or Cambridge wide, area;</p> <p>maximise financial return through enhanced asset value, (with reference to the first bullet above), provide a return to the Investment Partners commensurate to their investment and the level of risk in respect to such investment.</p>	<p>Potential sites would first need to be approved by the Executive Cllr and considered at the relevant scrutiny committee.</p> <p>Updates on all the Cambridge Investment Partnerships current projects are provided quarterly to the Housing Scrutiny Committee.</p> <p>CIP has a website: https://www.ip-cambridge.co.uk/about-us/</p>
<u>Cambridge City Housing Company Ltd</u>	<p>This was established in 2016 as a wholly owned company with Cambridge City Council as the only shareholder.</p> <p>The objectives of the company are to provide and manage housing that is affordable for those in housing need and any other property related activity in Cambridge and neighbouring districts, whilst also generating a financial return for the Council.</p> <p>The Housing Company is registered with Companies House with full accounts and Director information published on the Companies House website.</p> <p>The Council's published annual statement of accounts includes details of the Housing Company, reporting on the Council's relationship with the Housing Company, its financial performance and the loans between the Council and Housing Company. This provides transparency of the relationship between the 2 organisations.</p>	<p>The Council receives information on the Housing Company through its Strategy & Resources Scrutiny Committee with reports and minutes from these meetings published online through the Council's website. This Committee reviews the Housing Company's business plan and the Council's published Corporate Plan sets out the objectives, activities and people involved in management and decisions with regard to the Housing Company</p>

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:

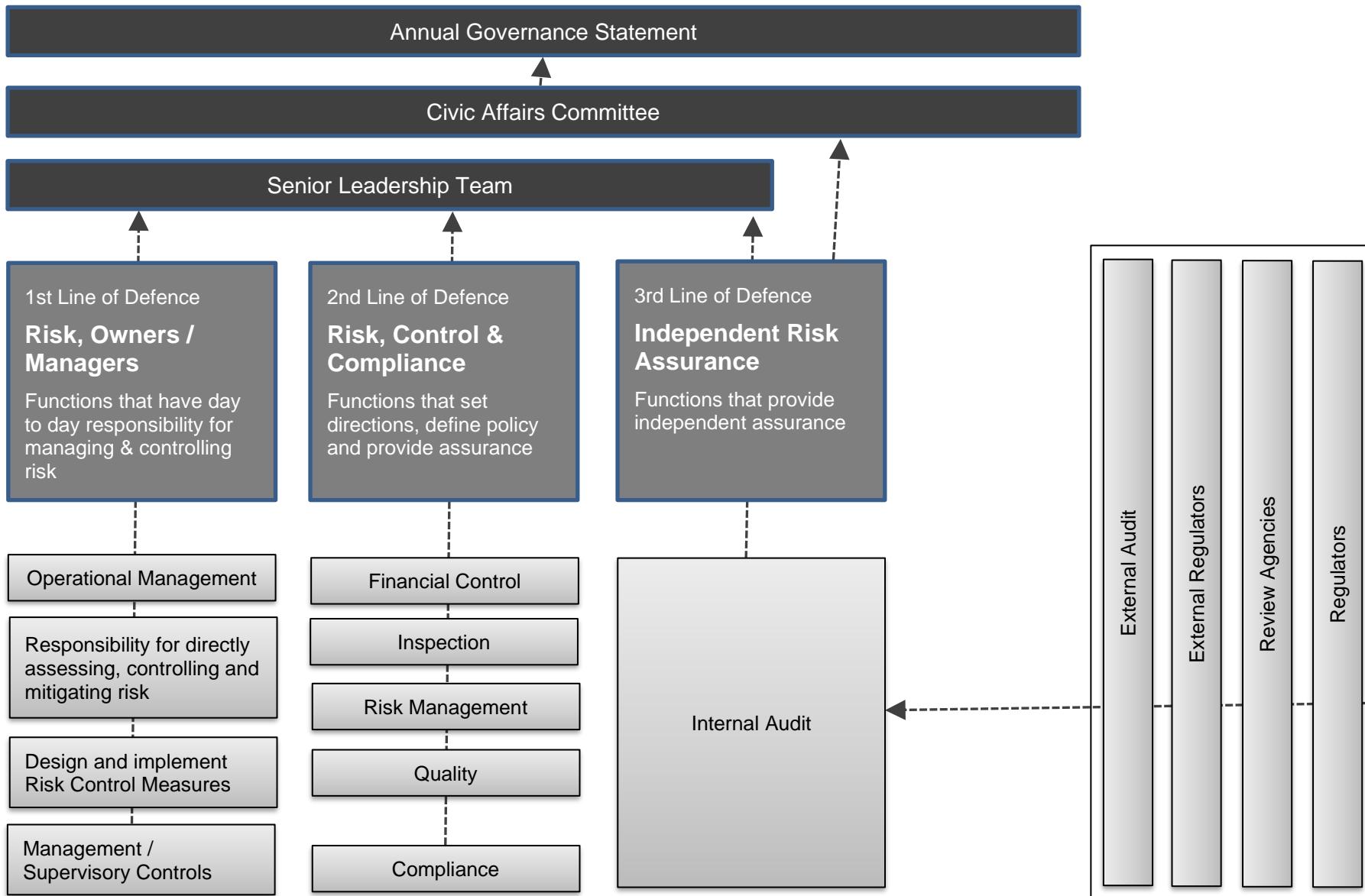
- an acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance;
- a reference to and assessment of the effectiveness of key elements of the governance framework and the role of 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.

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.

Our assurance channels

The review of effectiveness is informed from various sources (also known as the Lines of Defense):



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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Item

STATEMENT OF ACCOUNTS 2020/21

To:

Civic Affairs Committee – 22 September 2021

Report by:

Francesca Griffiths, Senior Accountant (Technical and Financial Accounting)

Tel: 01223 458126 Email: francesca.lawton@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 2020/21 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 22 September 2021.
- 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 2021 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 usable 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 the Statement of Accounts for the financial year ended 31 March 2021 on behalf of the Council.

3. Background

- 3.1 Draft unaudited accounts were published on 30 July 2021, in line with the revised timetable for 2020/21 set out by central government in response to the COVID-19 pandemic.
- 3.2 EY commenced the final accounts phase of their audit in mid-June. 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 There is one further material change to the Statement of Accounts which is anticipated, relating to the net pension liability on the Balance Sheet. The auditors of the Cambridgeshire Pension Fund (also EY) have identified a material difference between the estimated pension asset values used by the actuary in calculating the Council's net liability, and the actual asset values (which were not yet available to the actuary at the time of issuing their report). As a result, we are currently awaiting a revised report from the actuary with updated asset values, and when we receive this we will update the Statement of Accounts accordingly. It should be noted that any actuarial movement in the pension liability is taken to unusable reserves, therefore there will be no impact on the Council's usable reserve position.

- 3.5 The audit of the 2018/19 financial statements took significantly longer than usual. In response to this, a number of actions were agreed between officers and EY to ensure a smoother process going forward.
- 3.6 These actions have been highly successful. The Statement of Accounts audit for 2019/20 was completed 6 months earlier than for 2018/19 and the 2020/21 Statement of Accounts is ready for approval approximately 3 months earlier still, with only a handful of audit adjustments.
- 3.7 Due to COVID-19, the deadline for signing the final Statement of Accounts for 2020/21 has been moved to 30 September 2021. 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.
- 3.8 The most significant risk to delivery relates to additional assurance required over the pension liability as a result of updates to the auditing standard on accounting estimates. This is a sector-wide issue affecting all local authority auditors. It is hoped that this can be resolved before the 30 September deadline, but EY will give a verbal update on this at the meeting.

4. Council Financial Results for 2020/21

- 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 £54.0 million, to £202.1 million.
- 4.3 The movement in usable reserves includes net increases of £18.7 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 an increase of £35.3 million.
- 4.4 General Fund unallocated reserves decreased by £0.7 million to £16.6 million, whilst General Fund earmarked reserves increased by £32.6 million to £51.2 million. The net increase in earmarked reserves includes £31.9 million set aside to cover the Council's share of the forecast collection fund deficit caused by the Covid-19 pandemic and the government's response to it (for example, the expanded retail rates relief scheme). This deficit must be repaid over the next 3 financial

years, and has largely been funded by compensatory grants from central government received during 2020/21 and placed in the earmarked reserve.

- 4.5 HRA reserves increased by £3.4 million to £18.4 million. HRA earmarked reserves remained the same at £17.3 million.
- 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 on page vii of the Narrative Report which reconciles the outturn position of portfolios reported to scrutiny committees to the movement on General Fund 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 £29.1 million, compared to a net surplus of £13.1 million in 2019/20. The most significant changes year-on-year were:
 - Revaluation losses of £8.2 million were charged to HRA expenditure in respect of council dwellings, compared with losses of £6.1 million in 2019/20. Note that while this impacts on the surplus on provision of services, the effect is reversed out of the HRA through 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 is not 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 £0.4 million revaluation losses in respect of investment property, compared with losses of £13.1 million in 2019/20.
 - Taxation and non-specific grant income includes capital grants of £36.3 million, compared with £30.4 million in 2019/20. The business rates income retained by the Council under the business rates retention scheme is (£15.7 million), versus £6.0 million in 2019/20. Retained business rate income for 2020/21 is negative due to the impact of expanded retail rates relief offered by central government in response to the COVID-19 pandemic. The Council has been

compensated for these and other losses caused by changes in government policy through the receipt of business rate relief grants totalling £23.4 million, compared with £2.2 million in 2019/20. These grants are included within non-ringfenced government grants.

4.9 The Balance Sheet details the value of the Council's assets and liabilities. The Council's total net assets have increased by £24.3 million, to £823.0 million. Key movements to note include:

- Net revaluation gains of £26.6 million on property, plant and equipment, consisting of a net gain of £21.3 million on Council dwellings, and a net gain of £5.3 million on other land and buildings.
- Net revaluation losses of £0.4 million on investment properties, consisting of a loss of £5.2 million on the central Cambridge shopping centre portfolio, and a net gain of £4.8 million on other investment properties.
- An increase in the net pension liability of £42.9 million, which includes actuarial losses of £39.6 million and net interest costs of £2.4 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 £46k. 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 £196k.
- 5.3 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. There are four entities in total; an overall operating company, plus 3 specific development companies for Mill Road, Cromwell Road, and L2 Orchard Park. The overall operating company reported a profit of £0.7 million and Mill Road posted a profit of £3.3 million. The other two development companies between them reported a loss of £11k, reflecting the fact that development is ongoing.

- 5.4. The Council's share of the net assets of the joint venture entities (after adjustment to remove unrealised profits from the sale of Council land to the Mill Road company) totals £0.8 million.

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 6 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 A small number of adjustments have been made to the published 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. These only impact disclosure notes in the accounts and not 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;
 - Minor corrections to the related party transactions note;
 - Update to the council tax base table in the Collection Fund Statements;
 - Additional narrative added to the earmarked reserves and senior officers' remuneration notes to aid transparency, and;
 - Changes to the wording of the conclusion in the Annual Governance Statement to explicitly state that no significant governance issues have been identified.
- 6.4 In addition, the Audit Results Report refers to a corrected misstatement of £6.5 million in relation to the incorrect grossing up of income and expenditure related to internal recharges. This error appeared in an early draft of the Statement of Accounts which was provided to EY at the start of their audit visit, but was corrected before the draft Statement of Accounts was published on 30 July.

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. The 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 41 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

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.

11. Background papers

Background papers used in the preparation of this report:

- Statement of Accounts 2020/21

12. Appendices

- Appendix 1 – Statement of Accounts 2020/21
- 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 Francesca Griffiths, Senior Accountant (Technical and Financial Accounting), tel: 01223 - 458126, email: francesca.lawton@cambridge.gov.uk.

Statement of Accounts



**For the year ended
31 March 2021**

Cambridge City Council

Cambridge City Council

Statement of Accounts 2020/21

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Cambridge City Council

Statement of Accounts 2020/21

Introduction

This Statement of Accounts gives you an overview of our finances.

Our aim is to provide information so that you can:

- ◆ understand the overall 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.

Accounting rules are complex and difficult to understand and therefore, wherever possible, we have tried to make this Statement of Accounts as understandable as we can. We have included a glossary at the end of this document to explain any accounting terms that we have had to use.

The Statement of Accounts, set out on pages 1 to 98, contains a series of statements, summarising the financial implications to the Council of delivering services in the period from 1 April 2020 to 31 March 2021. In addition, details of the Council's assets and liabilities at the beginning and end of the Council's financial year are 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 Statement of Accounts

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

The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2020/21' (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.

Narrative Report

Introduction

2020/21 was an exceptional year and this review highlights how Council services sought to adapt to the restrictions imposed by the government in response to the global coronavirus pandemic, seeking new ways of working to deliver the services that are important to local people.

We had to quickly reprioritise our services to tackle the Covid-19 pandemic. The Council has played a leading role in co-ordinating the community response to ensure those most in need are supported.

We have distributed Covid-19 support grants worth £65.2 million to businesses and individuals in Cambridge.

There were significant reductions in sales, fees and charges income and increased service costs which were partially offset by special government grants.

The Council had a net revenue expenditure £6.9 million less than the final budget set for the year. The budget was revised during the year to allow for some of the effects of the pandemic.

The Council's capital programme was significantly delayed by Covid impacts.

The Council

The Council is governed by 42 elected members representing 14 wards across the city and operates under a hybrid Leader and Executive system. There are also several committees which different members sit on including Strategy and Resources Scrutiny Committee and Housing Scrutiny Committee. During the Covid-19 pandemic, the Council has conducted virtual meetings in accordance with government guidelines.

The officer structure is headed by the Chief Executive and the Senior Leadership Team. Our Chief Executive of over 10 years, Antoinette Jackson, stepped down from the role in September 2020, at which point an interim Chief Executive was appointed until Robert Pollock took over the role in April 2021.

The number of staff employed by the Council decreased during the year from 700 full-time equivalents at 31 March 2020 to 698 at 31 March 2021.

Narrative Report

Review of 2020-21

Covid-19 Recovery

The Covid-19 pandemic has had a significant impact upon the Council's finances during 2020/21, as set out in the table below.

	£m
Income lost due to Covid-19	
Car parking	7.7
Cambridge Live (e.g. Corn Exchange events, Folk Festival)	4.5
Commercial (e.g. investment property rents, trade waste)	1.4
Housing Revenue Account income (e.g. rents)	1.0
Planning services	0.9
Council tax and non-domestic rate income	0.6
Other Council services	0.9
Total income lost	17.0
Additional expenditure due to Covid-19	
Rough sleeping and emergency accommodation	2.2
Other Council services	0.9
Total additional expenditure	3.1
Total cost of Covid-19 in 2020/21	20.1
Additional government grant funding received in response to Covid-19	(11.6)
Covid-19 funding gap to be met from Council resources	8.5

The total cost of the pandemic to the Council during 2020/21 was £20.1 million. Although the Council has received an additional £11.6 million in government grant funding, this still leaves a funding gap of £8.5 million to be met from Council resources.

The Council has taken a number of mitigating actions during the year to manage this gap, for example capital expenditure has been significantly reduced. However, in many cases projects have been delayed rather than cancelled, and this coupled with the fact that the pandemic is still ongoing means that its impact on the Council's finances will continue into 2021/22 and beyond.

The Council's strong reserves position which has been built up over a number of years means that it is well placed to meet this challenge in the short to medium term. However, there remains a need to identify significant ongoing savings to return the Council's finances to a more sustainable footing in the longer term. Further details will be set out in the General Fund and Housing Revenue Account Medium Term Financial Strategies (MTFS) to be published later this year.

Narrative Report

Financial Performance

General Fund Services

For 2020/21, the Council agreed a budget for net spending by committees of £23.9 million. The council tax for City Council services was set at £202.50 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	7,024	8,321	1,297
Communities	7,299	8,042	743
General Fund Housing	3,127	4,321	1,194
Planning Policy and Open Spaces	7,056	7,666	610
Transport and Community Safety	(2,905)	4,148	7,053
Finance and Resources	(5,629)	(5,754)	(125)
Strategy and External Partnerships	15,340	5,781	(9,559)
Total portfolio expenditure	31,312	32,525	1,213
Capital accounting adjustments	(7,180)	(7,124)	56
Capital plan expenditure funded from General Fund reserves	(185)	952	1,137
Total	23,947	26,353	2,406
Financed by:			
Settlement Funding Assessment (net non-domestic rates share plus compensatory government grants)	(28,932)	(34,791)	(5,859)
New Homes Bonus	(4,913)	(4,913)	0
Other grants	(8,574)	(8,403)	171
Council tax	(9,031)	(9,031)	0
Net contributions to / (from) earmarked reserves – before year-end accounting adjustments	24,809	31,786	6,977
Contributions to / (from) General Fund reserves	2,694	(1,001)	(3,695)
Total	(23,947)	(26,353)	(2,406)

The Council's actual net portfolio revenue expenditure was £2.4 million more than the final budget set for the year. A variety of factors contributed to this overall position, including reduced car park income, increased spend on Rough Sleepers Services and reduced capital expenditure financed from revenue caused in part by delays and rephasing to the capital programme due to Covid-19.

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.

Narrative Report

(£000s)	Actual per outcome report	Depreciation and amortisation charges reversed under statute	Interest and property income reported below net cost of services in the CIES	Adjustments to grant income	Transfers between earmarked reserves and service or capital cost centres	Other adjustments	Net amount chargeable/(credited) to the General Fund
Climate Change, Environment and City Centre	8,321	(689)	27	0	50	3	7,712
Communities	8,042	(2,421)	77	0	(246)	0	5,452
General Fund Housing	4,321	(79)	40	0	(364)	0	3,918
Planning Policy and Open Spaces	7,666	(654)	240	0	356	(110)	7,498
Transport and Community Safety	4,148	(1,802)	31	0	0	0	2,377
Finance and Resources	(5,754)	(1,501)	8,699	(581)	0	490	1,353
Strategy and External Partnerships	5,781	(18)	318	8	(118)	(843)	5,128
Other operating income and expenditure	0	0	(9,432)	0	0	(303)	(9,735)
Total portfolio expenditure	32,525	(7,164)	0	(573)	(322)	(763)	23,703
Capital accounting adjustments	(7,124)	7,164	0	0	0	(40)	0
Capital plan expenditure funded from General Fund reserves	952	0	0	0	700	306	1,958
Other statutory adjustments	0	0	0	0	0	40	40
Total	26,353	0	0	(573)	378	(457)	25,701
Financed by:							
Settlement Funding Assessment (net non-domestic rates share plus compensatory government grants)	(34,791)	0	0	0	0	0	(34,791)
New Homes Bonus	(4,913)	0	0	0	0	0	(4,913)
Other grants	(8,403)	0	0	(457)	0	0	(8,860)
Council tax	(9,031)	0	0	0	0	0	(9,031)
Net contributions to/(from) earmarked reserves	31,786	0	0	1,030	(378)	125	32,563
Contributions to/(from) General Fund reserves	(1,001)	0	0	0	0	332	(669)
Total	(26,353)	0	0	573	(378)	457	(25,701)

Overall, a net use of General Fund reserves of £669,000 has been reflected in the financial statements against a budgeted contribution to reserves of £2,694,000. At 31 March 2021 the reserve stood at £16,594,000.

Collection Fund

The Council operates a separate collection fund to account for business rates and council tax collected on behalf of the Council and other preceptors. The Collection Fund as a whole has a deficit of £62.7 million as at 31 March 2021. The Council's share of this is £24.0 million.

This reflects the high value of business rate reliefs granted in accordance with government regulations during the Covid pandemic. Specific grant funding of £23.4 million has been

Narrative Report

received from the government to contribute towards this deficit (see note 9), but under the accounting regulations this cannot be allocated directly to the Collection Fund. It has been allocated to an earmarked reserve and will be released to meet the deficit over a 3 year period.

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 2021, with the final budget for 2020/21.

(£000s)	Final Budget	Actual	Difference
Dwellings rents and other income	(43,334)	(43,365)	(31)
Expenditure	30,798	28,342	(2,456)
Net cost of HRA services	(12,536)	(15,023)	(2,487)
Interest receivable on HRA balances	(375)	(629)	(254)
Loan interest	7,452	7,494	42
Housing Set-Aside	(3,905)	0	3,905
Direct revenue financing of capital	15,079	4,794	(10,285)
Contributions to HRA earmarked reserves from general HRA reserves – before statutory adjustments	269	10	(259)
(Surplus) / deficit for the year	5,984	(3,354)	(9,338)

Income was in line with budget. However, expenditure was below budget for several reasons. Revenue financing of capital expenditure was significantly lower than anticipated due to delays to the housing capital programme brought about by the Covid-19 pandemic and associated restrictions – however this funding will now be required in future years. Repairs and maintenance expenditure saw a reduction due to less reliance on external sub-contractors, coupled with significantly lower repair activity and some furloughed staff during 2020/21. The budget for the bad debt provision was increased with the expectation that arrears would significantly increase due to Covid-19 but this did not materialise.

Overall, the final outturn position in the Statement of Accounts (following statutory and other adjustments) was a contribution to HRA reserves of £3,354,000 against a budgeted use of reserves of £5,984,000. HRA reserves stood at £18,420,000 at 31 March 2021.

Earmarked Reserves

There was an overall increase in General Fund earmarked reserves of £32,563,000 in 2020/21. The most significant movement was an £31,809,000 transfer to the collection fund deficit earmarked reserve. This is money set aside to cover the Council's share of the collection fund deficit caused by the Covid-19 pandemic and the government's response to it (for example the expanded retail rates relief scheme). This amount has been largely funded by compensatory grants from central government.

There was an overall increase in HRA earmarked reserves of £10,000.

Narrative Report

Capital Spending and Receipts

In 2020/21 the Council spent £39,038,000 on property, plant and equipment. Of this, £11,265,000 was on council dwellings (including both new build completions and major repairs and improvements to existing dwellings), £331,000 on other land and buildings, £950,000 on vehicles, plant and equipment, £733,000 on infrastructure, £12,000 on community assets and £25,747,000 on assets under construction. Of the assets under construction spend, £24,660,000 was on new housing developments. £15,828,000 of new council dwellings were completed in year and therefore transferred from assets under construction at the end of the year. These included 24 new dwellings at Anstey Way, 15 new dwellings at Ventress Close, and a further 19 new dwellings at various other sites across the city.

In addition to the above, the Council also spent £202,000 on its investment property portfolio. This was all in relation to enhancements to existing properties.

Capital receipts continued to be generated through the sale of land, council houses, shared ownership dwellings and other property. Capital receipts for the year were £5,686,000, of which £5,027,000 was in relation to the disposal of housing properties. £1,359,000 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 £41,768,000 to £850,092,000 and the value of investment property (including investment property held for sale) decreased by £603,000 to £162,119,000 as at 31 March 2021. 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 £145.7 million as at 31 March 2021. This liability has no impact on the level of the Council's usable reserves.

The net pension liability has increased this year by £42.8 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 35.

Cash Flows

The balance of cash and cash equivalents at 31 March 2021 was £14,303,000. This excludes the Council's investments in fixed term deposits and other long term investments

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which are detailed at note 23. Further information on cash flows for the year can be found in the Cash Flow Statement and accompanying notes (notes 36-39).

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.

Corporate Plan

Cambridge City Council's Corporate Plan for 2019-22 sets out the key activities the Council planned to undertake over that three-year period to achieve our strategic objectives and vision of '**One Cambridge, Fair for All**'.

This annual report shows what we have achieved during 2020/21 under the following priority themes:

- ◆ Helping people in Cambridge City 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

In some areas, like the collection of waste bins, we could operate a near "business as usual" service, but unfortunately some services had to be closed for certain periods. Our swimming pools and community centres and other activities were constrained in line with Covid-19 legal restrictions.

Whilst the use of some services reduced significantly, the Council had to respond to demands for other, new services and activities to support Cambridge's businesses and communities in ways that we had not anticipated or planned for.

Helping people in Cambridge City who have the greatest need

During 2020/21, we started to deliver 'Housing First' accommodation for rough sleepers with complex needs – there are now 14 'Housing First' tenants. We have also relieved or prevented homelessness for 449 households. The council made 316 offers of accommodation to rough sleepers under the 'Everyone In' programme and more than 150 people have already moved on from the original short-term accommodation provided.

The Council allocated £1.1 million to our Community Grants budget to reduce social and economic deprivation in Cambridge City, funding projects included the provision of free advice from Citizen's Advice for residents and a range of projects around food poverty and access to devices.

We helped to establish 8 Food Hubs for people experiencing food shortages. During the year, the Food Hubs received nearly 18,000 visitors who collected over 110 tonnes of food. Volunteers from the hubs reached out to over 1,200 households and delivered over 8,000 meals.

Narrative Report

£91,000 of funding was provided to help get low income families online. We loaned 40 tablets with pre-loaded data to council housing and sheltered housing tenants and facilitated fibre optic broadband roll-out by commercial companies to council homes, including a heavily discounted social rate broadband package.

The Council commenced building 526 new council homes in 2020/21 and a further 1,000 new council homes gained approval. 111 new affordable homes completed on strategic growth sites and 58 new affordable homes completed on other sites, including the council's own programme.

We have secured planning approval for key schemes:

- 1) To extend Cherry Hinton Library to provide additional community facilities;
- 2) To redevelop The Meadows and Buchan Street Community centres to provide one new two storey community centre and new council rented homes; and,
- 3) For a council housing development scheme in Campkin Road that includes a new fully accessible community centre to replace 37 Lawrence Way community house.

Planning for growth and ensuring our new communities are successful

Due to Covid-19, our community centres in new communities were mostly closed. However, we were able to make some of their work available online, to help people connect and network. Clay Farm community centre was temporarily repurposed as a vaccine centre and Trumpington Pavilion is currently in use as a food hub, tackling food poverty and social impacts of coronavirus. Community development officers supported local residents and voluntary led initiatives in response to the pandemic.

The Council has secured the provision of informal green space, allotments, provision for children and teenagers, outdoor sports and walking and cycling infrastructure as part of larger scale developments including Land North of Cherry Hinton. We have also secured major improvements to East Road to provide an improved pedestrian and cycling environment and a new area of public realm, as part of the Grafton Area of Major Change proposals.

In all developments, we sought to deliver the highest design quality and the provision of external amenity space. This is demonstrated by the number of design awards that have been secured including the Clay Farm development which won an RTPI Planning Excellence award (large residential schemes) for 2021.

We implemented changes to the way the annual canvass of electors is conducted and introduced on-line access to all 68 decision-making councillor committee meetings, whilst Covid-19 restrictions were in place.

The Council worked with Greater Cambridge Partnership (GCP) and other local partners to understand the economic impacts of Covid-19. This work helped shape the CPCA's Local Economic Recovery Strategy that aimed to support and address economic and business impacts brought about by the pandemic. A recovery fund was set up from which a £710,000 capital grant was secured to support the recovery of our city centre

We have supported the delivery of 16 new modular housing units on council land for the homeless, working with partners at Hill and Jimmy's to provide this much needed good quality self-contained accommodation as part of the response to the pandemic.

Narrative Report

Protecting our environment and tackling climate change

The Council has deployed a further 4 fast and rapid chargers for EV taxis. There are now 12 operational chargers available to EV taxis in the city. We have pursued active discussions around lower emission Bus and HGV fleets and a Clean Air Zone with the Greater Cambridge Partnership, and which have now been prioritised for action in the next six months.

We have also been successful in securing circa £50,000 funding from the DEFRA Air Quality Grant to carry out supplementary particulate monitoring, including assessing particulates from river boats in the coming financial year.

Significant progress has been made in the delivery of the Interreg 2 Seas Nature Smart Cities project. As part of this, we planted over 1,000 trees, which will over time increase tree canopy cover and contribute to the sustainable management of our local urban forest. We have undertaken a baseline habitat and condition survey of all our Local Nature Reserves, Closed Cemeteries, Commons, Pieces and major Green spaces to inform a review of management plans and our Biodiversity Strategy.

The Council has been working with 'On the Verge' and 'Keep Britain Tidy' to prepare and sow new native perennial meadows on Barnwell Road and other sites, plus designated additional long grass areas in our parks. We have consulted on an extension and new habitat creation at our Logan's Meadow Local Nature.

A new Carbon Management Plan for 2021/22-2025/26 has been produced, which sets a target for the council to reduce its direct carbon emissions (from its corporate buildings, vehicle fleet and business mileage) to net zero carbon by 2030. The new Plan identifies a range of projects to help deliver this target.

In July 2020, the council committed to replace all vans and trucks in its vehicle fleet with Ultra Low Emissions Vehicles (ULEVs) when they are due for replacement. The Greater Cambridge Shared Waste Service purchased its first electric refuse collection vehicle (RCV) and has committed to replace all RCVs with electric or hydrogen models when they are due for replacement.

The Council submitted a successful bid for £1.7 million funding from the Government's Public Sector Decarbonisation Scheme (PSDS) to deliver heat pumps, additional solar PV and other energy efficiency measures at Parkside and Abbey Pools. The scheme is due to be complete by September 2021.

We have supported Cambridge Sustainable Food, a cross sector food partnership, in its drive to prepare and submit a bid for the "Silver Award" to the national body, Sustainable Food Places, to help transform our local food system. This bid builds on the earlier, successful, Bronze award.

Delivering quality services within financial constraints

There was a significant increase in the number of visits to our parks and open spaces in 2020/21, which resulted in us collecting 1,344 tonnes of litter and bin waste, 1,205 tonnes of bulky waste and 814 tonnes of green waste. We also attended and cleared 1,947 cases of fly-tipping, removed 90 cases of offensive graffiti and 221 cases of other graffiti.

We continued to recruit to and support our volunteer programme, which saw an increase in the number of individual volunteers carrying out regular litter picks in their neighbourhood,

Narrative Report

streets and open spaces despite operating with the restrictions brought about by the pandemic.

The Council made changes to arrangements for parking to support the continuation of service provision during lockdown. This included the provision of free permits for public and voluntary sector workers and support for the immunisation programme and key workers in city centre businesses. A temporary £1 per hour fee was also introduced to help businesses recovery in the city centre. This attracted 56,000 more visitors to our car parks in August than the previous month, equating to more than 250,000 extra shopping hours and a week on week footfall increase. During the year 1 million fewer customers made use of our multi-storey car parks.

Some services were impacted less by Covid-19. The Council collected waste from over 50,000 bins in the city, collecting 99.8% of bins as scheduled and missing only 0.2% of bin collections. We dealt with just over 2,785 planning applications and determined 80% of major applications and 75% of minor applications within 13 weeks, significantly within national targets and timescales.

Throughout the pandemic, we continued to deliver emergency repairs and servicing, completing 3,049 repairs of which 99.9% were completed on time. There were over 11,000 responsive repairs jobs carried out for which the average customer satisfaction rate was 99%. We also installed over 500 energy-efficient boilers over 1,000 heat and smoke detectors, procured and implemented contracts to carry out essential structural repairs to blocks of flats at Ekin Road in the Hawkins Road area, completed 158 loft insulation projects, replaced 62 roofs and 275 external doors, installed new triple-glazed windows at 182 properties and completed external repairs and redecoration at over 1,000 properties as part of our cyclical maintenance programme

The Council continued to promote Cambridge Street Aid via social media and attracted nearly £40,000 of donations to the Street Aid fund, of which £32,000 was awarded to individuals as grants, and won a national award for this initiative. We also worked with partners to raise awareness about local domestic abuse and achieved White Ribbon accreditation for work tackling violence against women and girls.

Outlook

In 2020/21, our lives have been dominated by the coronavirus pandemic, including the services provided by the council. We have incurred additional expenditure, lost income from sales, fees, and charges, suffered delays to our capital programme and have also received additional grants from central government to fund this.

The pandemic is not yet over and therefore we have received further Covid-related grants in 2021/22. It remains unclear how much additional funding will be made available by the government to offset the City Council's costs in managing the ongoing pressures from Covid-19 and to support businesses and individuals.

The pandemic has also caused a delay to the Fair Funding Review and the consideration of increasing the Business Rates Retention share to 75% and a Business Rates baseline reset. Therefore, there remains uncertainty around government funding.

Whilst a one-year delay is possible, longer could be needed as:

- ◆ it may not be possible to reset business rate baselines and equalise council tax if the future levels of taxation have not stabilised by 2021

Narrative Report

- ◆ the overall finance settlement for local government is likely to be impacted by major changes to both social care and public health which are unlikely to be ready by 2021; and
- ◆ authorities will still be affected by the major financial upheaval following the “lockdown”.

This means that we are faced with some important financial challenges and risks over the medium term. We will face lasting financial pressures in our services due to the pandemic. As a result, we are revising the MTFS in the light of the impact on services and the impact on income from council tax and business rates.

We believe 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. 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 2021 and of its income and expenditure for the year then ended.

Caroline Ryba, Head of Finance
XX September 2021

I confirm that these accounts were approved by the Civic Affairs Committee at its meeting held on 22 September 2021.

Cllr Mike Sergeant, Chair of Civic Affairs Committee
XX September 2021

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

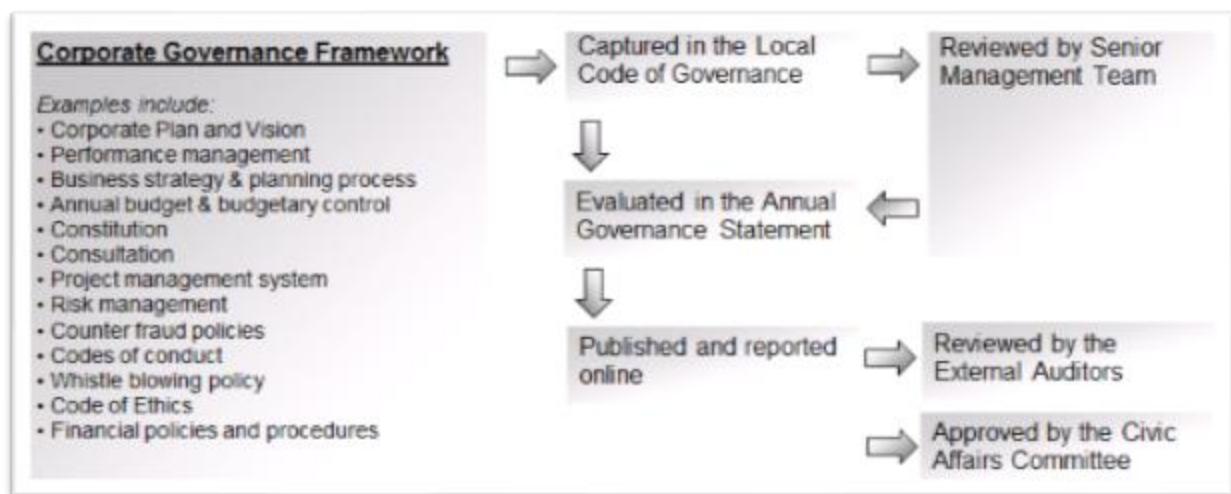
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

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, 'One Cambridge - Fair for All', in which a economic dynamism 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>

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The Council produces a [Corporate Plan](#)², which included five strategic-level objectives for 2020/2021:

- ◆ 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 2021 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

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:

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

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

⁴ <https://www.cambridge.gov.uk/local-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 Transformation and the Head of Finance. It is supported by a Senior Management Team. Both teams consider policy formulation and future planning. Further details are published on our website ¹¹ .
Civic Affairs Committee	<p>The Civic Affairs Committee also plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done. It provides an assurance role to the Council 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. The Committee has also appointed an independent person which is regarded as best practice.</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 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.

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.

Regular updates are presented to the Civic Affairs Committee throughout the year and the July 2021 report outlined the key findings of the internal audit work undertaken during 2020/2021, including any areas of significant weakness in the internal control environment.

Resource was allocated to supporting the Council deliver Covid-19 activities, where this could help to maintain or improve the governance, risk and control environment. Consequently, resources have been diverted from typical assurance-based activities. Internal audit maintains a risk-based plan and this approach was supported by the Civic Affairs Committee. The breadth of and volume of other risk-based assurance was less than usual, however core assurance work was delivered, and we considered the governance, risk and 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

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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 2020/2021, and this remains at a similar level to the previous year.

Partnership assurance

The Council has services which are delivered in partnership with other Councils. Where other Councils are the lead authority, they will provide assurance back to Cambridge City Council that controls are effective, and where there is opportunity for improvement. This includes Waste Services, Planning and Development, plus Information and Communications Technology. A limited assurance report was issued at South Cambridgeshire District Council for [Planning Performance](#)¹³, and an action plan has been developed for improvement.

The Council set up an Investment Partnership with Hill Investment Partnerships in 2017. Updates on all the Cambridge Investment Partnerships current projects are provided quarterly to the Housing Scrutiny Committee, and information is available on their [website](#)¹⁴.

Cambridge City Housing Company Ltd was established in 2016 as a wholly owned company. The Council's published annual statement of accounts includes details of the Housing Company, and reports on the Council's relationship with the Housing Company, financial performance and loan arrangements. The Council receives information on the Housing Company through its Strategy & Resources Scrutiny Committee. The Committee reviews the Housing Company's business plan, and the Council's published Corporate Plan sets out the objectives, activities and people involved in management and decisions.

External reviews

The Planning Advisory Service was commissioned to undertake a [Planning Committee Peer review](#)¹⁵ of Cambridge City Council and the Joint Development Control Committee. This was organised by the Local Government Association (LGA). The review highlighted 11 recommendations for improvement.

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

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

¹³ <https://scambs.moderngov.co.uk/ieListDocuments.aspx?CId=417&MId=7857&Ver=4>

¹⁴ <https://www.ip-cambridge.co.uk/cambridge/>

¹⁵ <https://democracy.cambridge.gov.uk/ieListDocuments.aspx?CId=181&MId=3841&Ver=4>

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External Audit

Ernst & Young (now EY) are the appointed external auditor, and their results report (ISA260) will be presented to the Civic Affairs committee later in 2021.

For 2019/2020 financial year 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.

The Financial Management Code

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

Councils are required to be compliant with the code from the next 2021/2022 financial year, and we must demonstrate that the requirements of the code are being satisfied. A high-level review of the Financial Management Standards (FMS) contained within the code has already been completed, to provide assurance and develop any actions needed to achieve compliance.

Impact of Coronavirus

Pandemic events have 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 can also impact our strategic outcomes, financial and organisational resilience, stakeholder engagement and accountability.

In response to the pandemic we have implemented mitigating measures through our business continuity framework, with continuous risk management, and proactively worked with our stakeholders, partners and customers. This has positively 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.

Our [Annual Report for 2020/2021¹⁶](#) illustrates how it was an exceptional year and highlights how council services sought to adapt to the restrictions imposed by the government in response to the global coronavirus pandemic, seeking new ways of working – including with communities and partners - to deliver the services that are important to local people and to respond to the challenges of Covid-19.

The pandemic has also illustrated how important ‘good governance’ has been to enable and sustain a whole system response. It has highlighted the systemic risks beyond the Council’s

¹⁶ <https://www.cambridge.gov.uk/corporate-plan>

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control that can have a significant impact on achieving intended outcomes for the residents of Cambridge. This includes, for example, our ability to sustain partnerships, joined up delivery of services and multi-agency co-ordination mechanisms with police, fire, NHS, and other local authorities, where they are under significant strain, or under-resourced, or take a different approach to managing risk, accountability and transparency.

Progress from the Last Annual Governance Statement

The Council prepared an [Annual Governance Statement for 2019/2020¹⁷](#) which was approved by the Civic Affairs Committee in November 2020:

Action	Update and status
Reprioritise resources to focus on critical activities in response to external factors such as Covid-19 and Brexit..	<p>We reprioritised our resources to focus on the critical activities, and this helped us to deliver resources where it was needed most. Consequently, some activities which contribute to our governance arrangements, such as decision making, service plan reviews, and Member Elections were deferred to a later date. We worked with partners, through the local resilience forum, to manage the wider community impacts.</p> <p>The Council's Forward-Plan of work is regularly reviewed to ensure our activities are prioritised according to need, and this enables us to respond to emerging and unplanned events. We will continue engage with our stakeholders to ensure they are informed of any changes, and planned activities will be delivered at the earliest opportunity.</p>
Complete statutory financial reporting to revised timetables	<p>This continuing risk of completing, auditing and approving Statement of Accounts to statutory deadlines 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. The Council worked with the external auditors to manage the process for approval of the 2019/2020 Statement of Accounts to the revised timetable and these were approved in November 2020, which was an improvement on the previous year.</p>
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>Historic events highlighted risks which could restrict our access to the workplace, resulting in delays of public meetings and achievement of outcomes. This provided an opportunity to review the management of our workspaces. Temporary enabling legislation enabled us to hold Committee meetings online, and the Council successfully adapted during this period.</p> <p>The Council took positive steps to address these risks, and has been regularly reviewing our workspace arrangements, including physical security, maintaining good health and safety, and leveraging our use of digital and agile working throughout the pandemic.</p>

¹⁷ <https://www.cambridge.gov.uk/statement-of-accounts>

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Action	Update and status
Prepare for longer term financial risks, and respond to any further pressures, by updating our financial modelling.	<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 Council delivered an updated Medium-Term Financial Strategy and commenced work on Financial Resilience to support the Financial Management Code.</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>
Maintain effective internal controls during rapid change	<p>The Council had already implemented a number of initiatives to support agile working, which has helped with our adaptation to the impact of Covid-19. Teams implemented new procedures to continue working effectively in different workspace and environments. Working differently introduces unidentified risks, where internal controls cannot operate as effectively, and potential opportunities for improved ways of working. This was recognised by the Civic Affairs Committee, Management, and the Internal Audit Plan has considered changes to control environment as part of its ongoing assurance work.</p>
Minimising the risk of fraud and error	<p>The Council has delivered business and personal grant support schemes as part of the Covid-19 pandemic response. New and emerging grant support schemes are a desirable target for fraudsters, diverting resources and support away from those in need.</p> <p>We completed fraud risk assessments, and developed appropriate controls, to manage any increased risk of fraud and error and also help ensure support is provided to those in need. We have worked with the Department for Business, Energy & Industrial Strategy to provide assurance that the grant schemes are being delivered effectively and have provided intelligence of potential organised crime to the relevant professional bodies.</p>

Review of Effectiveness

The Council has a number of policies and procedures which are recorded in its [Local Code of Governance](#)¹⁸. 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 will be incorporated into the next revision of the Code where appropriate:

¹⁸ <https://www.cambridge.gov.uk/code-of-corporate-governance>

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Principle	Review of effectiveness
A Behave: integrity, ethical values, respect rule of law	<ul style="list-style-type: none"> ◆ We worked closely with Public Health colleagues to coordinate and support the wider county's public health response to the pandemic, including sharing local community intelligence to help contain outbreaks and reduce community transmission of the virus. The Council has been an active partner in implementing the local outbreak management plan in the city as directed by a multi-agency Covid-19 Health Protection Board and has also participated in local recovery and resilience planning. We redeployed staff to activities such as keeping the city centre safe, and used our website¹⁹ to signpost to national guidance, policy and advice on Health and Safety. ◆ The Local Code of Governance²⁰ was reviewed and updated to reflect the latest professional standards and guidance. ◆ We contributed to the Local Government Ethical Standards review²¹ which considered the 15 best practice recommendations developed by the Committee on Standards in Public Life. ◆ We proactively implemented risk-based controls to mitigate the increased potential for Business Grants fraud. ◆ The Environment and Community Scrutiny Committee reviewed the Council's use of the Regulatory of Investigatory Powers Act and approved the general surveillance policy.
B Openness and stakeholder engagement	<ul style="list-style-type: none"> ◆ We maintained openness through access to meetings, information and online support. ◆ We actively communicated with residents throughout the Covid-19 pandemic. This included using the website²² to signpost people to where they could get help, keeping them updated on changes to services, and financial support for businesses and residents. ◆ The 2020 Annual Briefing for Cambridge Businesses and Organisations was delivered online. The budget for the next financial year was also promoted online to help engage with our stakeholders, residents and businesses. Three priorities were set to tackle the systemic challenges facing the Council: <ul style="list-style-type: none"> ○ Tackling poverty & inequality and helping people in the greatest need; ○ Leading Cambridge's response to the climate change emergency and biodiversity crisis; ○ Delivering quality services within financial constraints while transforming the council; ◆ We continued to consult and engage with stakeholders, including: the Statement of Licensing Policy, Cumulative Impact Assessment and the Single Equality Scheme 2021 to 2024.

¹⁹ <https://www.cambridge.gov.uk/coronavirus-information-for-businesses>

²⁰ <https://www.cambridge.gov.uk/local-code-of-corporate-governance>

²¹ <https://www.gov.uk/government/publications/local-government-ethical-standards-progress-made-against-best-practice-recommendations>

²² <https://www.cambridge.gov.uk/coronavirus-ask-for-help>

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Principle	Review of effectiveness
C Defining outcomes – economic, social, environmental	<ul style="list-style-type: none"> ◆ Corporate Plan 2019-2022²³, defines our outcomes and strategic level objectives. Performance, achievements, and further actions linked to the Corporate Plan are included in the Corporate Plan Annual Report. It reflects the impact of the pandemic including activities which could not be delivered, and also new activities which could not be planned. ◆ The Environmental and Community Scrutiny Committee approved a Climate Change Strategy and Carbon Management Plan for 2021-2026 framework, following public consultation. The revised strategic approach builds on what the Council has achieved to date but sets out a new ambition for working with residents, businesses and communities in the context of the Climate Emergency. ◆ The Environmental and Community Scrutiny Committee endorsed the approach to decarbonising our vehicle fleet, seeking to commit to replace old vehicles with ultra-low emission vehicles (ULEVs) whenever possible. ◆ The Environmental and Community Scrutiny Committee endorsed the revised Anti-Poverty Strategy for 2020-2023 and the accompanying action plan. It reviewed activities to reduce poverty from the previous Strategy period and sets out 5 key objectives and actions for the next 3 years. ◆ 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 and approved the bringing forward of a development programme to provide new housing in 2022-32.
D Determine interventions to achieve outcomes	<ul style="list-style-type: none"> ◆ In response to the Covid-19 pandemic we swift action to help support the public, and provided regular 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 national and local business support grants. ◆ The Strategy and Resources Scrutiny Committee noted our response to pandemic which was set out in the Outline Coronavirus Recovery Plan. We worked in partnership across the County to deliver a Public Health response with the County Council, NHS, to deliver mutual aid networks. The Committee also received an update on the Council's intermediate housing company, Cambridge City Housing Company Limited (CCHC) and Business Plan. ◆ The Environmental and Community Scrutiny Committee reviewed the annual report for the Community Grants fund for voluntary, community, and not for profit organisations. It provided an overview of the process, eligibility criteria and budget and detailed the applications received with recommendations for 2021-22 awards. ◆ The Housing Scrutiny Committee approved the Tenancy Policy, Rechargeable Works Policy and Hoarding Policy, and the Homelessness and Rough Sleeper Strategy. ◆ The Environmental and Community Scrutiny Committee approved strategies that helped achieve outcomes, such as "Developing a Litter Strategy for the City", and "Public Art Commission and Strategy".

²³ <https://www.cambridge.gov.uk/corporate-plan>

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Principle	Review of effectiveness
E Develop capacity and capability of entity	<ul style="list-style-type: none"> ◆ The pandemic challenged our capacity, consequently elections were postponed, democratic meetings were delayed, and employees were not able to attend the workplace. Digital enabling technology enabled the Council to adapt and respond with different ways of working, and the Civic Affairs Committee recommended a convention for running meetings online throughout the year. ◆ The Chief Executive announced that they planned to leave the Council in September 2020, and the Council appointed an Interim Chief Executive to provide continuity during the recruitment process. The new Chief Executive started in April 2021 and the existing Interim Chief Executive was temporarily appointed to the statutory positions of Returning Officer and Electoral Registration Officer during the transition; and this helped maintain business continuity for delivery of the elections in May 2021. ◆ The County Council resolved to withdraw from the Joint Development Control Committee (JDCC), and consequently the JDCC would not be quorate. The Civic Affairs Committee recommended the creation of a new joint planning committee between Cambridge City Council and South Cambridgeshire District Council, and the standing orders and Scheme of delegation were subsequently approved. ◆ The Council received updates on the work of the Cambridgeshire and Peterborough Business Board²⁴ (formerly the Greater Cambridge Greater Peterborough Local Enterprise Partnership), Greater Cambridge Partnership²⁵ and other growth-related partnerships. This is provided as a part of the Council's commitment, given in its "Principles of Partnership Working"²⁶, to set out annual reports summarising the work of the key partnerships it is involved with.

²⁴ <https://cambridgeshirepeterborough-ca.gov.uk/who-we-are/business-board/>

²⁵ <https://www.greatercambridge.org.uk/about-city-deal>

²⁶ <https://www.cambridge.gov.uk/guide-to-partnership-working>

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Principle	Review of effectiveness
F Manage risk and performance, internal control, finance	<ul style="list-style-type: none"> ◆ The 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. A report presented to the council's Strategy and Resources Committee²⁷ on 12 July 2021 estimated that, so far, the cost of the pandemic to the council is £18.5million. This is largely due to increased spending on housing and providing accommodation for former rough sleepers, alongside reduced income from car parking, Council Tax and Cambridge Live events. These additional costs have only partially been mitigated by government grants, so far totalling £11.3m – or just 61.3% of the additional net expenditure - leading to a shortfall of £7.2m. ◆ 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 considered risks in response to Covid-19 to help manage the impact with timely and proportionate mitigation, plus Brexit as part of our Contingency Planning. ◆ The Strategy and Resources Scrutiny Committee received an update and Business Plan for the Council's intermediate housing company, Cambridge City Housing Company Limited (CCHC), plus an update on North East Cambridge (NEC) programme and progress against the three key projects associated with its strategic regeneration. The Environmental and Community Scrutiny Committee received an update on the work of the Health and Wellbeing Board and Cambridge Community Safety Partnership as a part of the Council's commitment given in its "Principles of Partnership Working"²⁸.

²⁷ <https://democracy.cambridge.gov.uk/documents/s56116/GF%20Outturn%20Final.pdf>

²⁸ <https://www.cambridge.gov.uk/guide-to-partnership-working>

Annual Governance Statement

Principle	Review of effectiveness
G Transparency, reporting, audit, accountability	<ul style="list-style-type: none">◆ We received an unqualified opinion on the Statement of Accounts for 2019/2020, 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 and approved by 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 2020/2021 accounts.◆ The Housing Scrutiny Committee was presented with the findings of a self-assessment undertaken in response to the publication of the Housing Ombudsman's (HO) Complaint Handling Code and Self-Assessment Tool. This highlighted an action plan for improvement in 2021.◆ The Strategy and Resources Scrutiny Committee received an update on the work of the partnerships, including The Cambridgeshire and Peterborough Combined Authority (including the Business Board), Greater Cambridge Partnership, Fast Growing Cities, London-Stanstead-Cambridge Consortium, and the Cambridge – Milton Keynes – Oxford Arc.◆ The Civic Affairs Committee received the annual report on transparency, including Data Protection, Freedom of Information and Environmental Information Regulations.◆ We successfully delivered the local elections. This complex process was more challenging due to the pandemic, and lessons learnt have been considered by the Civic Affairs Committee.

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 helps us to identify opportunities to improve the governance arrangements over the next twelve months.

Some of these may feature in previous statements where the work is continuous and ongoing. They consider both historic governance issues that have arisen during the 2020/2021 financial year and up to the date the Statement of Accounts are approved, and we also look ahead for potential issues for 2021/2022 from our risk management process, corporate plans and strategies. These opportunities will focus on the following themes, which are developed into detailed action plans for improvement across our governance framework:

Annual Governance Statement

Theme	Details
Managing our recovery and resilience	2020/2021 was an exceptional year and council services adapted to the restrictions imposed by the government in response to the global coronavirus pandemic, seeking new ways of working (including our communities and partners) to deliver the services that are important to local people and to respond to the challenges of Covid-19. Some services could continue as business as usual, whereas others had to stop or rapidly change. We will continue to review how we deliver our services and seek out the best way to do this as we respond to further changes from the pandemic.
Transformation, resources and risk management	<p>The budget for the 2020/2021 financial year set three priorities to tackle the systemic challenges facing the Council:</p> <ul style="list-style-type: none"> ◆ Tackling poverty & inequality and helping people in the greatest need; ◆ Leading Cambridge's response to the climate change emergency and biodiversity crisis; ◆ Delivering quality services within financial constraints while transforming the council; <p>We will review our Risk Management Strategy and Framework to ensure that it reflects our current appetite and supports an agile and transformative approach to working.</p>
Maintaining financial resilience and compliance	External pressures continue to create financial uncertainty and it is important the Council proactively manages this risk. The Council must be compliant with the new Financial Management Code from 2021/2022, which aims to improve the financial resilience of organisations by embedding enhanced standards of financial management. A high-level assessment was undertaken in 2020/2021 in preparation and an action plan has been developed for the Council to be compliant. This will help provide assurance that the we are proactively managing our financial risks.
Minimising the fraud and error risks	<p>A revised national Fighting Fraud and Corruption Locally Strategy was issued by CIFAS for Local Government. We will review and update our local policies and procedures to reflect this.</p> <p>We will continue to undertake post assurance work on Business Grant Schemes, working with the Cabinet Office, BEIS, and HMRC through data sharing initiatives.</p>
Maintaining good ethical governance	The Council is committed to maintaining good ethical governance, and our Local Code of Governance reflects the Seven Principles of Public Life in local government. To help enhance this process we will review our local guidance and promote any changes.
Proactively preparing for emerging legislative change	We will monitor and respond to emerging legislation (across key areas such as procurement, planning, environmental). This will be reflected in our Corporate Plan which will be revised, along with supporting policies and procedures.

Conclusion and Opinion

The Council has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our citizens and stakeholders. No significant governance issues were identified from our review of effectiveness. We have identified opportunities for improvement and these are included in the Action Plan above.

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

Independent Auditor's Report

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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 2020/21

(£000s)	General Fund balance	Collection Fund deficit earmarked reserve	Other 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 2020	(17,263)	0	(18,680)	(15,066)	(17,257)	(46,657)	(9,801)	(23,362)	(148,086)	(650,587)	(798,673)
Movement in reserves during 2020/21											
(Surplus) / deficit on the provision of services	(255)	0	0	(28,840)	0	0	0	0	(29,095)	0	(29,095)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	0	4,804	4,804
Total comprehensive income and expenditure	(255)	0	0	(28,840)	0	0	0	0	(29,095)	4,804	(24,291)
Adjustments between accounting basis and funding basis under regulations (note 5)	(31,639)	0	0	25,476	0	6,444	(3,846)	(21,310)	(24,875)	24,875	0
Net (increase) / decrease before transfers to earmarked reserves	(31,894)	0	0	(3,364)	0	6,444	(3,846)	(21,310)	(53,970)	29,679	(24,291)
Transfers to / from earmarked reserves (note 6)	32,563	(31,809)	(754)	10	(10)	0	0	0	0	0	0
(Increase)/ decrease in year	669	(31,809)	(754)	(3,354)	(10)	6,444	(3,846)	(21,310)	(53,970)	29,679	(24,291)
Balance at 31 March 2021	(16,594)	(31,809)	(19,434)	(18,420)	(17,267)	(40,213)	(13,647)	(44,672)	(202,056)	(620,908)	(822,964)

Main Financial Statements

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	17,375	0	(30,443)	0	0	0	0	(13,068)	0	(13,068)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(52,914)	(52,914)
Total comprehensive income and expenditure	17,375	0	(30,443)	0	0	0	0	(13,068)	(52,914)	(65,982)
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	4,882	0	(5,022)	0	8,391	1,423	(12,872)	(3,198)	(62,784)	(65,982)
Transfers to / from earmarked reserves (note 6)	(6,368)	6,368	1,576	(1,576)	0	0	0	0	0	0
(Increase)/ decrease in year	(1,486)	6,368	(3,446)	(1,576)	8,391	1,423	(12,872)	(3,198)	(62,784)	(65,982)
Balance at 31 March 2020	(17,263)	(18,680)	(15,066)	(17,257)	(46,657)	(9,801)	(23,362)	(148,086)	(650,587)	(798,673)

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	2020/21			2019/20		
		Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
Climate Change, Environment and City Centre		11,462	(2,689)	8,773	10,795	(3,627)	7,168
Communities		12,614	(3,979)	8,635	17,440	(8,692)	8,748
General Fund Housing		9,125	(4,451)	4,674	6,271	(2,063)	4,208
Planning Policy and Open Spaces		12,366	(3,459)	8,907	11,831	(4,504)	7,327
Transport and Community Safety		8,336	(3,189)	5,147	8,492	(10,304)	(1,812)
Housing Revenue Account		36,450	(42,904)	(6,454)	35,165	(41,538)	(6,373)
Finance and Resources	4	40,844	(37,668)	3,176	37,315	(33,676)	3,639
Strategy and External Partnerships		3,168	(214)	2,954	5,609	(363)	5,246
Cost of services		134,365	(98,553)	35,812	132,918	(104,767)	28,151
Other operating expenditure	7	1,712	0	1,712	1,134	(2,772)	(1,638)
Financing and investment income and expenditure	4/8	13,156	(13,404)	(248)	14,503	(800)	13,703
Taxation and non-specific grant income	4/9	0	(66,371)	(66,371)	0	(53,284)	(53,284)
(Surplus) / deficit on the provision of services	1	149,233	(178,328)	(29,095)	148,555	(161,623)	(13,068)
<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	32			(34,766)			(10,849)
Remeasurements of the net defined benefit liability	4/35			39,570			(42,065)
Other comprehensive (income) / expenditure				4,804			(52,914)
Total comprehensive (income) / expenditure				(24,291)			(65,982)

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 2021	31 March 2020
Property, plant and equipment	14	850,092	808,324
Heritage assets		669	669
Investment property	19	158,594	162,722
Intangible assets		844	555
Long term investments	23	75,022	74,499
Long term debtors	24	6,489	3,709
Long term assets		1,091,710	1,050,478
Short term investments	23	83,161	70,990
Investment properties held for sale	21	3,525	0
Inventories		198	187
Short term debtors	25	29,035	27,115
Cash and cash equivalents	26	14,303	11,590
Current assets		130,222	109,882
Short term borrowing	33	(82)	(82)
Short term creditors	27	(29,206)	(32,773)
Receipts in advance	28	(6,146)	(7,929)
Provisions	29	(4,209)	(4,419)
Current liabilities		(39,643)	(45,203)
Long term borrowing	33	(213,572)	(213,572)
Other long term liabilities	35	(145,673)	(102,825)
Receipts in advance		(80)	(87)
Long term liabilities		(359,325)	(316,484)
Net assets		822,964	798,673
Usable reserves	31	(202,056)	(148,086)
Unusable reserves	32	(620,908)	(650,587)
Total reserves		(822,964)	(798,673)

Caroline Ryba, Head of Finance

XX September 2021

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	2020/21	2019/20
Net surplus / (deficit) on the provision of services		29,095	13,068
Adjustment to the net surplus / (deficit) on the provision of service for non-cash movements	36	60,646	58,554
Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	36	(42,022)	(36,844)
Net cash flows from operating activities		47,719	34,778
Net cash flows from investing activities	37	(2,333)	(33,640)
Net cash flows from financing activities	38	(42,673)	2,791
Net increase / (decrease) in cash and cash equivalents		2,713	3,929
Cash and cash equivalents at the beginning of the year	26	11,590	7,661
Cash and cash equivalents at the end of the year	26	14,303	11,590

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)	2020/21					2019/20				
	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	7,712	650	411	0	8,773	5,713	869	586	0	7,168
Communities	5,452	2,507	676	0	8,635	5,487	2,136	1,125	0	8,748
General Fund Housing	3,918	344	412	0	4,674	3,026	635	547	0	4,208
Planning Policy and Open Spaces	7,498	930	479	0	8,907	5,570	983	774	0	7,327
Transport and Community Safety	2,377	1,958	812	0	5,147	(4,974)	1,935	1,227	0	(1,812)
Housing Revenue Account	(9,769)	3,479	(116)	(48)	(6,454)	(11,165)	4,575	217	0	(6,373)
Finance and Resources	1,353	1,510	378	(65)	3,176	1,700	1,339	600	0	3,639
Strategy and External Partnerships	5,128	10	(2,184)	0	2,954	6,744	46	(1,544)	0	5,246
Net cost of services	23,669	11,388	868	(113)	35,812	12,101	12,518	3,532	0	28,151
Other income and expenditure	(58,927)	(36,010)	2,410	27,620	(64,907)	(12,241)	(30,437)	3,323	(1,864)	(41,219)
(Surplus)/deficit for the year	(35,258)	(24,622)	3,278	27,507	(29,095)	(140)	(17,919)	6,855	(1,864)	(13,068)
Plus opening General Fund and HRA balance	(68,266)					(68,126)				
Closing General Fund and HRA balance at 31 March*	(103,524)					(68,266)				

* 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

Income and expenditure are analysed subjectively as follows:

(£000s)	2020/21	2019/20
Employee benefit expenses	37,977	40,666
Other service expenses	72,025	70,865
Depreciation, amortisation and impairment	26,253	23,377
Interest payments and investment income expenses	11,619	12,513
Payments to Housing Capital Receipts Pool	1,359	1,134
Total expenditure	149,233	148,555
Government grants, contributions and donations	(116,772)	(75,442)
Fees, charges and other service income	(56,773)	(70,161)
Income from council tax	(8,664)	(8,602)
Income from non-domestic rates	15,744	(5,952)
Gain on the disposal of non-current assets	0	(2,772)
Interest and investment income	(11,863)	1,306
Total income	(178,328)	(161,623)
Surplus on the provision of services	(29,095)	(13,068)

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

(£000s)	2020/21	2019/20
Climate Change, Environment and City Centre	(2,210)	(3,535)
Communities	(2,335)	(7,814)
General Fund Housing	(1,474)	(1,027)
Planning Policy and Open Spaces	(3,096)	(3,480)
Transport and Community Safety	(3,018)	(10,192)
Housing Revenue Account	(42,300)	(41,078)
Finance and Resources	(682)	(894)
Strategy and External Partnerships	(117)	(35)
Financing and investment income	(1,541)	(2,106)
Fees, charges and other service income	(56,773)	(70,161)

In addition to this external income, interest and investment income above includes rental income from the Council's investment property portfolio of £9,734,000 (2019/20: £10,054,000).

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 81 to 98, 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.

Notes to the Main Financial Statements

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 2021 is estimated to be £145.7 million (31 March 2020: £102.8 million) and the estimated effects on the liability of changes in individual assumptions are disclosed at note 35.

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 £1,548,000 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 2021 following successful rating valuation appeals. The Council's share of this provision is £4.1 million (31 March 2020: £4.2 million) as disclosed at note 29. 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. However, it remains possible that appeals may be settled at amounts which differ from these estimates.

Notes to the Main Financial Statements

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 33.

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 debit for remeasurements of the Council's net defined benefit pension liability of £39.6 million (2019/20: net credit of £42.1 million) which is recognised in other comprehensive income. In addition, financing and investment expenditure includes a net interest cost on the pension liability of £2.4 million (2019/20: £3.3 million). Further details are set out at note 35.

The Council's share of non-domestic rates income totalling £21.5 million (2019/20: £42.6 million) and the tariff of £37.3 million (2019/20: £36.7 million) payable to central government under the rates retention scheme have been included in taxation and non-specific grant income. The Council received £23.4 million of business rate relief grants (2019/20: £2.2 million).

Housing benefit subsidy grants received from government totalling £30.0 million (2019/20: £31.5 million), together with associated expenditure on housing benefits of £30.5 million (2019/20: £32.2 million), are included within Finance and Resources income and expenditure.

Capital grants and contributions income includes £29.0 million (2019/20: £26.9 million) of grant funding to support new homes under the Cambridge and Peterborough Devolution Deal. Of this, £14.0 million (2019/20: £9.9 million) was received from the Cambridge and Peterborough Combined Authority, with the remaining £15.0 million (2019/20: £17.0 million) coming directly from central government.

Financing and investment expenditure includes interest payable on Public Works Loan Board (PWLB) borrowings of £7.5 million (2019/20: £7.5 million).

Non-ringfenced government grants income includes New Homes Bonus from central government of £4.9 million (2019/20: £5.5 million) and £5.9 million from central government under the compensation scheme for lost sales, fees and charges income (2019/20: £0).

Notes to the Main Financial Statements

Finance and Resources income includes £3.6 million (2019/20: nil) of Additional Restrictions Grant, to support businesses severely impacted by COVID-19 restrictions. Further details of COVID-19 support grants received during the year are set out at note 30.

Financing and investment income includes losses on the value of central shopping centres held within investment properties of £6.1 million (2019/20: £5.1 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

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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.

Financial year 2020/21

(£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	(7,079)	0	0	(10,893)	0	17,972	
Net revaluation (losses) / gains on property, plant and equipment	13	(8,154)	0	0	0	8,141	
Movements in the market value of investment properties	(629)	185	0	0	0	444	
Amortisation of intangible assets	(85)	0	0	(56)	0	141	
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(811)	0	0	0	0	811	
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal	(512)	(5,590)	0	0	0	6,102	
Private sector housing loans written off	(11)					11	
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Minimum Revenue Provision	306	0	0	0	0	(306)	
Voluntary Revenue Provision	0	0	0	0	0	0	
Capital expenditure charged against General Fund and HRA balances	1,715	4,794	0	0	0	(6,509)	
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	7,064	29,209	0	0	(36,273)	0	
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	14,963	(14,963)	

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 Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	659	5,027	(5,686)	0	0	0
Transfer of capital receipts to administrative costs of disposal of non-current assets	0	(120)	120	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	11,040	0	0	(11,040)
Contribution from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(1,359)	0	1,359	0	0	0
Transfer to Capital Receipts Reserve on receipt of loan payment	0	0	(40)	0	0	40
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(349)	0	0	349
Adjustments primarily involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	7,103	0	(7,103)
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	32	0	0	0	0	(32)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits (debited) or credited to the Comprehensive Income and Expenditure Statement	(9,391)	(1,633)	0	0	0	11,024
Employer's pension contributions and direct payments to pensioners payable in the year	5,996	1,750	0	0	0	(7,746)
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	(27,497)	0	0	0	0	27,497
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the General Fund to the Housing Revenue Account under statutory regulation	40	(40)	0	0	0	0

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(£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 Accumulated Absences Account:						
Amount transferred from the General Fund and the Housing Revenue Account to the Accumulated Absences Account under statutory regulation	65	48	0	0	0	(113)
Adjustments primarily involving the Pooled Investment 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	(155)	0	0	0	0	155
Total adjustments	(31,639)	25,476	6,444	(3,846)	(21,310)	24,875

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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	213	0	0	0	0	(213)	
Voluntary Revenue Provision	9,545	0	0	0	0	(9,545)	
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	

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	
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(778)	0	0	778
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)

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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 2020/21.

(£000s)	Balance at 1 April 2019	Transfer In	Transfer Out	Balance at 31 March 2020	Transfer In	Transfer Out	Balance at 31 March 2021
General Fund:							
Asset repair and renewal reserves	(1,618)	(1,215)	733	(2,100)	(1,146)	1,102	(2,144)
Insurance Fund	(1,161)	(77)	0	(1,238)	(118)	0	(1,356)
Technology Investment Fund	(127)	0	0	(127)	0	127	0
Development Plan Reserve	(939)	(192)	152	(979)	(192)	535	(636)
Revenue contributions to capital	(3)	0	0	(3)	0	3	0
Climate Change Fund	(368)	(100)	339	(129)	(50)	0	(179)
Collection Fund deficit reserve (1)	0	0	0	0	(31,809)	0	(31,809)
Sharing Prosperity	(260)	0	175	(85)	0	0	(85)
Invest for Income Fund	(8,000)	0	8,000	0	0	0	0
Greater Cambridge Partnership Fund	(5,626)	(1,652)	1,950	(5,328)	(715)	901	(5,142)
Office accommodation strategy	(900)	0	166	(734)	0	657	(77)
Contribution to A14 Fund	(1,500)	0	0	(1,500)	0	0	(1,500)
Other	(4,546)	(3,639)	1,728	(6,457)	(4,498)	2,640	(8,315)
Total	(25,048)	(6,875)	13,243	(18,680)	(38,528)	5,965	(51,243)
Housing Revenue Account:							
Asset Repair and Renewal Reserve	(2,496)	(287)	278	(2,505)	(263)	234	(2,534)
Earmarked for debt redemption / reinvestment	(13,144)	(1,561)	0	(14,705)	0	0	(14,705)
Other	(41)	(6)	0	(47)	(6)	25	(28)
Total	(15,681)	(1,854)	278	(17,257)	(269)	259	(17,267)

- (1) This is money set aside to cover the Council's share of the forecast collection fund deficit caused by the Covid-19 pandemic and the government's response to it (for example the expanded retail rates relief scheme). This amount has been largely funded by compensatory grants from central government.

Notes to the Main Financial Statements

7 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

(£000s)	2020/21		2019/20	
	Income	Expenditure	Income	Expenditure
(Gains) or losses on the disposal of non-current assets	0	353	(2,772)	0
Payments to the government housing capital receipts pool	0	1,359	0	1,134
	0	1,712	(2,772)	1,134

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

(£000s)	2020/21		2019/20	
	Income	Expenditure	Income	Expenditure
Interest receivable and similar income	(2,483)	0	(2,478)	0
(Gains) and losses on trading accounts	(1,541)	1,537	(2,106)	1,990
(Gains) and losses on financial instruments held at fair value through profit and loss	(90)	0	709	0
Income and expenditure in relation to investment properties	(9,734)	1,715	(10,054)	1,696
Change in fair value of investment properties	444	0	13,129	0
Interest payable and similar charges	0	7,494	0	7,494
Pensions interest expense	0	2,410	0	3,323
	(13,404)	13,156	(800)	14,503

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

(£000s)	2020/21	2019/20
Council tax income	(8,664)	(8,602)
Net council share of business rates income	15,744	(5,952)
Non-ringfenced government grants	(37,178)	(8,355)
Capital grants and contributions	(36,273)	(30,375)
	(66,371)	(53,284)

The business rates income retained by the Council under the business rates retention scheme of (£15,744,000) (2019/20: £5,952,000) comprises the Council's share of income of £21,518,000 (2019/20: £42,616,000) less a tariff payment due to central government of £37,262,000 (2019/20: £36,664,000). Retained business rate income for 2020/21 is negative due to the impact of expanded retail rates relief offered by central government in response to the COVID-19 pandemic. The Council has been compensated for these and other losses caused by changes in government policy through the receipt of business rate relief grants

Notes to the Main Financial Statements

totalling £23,405,000 (2019/20: £2,189,000). These grants are included within non-ringfenced government grants above.

10 Members' Allowances

The total of allowances and expenses paid to members during the financial year was £358,000 (2019/20: £351,000). 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.

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 30.

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)	2020/21	2019/20
Income recognised in year	(14,114)	(10,003)
Debtor balance at 31 March	9,791	41

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 2020/21, 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>.

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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 2021 (£000s)	Creditor balance at 31 March 2021 (£000s)
Cambridge BID Ltd	Cllr Rosy Moore – Director of Cambridge BID Ltd	98	13	6	0
Wintercomfort for the Homeless	Cllr Rod Cantrill – Trustee of Wintercomfort for the Homeless	5	136	1	1
Cambridge Sustainable Food CIC	Cllr Katie Thornburrow – Director of Cambridge Sustainable Food CIC	0	53	0	0
Sheridan House (Cambridge) Ltd	Cllr Rod Cantrill – Director of Sheridan House (Cambridge) Ltd	9	0	0	0
The Red Hen Project	Cllr Kevin Price – Trustee of The Red Hen Project	0	9	0	0

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 £933,000 (2019/20: £809,000) and paid £848,000 over to Cambridge BID (2019/20: £909,000). At 31 March 2021, the outstanding creditor balance due to Cambridge BID in respect of these levies was £99,000 (31 March 2020: £14,000). In 2020/21, the Council also distributed £46,000 of central government COVID-19 support grants to Cambridge BID in its role as distributary agent. (2019/20: nil).

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 profit of £703,000 in 2020/21 (2019/20: £603,000 loss).

Operating companies are established for individual sites as they commence and details of those in existence during 2020/21 are as follows:

- ◆ CIP (Mill Road Development) LLP, incorporated on 22 December 2016. The company reported a profit of £3,332,000 in 2020/21 (2019/20: £2,000).
- ◆ CIP (Cromwell Road) LLP, incorporated on 10 January 2019. The company reported a loss of £6,000 in 2020/21 (2019/20: nil).
- ◆ CIP Orchard Park L2 LLP, incorporated on 19 December 2019. The company reported a loss of £5,000 in 2020/21 (2019/20: nil).

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The Council recognised income of £380,000 from the partnership during 2020/21 in respect of management recharges (2019/20: £335,000), and £327,000 of section 106 contributions in respect of housing developments (2019/20: £471,000). At 31 March 2021, short term debtors were £325,000 (31 March 2020: £322,000).

The cost of work carried out by the partnership in 2020/21 was £20,157,000 (2019/20: £25,754,000). This included expenditure of £8,733,000 at Mill Road (2019/20: £8,625,000), £6,181,000 at Cromwell Road (2019/20: £4,696,000), and £5,243,000 at various other developments (2019/20: £12,433,000). At 31 March 2021, short term creditors were £1,363,000 (31 March 2020: £2,355,000).

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 2022) as included at note 23. The outstanding balance at 31 March 2021 was £5,240,000 (31 March 2020: £5,041,000). Notional interest on the loan is reflected in interest income – this was £199,000 in 2020/21 (2019/20: £191,000).

In addition, the Council has a further outstanding long term investment balance of £7,011,000 at 31 March 2021 (31 March 2020: £5,019,000) with CIP (Mill Road Development) LLP, in respect of loan financing provided (including accrued interest). This loan financing has generated £192,000 of interest income during 2020/21 (2019/20: £119,000).

The Council has an outstanding long term investment balance of £37,089,000 (including accrued interest) with CIP (Cromwell Road) LLP at 31 March 2021 (31 March 2020: £28,651,000), 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 £538,000 of interest income during 2020/21 (2019/20: £151,000).

The Council has an outstanding long term investment balance of £1,129,000 with CIP Orchard Park L2 LLP at 31 March 2021 (31 March 2020: £1,129,000). 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

The Council has a 50% interest in Virido Management Company Ltd, incorporated on 24 July 2015, which exists for the purposes of managing property at Clay Farm. The company has no income and expenditure in its own right as all transactions are undertaken on an agency basis on behalf of leaseholders. As such, there are no transactions for consolidation into the Group Financial Statements.

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.
- ◆ Romsey Works Cambridge Management Company Ltd (previously known as Timberworks (Cambridge) Management Company Ltd until 16 August 2020), incorporated on 6 December 2019. This is a joint venture with Hill Investment Partnerships Ltd in which the Council has a 50% stake.

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Neither company had begun trading as at 31 March 2021, 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), incorporated on 15 February 2016. The company exists to provide and manage housing that is affordable for those in housing need and to undertake any other property related activity in Cambridge and neighbouring districts.

The company made a profit of £46,000 in 2020/21 (2019/20: £207,000). Revaluation losses of £30,000 (2019/20: gains of £183,000) are included in these results.

As detailed at note 23 the Council made a loan to CCHC of £7,500,000 in 2016/17. Interest of £152,000 (2019/20: £152,000) on the loan is included in financing and investment income.

The Council recognised income from rent, service charges, repairs and management fees totalling £73,000 in 2019/20 (2019/20: £51,000). Total debtors at 31 March 2021 were £8,000 (31 March 2020: £8,000).

The Council paid £23,000 (2019/20: nil) to CCHC in respect of void periods on leased properties, in accordance with the terms of the relevant lease agreements.

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 subsidiary (Cambridge Live Trading Limited). Their results were 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. No transactions have occurred with either entity during 2020/21.

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 £137,000 to the Trust in relation to 2020/21 (2019/20: £163,000). There was a debtor balance of £77,000 at 31 March 2021 (31 March 2020: £44,000).

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The Council recognised expenditure of £1,000 with the Trust in 2020/21 (2019/20: £5,000), in respect of facilities hire and discretionary COVID-19 grant support. The Council paid an additional £13,000 (2019/20: nil) of COVID-19 support grants to the Trust in its capacity as distributary agent for central government.

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 ended 31 July 2020 recognised a net deficit of £183,000 (£191,000 in the year ended 31 July 2019). As at 31 July 2020, the Trust had net assets of £791,000 (31 July 2019: £829,000).

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 2021 there were 9 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 £60,000 to VCB in 2020/21 (2019/20: £71,000), 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 2020/21 totalled £45,000 (2019/20: £67,000). At 31 March 2021, short term debtors were £54,000 (31 March 2020: £27,000) and short term creditors were nil (31 March 2021: £6,000).

On 3 August 2020, a special resolution was passed that VCB be voluntarily wound up, and the company remained in liquidation as at 31 March 2021.

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 and planning service with South Cambridgeshire District Council. 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.

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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:

	2020/21	2019/20
£50,000 to £54,999	20	17
£55,000 to £59,999	6	3
£60,000 to £64,999	4	0
£65,000 to £69,999	1	3
£70,000 to £74,999	3	4
£75,000 to £79,999	11	6
£95,000 to £99,999	0	2
£100,000 to £104,999	2	0
£130,000 to £134,999	0	1
Total	47	36

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 2020/21

(£) Position / Name		Salary	Election Payments	Pension Contribution	Total
Chief Executive (A Jackson)	1	71,149	0	11,622	82,771
Strategic Director (S Hemingway)		102,212	0	17,785	119,997
Strategic Director (F Bryant)		102,212	0	17,785	119,997
Head of Corporate Strategy (A Limb)		78,154	0	13,599	91,753
Head of Finance (Section 151 Officer) (C Ryba)		77,824	0	13,599	91,423
Head of Transformation (E Rospigliosi)		78,154	0	13,599	91,753

Notes:

1. Left 30 September 2020.
2. From 01 October 2020 to 18 April 2021, Andrew Grant acted as interim Chief Executive. He was paid through an agency arrangement with costs totalling £142,646 for the 2020/21 financial year.
3. The Council shares a Director of Economic Development and Planning employed by SCDC. The Council's share of costs for 2020/21 is £71,616.

Notes to the Main Financial Statements

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.

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)	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
£0 - £20,000	4	2	4	2	14	22
£20,001 - £40,000	2	0	2	0	59	0
£40,001 - £60,000	1	0	1	0	51	0
£60,001 - £80,000	1	0	1	0	72	0
£100,001 - £120,000	2	0	2	0	234	0
Total	10	2	10	2	430	22

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.

Notes to the Main Financial Statements

13 External Audit Costs

(£000s)	2020/21	2019/20
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	43	89
Fees payable to Ernst and Young LLP for the certification of grant claims and returns	15	34
	98	163

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).

14 Property, Plant and Equipment

(£000s)	31 March 2021			31 March 2020		
	Cost or valuation	Accumulated depreciation and impairment	Net carrying value	Cost or valuation	Accumulated depreciation and impairment	Net carrying value
Council dwellings	639,804	0	639,804	608,549	0	608,549
Other land and buildings	146,957	(1,087)	145,870	155,804	(10,521)	145,283
Vehicles, plant, furniture and equipment	22,131	(12,731)	9,400	26,662	(15,887)	10,775
Infrastructure assets	7,880	(1,293)	6,587	7,184	(1,102)	6,082
Community assets	1,351	0	1,351	1,339	0	1,339
Surplus assets	10	0	10	0	0	0
Assets under construction	47,070	0	47,070	36,296	0	36,296
Total property, plant and equipment	865,203	(15,111)	850,092	835,834	(27,510)	808,324

Notes to the Main Financial Statements

Reconciliation of the carrying value of property, plant and equipment

Financial year 2020/21

(£000s)	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total property, plant and equipment
At 1 April 2020	608,549	145,283	10,775	6,082	1,339	0	36,296	808,324
Additions	11,265	331	950	733	12	0	25,747	39,038
Disposals	(5,532)	0	(155)	(30)	0	0	0	(5,717)
Revaluation increases / (decreases) recognised in the revaluation reserve	29,576	5,180	0	0	0	10	0	34,766
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(8,228)	87	0	0	0	0	0	(8,141)
Assets reclassified (to) / from investment properties	0	0	0	0	0	0	(24)	(24)
Assets reclassified (to) / from intangible assets	0	0	0	0	0	0	(182)	(182)
Assets reclassified (to) / from other categories of property, plant and equipment	14,767	0	0	0	0	0	(14,767)	0
Depreciation charge	(10,593)	(5,011)	(2,170)	(198)	0	0	0	(17,972)
At 31 March 2021	639,804	145,870	9,400	6,587	1,351	10	47,070	850,092

Financial year 2019/20

(£000s)	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total property, plant and equipment
At 1 April 2019	612,585	138,802	11,252	4,853	1,333	0	13,138	781,963
Additions	10,401	751	1,231	1,223	6	0	28,730	42,342
Disposals	(3,413)	(247)	(38)	0	0	0	1	(3,697)
Revaluation increases / (decreases) recognised in the revaluation reserve	330	10,519	0	0	0	0	0	10,849
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(6,161)	217	0	0	0	0	0	(5,944)
Assets reclassified (to) / from investment properties	0	160	0	0	0	0	184	344
Assets reclassified (to) / from intangible assets	0	0	0	0	0	0	(192)	(192)
Assets reclassified (to) / from other categories of property, plant and equipment	5,223	(245)	424	163	0	0	(5,565)	0
Depreciation charge	(10,416)	(4,674)	(2,094)	(157)	0	0	0	(17,341)
At 31 March 2020	608,549	145,283	10,775	6,082	1,339	0	36,296	808,324

Notes to the Main Financial Statements

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 2020/21.

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)

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 90 (investment properties) and page 92 (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 2020 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 2021. Bidwells has a policy of rotating personnel undertaking this valuation so that no single member of staff values the portfolio for more than seven

Notes to the Main Financial Statements

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.

Surplus assets consist of vehicles awaiting disposal by auction. They have been valued internally by reference to similar recent transactions undertaken by the Council.

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	Surplus assets	Total
Valued at fair value as at:				
31 March 2021	639,804	137,636	10	777,450
31 March 2020	0	2,747	0	2,747
31 March 2019	0	2,838	0	2,838
31 March 2018	0	1,084	0	1,084
31 March 2017	0	1,565	0	1,565
Total valuation	639,804	145,870	10	785,684

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 41 years and houses 42 years.

The useful lives of other assets are generally estimated as:

- ◆ Infrastructure assets – 10 to 40 years
- ◆ Other buildings – 5 to 90 years
- ◆ 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.

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(£000s)	2020/21	2019/20
Opening Capital Financing Requirement	275,431	275,386
<i>Capital expenditure</i>		
Property, plant and equipment	39,038	42,342
Investment properties	202	5,413
Intangible assets	245	121
<i>Capital expenditure charged to the Comprehensive Income and Expenditure Statement</i>		
Revenue Expenditure Funded from Capital and de-minimis capital expenditure	811	1,737
<i>Loans advanced</i>		
Cambridge Investment Partnership	10,629	7,990
Private sector housing improvement loans	16	52
<i>Sources of finance</i>		
Capital receipts	(11,040)	(14,298)
Government grants and other contributions	(14,963)	(17,503)
Minimum Revenue Provision	(306)	(213)
Voluntary Revenue Provision	0	(9,545)
Revenue and reserves	(13,612)	(16,051)
Closing Capital Financing Requirement	286,451	275,431

18 Capital Commitments

(£000s)	31 March 2021	31 March 2020
Property, Plant and Equipment		
Park Street car park redevelopment	90,803	91,400
HRA new build properties	62,725	34,565
Housing capital programme	7,266	5,197
Meadows Community Centre and Buchan Street shops	5,972	0
Silver Street public toilet refurbishment	81	92
Vehicle asset replacement programme	0	489
Building works at the Guildhall to reduce carbon emissions	0	127
Electric vehicle charge points	0	75
Revenue Expenditure Funded from Capital Under Statute		
Development land at Clay Farm	324	417
Chesterton Pavilion extension	199	0
Shared ICT waste management software	173	0
Investments		
Loans to Cambridge Investment Partnership – Cromwell Road	6,600	0
Loans to Cambridge Investment Partnership – Mill Road	5,300	0
	179,443	132,362

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)	2020/21	2019/20
Rental income from investment property	(9,734)	(10,054)
Direct operating expenses arising from investment property	419	451
Net gain	(9,315)	(9,603)

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)	2020/21	2019/20
Fair value at start of the year	162,722	170,782
<i>Additions:</i>		
Subsequent expenditure	202	136
Acquisitions	0	5,277
Unrealised gains / (losses) recognised in the financing and investment income line of the surplus / deficit on the provision of services from fair value adjustments	(444)	(13,129)
Disposals	(385)	0
<i>Transfers:</i>		
To assets held for sale	(3,525)	0
(To) / from property, plant and equipment	24	(344)
Fair value at the end of the year	158,594	162,722

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 85.

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.

Notes to the Main Financial Statements

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.

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 2021 (£'000)	Predominant valuation technique	Key unobservable inputs	Range
Central Cambridge shopping centres	15,830	Investment	NIY Yield	6.25% - 6.75%
Other retail	31,626	Investment	Market Rent (psf) Market Rent (psf ZA) EY Yield	£7.00 - £55.20 £18.00 - £136.00 3.97% - 14.90%
Offices	12,530	Investment	Market Rent (psf) EY Yield	£13.00 - £28.00 5.83% - 10.17%
Industrial	30,440	Investment	Market Rent (psf) EY Yield	£7.00 - £17.60 6.00% - 8.27%
Land	39,141	Investment/ Comparable	Market Rent (per acre) NIY Yield EY Yield £/acre	£200 - £60,500 2.90% - 6.67% 4.90% - 10.00% £3,000 - £1,100,000
Leisure	3,580	Investment	EY Yield	6.87% - 10.00%
Other	28,972	Investment	Yield	3.50% - 13.19%
Total	162,119			

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 Investment Properties Held for Sale

(£000s)	2020/21	2019/20
At 1 April	0	0
Investment properties newly classified as held for sale	3,525	0
At 31 March	3,525	0

22 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 £29,070,000 as at 31 March 2021 (31 March 2020: £34,270,000).

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 2021	31 March 2020
Not later than one year	95	110
Later than one year and not later than five years	200	45
	295	155

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

(£000s)	2020/21	2019/20
Minimum lease payments	110	110

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.

Notes to the Main Financial Statements

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

(£000s)	31 March 2021	31 March 2020
Not later than one year	5,883	5,958
Later than one year and not later than five years	17,951	18,293
Later than five years	99,476	101,886
	123,310	126,137

The minimum lease payments receivable do not include contingent rents such as those based on turnover. In 2020/21, £1,589,000 of contingent rents were receivable by the Council (2019/20: £2,147,000).

23 Short Term and Long Term Investments

(£000s)	2020/21		2019/20	
	Long term	Short term	Long term	Short term
Loans to joint ventures	50,469	0	39,840	0
Loans to subsidiaries	7,500	0	7,500	0
Other investments	17,053	83,161	27,159	70,990
	75,022	83,161	74,499	70,990

24 Long Term Debtors

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

(£000s)	31 March 2021	31 March 2020
Pension deficit prepayment	2,789	0
Deferred property sale proceeds	2,705	2,705
Private sector housing improvement loans	815	818
Lease premiums	172	178
Mortgage reposessions loans	7	7
Mortgages	1	1
	6,489	3,709

25 Short Term Debtors

(£000s)	31 March 2021	31 March 2020
Trade receivables	3,957	3,506
Prepayments	3,325	406
Other receivables	21,753	23,203
	29,035	27,115

Notes to the Main Financial Statements

26 Cash and Cash Equivalents

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

(£000s)	31 March 2021	31 March 2020
Overnight money market funds	13,500	11,000
Bank deposit accounts	1,276	1,446
Bank current accounts	(490)	(872)
Cash held by the Council	17	16
	14,303	11,590

27 Short Term Creditors

(£000s)	31 March 2021	31 March 2020
Trade creditors	(894)	(382)
Other creditors	(28,312)	(32,391)
	(29,206)	(32,773)

28 Short Term Receipts in Advance

(£000s)	31 March 2021	31 March 2020
Housing tenants and leaseholders	(983)	(1,024)
Cambridge City Council share of non-domestic rates receipts in advance	(1,039)	(566)
Cambridge City Council share of council tax receipts in advance	(416)	(334)
Capital grants receipts in advance	(11)	(11)
Other	(3,697)	(5,994)
	(6,146)	(7,929)

29 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.

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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 2021 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.

(£000s)	Insurance Provision	Business Rates Appeals Provision	Other Provisions	Total
Balance at 1 April 2020	(210)	(4,200)	(9)	(4,419)
Additional provisions made in 2020/21	(133)	(2,987)	0	(3,120)
Amounts used in 2020/21	120	3,128	0	3,248
Unused amounts reversed in 2020/21	82	0	0	82
Balance as at 31 March 2021	(141)	(4,059)	(9)	(4,209)

30 Grant Income

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2020/21:

Credited to taxation and non-specific grant income

(£000s)	2020/21	2019/20
COVID-19 related grants and contributions		
Business rate relief grant – retail discount and nursery relief	(22,834)	0
Sales, fees and charges income compensation scheme	(5,947)	0
COVID-19 emergency funding	(1,839)	(73)
New burdens grants – COVID-19 related	(441)	0
Local Tax Income Guarantee	(104)	0
Additional Housing Benefit administration subsidy	(35)	0
Other grants and contributions		
New Homes Bonus	(4,913)	(5,504)
Business rate relief grant – other	(571)	(2,189)
Housing Benefit administration subsidy	(314)	0
Local Council Tax Support administration subsidy	(107)	(105)
New burdens grants – other	(55)	0
Other non-specific revenue grants and contributions	(18)	(68)
Syrian Resettlement Grant	0	(416)
Capital grants and contributions	(36,273)	(30,375)
Total credited to taxation and non-specific grant income	(73,451)	(38,730)

Notes to the Main Financial Statements

Credited to services

(£000s)	2020/21	2019/20
COVID-19 related grants and contributions		
Additional Restrictions Grant	(3,605)	0
Local Authority Discretionary Grant Fund	(1,120)	0
Next Steps Accommodation Programme	(964)	0
Council Tax COVID-19 Hardship Fund	(921)	0
Coronavirus Job Retention Scheme	(623)	0
Local Restrictions Support Grant (Open)	(524)	0
Cultural Recovery Fund	(491)	0
Contain Outbreak Management Fund	(338)	0
National Leisure Recovery Fund	(235)	0
Supporting Clinically Extremely Vulnerable Residents	(207)	0
Other specific COVID-19 related grants and contributions	(420)	0
Other grants and contributions		
Housing Benefits subsidy – rent allowances	(15,627)	(16,360)
Housing Benefits subsidy – rent rebates	(13,476)	(14,608)
Housing Benefits subsidy – non-HRA rent rebates	(913)	(556)
Rough Sleeping Initiative	(486)	(94)
Flexible Homelessness Support Grant	(457)	(457)
Crime and Disorder Reduction grants	(399)	0
UK Resettlement Schemes	(375)	0
Discretionary Housing Payments	(237)	(202)
Interreg 2 Seas programme	(204)	(85)
Homelessness Reduction Grant	(101)	0
Housing Benefit administration subsidy	0	(311)
Other specific grants and contributions	(1,598)	(885)
Total credited to services	(43,321)	(33,558)

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 2021 was £11,000 (31 March 2020: £11,000).

Council acting as distributary agent

There are several arrangements in place whereby the Council acts as a distributary agent for government grants. The number and scale of these arrangements has increased significantly during 2020/21 due to the introduction of a number of emergency COVID-19 grants for businesses and residents. In these cases, grant amounts and eligibility criteria are set by the government, and the Council has no discretion to alter these. Instead, the Council is acting in a purely administrative capacity, using local knowledge and systems to distribute grants to eligible recipients, for which it is reimbursed in full (or paid in advance) by the government.

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The Code requires that income and expenditure related to such agency arrangements is not recognised within the Council's Comprehensive Income and Expenditure Statement, as the Council does not have control over how the grants are spent. These grants are not, therefore, included in the tables above.

The table below sets out the agency arrangements in place during the year in respect of COVID-19 specific grants, together with other agency arrangements where these are material.

(£000s)	Balance at 1 April 2020	Cash Received	Cash Distributed	Balance at 31 March 2021
COVID-19 related grants				
Retail, Hospitality and Leisure Grants Fund	0	(13,885)	13,885	0
Local Restrictions Support Grants (Closed)	0	(12,117)	8,892	(3,225)
Small Business Grants Fund	0	(8,310)	8,310	0
Closed Business Lockdown Payment	0	(8,181)	6,019	(2,162)
Test and Trace Support Payments – Main Scheme	0	(72)	49	(23)
Christmas Support Payment for Wet-led Pubs	0	(58)	57	(1)
BID Support Grant	0	(46)	46	0
National Leisure Recovery Fund – monitoring and evaluation grant	0	(2)	0	(2)
Other material grants				
Housing Infrastructure Fund	0	(8,832)	8,832	0

There were no material agency arrangements in place during 2019/20.

Balances held at year-end will be retained on the balance sheet for distribution in future years (where permitted by the grant conditions) or returned to the grantor.

31 Usable Reserves

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

32 Unusable Reserves

(£000s)	31 March 2021	31 March 2020
Deferred Capital Receipts Reserve	(2,777)	(3,126)
Revaluation Reserve	(200,586)	(170,271)
Capital Adjustment Account	(587,781)	(577,071)
Financial Instruments Adjustment Account	60	92
Pensions Reserve	145,673	102,825
Collection Fund Adjustment Account	24,007	(3,490)
Accumulated Absences Account	341	454
Pooled Investment Adjustment Account	155	0
Total unusable reserves	(620,908)	(650,587)

Notes to the Main Financial Statements

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)	2020/21	2019/20
Balance at 1 April	(3,126)	(3,893)
Deferred sale proceeds on disposal of non-current assets	0	(11)
Transfer to the Capital Receipts Reserve upon receipt of cash	349	778
Balance at 31 March	(2,777)	(3,126)

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.

(£000s)	2020/21	2019/20
Balance at 1 April	(170,271)	(163,875)
Net (gains) / losses on revaluations during the year	(34,766)	(10,849)
Amounts written off to the Capital Adjustment Account		
Difference between fair value depreciation and historical cost depreciation	4,115	3,845
Accumulated gains on assets sold or scrapped	336	608
Balance at 31 March	(200,586)	(170,271)

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.

Notes to the Main Financial Statements

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)	2020/21	2019/20
Balance at 1 April	(577,071)	(556,990)
Charges for depreciation and impairment of non-current assets	17,972	17,341
Amortisation of intangible assets	141	96
Revaluation losses/(gains) on property, plant and equipment	8,141	5,944
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	444	13,129
Revenue Expenditure Funded from Capital Under Statute and de minimis capital spend	811	1,737
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	6,102	3,697
Repayment or write-off of private sector housing loans	51	38
Adjusting amounts written out of the Revaluation Reserve	(4,451)	(4,453)
Use of the Capital Receipts Reserve to finance new capital expenditure	(11,040)	(14,298)
Use of the Major Repairs Reserve to finance new capital expenditure	(7,103)	(12,136)
Application of grants and contributions to capital financing	(14,963)	(17,503)
Minimum revenue provision	(306)	(213)
Voluntary revenue provision	0	(9,545)
Capital expenditure charged against the General Fund and Housing Revenue Account balances	(6,509)	(3,915)
Balance at 31 March	(587,781)	(577,071)

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 35.

Notes to the Main Financial Statements

(£000s)	2020/21	2019/20
Balance at 1 April	102,825	138,035
Remeasurements of the net defined benefit liability	39,570	(42,065)
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	11,024	14,233
Employer's pension contributions and direct payments to pensioners payable in the year	(7,746)	(7,378)
Balance at 31 March	145,673	102,825

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)	2020/21	2019/20
Balance at 1 April	(3,490)	(1,609)
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	367	32
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	27,130	(1,913)
Balance at 31 March	24,007	(3,490)

Notes to the Main Financial Statements

33 Financial Instruments

Categories of Financial Instrument

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

(£000s)	31 March 2021		31 March 2020	
	Long term	Short term	Long term	Short term
Financial assets				
Investments				
Fair value through profit and loss	14,803	15,042	14,909	14,869
Amortised cost	60,219	68,119	59,590	56,121
Debtors				
Fair value through profit and loss	3,520	0	3,523	0
Amortised cost	8	6,330	8	5,511
Cash and cash equivalents				
Amortised cost	0	14,303	0	11,590
Total financial assets	78,550	103,794	78,030	88,091
Financial liabilities				
(amortised cost)				
Borrowing	(213,572)	(82)	(213,572)	(82)
Creditors	0	(10,978)	0	(14,957)
Total financial liabilities	(213,572)	(11,060)	(213,572)	(15,039)

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.

Notes to the Main Financial Statements

(£000s)	2020/21	2019/20
Balance sheet carrying value as at 1 April	818	821
Nominal value of new loans recognised in the year	16	52
Interest – increase in discounted amount	19	16
Loans repaid	(40)	(38)
Loans written off	(11)	0
Fair value adjustment	13	(33)
Balance sheet carrying value as at 31 March	815	818
Loan payments outstanding (nominal value) at 31 March	875	910

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)	2020/21	2019/20
	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	(90)	709
Amortised cost	949	544
Total net (gains) / losses	859	1,253
Interest revenue:		
Financial assets classified as:		
Fair value through profit and loss	(784)	(811)
Amortised cost	(1,699)	(1,667)
Total interest revenue	(2,483)	(2,478)
Interest expense		
Financial liabilities classified as:		
Amortised cost	7,494	7,494
Net (surplus) / deficit for the year	5,870	6,269

Notes to the Main Financial Statements

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 2021 (£000s)	31 March 2020 (£000s)
Units in CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical units	14,803	14,909
Enhanced cash funds	Level 1	Unadjusted quoted prices in active markets for identical units	15,042	14,869
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	815	818
			33,365	33,301

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.

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 2021 of 2.15% (31 March 2020: 2.59%) 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.

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- ◆ 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 2021		31 March 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets held at amortised cost:				
Current debtors	6,330	6,330	5,511	5,511
Long term debtors	8	8	8	8
Current investments	68,119	68,119	56,121	56,121
Long term investments	60,219	60,219	59,590	59,807
Financial liabilities held at amortised cost:				
Current liabilities	(10,978)	(10,978)	(14,957)	(14,957)
Short term borrowing	(82)	(82)	(82)	(82)
Long term borrowing	(213,572)	(271,424)	(213,572)	(251,791)

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.

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 2021 was estimated at £322,905,000 (31 March 2020: £366,201,000).

34 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.

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- ◆ 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 2021 can be found in the Annual Treasury Management Strategy Statement Report 2020/21 to 2023/24, which is available on the Council's website²⁹.

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 2021 and that any residual risk cannot be quantified.

²⁹https://democracy.cambridge.gov.uk/documents/s48850/Annual%20Treasury%20Management%20Strategy%20Statement%202020-21%20to%202023-24_Final%2020200117.pdf

Notes to the Main Financial Statements

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 2021						
United Kingdom						
Banks	6,000	0	0	0	0	6,000
Local authorities	30,000	22,000	10,000	0	0	62,000
Other institutions	0	0	0	0	2,200	2,200
Total	36,000	22,000	10,000	0	2,200	70,200

(£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 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

In addition to the above, the Council has investments in financial assets held at fair value through profit and loss, as detailed at note 33, which do not have a defined maturity date.

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 2021		31 March 2020	
	Gross debt	Impairment allowance	Gross debt	Impairment allowance
Long term debtors	3,618	90	3,621	90
Current and former tenants	2,271	1,894	1,973	1,510
Other debtors	7,228	1,275	5,897	849
	13,117	3,259	11,491	2,449

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

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

(£000s)	31 March 2021	31 March 2020
Balance at 1 April	2,359	2,051
Increase in allowance for impairment	949	544
Balances written off during the year	(139)	(236)
Balance at 31 March	3,169	2,359

At 31 March 2021, of the total debtor and deferred debtor balances of £13.1 million (31 March 2020: £11.5 million), the past due amount was £4.1 million (31 March 2020: £3.6 million) and can be analysed by age as follows:

(£000s)	31 March 2021	31 March 2020
Customer Debts		
Less than three months	620	1,040
Three to six months	558	356
Six months to one year	601	396
More than one year	2,351	1,761
Balance at 31 March	4,130	3,553

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 2021	31 March 2020
Impairment allowance by age of debt		
Less than three months	225	215
Three to six months	314	190
Six months to one year	452	259
More than one year	2,178	1,695
Balance at 31 March	3,169	2,359

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.

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The maturity profile of future contractual payments (of both principal and interest) is set out below.

(£000s)	31 March 2021			31 March 2020		
	Principal	Interest	Total	Principal	Interest	Total
Less than 1 year	0	7,494	7,494	0	7,494	7,494
Between 1 and 5 years	0	29,977	29,977	0	29,977	29,977
Between 5 and 10 years	0	37,471	37,471	0	37,471	37,471
Between 10 and 15 years	0	37,471	37,471	0	37,471	37,471
Between 15 and 20 years	42,714	35,250	77,964	32,036	36,362	68,398
Between 20 and 25 years	53,393	26,302	79,695	53,393	28,175	81,568
Between 25 and 30 years	53,393	16,903	70,296	53,393	18,786	72,179
Between 30 and 35 years	53,393	7,494	60,887	53,393	9,373	62,766
Between 35 and 40 years	10,679	374	11,053	21,357	1,123	22,480
	213,572	198,736	412,308	213,572	206,232	419,804

Accrued interest due on the PWLB loans at 31 March 2021 was £82,000 (31 March 2020: £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 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 2020/21, 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 £365,000 (2019/20: £372,000).

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 33.

Notes to the Main Financial Statements

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 £106,000 in respect of the Local Authorities' Property Fund has been recognised in the surplus or deficit on the provision of services in 2020/21 (2019/20: £553,000 loss). This reflects general movements in the value of the fund over 2020/21. A further movement in the bid price of 5% (positive or negative) would have resulted in a £740,000 gain or loss being recognised in 2020/21 (2019/20: £745,000).

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 gain of £173,000 (2019/20: £123,000 loss) has been recognised in 2020/21 in respect of these assets.

Foreign exchange risk

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

35 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 2020/21 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 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

Notes to the Main Financial Statements

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	
	2020/21	2019/20
Comprehensive Income and Expenditure Statement		
Cost of services:		
Current service cost	8,505	10,555
Past service cost (including curtailments)	109	(484)
Effect of business combinations	0	839
Financing and investment income and expenditure:		
Net interest cost	2,410	3,323
Total post-employment benefit charged to the surplus or deficit on the provision of services	11,024	14,233
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)	(46,555)	23,199
Changes in financial assumptions	84,854	(29,305)
Changes in demographic assumptions	4,653	(8,074)
Other experience changes	(3,382)	(27,885)
Total post-employment benefit (credited) / charged to other comprehensive income and expenditure	39,570	(42,065)
Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement	50,594	(27,832)
Movement in Reserves Statement		
Charges made to the surplus or deficit on the provision of services	11,024	14,233
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(3,278)	(6,855)
Actual charges to the General Fund and Housing Revenue Account – Employers' contributions payable to the scheme	7,746	7,378

Pensions Assets and Liabilities Recognised in the Balance Sheet

(£000s)	2020/21	2019/20
Present value of the defined benefit obligation	(413,311)	(318,219)
Fair value of plan assets	267,638	215,394
Net liability arising from defined benefit obligation	(145,673)	(102,825)

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 £145.7 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

Notes to the Main Financial Statements

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)	2020/21	2019/20
Opening balance at 1 April	(318,219)	(367,285)
Current service cost	(8,505)	(10,555)
Past service cost	(109)	484
Effect of business combinations	0	(4,496)
Interest cost	(7,333)	(8,902)
Contributions by scheme participants	(1,658)	(1,636)
Benefits paid	8,373	8,629
Estimated unfunded benefits paid	265	278
Remeasurements – changes in financial assumptions	(84,854)	29,305
Remeasurements – changes in demographic assumptions	(4,653)	8,074
Remeasurements – other experience	3,382	27,885
Closing balance at 31 March	(413,311)	(318,219)

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

(£000s)	2020/21	2019/20
Opening balance at 1 April	215,394	229,250
Effects of business combination	0	3,657
Interest income on plan assets	4,923	5,579
Contributions by scheme participants	1,658	1,636
Employer contributions	7,481	7,100
Contributions in respect of unfunded benefits	265	278
Benefits paid	(8,373)	(8,629)
Unfunded benefits paid	(265)	(278)
Remeasurements – return on assets excluding amount in net interest expense	46,555	(23,199)
Closing balance at 31 March	267,638	215,394

Notes to the Main Financial Statements

Local Government Pension Scheme asset breakdown

(£000s)	Fair value of scheme assets			
	2020/21		2019/20	
	Quoted prices in active markets	Quoted prices not in active markets	Quoted prices in active markets	Quoted prices not in active markets
Debt securities:				
UK Government	0	11,947	0	11,151
Private equity	0	20,162	0	17,667
Real estate:				
UK property	0	16,462	0	16,117
Overseas property	0	3	0	3
Investment funds and unit trusts:				
Equities	0	160,752	0	130,557
Bonds	0	31,056	0	14,608
Infrastructure	0	24,228	0	19,421
Derivatives	0	(1,102)	0	2,620
Cash and cash equivalents	4,130	0	3,250	0
Closing balance at 31 March	4,130	263,508	3,250	212,144

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	
	2020/21	2019/20
Mortality Assumptions:		
<i>Longevity at 65 for current pensioners</i>		
Men	22.2	22.0
Women	24.4	24.0
<i>Longevity at 65 for future pensioners</i>		
Men	23.2	22.7
Women	26.2	25.5
Rate of increase in salaries	3.35%	2.40%
Rate of increase in pensions	2.85%	1.90%
Rate for discounting scheme liabilities	2.00%	2.30%
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%	64.00%

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 2021	Approximate % increase to employer liability	Approximate monetary amount (£000s)
0.5% decrease in the real discount rate	10%	41,381
0.5% increase in the salary increase rate	1%	3,438
0.5% increase in the pensions increase rate	9%	37,117

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 £8,905,000 during 2020/21 to cover the 3 years until 31 March 2023. The first £3,151,000 of this contribution was recognised in 2020/21 (2019/20: £2,913,000).

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.

36 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

(£000s)	2020/21	2019/20
Interest received	1,258	1,114
Interest paid	(7,494)	(7,494)
Dividends received	661	672

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

(£000s)	2020/21	2019/20
Depreciation	17,972	17,341
Impairment and downward valuation	8,585	19,073
Amortisation	141	92
Increase in impairment for bad debts	824	303
Increase in creditors	32,141	4,501
Decrease / (increase) in debtors	(7,157)	6,537
(Increase) / decrease in inventories	(11)	(54)
Movement in pension liability	3,278	6,855
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	6,102	3,697
Other non-cash items charged / (credited) to the net surplus or deficit on the provision of services	(1,229)	209
	60,646	58,554

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

(£000s)	2020/21	2019/20
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,749)	(6,469)
Any other items for which the cash effects are investing or financing cash flows	(36,273)	(30,375)
	(42,022)	(36,844)

Notes to the Main Financial Statements

37 Cash Flow Statement – Investing Activities

The cash flows for investing activities are as follows:

(£000s)	2020/21	2019/20
Purchase of property, plant and equipment, investment property and intangible assets	(39,825)	(47,191)
Purchase of short term and long term investments	(67,700)	(101,116)
Other payments for investing activities	(16)	(53)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,099	7,236
Proceeds from short term and long term investments	55,587	92,000
Capital grants received	43,482	15,446
Other receipts from investing activities	40	38
	(2,333)	(33,640)

38 Cash Flow Statement – Financing Activities

(£000s)	2020/21	2019/20
Other receipts from financing activities	(42,673)	2,791
Net cash flows from financing activities	(42,673)	2,791

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.

39 Reconciliation of Assets and Liabilities Arising from Financing Activities

(£000s)	1 April 2020	Financing cash flows	31 March 2021
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	(13,388)	37,162	23,774
Total liabilities from financing activities	(227,042)	37,162	(189,880)
Short term debtors: non-domestic rates and council tax collected as an agent for others	0	5,511	5,511
Total assets from financing activities	0	5,511	5,511

Non-domestic rates and council tax collected as an agent for central government is a negative creditor of £23.8 million (31 March 2020: creditor of £13.4 million) due to the impact of expanded retail rates relief offered by central government in response to the COVID-19 pandemic. This balance forms part of a larger net creditor balance with central government.

Notes to the Main Financial Statements

40 Impact of the Adoption of New Accounting Standards on the Financial Statements – Effective for the 2021/22 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 2021/22 Code. The standards adopted by the 2021/22 Code include:

- ◆ Amendments to IFRS 3 Business Combinations: Definition of a Business;
- ◆ Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform; and
- ◆ Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2.

These standards are adopted with effect from 1 April 2021, but are not anticipated to have a material impact on the Statement of Accounts.

41 Date the Statement of Accounts was Authorised for Issue

The unaudited accounts were authorised for issue by the Council’s Section 151 officer on 29 July 2021. This is the date up to which events after the reporting period have been considered.

42 Events After the Reporting Period

As noted above the unaudited accounts were authorised for issue on 29 July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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	2020/21	2019/20
Income			
Dwelling rents	2	(38,030)	(36,765)
Non-dwelling rents		(816)	(822)
Charges for services and facilities		(3,454)	(3,491)
Contributions towards expenditure		(565)	(442)
Reimbursement of costs		(39)	(18)
Total		(42,904)	(41,538)
Expenditure			
Repairs and maintenance		8,801	10,155
Supervision and management		7,571	7,392
Rents, rates, taxes and other charges		138	178
Depreciation, impairment and reversal of revaluation losses on non-current assets		19,103	16,801
Increased provision for bad debts		523	336
Total		36,136	34,862
Net expenditure		(6,768)	(6,676)
HRA services share of Corporate and Democratic Core		314	303
Net expenditure on HRA services as included in the Comprehensive Income and Expenditure Statement		(6,454)	(6,373)
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		563	(2,679)
Interest payable on PWLB loans		7,494	7,494
Interest and investment income		(1,234)	(1,499)
Capital grants and contributions receivable		(29,209)	(27,386)
(Surplus) / deficit for the year on HRA services		(28,840)	(30,443)

Statement of Movement on the Housing Revenue Account

(£000s)	Note	2020/21	2019/20
(Surplus) / deficit for the year on the HRA Income and Expenditure Account		(28,840)	(30,443)
Adjustments between accounting basis and funding basis under statute			
Net revaluation (losses) / gains and impairment losses on property, plant and equipment		(8,154)	(6,092)
Movement in investment property value		185	242
(Gain) or Loss on sale of non-current assets		(563)	2,679
Capital expenditure funded by the Housing Revenue Account	7	4,794	1,672
Capital contributions unapplied credited to the Comprehensive Income and Expenditure Statement		29,209	27,386
Other capital adjustments		(120)	(154)
Net charges made for retirement benefits made in accordance with IAS19	10	(735)	(1,878)
Employers contributions payable to the Cambridgeshire Pension Fund	10	852	1,661
Movement in accumulated absences		48	0
Sums to be debited / (credited) to the HRA that are not income or expenditure in accordance with GAAP		(40)	(95)
Net (increase) / decrease before transfers to / from earmarked reserves		(3,364)	(5,022)
Transfers to earmarked reserves		10	1,576
Total movement on Housing Revenue Account for the year		(3,354)	(3,446)
Housing Revenue Account balance brought forward		(15,066)	(11,620)
Housing Revenue Account balance carried forward		(18,420)	(15,066)

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 2021, 1.5% of properties were vacant (31 March 2020: 1.6%).

The average rent payable in 2020/21 was £103.90 per week (2019/20: £100.29 per week).

3 Asset Values within the HRA

(£000s)	Asset Values		Depreciation	
	31 March 2021	31 March 2020	2020/21	2019/20
Council dwellings	639,804	608,549	10,593	10,416
Other land and buildings	10,312	9,917	169	166
Vehicles, plant, furniture and equipment	109	147	32	28
Infrastructure assets	4,094	3,441	100	68
Assets under construction	45,494	35,599	0	0
Investment properties	5,919	5,724	0	0
Intangible assets	353	224	56	31
Total long term assets	706,085	663,601	10,950	10,709

The value of council dwellings at 1 April 2020, based on vacant possession, was £1,601 million (1 April 2019: £1,612 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 £8.2 million have been charged to the Comprehensive Income and Expenditure Statement in 2020/21 (2019/20: £6.1 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 2020/21 (2019/20: £7,494,000).

5 Housing Stock

The Council was responsible for an average stock of 7,152 dwellings during the year. The stock as at 31 March 2021 was as follows:

	31 March 2021	31 March 2020
Houses & bungalows	3,536	3,530
Flats	3,054	3,064
Sheltered housing units	513	512
Shared ownership properties (whole property equivalent)	47	48
Total	7,150	7,154
The change in stock during the year can be summarised as follows:		
Stock at 1 April	7,154	7,146
Right to buy sales	(16)	(29)
Open market disposals	(1)	0
Net shared ownership changes	(1)	(14)
Acquisitions	12	3
New properties	58	42
Other changes	0	12
Demolitions	(56)	(6)
Stock as at 31 March	7,150	7,154

6 Rent Arrears

Rent arrears at 31 March 2021 were £2,271,000 (31 March 2020: £1,973,000) and as a proportion of gross rent income have increased from 4.89% in 2019/20 to 5.46% in 2020/21.

At 31 March 2021 a net provision for bad debt of £1,894,000 was held on the Balance Sheet (31 March 2020: £1,510,000).

Additional Financial Statements and Information

7 Financing of Capital Expenditure

(£000s)	2020/21	2019/20
Capital expenditure		
Council dwellings	11,265	10,367
Other land and buildings	152	194
Vehicles, plant, furniture and equipment	0	16
Infrastructure assets	718	1,128
Assets under construction	21,841	25,915
Investment properties	10	0
Intangible assets	184	121
	34,170	37,741
Financed by:		
Capital receipts	7,974	8,086
Major repairs reserve	7,103	12,136
Revenue financing of capital	4,794	1,672
Capital contributions and grants	14,299	15,847
	34,170	37,741

8 Capital receipts within the HRA

(£000s)	2020/21	2019/20
Dwellings	5,027	6,242
Land	0	97
Total receipts	5,027	6,339
Payable to central government	(1,359)	(1,134)
Usable capital receipts	3,668	5,205

9 Major Repairs Reserve (MRR)

(£000s)	2020/21	2019/20
Balance at 1 April	(9,801)	(11,224)
Transfer to MRR during the year	(10,949)	(10,713)
HRA capital expenditure on housing charged to MRR	7,103	12,136
Balance at 31 March	(13,647)	(9,801)

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.

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	2020/21		2019/20	
		Council Tax	Non-domestic rates	Council Tax	Non-domestic rates
Council tax	2	(83,177)		(79,879)	
Non-domestic rates income			(62,119)		(115,512)
Contributions towards previous year's estimated Collection Fund deficit:					
Central government		0	0	0	(465)
Cambridge City Council		0	0	0	(372)
Cambridgeshire County Council		0	0	0	(84)
Cambridgeshire Fire Authority		0	0	0	(9)
Total income		(83,177)	(62,119)	(79,879)	(116,442)
Council tax expenditure					
Cambridge City Council	4	9,031	0	8,634	0
Cambridgeshire County Council	4	60,614	0	57,361	0
Cambridgeshire Police and Crime Commissioner	4	10,375	0	9,733	0
Cambridgeshire Fire Authority	4	3,215	0	3,092	0
Impairment of council tax debts	6	3,324	0	1,350	0
Non-domestic rates expenditure					
Cambridge City Council	5	0	51,592	0	44,029
Cambridgeshire County Council	5	0	11,608	0	9,907
Cambridgeshire Fire Authority	5	0	1,290	0	1,101
Non-domestic rates due to central government	5	0	64,490	0	55,037
Transitional protection payments		0	610	0	331
Impairment of non-domestic rates debts	7	0	470	0	641
Provision for non-domestic rates appeals	7	0	(352)	0	377
Allowable costs of non-domestic rates collection		0	237	0	237
Total expenditure		86,559	129,945	80,170	111,660
(Surplus) / deficit for the year		3,382	67,826	291	(4,782)
(Surplus) / deficit as at 1 April		251	(8,794)	(40)	(4,012)
(Surplus) / deficit as at 31 March	8	3,633	59,032	251	(8,794)

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 2021 was set at £1,866.42, made up as follows:

(£)	2020/21	2019/20
Cambridge City Council	202.50	197.50
Cambridgeshire County Council	1,359.18	1,312.11
Cambridgeshire Police and Crime Commissioner	232.65	222.66
Cambridgeshire Fire Authority	72.09	70.74
Total	1,866.42	1,803.01

The following table shows the calculation of the Council Tax Base for 2020/21 (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	4,246	2,781	6/9	1,854
B	10,567	8,662	7/9	6,737
C	19,940	17,476	8/9	15,534
D	10,094	8,661	9/9	8,661
E	5,812	5,035	11/9	6,154
F	3,734	3,285	13/9	4,745
G	3,228	2,715	15/9	4,525
H	490	307	18/9	614
Total	58,111	48,922		48,824
Tax Base adjustments				(4,373)
Tax base for Council Tax Setting				44,451

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 £83.2 million in 2020/21 was receivable from the following sources:

(£000s)	2020/21	2019/20
Billed to council tax payers	82,265	79,810
Transfers (to) / from General Fund	912	69
Total	83,177	79,879

3 National Non-Domestic Rates Income

The local rateable value as at 31 March 2021 was £309,654,537 (31 March 2020: £310,766,537) and the Uniform Business Rate in 2020/21 was set by the government at 51.2p (2019/20: 50.4p).

4 Council Tax Expenditure

(£000s)	2020/21			2019/20		
	Precepts and demands	Distribution of previous year's surplus	Total	Precepts and demands	Distribution of previous year's surplus	Total
Cambridge City Council	9,001	30	9,031	8,628	6	8,634
Cambridgeshire County Council	60,417	197	60,614	57,320	41	57,361
Cambridgeshire Police and Crime Commissioner	10,342	33	10,375	9,727	6	9,733
Cambridgeshire Fire Authority	3,204	11	3,215	3,090	2	3,092

5 National Non-Domestic Rates Expenditure

(£000s)	2020/21			2019/20		
	Precepts and demands	Distribution of previous year's surplus	Total	Precepts and demands	Contribution to previous year's deficit	Total
Cambridge City Council	47,112	4,480	51,592	44,029	(372)	43,657
Cambridgeshire County Council	10,600	1,008	11,608	9,907	(84)	9,823
Cambridgeshire Fire Authority	1,178	112	1,290	1,101	(9)	1,092
Central Government	58,890	5,600	64,490	55,037	(465)	54,572

6 Provision for Non-Payment - Council Tax

A contribution of £3,324,000 was made to a provision for bad and doubtful debts in 2020/21 (2019/20: £1,350,000).

7 Provision for Non-Payment and Appeals - Non-Domestic Rates

A contribution of £470,000 was made to a provision for bad and doubtful debts in 2020/21 (2019/20: £641,000).

A provision is held for appeals relating to rateable value reductions in respect of 2020/21 and prior years. At 31 March 2021, this provision is £10,147,000 (31 March 2020: £10,499,000).

Additional Financial Statements and Information

8 Collection Fund Surpluses and Deficits

The deficit of £3,634,000 at 31 March 2021 relating to council tax (31 March 2020: £251,000 deficit) 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.

The total council tax (surplus) / deficit is therefore shared as follows:

(£000s)	31 March 2021	31 March 2020
Council Tax:		
Cambridge City Council	395	28
Cambridgeshire County Council	2,644	183
Cambridgeshire Police and Crime Commissioner	453	31
Cambridgeshire Fire Authority	141	9
Total	3,633	251

The deficit of £59,032,000 at 31 March 2021 relating to non-domestic rates (31 March 2020: £8,794,000 surplus) 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) / deficit is therefore shared as follows:

(£000s)	31 March 2021	31 March 2020
Non-domestic rates:		
Cambridge City Council	23,612	(3,518)
Central Government	29,516	(4,397)
Cambridgeshire County Council	5,313	(791)
Cambridgeshire Fire Authority	591	(88)
Total	59,032	(8,794)

Group Financial Statements for the year ended 31 March 2021

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 2020/21 (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 2021, 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 profit of £703,000 in 2020/21 (2019/20: £603,000 loss).

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 £3,332,000 in 2020/21 (2019/20: £2,000).

Group Financial Statements

- ◆ CIP (Cromwell Road) LLP, incorporated on 10 January 2019. The company reported a loss of £6,000 in 2020/21 (2019/20: nil).
- ◆ CIP Orchard Park L2 LLP, incorporated on 19 December 2019. The company reported a loss of £5,000 in 2020/21 (2019/20: nil).

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 2020/21

Page 1/6 (£000s)	General Fund balance	Earmarked General Fund reserves	Collection Fund Earmarked reserve	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 2020	(17,263)	(18,680)	0	(15,066)	(17,257)	(46,557)	(9,801)	(23,362)	(148,086)	(650,587)	(798,673)	(534)	(799,207)
Movement in reserves during 2020/21													
(Surplus) / deficit on the provision of services	(98)	0	0	(28,804)	0	0	0	0	(28,902)	0	(28,902)	(955)	(29,857)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	0	4,804	4,804	(44)	4,760
Total comprehensive income and expenditure	(98)	0	0	(28,804)	0	0	0	0	(28,902)	4,804	(24,098)	(999)	(25,097)
Adjustments between group accounts and authority accounts	(157)	0	0	(36)	0	0	0	0	(193)	0	(193)	193	0
Net (increase) / decrease before transfers	(255)	0	0	(28,840)	0	0	0	0	(29,095)	4,804	(24,291)	(806)	(25,097)
Adjustments between accounting basis and funding basis under regulations	(31,639)	0	0	25,476	0	6,444	(3,846)	(21,310)	(24,875)	24,875	0	0	0
Net (increase) / decrease before transfers to earmarked reserves	(31,894)	0	0	(3,364)	0	6,444	(3,846)	(21,310)	(53,970)	29,679	(24,291)	(806)	(25,097)
Transfers to / from earmarked reserves	32,563	(754)	(31,809)	10	(10)	0	0	0	0	0	0	0	0
(Increase)/ decrease in year	669	(754)	(31,809)	(3,354)	(10)	6,444	(3,846)	(21,310)	(53,970)	29,679	(24,291)	(806)	(25,097)
Balance as at 31 March 2021	(16,594)	(19,434)	(31,809)	(18,420)	(17,267)	(40,213)	(13,647)	(44,672)	(202,056)	(620,908)	(822,964)	(1,340)	(824,304)

Group Financial Statements

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	16,208	0	(30,425)	0	0	0	0	(14,217)	0	(14,217)	(291)	(14,508)
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	16,208	0	(30,425)	0	0	0	0	(14,217)	(52,914)	(67,131)	(482)	(67,613)
Adjustments between group accounts and authority accounts	279	0	(45)	0	0	0	0	234	0	234	(234)	0
Net (increase) / decrease before transfers	16,487	0	(30,470)	0	0	0	0	(13,983)	(52,914)	(66,897)	(716)	(67,613)
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	3,994	0	(5,049)	0	8,391	1,423	(12,872)	(4,113)	(62,784)	(66,897)	(716)	(67,613)
Transfers to / from earmarked reserves	(6,368)	6,368	1,576	(1,576)	0	0	0	0	0	0	0	0
(Increase) / decrease in year	(2,374)	6,368	(3,473)	(1,576)	8,391	1,423	(12,872)	(4,113)	(62,784)	(66,897)	(716)	(67,613)
Balance as at 31 March 2020	(17,263)	(18,680)	(15,066)	(17,257)	(46,657)	(9,801)	(23,362)	(148,086)	(650,587)	(798,673)	(534)	(799,207)

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)	2020/21			2019/20		
	Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
Climate Change, Environment and City Centre	11,462	(2,689)	8,773	10,795	(3,627)	7,168
Communities	12,614	(3,979)	8,635	16,928	(8,768)	8,160
General Fund Housing	9,125	(4,430)	4,695	6,271	(2,044)	4,227
Planning Policy and Open Spaces	12,366	(3,459)	8,907	11,831	(4,504)	7,327
Transport and Community Safety	8,336	(3,189)	5,147	8,492	(10,304)	(1,812)
Housing Revenue Account	36,450	(42,868)	(6,418)	35,165	(41,520)	(6,355)
Finance and Resources	40,844	(37,668)	3,176	37,315	(33,673)	3,642
Strategy and External Partnerships	3,168	(214)	2,954	4,770	(363)	4,407
Other Group housing services	129	(325)	(196)	78	(293)	(215)
Cost of services	134,494	(98,821)	35,673	131,645	(105,096)	26,549
Other operating expenditure	1,712	0	1,712	1,134	(2,772)	(1,638)
Financing and investment income and expenditure	13,156	(13,245)	(89)	14,503	(638)	13,865
Taxation and non-specific grant income	0	(66,371)	(66,371)	0	(53,284)	(53,284)
(Surplus) / deficit on the provision of services	149,362	(178,437)	(29,075)	147,282	(161,790)	(14,508)
Share of the (surplus) / deficit on the provision of services by joint ventures			(759)			0
Group (surplus) / deficit			(29,834)			(14,508)
<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			(34,810)			(11,040)
Remeasurements of the net defined benefit liability			39,570			(42,065)
Other comprehensive (income) / expenditure			4,760			(53,105)
Total comprehensive (income) / expenditure			(25,074)			(67,613)

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	2020/21	2019/20
Property, plant and equipment	5	857,989	816,251
Heritage assets		669	669
Investment property		158,594	162,722
Intangible assets		844	555
Long term investments	7	67,522	66,999
Investments in joint ventures		759	0
Long term debtors		6,489	3,709
Long term assets		1,092,866	1,050,905
Short term investments	7	83,161	70,990
Investment properties held for sale		3,525	0
Inventories		198	187
Short term debtors		29,046	27,107
Cash and cash equivalents		14,565	11,786
Current assets		130,495	110,070
Short term borrowing		(82)	(82)
Short term creditors		(29,237)	(32,797)
Receipts in advance		(6,153)	(7,929)
Provisions		(4,209)	(4,419)
Current liabilities		(39,681)	(45,227)
Long term borrowing		(213,572)	(213,572)
Other long term liabilities		(145,724)	(102,882)
Receipts in advance		(80)	(87)
Long term liabilities		(359,376)	(316,541)
Net assets		824,304	799,207
Usable reserves		(202,669)	(147,746)
Unusable reserves		(621,635)	(651,461)
Total reserves		(824,304)	(799,207)

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	2020/21	2019/20
Net surplus / (deficit) on the provision of services		29,098	14,508
Adjustment to the net surplus / (deficit) on the provision of service for non-cash movements	8	60,709	54,433
Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities		(42,003)	(36,844)
Net cash flows from operating activities		47,804	32,097
Net cash flows from investing activities		(2,333)	(32,939)
Net cash flows from financing activities		(42,692)	2,791
Net increase / (decrease) in cash and cash equivalents		2,779	1,949
Cash and cash equivalents at the beginning of the year		11,786	9,837
Cash and cash equivalents at the end of the year		14,565	11,786

Notes to the Group Financial Statements

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 financial statements of the Cambridge Investment Partnership entities have been consolidated into the Group Financial Statements using the equity method. Investment in these entities is recognised within the Group Balance Sheet at cost plus the Council's share of post acquisition profits.

The Council's share of CIP (Mill Road Development) LLP's post acquisition results is a profit of £1,211,000 (31 March 2020: £456,000 loss). In addition, there is a provision for unrealised profit on the disposal of the Mill Road site of £502,000 (31 March 2020: £681,000). The consolidated value of the LLP for group accounting purposes is therefore £709,000 (31 March 2020: nil).

The Council's share of Cambridge Investment Partnership LLP's post acquisition results is a profit of £100,000 (31 March 2020: £302,000 loss). The consolidated value of the LLP for group accounting purposes is therefore £100,000 (31 March 2020: nil).

The Council's share of CIP (Cromwell Road) LLP's post acquisition results is a loss of £6,000 (31 March 2020: nil). As this amount exceeds the value of the Council's investment, the consolidated value of the LLP for group accounting purposes is nil (31 March 2020: nil).

Notes to the Group Financial Statements

The Council's share of CIP Orchard Park L2 LLP's post acquisition results is a loss of £5,000 (31 March 2020: nil). As this amount exceeds the value of the Council's investment, the consolidated value of the LLP for group accounting purposes is nil (31 March 2020: 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.

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 81 to 98.

5 Property, Plant and Equipment

(£'000s)	31 March 2021			31 March 2020		
	Cost or valuation	Accumulated depreciation and impairment	Net carrying value	Cost or valuation	Accumulated depreciation and impairment	Net carrying value
Council dwellings	639,804	0	639,804	608,549	0	608,549
Other land and buildings	154,854	(1,087)	153,767	163,731	(10,521)	153,210
Vehicles, plant, furniture and equipment	22,131	(12,731)	9,400	26,662	(15,887)	10,775
Infrastructure assets	7,880	(1,293)	6,587	7,184	(1,102)	6,082
Community assets	1,351	0	1,351	1,339	0	1,339
Surplus assets	10	0	10	0	0	0
Assets under construction	47,070	0	47,070	36,296	0	36,296
Total property, plant and equipment	873,100	(15,111)	857,989	843,761	(27,510)	816,251

Notes to the Group Financial Statements

Reconciliation of the carrying value of property, plant and equipment

Financial year 2020/21

(£000s)	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total property, plant and equipment
At 1 April 2020	608,549	153,210	10,775	6,082	1,339	0	36,296	816,251
Additions	11,265	331	950	733	12	0	25,747	39,038
Disposals	(5,532)	0	(155)	(30)	0	0	0	(5,717)
Revaluation increases / (decreases) recognised in the revaluation reserve	29,576	5,224	0	0	0	10	0	34,810
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(8,228)	124	0	0	0	0	0	(8,104)
Assets reclassified (to) / from investment properties	0	0	0	0	0	0	(24)	(24)
Assets reclassified (to) / from intangible assets	0	0	0	0	0	0	(182)	(182)
Assets reclassified (to) / from other categories of property, plant and equipment	14,767	0	0	0	0	0	(14,767)	0
Depreciation charge	(10,593)	(5,122)	(2,170)	(198)	0	0	0	(18,083)
At 31 March 2021	639,804	153,767	9,400	6,587	1,351	10	47,070	857,989

Financial year 2019/20

(£000s)	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total property, plant and equipment
At 1 April 2019	612,585	146,585	11,338	4,853	1,333	0	13,138	789,832
Additions	10,401	751	1,231	1,223	6	0	28,730	42,342
Disposals	(3,413)	(285)	(124)	0	0	0	1	(3,821)
Revaluation increases / (decreases) recognised in the revaluation reserve	330	10,710	0	0	0	0	0	11,040
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(6,161)	309	0	0	0	0	0	(5,852)
Assets reclassified (to) / from investment properties	0	160	0	0	0	0	184	344
Assets reclassified (to) / from intangible assets	0	0	0	0	0	0	(192)	(192)
Assets reclassified (to) / from other categories of property, plant and equipment	5,223	(245)	424	163	0	0	(5,565)	0
Depreciation charge	(10,416)	(4,774)	(2,094)	(157)	0	0	0	(17,441)
At 31 March 2020	608,549	153,211	10,775	6,082	1,339	0	36,296	816,252

Notes to the Group Financial Statements

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 29.

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.

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.

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	Surplus assets	Total
Valued at fair value as at:				
31 March 2021	639,804	145,533	10	785,347
31 March 2020	0	2,747	0	2,747
31 March 2019	0	2,838	0	2,838
31 March 2018	0	1,084	0	1,084
31 March 2017	0	1,565	0	1,565
Total valuation	639,804	153,767	10	793,581

7 Short Term and Long Term Investments

(£000s)	2020/21		2019/20	
	Long term	Short term	Long term	Short term
Loans to joint ventures	50,469	0	39,840	0
Other investments	17,053	83,161	27,159	70,990
	67,522	83,161	66,999	70,990

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)	2020/21	2019/20
Depreciation	18,083	17,441
Impairment and downward valuation	8,548	18,981
Amortisation	141	92
Increase in impairment for bad debts	824	303
Increase in creditors	32,140	913
Decrease / (increase) in debtors	(7,167)	6,767
(Increase) / decrease in inventories	(11)	(39)
Movement in pension liability	3,278	6,855
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	6,102	3,697
Other non-cash items credited to the net surplus or deficit on the provision of services	(1,229)	(577)
	60,709	54,433

Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit 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 2020/21 (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 have been prepared on a going concern basis.

In carrying out its assessment that this basis is appropriate, made for the going concern period to 31 March 2023, the Council has undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting.

The General Fund balance as at 31 March 2021, as reported in these statements, was £16.6 million. The most recent Budget Setting Report, published in February 2021, anticipates a reduction in the General Fund balance of £0.8 million during 2021/22, followed by nil movement in 2022/23. This would result in a forecast General Fund balance as at 31 March 2023 of £15.8 million, which remains well above the prudent minimum balance of £6.3 million.

Cash flow forecasting and assessment of the adequacy of the Council's liquidity position demonstrates positive cash balances throughout the going concern period, and no expectation of external borrowing other than to support the capital programme. This is consistent with the Capital Strategy published in February 2021.

The above forecasts include a number of key assumptions, in particular the achievement of £2.1 million of recurring savings by the end of 2022/23. The Council has undertaken sensitivity analysis and considered a downside scenario where these savings are not achieved on time, and found that both minimum levels of reserves and liquidity would remain throughout the going concern period.

On this basis, the Council has a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period, maintaining the provision of its services. 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 continues to adopt the going concern basis in preparing these financial statements.

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:

Statement of Accounting Policies

- ◆ 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.

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.

Statement of Accounting Policies

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

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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 2.0% (based on the yields of the constituents of the iBoxx £ Corporates AA index, gilts yields, and the Council's weighted average duration).

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

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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 rather than as benefits are earned by employees.

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

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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:

- ◆ 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

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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 characteristics. 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).

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.

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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

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

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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.

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.

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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.

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 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

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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 asset; 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 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

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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.

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;

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- ◆ 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.

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); and
- ◆ where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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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); and
- ◆ where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Disposals and non-current assets held for sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale. 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.

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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 central 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.

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.

Statement of Accounting Policies

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 [website³⁰](#).

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 [website³¹](#).

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

³⁰ <https://www.cambridge.gov.uk/ceremonial-maces-1207-charter-and-the-citys-coat-of-arms>

³¹ <https://www.cambridge.gov.uk/cellarers-chequer>

Statement of Accounting Policies

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.

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.

Statement of Accounting Policies

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 and Abbreviations

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.

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.

Glossary of Financial Terms and Abbreviations

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

Cambridge City Council

Audit Results Report

Year ended 31 March 2021

13 September 2021

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Civic Affairs Committee
Cambridge City Council
The Guildhall
Peas Hill
Cambridge
CB2 3QJ

13 September 2021

Dear Civic Affairs Committee Members

2020/21 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Civic Affairs Committee.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Cambridge City's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements,

This report is intended solely for the information and use of the Civic Affairs Committee, other members of the Council and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Civic Affairs Committee meeting on the 22 September 2021.

Yours faithfully

Mark Hodgson

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP
Encl

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01 Executive Summary

02 Areas of Audit Focus

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05 Value for Money

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08 Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Civic Affairs Committee and management of Cambridge City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Civic Affairs Committee, and management of Cambridge City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Civic Affairs Committee and management of Cambridge City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary

Scope update

In our Outline Audit Plan, dated 3 May 2021, 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 exceptions:

- ▶ Changes in materiality: In our Outline Audit Plan, we communicated that our audit procedures would be performed using a materiality of £2.826 million. We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. As a result of an error identified early during the audit process that impacted the materiality basis (gross expenditure), this was amended to reflect the draft results inclusive of this adjustment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £2.820 million. This results in updated performance materiality, at 75% of overall materiality, of £2.115 million, and an updated threshold for reporting misstatements of £0.141 million.

Additional Risk Identified

As communicated in our External Audit Update dated 9 July 2021, we have identified an additional inherent risk around the Accounting for Collection Fund disclosures, due to the impact of COVID-19 on Collection Fund income.

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, approved financial statements from 31 July to 30 September 2021 for all relevant authorities.

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

- **Information Produced by the Entity (IPE):** We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:
 - Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
 - Agreed IPE to scanned documents or other system screenshots.



Executive Summary

Status of the audit

Our audit work in respect of the Council opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- ▶ Completion of procedures in relation to the Pension Liability, including the resolution of an emerging national issue (as set out on Page 20);
- ▶ Completion of documentation in relation to our Income & Expenditure testing (all testing is complete);
- ▶ Review of the Narrative Report; and
- ▶ Group Accounting.

Closing Procedures:

- ▶ Subsequent events review;
- ▶ Agreement of the final set of financial statements;
- ▶ Receipt of signed management representation letter; and
- ▶ Final Manager and Engagement Partner reviews.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix B.

We expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and financial statements which could influence our final audit opinion.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

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

Status of the audit - Value for Money

 In the External Audit Update dated 9 July 2021, we reported that we had completed our Value for Money (VFM) risk assessment and had not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness.

 As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03).

We plan to issue the VFM commentary by the end of October 2021 as part of issuing the Auditor's Annual Report. Our provisional wording for the VFM Commentary is included at Appendix E of this report.

Audit differences

Uncorrected differences

At the date of issuing this report, there are no uncorrected misstatements in the accounts that have an effect on the surplus/deficit on the provision of services.

Corrected differences

Management have corrected misstatements amounting to £6.451 million in relation to grossing up of Income & Expenditure for recharges within the Council. This has no net impact on the surplus/deficit on the provision of services.

Management also intend to correct for material misstatements in relation to an increase in the return on the Pension Fund's assets upon receipt of a revised IAS 19 report. The final figure for this adjustment is to be confirmed, as at the date of this report.

We also identified a number of minor audit disclosure differences in the financial statements, which have been adjustment by Management, including revisions to the Going Concern disclosure note.



Executive Summary

Areas of audit focus

In our Outline Audit Plan we identified a number of key areas of focus for our audit of the financial report of Cambridge City Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Management Override: Misstatements due to fraud or error

- We have completed our testing and found no indication of management override of controls.

Management Override: Inappropriate capitalisation of revenue expenditure

- We have completed our work in this area and have no matters to report.

Management Override: Inappropriate claims under the Local Government Compensation Scheme

- We have completed our work in this area and have no matters to report.

Significant Risk: Accounting for Covid-19 related grant funding

- We have completed our work in this area and have no matters to report.

Significant Risk: Investment Property Valuations

- We have completed our work in this area and have no matters to report.

Inherent Risk: National Non-Domestic Rates Appeals Provision

- We have completed our work in this area and have no matters to report.

Inherent Risk: Bad debt provision and recoverability of Debtors

- We have completed our work in this area and have no matters to report.

Inherent Risk: Pensions valuations and disclosures

- At the date of issuing this report, our work in this area is still ongoing. We will update the Committee on our findings once the work is finalised.

Inherent Risk: Valuation of Other Land & Buildings

- We have completed our work in this area and have no matters to report.

Inherent Risk: Council House Valuations

- We have completed our work in this area and have no matters to report.



Executive Summary

Areas of audit focus (Continued)

Inherent Risk: Group Accounting

- At the date of issuing this report, our work in this area is still ongoing. We will update the Committee on our findings once the work is finalised.

Inherent Risk: Accounting for Collection Fund Disclosures

- We have completed our work in this area and have no matters to report.

Area of Focus: Going Concern disclosures

- We have completed our work in this area and have no significant matters to report. Management have updated the relevant disclosure note.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue

There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Civic Affairs Committee or Management.



Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have identified that the conclusion of the Annual Governance Statement required additional narrative to specifically set out whether any significant governance issues had been identified. This amendment has been made within the revised Annual Governance Statement. We have no other matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors. However, as we do expect, based on prior year guidance that the Council would fall below the testing threshold set by the NAO for detailed procedures on the consolidation return (Threshold - £500 million). We do not expect therefore to have any issues to report.

Control observations

During the audit, we did not identify any significant deficiencies in internal control.

Independence

Please refer to Section 10 for our update on Independence.

02

Areas of Audit Focus



Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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

One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme. The specific procedures undertaken to address this are set out on the next page. This page details standard procedures we undertake to respond to the risk of fraud and error on every engagement.

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Identified fraud risks during the planning stages.
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Documented our understanding 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.
- ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- ▶ Reviewed the accounting estimates for evidence of management bias.
- ▶ Evaluated the business rationale for significant unusual transactions

ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.

What are our conclusions?

We have not identified any material weakness in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.

We have not identified any inappropriate journal entries or other adjustments to the financial statements.

Areas of Audit Focus

Significant risk

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

What is the risk?

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

As the Council is more focused on its financial position over medium term, we have considered the risk of manipulation to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment and Investment Property given the extent of the Council's capital programme.

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What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- Obtained a listing of REFCUS for the year and confirmed that total REFCUS is not material;
- Obtained an analysis of capital additions in the year, reconciled it to the Fixed Assets Register (FAR), and reviewed the descriptions to identify whether there are any potential items that could be revenue in nature;
- Sample tested additions to Property, Plant and Equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised. There were no Investment Property additions above our performance materiality threshold; and
- Used our data analytics tool to identify and test journal entries that move expenditure from revenue codes into capital codes.

What are our conclusions?

Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value.

Our sample testing did not identify any revenue items that were incorrectly classified.

Our data analytics procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.



Areas of Audit Focus

Significant risk

Inappropriate claims under the Local Government income compensation scheme

What is the risk?

In response to the Covid-19 pandemic, MHCLG introduced the local government income compensation scheme for lost sales, fees and charges as a result of COVID-19.

We have identified an opportunity and incentive to overstate claims through this grant, to increase income received against any ongoing losses. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the material nature of these claims.

This could then result in overstating income for funds inappropriately received, which may ultimately need to be repaid.

Page 226

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Reviewed the claims back to the original budgeted income and actual income receipt to ensure the overall accuracy and compliance with scheme requirements; and
- ▶ Documented our understanding of the assurance process MHCLG have over claims under the scheme.

What are our conclusions?

Our review of claims through the Local Government income compensation scheme did not identify any inappropriate claims under the scheme.

Areas of Audit Focus

Significant risk

Accounting for Covid-19 related grant funding

What is the risk?

In response to the Covid-19 pandemic, the Council have received significant levels of grant funding, both to support the Council and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these.

Given the volume of these grants, and the new conditions for the Council to understand the accounting impact of, there is a significant risk that these may be misclassified in the financial statements or inappropriately treated from an accounting perspective.

Page 223

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- Sample tested Government Grant income to ensure that they have been correctly classified as specific or non-specific in nature.
- Sample tested Government Grant income to ensure that they have been correctly classified in the financial statements based on any restrictions imposed by the funding body.
- Reviewed the instructions and conditions of a sample of grants to corroborate the Council's assessment of whether they were acting as an Agent or Principal in disbursing the grants
- Compared the Council's assessment of whether they were acting as agent or principal for a sample of Covid-19 related grants to other Councils' assessment to determine whether Cambridge City were an outlier in their treatment of any particular grant, and thus further review was required.

What are our conclusions?

Our sample testing of Covid-19 related grant funding did not identify any grants that were incorrectly classified as specific or non-specific in nature, or any grants where the incorrect accounting treatment was applied.

Our work also did not identify any grants where Cambridge City's assessment of their role as Agent or Principal was inconsistent with other Councils.

Significant risk

Valuation of Investment Properties

What is the risk?

The Council's investment property portfolio is a material balance (£163 million at 31 March 2020) disclosed on the Council's balance sheet. In addition, the Council holds other assets valued using market information.

In light of the ongoing Covid-19 pandemic, individual asset markets may react differently to the Covid-19 outbreak and considerations must be given to ensure sufficient and appropriate market data is used for valuations during the 2020-21 period. Whilst RICS guidance on material uncertainty has been lifted, there is still a significant level of judgement around assumptions within valuations, especially where these assumptions rely on market data or income based measures, given difficulties in estimating future income.

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Reviewed the work performed by the Council's valuer (Bidwells), 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 a sample of the valuations, assumptions and conclusions reached by the external valuers in regard to investment properties and other assets valued using market information;
- ▶ Ensured accounting entries have been correctly processed in the financial statements; and
- ▶ Reviewed assets not revalued in the year for any indications of potential material movements

What are our conclusions?

In line with IAS 40, under the fair value model investment properties should be remeasured at the end of each reporting period. A full revaluation has not been undertaken for £8.621 million of the total portfolio of £158.594 million. Based on the work performed above, we have determined a potential range of movements on these assets between an impairment of £0.822 million (based on Gerald Eve indices) and a valuation uplift of £0.237 million (based on movements in the revalued portfolio).

Our work and the work of our specialists has therefore concluded that Investment Property valuations are materially correct.

We have no other findings to report.

Areas of Audit Focus

Inherent risk

National Non-Domestic Rates Appeals Provision- Inherent Risk

What is the risk?

The calculation of the NNDR Appeals Provision is estimate based. Statistics compiled by the Ministry for Housing, Communities and Local Government, reveal that councils are forecasting net additions to appeal provisions totalling £927 million this financial year, and £1.2 billion next year. The reason behind the forecast increase is that, due to the impact of Covid-19, businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based.

In light of this we consider there to be a risk of misstatement of the Council's NNDR appeals provision.

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What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- Reviewed the assumptions made by the Council's NNDR appeals provision specialist; and
- Assessed the reasonableness of any local adjustments made by the Council on the NNDR appeals provision;

What are our conclusions?

Our work did not identify any issues with the assumptions used by Council's specialist in the calculation of the NNDR appeals provision.

Where the Council had made local adjustments to reflect on local knowledge and developing appeals, these were also found to be reasonable.

We have no other matters to report.

Areas of Audit Focus

Inherent risk

Recoverability of Debtors – Inherent Risk

What is the risk?

As a result of the impact of Covid-19, there may be increased uncertainty around the recoverability of receivables. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation in light of Covid-19 and assess the appropriateness of this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Council will need to consider the level of any provision for bad debts. We have therefore raised as an inherent risk in our audit strategy.

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What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Reviewed the calculation of the bad debt provision for reasonableness and accuracy; and
- ▶ Considered the recoverability of debts in testing a sample of trade receivables;

What are our conclusions?

Our work did not identify any issues with the reasonableness, accuracy or sufficiency of the Bad Debt Provisions made.

Our sample testing of trade receivables also did not identify any issues around the recoverability of Debtors held on the Balance Sheet at year end.

We have no other matters to report.

Areas of Audit Focus

Inherent risk

Pension valuations and disclosures – Inherent Risk

What is the risk?

The Authority makes extensive disclosures within its financial statements regarding its membership of Pension Scheme administered by Cambridgeshire County Council. At 31 March 2020 the liability totalled £103 million.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

We undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

For 2020/21, there may be an impact of Covid-19 on pension asset values as at 31 March 2021.

Page 22

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ 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 by considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within Cambridge City's financial statements in relation to IAS19, considering Fund assets and the Council's liability.

What are our conclusions?

We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have undertaken the work required without identifying any issues.

We have agreed the Council's IAS 19 disclosures to the actuaries' report to ensure these are fairly stated in the accounts.

The Cambridgeshire Pension Fund auditor highlighted a material movement in the valuation of Investment Assets of the Pension Fund, in their assurance letter to us.

As a result, the Council are currently awaiting an updated IAS19 report from the Actuary to determine the impact on the Council's Pension Liability. The financial statements will be updated for this revised figure. We will update you the outcome of this report at the Civic Affairs Committee.

(Continued on next page).



Areas of Audit Focus

Other Areas of Audit Focus – continued

Pensions valuations and disclosures – Inherent risk

Page
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What are our conclusions?

We have been notified of an issue has arisen across all Local Government audits within the sector that needs to be resolved prior to us being able to fully conclude our work in this area.

This is in relation to the impact of the new auditing standard on accounting estimates on planned procedures. We planned to take an audit approach to this estimate based on procedures to evaluate Management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model.

Neither we, nor PwC as Consulting Actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements.

Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an Auditor's estimate, in order to gain sufficient appropriate assurance. The impact of this additional procedure may impact on our timeline for issuing the audit opinion. We will provide the Committee with a verbal update on progress at the 22 September 2021 meeting.

Areas of Audit Focus

Inherent risk

Valuation of Other Land & Buildings

What is the risk?

Other land and buildings (OLB) represents a significant balance in the Council's accounts (£145 million at 31 March 2020) and is subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

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What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- Considered the work performed by the Council's valuers (Bidwells), 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 the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE, and that any changes were communicated to the valuer
 - ▶ Reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base was not materially misstated;
 - ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
 - ▶ Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

Our work did not identify any issues with the valuation of Other Land & Buildings.

Inherent risk

Council House Valuations

What is the risk?

Council dwellings represent a significant balance in the Council's accounts (£608 million at 31 March 2020) and are subject to valuation changes, impairment reviews and depreciation charges. 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.

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Considered the work performed by the Council's valuer (Wilkes Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Tested a sample of beacon valuations to comparable sales to ensure that the approach is reasonable; and
- ▶ Considered and reviewed the use of indices to derive the 31 March valuation for beacons that are revalued on an indexation basis.

What are our conclusions?

Our work did not identify any issues with the valuation of Council Dwellings.

Areas of Audit Focus

Inherent risk

Group Accounting

What is the risk?

The Council has been preparing group accounts for several years.

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 2020/21 audits and what impact that has on our consideration of the group accounts.

Page 23

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- 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.

What are our conclusions?

At the date of issuing this report, we are still concluding our work in this area, as we are waiting for the final audited accounts for the joint ventures under the Cambridge Investment Partnership.

We will provide an update to the Civic Affairs Committee with our findings once the work is finalised.

Areas of Audit Focus

Inherent risk

Accounting for Collection Fund disclosures

What is the risk?

During 2020-21, in response to the financial hardship faced by individuals and businesses, there may be lower levels of recovery of collection fund income.

There are also specific sectors including retail, hospitality and leisure that have received additional business rates relief for the financial year. On review of the draft accounts, it is evident that this has caused significant changes on the Collection Fund and within Taxation and Non-Specific Grant Income.

There is therefore an inherent risk of incorrect accounting based on the significant level of change in the year.

Page 23 of 26

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Performed an analytical review of collection fund income, building in any changes in relief as appropriate;
- ▶ Documented our understanding of the process for the raising of specific additional reliefs
- ▶ Reviewed the Collection Fund disclosures with respect to ongoing guidance in accounting requirements and for compliance with Code requirements

What are our conclusions?

Our work did not identify any issues with the accounting for Collection Fund disclosures.

Areas of Audit Focus

Going concern

Management have disclosed that the financial statements are prepared on a going concern basis. We have obtained and audited management's going concern assessment, and reviewed the Statement of Accounting Policies where the going concern disclosure is included in the accounts to provide the details of that assessment and management's conclusion. This has been informed by management's actual reserves position as at the 31 March 2021, and their forecast reserves position during the going concern period. It has also considered the Council's Cash Flow forecasting.

We focused on management's assessment of the going concern assumptions in preparing the Council's financial statements. We also reviewed management's cash flow forecasts to determine whether expected income appeared reasonable and whether it was sufficient to enable the Council continue its operations.

Our procedures around Going Concern included:

- Reviewing for any bias in the Council's Going Concern assessment, and whether it was consistent with the accounts.
- Reviewing the financial modelling and forecasts prepared by the Council.
- Considering key assumptions applied in the Council's forecasts, and whether these were reasonable and in line with our expectations.

Ensuring that an appropriate Going Concern disclosure has been made within the financial statements.

We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern.

Management have used the basis of their assessment to produce the disclosures included within the draft financial statements.

We are satisfied that the revised disclosure note appropriately sets out the circumstances surrounding the financial implications prevalent at the Balance Sheet date.

Auditing accounting estimates

ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019. This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors.

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty.

Our procedures around estimates included:

- Identifying key estimates within the financial statements and assessing the level of complexity, uncertainty and judgement of these estimates
- Obtaining and documenting our understanding of key aspects of estimation processes
- Documenting our understanding of the methods, models and assumptions used for significant estimates
- Where applicable, considering the use of internal specialists and engaging our own specialists where appropriate

We have not identified any issues in respect of estimates included within the financial statements.



03

Audit Report

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Audit Report

Our proposed 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 2021 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,
- ▶ the related notes 1 to 42 to the Authority Accounts,
- ▶ the related notes 1 to 8 to the Group Accounts,
- ▶ Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 10,
- ▶ Collection Fund and the related notes 1 to 8, and
- ▶ And the Statement of Accounting Policies.

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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 2020/21.

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of Cambridge City Council as at 31 March 2021 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 2020/21.

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 and group 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.

Audit Report - continued

Our proposed opinion on the financial statements

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Head of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Head of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the 'Statement of Accounts for the year ended 31 March 2021' other than the financial statements and our auditor's report thereon. The Head of Finance is responsible for the other information contained within the 'Statement of Accounts for the year ended 31 March 2021'.

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.

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 course of 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 themselves. 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.

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;

Audit Report - continued

Our proposed opinion on the financial statements

- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- ▶ we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the Head of Finance

As explained more fully in the 'Statement of Responsibilities' the Head of Finance set out on pages iv, 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Audit Report - continued

Our proposed opinion on the financial statements

We obtained an understanding of the legal and regulatory frameworks that are applicable to the council and determined that the most significant are:

- ▶ Local Government Act 1972,
- ▶ Local Government and Housing Act 1989 (England and Wales),
- ▶ Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992,
- ▶ Local Government Act 2003,
- ▶ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- ▶ The Local Audit and Accountability Act 2014, and
- ▶ The Accounts and Audit Regulations 2015.

In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

We understood how Cambridge City Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the Head of Internal Audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, Council policies and procedures and other information.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified, inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS) and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure, including Revenue Funded from Capital Under Statute (REFCUS), we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was appropriate.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested the appropriateness of the journal and that it was accounted for appropriately. We assessed accounting estimates for evidence of management bias and evaluated the business rationale for significant unusual transactions.

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.

Audit Report - continued

Our proposed opinion on the financial statements

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 reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the Cambridge City Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those 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 2021.

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.

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.

Or

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

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 Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.



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 unadjusted differences

There are no uncorrected material misstatements identified as part of our audit at the date of this report.

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Summary of adjusted differences

We highlight misstatements greater than £141,005 which have been corrected by management that were identified during the course of our audit.

- ▶ Income & Expenditure for Recharges - £6.451 million in relation to the grossing up of Income & Expenditure for recharges within the Council. This has no net impact on the Surplus/Deficit on the Provision of Services.
- ▶ Pension Liability - Management also intend to update the Pension Liability figure, pending receipt of an updated IAS19 report from the Pension Fund Actuary. The final figure for this adjustment is to be confirmed.

Disclosure Issues

Going Concern - The impact of Covid-19 has substantial implications for the Council's finances. We therefore had to assess the work performed by the Council to ensure that it was still operating as a going concern up to 12 months from the audit opinion date. Minor disclosure amendments are required to the note originally included in the draft Statement of Accounts.

A small number of other disclosure and presentational items have been highlighted to management for amendment. We do not deem these to merit inclusion in this report.



05

Value for Money





Value for money

The Council's responsibilities for value for money (VFM)

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

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

We issued an External Audit Update dated 9 July 2021 which confirmed we had concluded our detailed VFM planning and risk assessment and that we had not identify any significant weaknesses in the Council's arrangements.

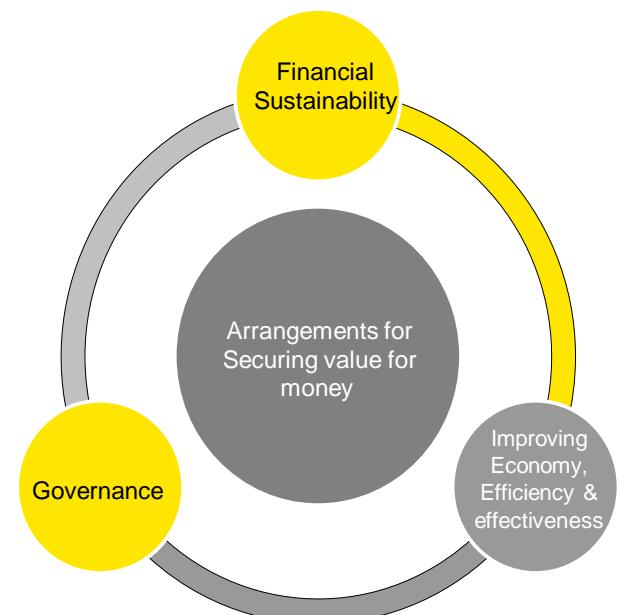
~~We have now revisited our procedures during the completion of our audit of the financial statements, and confirm that we have not identified any risks or significant weaknesses against the three reporting criteria we are required to consider under the NAO's 2020 Code.~~

Status of our VFM work

We have completed our planned VFM procedures and have no matters to report 'by exception' in our Auditor's Report (See Section 3).

We set out our provisional commentary on the Council's VFM arrangements in Appendix E to this report.

We will formally issue this commentary within our Auditor's Annual Report, which we plan to issue by the end of October.





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 Narrative Report 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.

Financial information in the Narrative Report and published with the financial statements was consistent with the audited financial statements, subject to completion of our final audit procedures on the Narrative Report.

We have identified that the conclusion of the Annual Governance Statement required additional narrative to specifically set out whether any significant governance issues had been identified. This amendment has been made within the revised Annual Governance Statement. We have no other matters to report as a result of this work.

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.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors. However, based on prior year guidance the Council would fall below the testing threshold set by the NAO for detailed procedures on the consolidation return (Threshold - £500 million). We do not expect therefore to have any issues to report.



Other reporting issues

Other reporting issues

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

We did not receive any correspondence or Objections from Members of the Public.

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Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits.

We have reported in respect of going concern earlier in this report on page 25. We have no other matters to report.



07

Independence



Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and 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 1st April 2020 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 next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are in the next page. Further detail of all fees has been provided to the Civic Affairs Committee.

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.

In addition to our audit of the accounts, we will also be performing the Reporting Accounting role for the certification of Cambridge City's 2020/21 Housing Benefits claim. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in May 2020. We confirm that we have not undertaken any additional non-audit work.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

[EY UK Transparency Report 2020 | EY UK](#)

Relationships, services and related threats and safeguards

Services provided by Ernst & Young			
	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£'s	£'s	£'s
Total Fee - Code work	40,024	40,024	40,024
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	40,020		40,020
Audit of the Group Account consolidation	-		8,607
Revised Proposed Scale Fee	80,044	40,024	88,651
Additional work:			
2019/20 Additional Procedures required and as reported within the Annual Audit Letter (Note 2)	-	-	34,569
2020/21 Additional Procedures required in response to the additional risks identified in this Audit Plan in respect of: Accounting for Covid-19 related Government Grant income, NDR Appeals provision, Collection Fund Accounting, Recoverability of Receivables, Going Concern & Investment Property Valuations	Note 3	-	
Total fees	TBC	40,024	123,220

All fees exclude VAT

Note 1 - For 2019/20 we have proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our 2019/20 Audit Results Report. Our proposed increase has been discussed with management and is with PSAA for determination. For 2020/21 the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and is subject to approval by PSAA Ltd.

Note 2 - The 2019/20 Additional Procedures fee was reported in our Annual Audit Letter. The fee has been agreed with Management and is subject to formal approval by PSAA Ltd.

Note 3 - As set out in this report, we have had to perform additional audit procedures to respond to the financial reporting and associated audit risks pertaining to Covid-19. As we are concluding our work in relation to these areas, we cannot quantify the fee impact at this time. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Annual Audit Letter.



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08 Appendices



 Appendix A

Required communications with the Civic Affairs Committee

There are certain communications that we must provide to those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

Required communications	 What is reported?	 Our Reporting to you
		 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 planning report - 17 May 2021 - Civic Affairs Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Outline Audit planning report - 17 May 2021 - Civic Affairs Committee
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	Outline Audit planning report - 17 May 2021 - Civic Affairs Committee Audit Results Report - 22 September 2021 - Civic Affairs Committee



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 related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Audit Results Report - 22 September 2021 - Civic Affairs Committee
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - 22 September 2021 - Civic Affairs Committee
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. 	Audit Results Report - 22 September 2021 - Civic Affairs Committee

Appendix A

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		Our Reporting to you	
Required communications	What is reported?	When and where	
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 entity ▶ 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 entity, 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 the Civic Affairs Committee responsibility. 	Audit Results Report - 22 September 2021 - Civic Affairs Committee	
Related parties	<p>Significant matters arising during the audit in connection with the entity'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 entity 	Audit Results Report - 22 September 2021 - Civic Affairs Committee	
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 	Outline Audit planning report - 17 May 2021 - Civic Affairs Committee Audit Results Report - 22 September 2021 - Civic Affairs Committee	

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		 Our Reporting to you
Required communications	 What is reported?	 When and where
	<p>Communications whenever significant judgements 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 ▶ 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 ▶ 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. 	Audit Results Report - 22 September 2021 - Civic Affairs Committee
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 audit committee may be aware of 	Audit Results Report - 22 September 2021 - Civic Affairs Committee

Appendix A

		Our Reporting to you	
Required communications	What is reported?	When and where	
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 - 22 September 2021 - Civic Affairs Committee	
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 planning report - 17 May 2021 - Civic Affairs Committee Audit Results Report - 22 September 2021 - Civic Affairs Committee	
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 - 22 September 2021 - Civic Affairs Committee	
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 - 22 September 2021 - Civic Affairs Committee	
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - 22 September 2021 - Civic Affairs Committee	



Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item		Actions to resolve		Responsibility	
Pension liability		Awaiting re-run report from the Council's actuary		EY and management	
Income & expenditure testing		Conclude our sample testing in these 2 areas		EY and management	
Narrative Report		Complete our review of the narrative report for consistency of financial information		EY and management	
group Accounting		Conclude the accuracy of the consolidation based on final audited accounts of joint ventures		EY and management	
Whole of government accounts procedures		NAO instructions to be received and reviewed		EY and management	
Receipt of management representation letter		Management to prepare and provide us with their representation letter for the 2020/21 audit		Management	
Subsequent events procedures		Extension of some audit procedures like review of minutes and testing for unrecorded liabilities and provisions up to the date of our auditor's report		EY and management	
Checks to the final amended set of accounts		EY to receive final set of accounts with all audit adjustments, and review it for consistency with our schedule of misstatements		EY and management	

Appendix C - Request for a Management Representation Letter

Request for a Management Representation Letter



Ernst & Young LLP
One Cambridge Business Park Fax: +44 1223 394401
Cambridge
CB4 0WZ
ey.com



Caroline Ryba
Head of Finance
Cambridge City Council
The Guildhall
Peas Hill
Cambridge
CB2 3QJ

13 September 2021

Ref:
Your ref:
Direct line: 01223 394547
Email: M.Hodgson@uk.ey.com

Dear Caroline,

Cambridge City Group and Council – 2020/21 financial year
Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Group and Council.

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of Cambridge City Group and Council ("the Group and Council") for the year ended 31 March 2021.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Group and Council as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.

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Building a better
working world

You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent we 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, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. That you acknowledge as members of management of the Group and Council, your responsibility for the fair presentation of the Group and Council's financial statements. You believe the Group 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 2020/21 and are free of material misstatements, including omissions. You have approved the Group and Council financial statements.
3. That 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, you believe that the Group and Council has 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 2020/21, that are free from material misstatement, whether due to fraud or error. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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

1. That you acknowledge that you are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

Appendix C - Request for a Management Representation Letter

Request for a Management Representation Letter



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3. That you have disclosed to us the results of our assessment of the risk that the Group and Council financial statements may be materially misstated as a result of fraud.
4. You have no knowledge of any identified or suspected non-compliance with laws and 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 Group and 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. You have provided us 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 as agreed in terms of the audit engagement.
 - Additional information that we have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions have been recorded in the accounting records and are reflected in the Group and Council financial statements, including those related to the COVID-19 pandemic.
3. That you have made available to us all minutes of the meetings of the Group and Council and its relevant committees (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 September 2021.
4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council related parties and all related party relationships and transactions of which you 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 period 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 Group and Council financial statements.



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5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the Group and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your 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 us and are appropriately reflected in the Group and Council financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the Group and Council financial statements (please specify the Notes) all guarantees that you have given to third parties.

E. Subsequent Events

1. That other than the disclosure described in Note X (insert Note) to the Group and Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2020-21.
2. You confirm that the content contained within the other information is consistent with the financial statements.

G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:

Appendix C - Request for a Management Representation Letter

Request for a Management Representation Letter



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- That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Expenditure Funding Analysis

1. You confirm that the financial statements reflect the operating segments reported internally to the Group and Council.

I. Going Concern

1. That the Group and Council has prepared the financial statements on a going concern basis and that Note X (*insert note*) to the financial statements discloses all of the matters of which you are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Ministry of Housing, Communities and Local Government, the sufficiency of cash flows to support those financial plans.

J. Ownership of Assets

1. That except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).

K. Reserves

1. You have properly recorded or disclosed in the Group and Council financial statements the useable and unusable reserves.

L. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the valuation of the Group and Council's Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included within the Group and Council's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.



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2. You 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 2020/21.

3. You confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.

4. You confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Group and Council financial statements due to subsequent events, including due to the Covid-19 pandemic.

6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.

7. You confirm that for assets carried at historic cost, that no impairment is required.

M. Retirement benefits

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

2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Group and Council financial statements and the underlying accounting records. You 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 you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

3. You 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 2020/21.

4. You confirm that the significant assumptions used in making the valuation of the pension scheme liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

5. You confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Pension Scheme Liability and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Appendix C - Request for a Management Representation Letter

Request for a Management Representation Letter



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6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Group and Council financial statements due to subsequent events, including due to the Covid-19 Pandemic.

N. Business Rates Appeals Provision Estimate

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the Business Rates Appeals Provision are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. You agree with the findings of the specialists that you engaged to evaluate the Business Rates Appeals Provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Group and Council financial statements and the underlying accounting records. You 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 you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You 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 2020/21.
4. You confirm that the significant assumptions used in making the valuation of the Business Rates Appeals Provision appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Business Rates Appeals Provision and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Group and Council financial statements due to subsequent events, including due to the Covid-19 Pandemic.

O. Bad Debt Provision Estimate

7. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the Bad Debt Provision Estimate are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
8. You agree with the findings of the specialists that you engaged to evaluate the Bad Debt Provision Estimate and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Group and Council financial statements and the underlying accounting records. You 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 you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.



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9. You 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 2020/21.

10. You confirm that the significant assumptions used in making the valuation of the Bad Debt Provision Estimate appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

11. You confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Bad Debt Provision Estimate and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

12. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Group and Council financial statements due to subsequent events, including due to the Covid-19 Pandemic.

P. Group audits

1. There are no significant restrictions on your 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.
3. You confirm that entities excluded from the Group financial statements are immaterial on a quantitative and qualitative basis.

Q. Specific Representations

We do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Civic Affairs Committee) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

Appendix D

Implementation of IFRS 16 Leases

In previous reports to the Civic Affairs Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the council until 1 April 2022. However, officers should be acting now to assess the council's leasing positions and secure the required information to ensure the council will be fully compliant with the 2022/23 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures
Data collection	<p>Management should:</p> <ul style="list-style-type: none">▶ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors.▶ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases▶ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	<p>The council needs to agree on certain policy choices. In particular:</p> <ul style="list-style-type: none">▶ Whether to adopt a portfolio approach▶ What low value threshold to set and agree with auditors▶ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components▶ What is management's policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the council is lessee; and potentially for sub-leases, where the council is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

Appendix E - Provisional VFM Commentary

Financial Sustainability

For 2020/21, the Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

1. How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council produce the Budget Setting Report in February prior to the start of the financial year. The Medium Term Financial is then updated during the year. Senior Leadership and the Executive are involved throughout the Budget setting process, ensuring that priorities are considered and relevant financial pressures taken into account. The Medium Term Financial Strategy and Budget are taken to Strategy and Resources Scrutiny Committee before approval at Full Council.

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How the body plans to bridge its funding gaps and identifies achievable savings

The five-year funding gap is re-assessed each year through the Medium Term Financial Strategy, subject to uncertainties such as the Local Government Finance settlement, with sensitivity analysis performed as part of this process. In previous years the Council has undertaken a series of service reviews to achieve the required level of savings and provide the necessary headroom to fund its priorities. Due to the potential for further significant savings to be required in response to the as yet unknown timing and impacts of the Fair Funding Review and the Review of Business Rates, the Council has embarked on a Transformation and Recovery Programme aimed at re-designing services, whilst also acknowledging the impacts of Covid-19 on service user requirements. The Medium Term Financial Strategy considers a worst case scenario for savings requirements. Based on the latest updates to the Medium Term Financial Strategy in October 2020, the Council was looking to utilise £2.1 million of reserves in 2020/21 to achieve a balanced budget. The final outturn position was the utilisation of £0.7 million of the General Fund reserves.

3. How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The budget setting process allows for the consideration of budget changes service by service, based on how the changes support the Council's priorities and impact service delivery. Each budget proposal is supported by narrative which explains the context of the proposal and its impact. Capital proposals are supported by a summary business case. The Council have identified additional pressures in 2020/21 in respect of Covid-19, which amounted to £10 million in the Medium Term Financial Strategy. Whilst additional spending and further lost income has been incurred since, amounting to £20.1 million, this has been partially offset by £11.6 million of additional government grant funding, leaving a residual gap of £8.5 million. The Council have taken mitigating actions to reduce the pressure, including the delay of capital projects. The Council are conscious that there will be an element of unavoidable spending and build headroom in the savings requirements to take account of this fact.

Appendix E - Provisional VFM Commentary (continued)

Financial Sustainability (continued)

4. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Council have a number of joint arrangements in place with other local councils to achieve effectiveness and efficiency of service delivery. Finances are planned through the Medium Term Financial Strategy and budget setting processes. The Council's Corporate Plan is presented and approved alongside the budget, the Treasury Management Strategy and the Capital Strategy in February each year. This sets out the wider objectives of the Council in respect of service delivery.

5. How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Budget holders and Heads of Service are responsible for delivering services within allocated budgets, and Heads of Service review financial and performance monitoring reports. Throughout the year, the Senior Leadership Team receive financial reports which identify and explain significant forecast outturn variances and summarise the impact on the overall financial position. Where concerns are identified these are actioned to ensure that the final outturn is consistent with the financial sustainability plans set out in the Medium Term Financial Plan (October 2020). The Medium Term Financial Plan sets out risks and uncertainties that could impact the Council's financial position.

Appendix E - Provisional VFM Commentary (continued)

Governance

For 2020/21, the Council has had the arrangements we would expect to see to enable it to make informed decisions and properly manage its risks.

1. How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;

The Council maintains risk registers covering corporate, service, shared service and project risks. These are reviewed by Senior Management, the Shared Services Board and programme and project boards as appropriate. Internal Audit undertakes a programme of annual risk-based reviews and provides assurance to the Civic Affairs Committee. The Civic Affairs Committee also receives an Annual Report on the anti-fraud work of Internal Audit and the fraud team within the Revenues and Benefits Service.

2. How the body approaches and carries out its annual budget setting process

The Council produce the Budget Setting Report in February prior to the start of the financial year. The Medium Term Financial Strategy is then updated during the year. Senior Leadership and the Executive are involved throughout the Budget setting process, ensuring that priorities are considered and relevant financial pressures taken into account. The Medium Term Financial Strategy and Budget are taken to Strategy and Resources Scrutiny Committee before approval at Full Council.

3. How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;

The Council operates a modern, cloud-based financial management system. This enables budget holders to review their budgets on screen and regularly update their forecast spend. Budget holders are supported and challenged in this by Service Accountants. Internal Audit review aspects of the system of financial control on a rolling basis and report their findings to the Civic Affairs Committee as part of their annual Internal Audit reporting programme.

4. How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee;

Decision making processes and delegations are set out within the Council's Constitution and Financial Regulations for all Committees, together with the decision making processes that are delegated to Council Officers. Where formal decisions are required they are pre-scrutinised by the appropriate Scrutiny Committee in advance of presentation to Full Council. This ensures that the necessary information is provided and that recommendations can be challenged before decisions are made.

Appendix E - Provisional VFM Commentary (continued)

Governance (continued)

- 5. How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).*

The Council maintains appropriate Registers of Gifts and Hospitality, and guidance is provided on the Council's intranet. Any matters, for example from whistle-blowing processes or complaints, are investigated in accordance with agreed processes and/or referred to Internal Audit or the Monitoring Officer, as appropriate. Councillors are required to complete and update the Council's Registers of Interest which are available on the Council's public website.

Appendix E - Provisional VFM Commentary (continued)

Improving economy, efficiency and effectiveness

For 2020/21, the Council has had the arrangements we would expect to enable it to use information about its costs and performance to improve the way it manages and delivers services.

1. How financial and performance information has been used to assess performance to identify areas for improvement;

Regular reporting of performance and financial information is undertaken. As part of this, the Council consider the delivery of services and the Council priorities and previous performance. The Council, Executive & Scrutiny Committees receive a variety of performance and financial based reports throughout the year to continuously monitor performance. The Annual Report and Annual Governance Statement set out the review of performance for the year.

2. How the body evaluates the services it provides to assess performance and identify areas for improvement

The Corporate Plan sets out key performance indicators for the Council's objectives, and provision of services are assessed against these objectives. The nature of monitoring therefore is dependent on the nature of the service provided and the key performance indicators monitored. The Narrative Report sets out a review of achievements against the Corporate Plan.

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3. How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve;

The Council ensures that it is represented on partnership bodies by relevant senior managers or members, as required. Regular reports are brought to the relevant Scrutiny Committee for review, for example on shared services and work with the Combined Authority. Other key partnerships include the Greater Cambridge Partnership, where the Council have a nominated member who sits on the Executive Board for key decision making at the partnership.

4. Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Council has a procurement team which provides advice and support to officers undertaking procurement activities. The team also maintain procurement guidance and templates, the contract register and a separate procurement system. Internal Audit also review procurement as part of their Internal Audit programme of work. In accordance with the Constitution, significant procurements must be approved by the Executive Councillor following scrutiny at the relevant committee. The Monitoring Officer has overall responsibility for ensuring the Council complies with relevant laws and regulations.

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ED None

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Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

XX September 2021

Statement of Accounts 2020/21 – Letter of Representations

This letter of representations is provided in connection with your audit of the financial statements of Cambridge City Group and Council ("the Group and Council") for the year ended 31 March 2021.

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 financial statements give a true and fair view of the financial position of the Group and Council as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit is conducted in accordance with International Standards on Auditing (UK and Ireland), 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, for the Group and Council the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the Group and Council's financial statements. We believe the Group 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 2020/21 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 2020/21, 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. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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

1. We acknowledge that we are responsible to determine 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 Group 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 as agreed in terms of the audit;
 - 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 are reflected in the Group 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 Council and relevant committees (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 September 2021.
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 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 period 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 Group 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 Group 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 to you, 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 your 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 Group 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, and have disclosed in the Group and Council financial statements all guarantees that we have to third parties.

E. Subsequent Events

1. Other than the disclosure described in Note 42 to the Group and Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2020-21.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.

- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Expenditure Funding Analysis

1. We confirm that the financial statements reflect the operating segments reported internally to the Group and Council.

I. Going Concern

1. We confirm that the Group and Council has prepared the financial statements on a going concern basis and that Note 1 of the Statement of Accounting Policies discloses all of the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our future financial plans and the veracity of the associated future funding allocations from the Ministry of Housing, Communities and Local Government, the sufficiency of cash flows to support those financial plans.

J. Ownership of Assets

1. Except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Group and Council's assets, nor has an asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet.

K. Reserves

1. We have properly recorded or disclosed in the Group and Council financial statements the usable and unusable reserves.

L. Valuation of Property, Plant and Equipment

1. We agree with the findings of the experts engaged to evaluate the valuation of the Group and Council's Property, Plant and Equipment and have adequately considered the qualifications of the specialist in determining the amounts and disclosures included within the Group and Council's financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts 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 experts.

2. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority in the United Kingdom 2020/21.
3. We confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic on Property, Plant and Equipment valuations, and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority in the United Kingdom 2020/21.
5. We confirm that no adjustments are required to the accounting estimates and disclosures in the Group and Council financial statements due to subsequent events, including due to the COVID-19 pandemic.
6. We confirm that we have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. We confirm that for assets carried at historic cost, that no impairment is required.

M. 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 pension 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.
2. We agree with the findings of the specialists that we engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included within the Group 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.
3. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate 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 2020/21.
4. We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific

courses of action on behalf of the entity.

5. We confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the Group and Council financial statements due to subsequent events, including due to the COVID-19 Pandemic.

N. Business Rates Appeals Provision Estimate

1. We agree with the findings of the specialists that we engaged to evaluate the Business Rates Appeals Provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Group 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.
2. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate 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 2020/21.
3. We confirm that the significant assumptions used in making the Business Rates Appeals Provision appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate are complete, including the effects of the COVID-19 pandemic on the Business Rates Appeals Provision, and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that no adjustments are required to the accounting estimate and disclosures in the consolidated and council financial statements due to subsequent events.

O. Bad Debt Provision Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the Bad Debt Provision Estimate 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 2020/21.
2. We confirm that the significant assumptions used in making the Bad Debt Provision

Estimate appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

3. We confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate are complete, including the effects of the COVID-19 pandemic on the Bad Debt Provision Estimate, and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
4. We confirm that no adjustments are required to the accounting estimate and disclosures in the consolidated and council financial statements due to subsequent events.

P. Group Audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange contract 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.
3. We confirm that entities excluded from the Group financial statements are immaterial on a quantitative and qualitative basis.

Yours faithfully

Caroline Ryba
Head of Finance and Section 151 Officer

Cllr Mike Sargeant
Chair of Civic Affairs Committee



Item

Annual report on prevention of fraud & corruption policy

To:

Civic Affairs Committee [22/09/2021]

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 Fraud is a diverse and evolving crime, the scale of which continues to increase as new fraud areas and more sophisticated mechanisms to commit fraud are sought. It is therefore important that counter fraud activity and initiatives evolve at a similar rate to ensure they continue to be effective.
- 1.2 This report communicates the annual review of the Councils counter fraud arrangements and provides Members of Civic Affairs with a summary of fraud / whistle-blowing activity for the period 1 April 2020 to 31 March 2021.
- 1.3 The Council maintains a Prevention of Fraud and Corruption (PFC) Policy, and in line with good practice it is reported annually to this Committee.

2. Recommendations

- 2.1 The committee should note the contents of the report.

3. Background and Policy review

- 3.1 The National Crime Agency highlights fraud as the most commonly experienced crime, with 3.8 million instances reported in the National Crime Survey of England and Wales in 2019. In the public sector it is estimated that fraud and error costs the government an estimated £31 to £53 billion every year. According to the Annual Fraud Indicator 2017, which provides the last set of government sanctioned estimates, fraud costs the public sector at least £40.3bn annually, with £7.3bn of this total being lost in local government.
- 3.2 The Council introduced the Prevention of Fraud and Corruption (PFC) Policy in 1998, and in line with good practice the Policy is reviewed and reported annually to this Committee.
- 3.3 The Policy was updated in 2013 to reflect the implementation of the Bribery Act 2010. One of the recommendations by the Ministry of Justice was that organisations need to monitor and review the effectiveness of their anti-bribery policy and procedures, and this is achieved through the annual review of our Policy.
- 3.4 The Policy establishes the culture of the organisation in terms of not tolerating any act of fraud or corruption, and a commitment that all concerns raised will be properly investigated. The Policy also sets out the reporting and investigation arrangements for different types of allegation. We have made some minor changes to the Policy to reflect updated web links and establishment changes. A copy of the Policy is attached as an Appendix to this report.
- 3.5 CIPFA produced a Code of Practice for Managing the Risk of Fraud and Corruption in 2015. This voluntary code is a statement of high-level principles which sets out good practice for managing counter fraud arrangements across the public sector. Internal Audit assessed the Council's compliance with the Code. We continue to update our policies as new guidance is issued from professional bodies.

4. Counter Fraud capacity and resources

4.1 Dependant on their nature, counter fraud work is carried out by either the Fraud and Enforcement Team (FaET) within Revenue & Benefits, or by Internal Audit.

Fraud and Enforcement Team

4.2 Following the re-structure in Revenues and Benefits, counter-fraud activities are now undertaken by the newly formed Fraud and Enforcement Team.

4.3 The FaET prevents detects and pursues those who commit a number of potential frauds against Cambridge City Council, including:

- Social housing fraud (including other registered social landlords),
- Local taxation fraud,
- Discount and exemption fraud,
- Local support scheme fraud,
- Right-to-buy fraud.

4.4 Additionally, the team are the single point of contact for the Department for Work and Pensions (DWP) ‘Counter Fraud and Compliance Directorate’ (CFCD) in relation to welfare benefit fraud, principally Housing Benefit paid within the city of Cambridge. This involves:

- Receipt and dispatch of local allegations received through multiple sources,
- Selection and preparation of evidence to support investigation and prosecution by that agency,
- Preparation of documentation and witness statements for court.

4.5 The counter-fraud resource on this new team consists of 1.0 FTE (a reduction due to the deletion of the Fraud Apprentice post and the Team Leader taking on responsibility for additional service areas).

4.6 Revenues and Benefits set up a temporary ‘agile’ team to deliver Business Grants as Covid19 priorities, and both the 1.0 FTE investigator and the FaET Team Leader were part of that team for most of the year, drastically reducing available resources to counter-fraud work.

4.7 Some key statistics for 2020/21 include:

- i) Investigations were conducted under the Prevention of Social Housing Fraud Act, resulting in 5 Council owned properties and 1

Housing Association property being made available for genuine tenants. These were generally cases where an individual had either illegally sub-let or abandoned the property. The Ministry of Housing, Communities and Local Government calculates the cost of social housing fraud at £18,000 per property (this is a non-cashable saving as it contributes to the wider public purse).

- ii) Investigations led to 8 inappropriate Council Tax discounts or exemptions being removed, amounting to £7,158 in value.
- iii) There were 12 inappropriate HomeLink applications which were either removed or corrected, and 3 inappropriate right-to-buy applications were also identified and declined. This ensures that the Council's resources continue to be provided for those in most genuine need.

Internal Audit

- 4.8 Internal Audit will investigate other types of fraud, whistleblowing allegations or theft. Internal Audit look to ensure that employees follow the various policies, procedures and Codes of Conduct established to protect the public purse, as well as the integrity of officers. Matters referred to Internal Audit can be received as a direct request from management or via the whistleblowing route. Under the Council's Whistleblowing Policy, employees are encouraged to report any genuine, serious concerns about any aspect of the Council's work to the Head of Shared Internal Audit, who will investigate those concerns.
- 4.9 During 2020 / 2021 Internal Audit processed three investigations, plus business grant work. In all cases, if appropriate, actions were agreed with management to improve controls which could mitigate risks of fraud and error.
- 4.10 Internal Audit received two referrals which were covered by Whistleblowing policy. This provides assurance that people are aware of their opportunity to refer concerns via the policy.
- 4.11 Fraud and error risks are considered as part of each Internal Audit review. This helps us to establish a risk profile which can be a determinant in our continuous risk-based audit plan.
- 4.12 A significant amount of resource in the year has been focussed on business grant counter fraud work. Updates have been provided to the Civic Affairs Committee through the Internal Audit update reports, and information is also included in the section below.

5. Strategic developments

Fighting fraud and Corruption Locally – a Strategy for the 2020s

- 5.1 A revised national strategy has been published. [Fighting Fraud and Corruption Locally](#) is the updated counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities with the support of those at the top. It outlines a governance framework for continuing national and regional collaboration on counter fraud under the Fighting Fraud and Corruption Locally umbrella.
- 5.2 Section four of the strategy outlines a practical programme and checklist for individual councils to follow. We have started a review of our local approach and how it contributes to the national strategy.

Combating Financial Crime

- 5.3 CIPFA has published a revision of its Combating Financial Crime guide. It updates public authorities on the latest money laundering regulations, draws on current best practices to prevent money laundering, and we will use this to review our processes.

Fraud in emergency situations

- 5.4 Our previous report to the Committee highlighted the increased potential risk that fraudsters and organised criminals will take advantage at a time of heightened risk arising from Covid-19.
- 5.5 There are various contributing factors. A crisis leads to urgency in delivery, reducing the time available to build in due-diligence measures. Resources likely to be stretched due to staff illness or redeployment, which in turn may affect the ability to maintain the usual segregation of duties and monitoring of activities. It will also be a potential distraction from other counter fraud activities.
- 5.6 Fraudsters will take advantage of the fact that people are working alone, under pressure, without their usual peer networks and potentially with less rigorous IT and information security measures.
- 5.7 Our Internal Audit plan recognises this and aims to detect any fraud risks.

Covid-19 stimulus risk

- 5.8 In times of emergency or disaster recovery situations, it is important that government can get funding to where it is needed as quickly as possible. This includes providing support and services to those in need and rebuilding communities and infrastructure. Fraud can undermine those efforts if not controlled, and previous experience of natural events and world-wide disasters has highlighted how criminals may take advantage.
- 5.9 In response to the Coronavirus, the Government announced there would be support for small businesses, and businesses in the retail, hospitality and leisure sectors, plus local discretionary schemes to reflect local need.
- 5.10 Central Government emphasised the importance on speed of payment and their guidance stated that Local Authorities should make the payments as quickly as possible. In response, we focussed our resources on developing low-friction control measures to reduce our fraud risk and have been promoting good practice in grant administration.
- 5.11 We have also been completing post assurance activity to help identify any potential cases of fraud and error, and recover funds, by working with the National Anti-Fraud Network, the Government Counter Fraud Function and utilising tools such as Spotlight and the National Fraud Initiative.
- 5.12 To date we have processed 12,169 grants through our pre and post assurance systems. This identified 6 potential cases of fraud which are being investigated. Ten applications were identified as potentially fraudulent and were rejected. Information is shared with the National Anti-Fraud Network, who is co-ordinating information nationally as per Central Government guidance. This helps us to be agile in the development of controls in response to new threats, share good practice with Officers processing applications, and to minimise the likelihood of successful fraud attempts. Further data matching is also anticipated later in the year, as part of the National Fraud Initiative. Grant payments are taxable, and data is also being shared with HMRC.

6. Fraud Prevention

- 6.1 The Council continues to give out a strong deterrent message about fraud in both publicly issued and internal documents, for example, on Council Tax leaflets and Housing Benefit claim forms.
- 6.2 Revenues and Benefits follows appropriate DWP ‘Security Guidance’ and has adopted a Risk Based Verification process. It has a Fraud Referral Procedure for staff to refer cases of suspected fraud through to the Fraud Prevention Team. Regular reminders are sent to people claiming benefit of their responsibilities in respect of overpayments; the aim being to prevent overpayments building up which can make repayment difficult and can encourage concealment and therefore fraud.
- 6.3 The National Fraud Hotline Scheme is promoted, and publicity is sought for successful benefit prosecutions through the local papers and via the Council’s website as this is seen to have a deterrent effect.
- 6.4 The Council subscribes to the National Anti-Fraud Network, which provides proactive intelligence of potential fraud and error risks, and we share good practice internally. For example, as highlighted above, we have been actively communicating potential fraud risks relating to Covid-19 stimulus schemes and developing proportionate controls.
- 6.5 We contributed to the latest CIPFA Fraud and Corruption Tracker (CFaCT) survey. CFaCT is the definitive survey of fraud and corruption activity in local government – it tracks the levels of fraud and corruption detected, the number of investigations undertaken and the types of fraud councils have encountered.
- 6.6 All employees are responsible for being aware of fraud risks. We have migrated our intranet to a new system, and this has provided an opportunity for us to provide awareness of risks, educational material and news in a more engaging way.

7. Fraud Detection

- 7.1 The Council participates in the National Fraud Initiative (NFI), a national data-matching exercise co-ordinated by the Cabinet Office that matches data within and between audited bodies to prevent and detect fraud. This includes police authorities, fire & rescue authorities as well as other councils and Housing Associations.
- 7.2 The NFI is a wide-ranging exercise and uses datasets such as:
- Housing Benefits
 - Payroll
 - Housing Rents
 - Creditors
 - Market Trader licences
 - Taxi-Driver licences
 - Personal licences to supply alcohol
 - Housing Waiting List
 - Council Tax Reduction Scheme
- 7.3 The NFI exercise is undertaken under the Cabinet Office's data matching powers set out in Part 6 of the Local Audit and Accountability Act 2014.
- 7.4 We submitted data sets to the Cabinet Office for processing, and this is publicised on our [website](#). The data matches are then returned for follow-up by the Council. The volume of matches (1,889) is similar to previous years and we have started to review these. A risk-based approach is adopted to prioritise areas which are higher risk of fraud and error.

8. Conclusions

- 8.1 The Council remains committed to providing services carried out in accordance with the highest ethical standards and takes steps to proactively prevent fraud and investigates concerns arising.
- 8.2 The fraud and corruption risks to Councils have potentially increased in the current landscape, and the Council is proactively working with Central Government to manage this as demonstrated in the report.

9. Implications

(a) Financial Implications

None.

(b) Staffing Implications

None.

(c) Equality and Poverty Implications

None.

(d) Net Zero Carbon, Climate Change and Environmental Implications

None.

(e) Procurement Implications

None.

(f) Community Safety Implications

None.

10. Consultation and communication considerations

None required.

11. Background papers

Background papers used in the preparation of this report:

- [Anti-fraud and Corruption Strategy](#)

12. Appendices

- a) Prevention of fraud and corruption policy

13. 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.

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Prevention of Fraud and Corruption Policy

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1 Introduction

- 1.1 The purpose of this document is to outline the policies and procedures, which the Council has in place for deterring, reporting and investigating fraud, corruption and theft.
- 1.2 The Prevention of Fraud & Corruption Policy covers cases of fraud, corruption and theft committed by employees, Councillors, contractors, partners and members of the public and relates to allegations of such cases, which originate from anyone including Councillors, employees, partners and members of the public.

2 Culture

- 2.1 Cambridge City Council is committed to providing best value services carried out in accordance with the highest ethical standards. The Council will not tolerate any act of fraud, corruption or theft by either a Councillor or an employee, as such acts reduce the public's confidence in the ability of the Council to be managed in an honest, fair and effective manner. Neither will the Council tolerate fraud or corruption attempted by parties external to the Council.
- 2.2 There is an expectation and requirement that all individuals and organisations associated in whatever way with the Council will act with honesty and integrity and that Council employees at all levels, and Councillors, will lead by example in these matters.
- 2.3 Where sufficient evidence exists in any fraud or corruption case it is the policy of the Council to refer the matter to the Police.
- 2.4 The Council's employees, Councillors and members of the public are encouraged to raise any concerns relating to possible cases of fraud, corruption or theft. Such concerns will be properly investigated and the outcome reported as appropriate.
- 2.5 The Council will endeavour to recover any losses as a result of fraud or corruption from the perpetrators, as appropriate.
- 2.6 The Head of Shared Internal Audit will report annually on the effectiveness of the Policy to the Council's Civic Affairs Committee, including a summary of any investigations concluded during the year.
- 2.7 The Head of Shared Internal Audit will be responsible for identifying lessons learnt from the outcome of any investigation and for ensuring that, where necessary, controls are strengthened in the areas concerned. They will also consider whether it is appropriate to share the outcome of an investigation with managers across the Council, with a view to preventing similar situations arising.

Seven principles for the conduct of individuals in public life

- 2.8 The Council has an established governance framework which is supported by the seven Principles of Public Life. This sets 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.

3 Procedures for the prevention and detection of fraud

3.1 The Council has well-defined procedures for the prevention and detection of fraud, corruption and theft:

Internal Control Systems

3.2 The Council's Constitution sets out [Financial Regulations and Financial Procedure Rules](#) which Councillors and employees are required to comply with in the conduct of Council business.

3.3 The Council has developed and is committed to maintaining systems and procedures which incorporate efficient and effective internal controls to manage the Council's risks and which include adequate separation of duties. These controls prevent and detect irregularities occurring. Directors are required to ensure that such controls are properly maintained and documented. Their existence and appropriateness are independently monitored by Internal Audit and the Council's external auditors.

Recruitment and Employees

3.4 Employees are recruited in accordance with procedures laid down by Human Resources. The HR Recruitment Team is responsible for carrying out all relevant pre-employment checks of potential employees. Criminal Records Bureau (CRB) checks are also undertaken by Human Resources for certain posts identified by management where the employee will be working with children, young people or vulnerable adults. Management are responsible for reviewing references in terms of performance, suitability and integrity.

3.5 The [Officer Code of Conduct](#) requires employees to maintain conduct of the highest standard such that public confidence in their integrity is sustained. The Code includes guidance on declaring any conflicts of interests, particularly in relation to any commitments outside of the workplace; acceptance of gifts, hospitality and sponsorship and maintaining separation of roles during tendering.

Councillor

3.6 All Councillors on accepting office are required to declare that they will be guided by the National Code of Local Government Conduct. The code sets out the requirements for disclosing pecuniary and other interests and gives guidance on accepting any offers of gifts or hospitality including reporting these matters to the appropriate senior officers of the Council. A [Code of conduct for members](#) is published as part of the Constitution.

Compliments, Complaints and Suggestions Procedure

3.7 The Council has an established procedure for dealing with complaints from the public, and information is available on [our website](#). Details are kept of all complaints and there is a complaints co-ordinator for every service. The way in which complaints are dealt with and the need for changes in response to complaints are monitored on a regular basis. If anyone is dissatisfied with the response to their complaint they can contact the Council's Internal Ombudsman. Where the complaint indicates possible fraud or corruption it is referred to the Head of Internal Audit for investigation.

Welfare Benefit and Housing Fraud

- 3.8 In April 2015, responsibility for Welfare Benefit fraud investigation transferred to the Fraud and Error Service (FES) operated by the Department for Work & Pensions (DWP). The Council's Fraud Prevention Team (FPT) within the Revenues and Benefits Service acts as the 'single point of contact' for Welfare Benefit fraud enquiries, principally Housing Benefit, and undertakes Housing Tenancy, Right to Buy and Council Tax fraud investigations.

4 Procedures for anti-bribery

Introduction

- 4.1 The Bribery Act 2010 came into force on 1 July 2011 and places additional requirements on ‘commercial organisations’. Whilst the Council is not a ‘commercial organisation’ in terms of its normal local authority activities, guidance issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the National Crime Agency (NCA) states that a court would view a local authority as a relevant organisation for the purposes of the Act. It is important therefore that the City Council should have regard to the principles of the Act in the conduct of its activities and its policies and procedures, to ensure that it does not fall foul of the legislation.
- 4.2 The [Bribery Act 2010](#) makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a new separate offence of bribing a foreign public official. There is also a corporate offence under Section 7 of failure by a commercial organisation to prevent bribery.
- 4.3 The Act extends to all persons associated with the City Council, including employees at all levels and grades, those permanently employed and temporary agency staff; Members (including co-opted or external Members); suppliers; contractors; partners; volunteers and consultants.
- 4.4 The definition of ‘Bribery’ for the purposes of this policy is given below:

‘Bribery’ is defined as:

The promise, giving, request, acceptance or receipt of a financial or other advantage (e.g. hospitality) to induce or reward a person for improper performance of a relevant function of activity. The advantage can be promised, given, requested, accepted or received either directly or via a third party.

The advantage can be for the benefit of the person performing the function or another person.

Policy Statement

- 4.5 Bribery is a criminal offence. Cambridge City Council does not, and will not pay, offer, or request bribes to anyone for any purpose, nor does it or will it accept or receive bribes or improper inducements from anyone for any purpose. To use a third party as a means to channel bribes to others is also a criminal offence.
- 4.6 The Council is committed to the prevention, deterrence and detection of bribery and has a zero-tolerance attitude towards bribery. There is an expectation and requirement that all individuals and organisations associated in whatever way with the Council will act with honesty and integrity and that Council employees at all levels, and Councillors, will lead by example in these matters.

4.7 Areas of the Council's business that could be exposed to the risk of bribery include:

- Procuring of supplies, goods, or services;
- Awarding concessions, grants, and licences;
- Approving planning applications;
- Selling or letting commercial properties;
- Cancelling liabilities (e.g. business rates, debtors);
- Allocating housing;
- Recruiting staff;
- Determining the course of enforcement action.

4.8 This is not an exhaustive list, but sets out some of the areas where there may be a risk of bribery arising.

4.9 This Policy does not change the Council's policy on gifts & hospitality, which is set out in the [Employee Code of Conduct](#).

4.10 The Code of Conduct makes it clear that you should:

- refuse any gift you are offered by external people you come into contact with at work, with the exception of small, low value items or where refusal is likely to offend the donor.
- only accept hospitality where it is on a corporate rather than a personal basis, and it is appropriate to the occasion.
- ensure there is a record of any gift or hospitality in the Gifts and Hospitality Register and that your Manager has authorised this.

4.11 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for, or associated with, the City Council. If you witness (or have reasonable grounds to suspect) that any act of bribery has/ is taking place, it is your responsibility to report the matter to the Head of Shared Internal Audit (by telephone: extension 8180 or (01223) 458180 or by e-mail: whistleblowing@cambridge.gov.uk).

5 Reporting & investigating potential fraud & corruption

- 5.1 Allegations of fraud and corruption can be made **by or against** employees, members of the public, Councillors, contractors, suppliers or partners.
- 5.2 Senior managers are responsible for addressing any allegation of fraud or corruption reported to them and should do so by informing the Head of Shared Internal Audit immediately they are discovered.
- 5.3 The Council is committed to the highest possible standards of openness and accountability. In line with that commitment, we expect employees with genuine, serious concerns about any aspect of the Council's work to report their concerns to the Head of Shared Internal Audit and this is covered by the Council's Whistleblowing Policy – see [Human Resources Intranet](#).
- 5.4 Employees who report their concerns in good faith will be protected from reprisals or victimisation. However, if employees are found to have made allegations for malicious or vexatious reasons, disciplinary action may be taken against the employee concerned.
- 5.5 The Whistleblowing Policy adds an additional method of raising concerns for employees where it is felt inappropriate to approach their line manager, or if their line manager has failed to address their concern properly.
- 5.6 Any allegations against an employee are investigated by the Head of Shared Internal Audit and Human Resources. The relevant Director is informed of the investigation at the outset.
- 5.7 Where Council employees are suspected of fraud or corruption, Human Resources are responsible for ensuring that the investigation is conducted in accordance with Council procedures and employment law to protect the rights of both the Council and the individual(s) concerned. Internal Audit works closely with Human Resources during the investigation. The Manager, supported by Human Resources, is responsible for invoking any disciplinary procedures against the employee(s) concerned.
- 5.8 Allegations about a Councillor should be reported to the Council's Monitoring Officer. Allegations against a Councillor are investigated by the Chief Executive and the Monitoring Officer.
- 5.9 Allegations against members of the public or external organisations must be notified to the Head of Shared Internal Audit immediately they are discovered. The Head of Shared Internal Audit investigates the allegation in conjunction with the relevant department.
- 5.10 The Council also encourages members of the public to raise any genuine concerns, which will be appropriately investigated. If members of the public wish to report an allegation they should contact the Chief Executive or any Director of the Council.
- 5.11 Councillors who wish to report an alleged case of fraud or corruption should contact the Chief Executive, Head of Shared Internal Audit or the relevant Director, as appropriate to the allegation.
- 5.12 In cases of suspected Money Laundering, this should be reported to the Money Laundering Reporting Officer, the Head of Shared Internal Audit. More information on the procedures to follow in such cases is included in the Managers' Guide to Anti-Money Laundering.

- 6 The process for raising and investigating different types of concern is summarised below in section: 1**

- 6.1 Matrix for processing investigations.
- 6.2 The decision to involve the Police will be made by the Head of Shared Internal Audit in consultation with the relevant Director.
- 6.3 Clear procedures are in place for briefing Members and senior officers of the Council of fraud investigations. See below for further details.

7 Liaison with others

- 7.1 The Council has arrangements in place for the exchange of information with other agencies in relation to the detection and investigation of fraud and corruption, for example with the Cabinet Office for the National Fraud Initiative and the Department for Work and Pensions for Housing Benefit fraud.
- 7.2 Any transfer of data between the Council and other organisations is conducted in a secure manner and in accordance with the General Data Protection Regulations and Data Protection Act. Fair Processing Notices are issued where appropriate so that people understand how we process their data for the prevention and detection of fraud and error.

8 Fraud investigations: procedure for briefing members and senior officers

- 8.1 This procedure note is intended to advise Directors, Internal Audit and other staff who may be involved in fraud investigations about the points at which they should ensure that appropriate senior officers and members are briefed. The procedure has to respect the need for confidentiality and the maintenance of proper impartiality where disciplinary action is contemplated.
- 8.2 It supplements the requirement in the Council's Financial Regulations section 3.51 for Directors to notify the Head of Internal Audit of all suspected irregularities.
- 8.3 The procedure applies to all cases where the alleged fraud involves City Council staff or contractors. It also applies to fraud by members of the public.
- 8.4 At the point where officers decide there is sufficient evidence to warrant either:
 - i) commencing formal disciplinary proceedings; or
 - ii) referring an investigation to the policethe appropriate Director must ensure that the following are informed:

Officers: CEX and the Monitoring Officer

Members: The leaders of the political groups (CEX) and the party spokespersons (Director) for the relevant committee. This may be impractical if more than one committee is involved. In this case, CEX will brief the Group Leaders.

- 8.5 The content of the briefing required will depend on the nature of the case. Briefing for members can be done orally and if information is particularly sensitive this should be discussed in advance with CEX or Monitoring Officer so that the amount of information to be disclosed can be agreed. The contents of any briefing should be kept confidential by those that receive them.
- 8.6 You should bear in mind that if Members are briefed in any detail they may not

be able to be involved in any subsequent disciplinary process. It is unlikely that the party leaders or spokespersons would be needed for this role, but this aspect should be discussed with the CEX or Head of Human Resources in advance.

- 8.7 As the investigation proceeds, it is important to keep the information to senior officers and members up-to-date and the Director should repeat the briefing to the CEX and Monitoring Officer and agreed Members as necessary and certainly where:
- i) an internal disciplinary case is likely to go to Members on appeal;
 - ii) an employee is summarily dismissed or resigns in circumstances which were likely to lead to dismissal;
 - iii) the police/CPS decide to either drop a case or proceed with charges;
 - iv) in the case of a prosecution, the court hearing date is given (or amended);
 - v) there is likely to be media interest for some other reason.
 - vi) the investigation finds there is no case to answer.
- 8.8 In the case of court proceedings the Head of Shared Internal Audit is responsible for checking regularly with the police, the Clerk to the Court or another relevant contact to obtain information on hearing dates and informing the CEX and the relevant Director(s) who need to ensure that Members are informed.

9 Commitment to fight fraud and corruption

- 9.1 The Council considers it has taken reasonable and appropriate steps to combat fraud and corruption within the Council. It is determined that these arrangements will continue to be effective in the future. The Council will therefore consider any future measures to combat fraud and corruption where the proposal can be demonstrated to be cost effective and successful. The Council is also committed to participating in any appropriate Central Government led fraud initiatives.
- 9.2 The Council's strategy will be subject to review to ensure it is kept up to date and relevant.

Definitions of fraud and corruption

For the purpose of this document fraud and corruption are defined as:

FRAUD: *dishonest or improper behaviour or acts intended to secure an advantage, whether financial or non-financial, for the perpetrator or for a third party, or to cause loss or risk of loss to another.*

CORRUPTION: *the offering, giving, soliciting or acceptance of an improper inducement or reward in order to influence the action of a Member of the Council, employee, contractor or partner.*

Relevant Contact Numbers

Contact	Telephone Number
Chief Executive	(01223) 457001
Head of Shared Internal Audit	(01223) 458180
Head of Human Resources	(01223) 458101
Monitoring Officer	(01223) 457001
Fraud and Enforcement Team Leader (Revenues and Benefits)	(01223) 457731

10 Matrix for processing investigations

The Council has a diverse range of services and responsibilities. Investigations into fraud and corruption can vary and be complex, requiring input from multiple parties.

The relevant people who will take responsibility for completing the investigation will be established at the beginning of the referral. It is important that this work is allocated to people with the best skills and knowledge. Typically, this will be similar to the matrix below:

Concern identified									
									
Who is the concern about?	Employee	Member of the public	Contractor	Third party	Councillor	Housing Benefit	Council Tax	Housing tenancy and Right to Buy	Environmental crime
Who is the typical lead contact for investigation?	Internal Audit				Monitoring Officer	Fraud and Enforcement Team			Environmental Services
Who would also provide key support?	Human Resources Relevant manager				Chief Executive Independent Person	Revenue & Benefits Housing			Relevant manager
Helpful resources:	Prevention of fraud and corruption policy Whistleblowing policy Code of conduct National Fraud Initiative				Member complaints process Member code of conduct	Prevention of fraud and corruption policy Corporate Enforcement Policy Report benefit fraud hotline Report tenancy fraud hotline			Corporate Enforcement Policy



Item

RISK MANAGEMENT STRATEGY & FRAMEWORK

To:

Civic Affairs Committee [22nd September 2021]

Report by:

Jonathan Tully, Head of Shared Internal Audit Service

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

Stephanie Fisher, Principal Internal Auditor

Tel: 01223 458184 Email: stephanie.fisher@cambridge.gov.uk

Wards affected:

All

1. Introduction / Executive Summary

- 1.1 This report introduces the revised Risk Management Strategy & Framework for consideration by the Civic Affairs Committee (a combined document in Appendix A).
- 1.2 Internal Audit have reviewed the document to best practice guidance and have updated it.

2. Recommendations

- 2.1 Civic Affairs Committee is asked to approve the revised Risk Management Strategy & Framework (Appendix A) and agree that Officers can make subsequent minor updates and amendments.

3. Background

3.1 The Council has a toolkit to manage risk which comprises:

Risk Management Strategy	This sets out the aims of an effective Risk Management System at the Council.
Risk Management Framework	This sets out the tools and techniques which are used.

- 3.2 Internal Audit took over responsibility for coordinating Risk Management in October 2019 following an internal re-organisation. This was reflected in our Internal Audit Charter to ensure that we maintained suitable independence and that management remains responsible for the management of their own risks.
- 3.3 We have undertaken a review of the Risk Management Strategy & Framework, which was last updated and approved by Civic Affairs in 2013. Our review has been timed to incorporate updated Risk Management best practice guidance published during 2020. The revised Strategy and Framework also reflects recent changes to the Council's priorities and aims to support an agile, transformational approach to risk management.
- 3.4 We considered the effectiveness of the existing Risk Management Strategy & Framework and in our opinion Risk Management tools are embedded with the Council, however we also identified opportunities for improvement.
- 3.5 The Risk Management Strategy & Framework has been updated to reflect these findings and a Risk Management Improvement Programme has been established, looking at back-office changes which will help support delivery of the revised Strategy & Framework and improve management engagement in the Risk Management process. Key changes include:
- Risk Appetite Statement: The Risk Management Strategy did not previously define the Council's risk appetite. A risk appetite statement has been included to help managers determine the level of risk they are able to accept, ensure that risks are effectively but not overly managed. The risk appetite statement also recognises that managers

may need to accept opportunity risks to achieve the Council's objectives.

- Risk Categorisation (Thematic Risks): As part of the quarterly reporting to SMT we propose to introduce thematic risk reviews. These reviews will provide an opportunity for SMT to share their knowledge and experience and make use of professional leads, such as procurement and ICT, to provide specialist support for managers to develop or enhance controls in these areas.
- Risk Category Impact Scoring: The current scoring framework categorises risks by theme, scoring impact and likelihood using a 5x5 matrix. Where risks are cross cutting, the theme with the biggest impact should be used. The existing risk scoring guidance is brief, and risks tend to be scored on the financial theme rather than the theme with the biggest impact. We have introduced a more detailed Risk Scoring Framework across risk themes to provide managers with better quality choice and more consistent scoring across the Council.
- Enhanced Communication and Training: To help improve the profile of risk management we plan to engage with managers through development of the Risk Management intranet pages, provision of formal/informal training sessions on the 4Risk system, and proactive management advice/support to help managers identify risks and proportional mitigation.

4. Implications

(a) Financial Implications

None.

(b) Staffing Implications

None.

(c) Equality and Poverty Implications

None.

(d) Net Zero Carbon, Climate Change and Environmental Implications

None.

(e) Procurement Implications

None.

(f) Community Safety Implications

None.

5. Consultation and communication considerations

Not applicable.

6. Background papers

Background papers used in the preparation of this report:

- Risk Management Strategy & Framework – January 2013
- Orange Book - Management of Risk: Principles and Concepts (Revised Feb 2020)
- Risk Appetite Guidance Note (October 2020)
- Association of Local Authority Risk Management (ALARM) toolkit 2021

7. Appendices

- Risk Management Strategy & Framework

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.



CAMBRIDGE
CITY COUNCIL

CAMBRIDGE CITY COUNCIL

RISK MANAGEMENT

Strategy

Introduction

Effective risk management is critical to ensure an organisation maintains its services, progresses towards achieving its strategic aims, and provides assurance it is operating on sound corporate governance principles.

Definition

Risk Management is a key element of the Council's Governance Framework. The objective of the risk management process is to identify, evaluate and control risks and opportunities.

Risks are the possibility that an unwanted or uncertain action or event will cause injury, loss, damage or adversely affect the ability to achieve our objectives.

Opportunities also need to be considered, providing the benefits and rewards outweigh the potential risks.

Aims and Objectives

Our strategic aim is to:

- integrate pragmatic risk management into the Council's culture;
- raise awareness of the need for risk management by all those responsible for managing risk;
- maintain an ability to anticipate and respond to changing social, environmental and legislative changes.

Risk Appetite

Risk Appetite is the level of risk within which an organisation aims to operate.

Risk Tolerance is the level of risk within which an organisation is willing to operate if the risk appetite is not achieved and the cessation of such activity is not an option.

Risk Capacity is the level of risk which the Council is able to take to achieve its objectives and considers factors such as legislative and financial constraints.

The Risk Universe (All Risks)			
Risk Appetite	Risk Tolerance	Risk Capacity	Beyond Capacity
Level of risk we aim to operate within	Level of risk we are willing to operate within	Maximum Level of risk we can operate with	Beyond acceptable risk

In determining our risk appetite, Senior Management will continuously review the nature and extent of the key risks that the Council is exposed to and is willing to take

to achieve its objectives. Strategic planning and decision-making will reflect this risk appetite when identifying the systemic challenges to our [Council Vision](#).

By understanding our risk appetite, resources can be prioritised and allocated to where it is most needed to manage the risks to achieving our objectives whilst maintaining and demonstrating value for money.

Our risk appetite is illustrated on our Risk Scoring Matrix. We have a positive approach to risk and, whilst we aim to bring all risks within our appetite, we have a broader risk tolerance that we can operate within if activities deliver tangible benefits and rewards and support the Council's objectives. We encourage our staff to take an entrepreneurial mindset. We also aim to have an agile culture that frees up our staff to work in the most effective way needed to respond to new opportunities and changing needs, and to focus on the outcomes that deliver the most value. The Risk Management Framework is designed to enable officers to identify these opportunities and, where possible, also minimise threats. Good risk management, informed decision making and understanding of the associated risks, will help maintain the Council's desired balance of caution and innovation.

Our Processes

The Risk Management process involves identifying potential risks and opportunities; what might cause them to occur; and what the consequences would be if they happen. The process will identify controls that are currently in place to mitigate the risks and establish what actions can be taken to further reduce the likelihood of the risk arising and the impact should it occur. Risk Management is a continual process and as part of this we need to consider learning from previous experiences.

The greater the understanding of the risks that the Authority is exposed to and the causes and consequences of these risks, the more informed future decision making should be.

Our processes, roles and responsibilities, performance and training information are detailed within our Policy Framework.

Governance

Governance is the system by which the Council ensures that it achieves the right outcomes for the citizens of Cambridge in an open and honest way.

The system of internal control is a key part of the Governance Framework and is designed to manage risk to a reasonable level. Internal Audit regularly reviews the system of internal control, providing independent assurance on the adequacy and effectiveness of the controls in place to manage risks. Actions are also agreed with management to improve controls where needed.

Both the Strategy and the Framework will be reviewed regularly to ensure that we maintain best practice and an effective risk management system.

Policy Framework

Introduction

Effective risk management is critical to ensure an organisation maintains its services, progresses towards achieving its strategic aims, and provides assurance it is operating on sound corporate governance principles.

The Account and Audit (Amended) Regulations 2015 establishes that having a system for managing risk is a key part of our internal control framework.

A public service organisation must identify, analyse and prioritise risks, as well as manage and control risks in a cost-effective manner to maximise the quality and efficiency of its service provision and protect its reputation.

Risk management is about being risk aware and finding ways to do something that best minimises threats and maximises opportunities. The key is to identify what those risks might be and how to accommodate them in our activities. Our Risk Management Policy outlines how this will be done.

Policy Aims

The aims of this policy are to:

- embed a pragmatic risk management culture, reducing bureaucracy and improving efficiency and effectiveness;
- explain how to identify and manage risk;
- provide a formalised, coordinated, and consistent approach to managing risks that is understood by all;
- inform policy, strategic planning, and operational decisions by identifying key risks and their likely impact;
- preserve and enhance the effectiveness of service delivery and achievement of corporate objectives;
- minimise loss, disruption, damage, and injury and reduce the cost of risk, thereby maximising resources;

The Benefits of Good Risk Management



How the Council captures and monitors risks

The Council uses a web-based risk management system (4Risk) to record and manage risks and controls.

Risks are allocated to Risk Owners or Delegated Risk Owners and are regularly reviewed and updated.

The system can produce reports and statistics to help Risk Owners monitor and manage their risks and actions.

Management Actions, agreed in Internal Audit reports, are also entered into the 4Risk system and progress on their implementation is monitored.

The Risk Management Process

There are a number of critical steps in the process of identifying and managing risk:



Step	Details
Identify risks and controls	<p>There is a need to identify the potential risks and exposure that may arise.</p> <p>In each case the causes of the risk and the consequences of the risk occurring should be established.</p> <p>In addition, any existing controls in place to mitigate the risks should be identified.</p>
Analyse and score risks	<p>The risks should be analysed and scored to assess the likelihood of any risk arising and the potential impact should they occur.</p> <p>Please see Appendix A for details of the scoring criteria.</p>
Identify actions	<p>Actions may be taken to avoid, eliminate, reduce or transfer the risk.</p> <p>Actions will be assigned to an action owner and have a date for implementation.</p> <p>Actions can be identified by managers or by Internal Audit as a result of a planned review.</p>
Monitoring, reporting and review	<p>Risks, controls and actions will be monitored on an ongoing basis by directors, heads of service and risk owners.</p> <p>The risk management team will report to Strategic Leadership Team twice per year, and the Senior Management Team twice per year.</p> <p>Performance statistics will be included in quarterly Performance Management reports and published on the Intranet.</p>

Risk management is a continuous process, and risks should be regularly reviewed to monitor changes over time. The review of each risk should be recorded on the 4Risk system, to demonstrate a review has occurred.

The 4Risk system issues email reminders when Risks and Actions require review. Six monthly reports setting out the significant and high scoring risks will also be produced for Directors for review with their Executive Councillor(s).

Risk Categories

Risks can be categorised across a number of different themes and categories. The Strategic Leadership Team have identified 18 risk categories. Each risk is allocated a risk category to which it best fits, some risks will fall into more than one category, and in such circumstances the best fit should be selected. Please see [Appendix A](#) for a full list of the risk categories.

We also aim to develop thematic risk registers (e.g. Financial Resilience, Information Governance) to help managers identify their service risks.

Risk Management Escalation

The Council maintains a Service (Operational) risk register for each Service, plus a Corporate (Strategic) risk register for the whole Council.

It is best practice to review your risks in relation to delivery of our [Corporate plan](#) and delivery of your Service Plans. This helps you to consider where it is best managed and monitored. Some factors to consider include:

Service risk	Escalation	Corporate Risk
<p>This is a risk which threatens delivery of your Service or Business Plan objectives.</p> <p>Likely to be an operational risk (e.g. day to day performance management)</p> <p>A risk which is best managed operationally (i.e. a manager can quickly respond to issues arising).</p> <p>If the risk materialises it will have a local impact (i.e. limited to one team).</p>	<p>Which register?</p> 	<p>This is a risk which threatens delivery of our Corporate Plan.</p> <p>It is significantly important as it has a major impact if it materialises.</p> <p>It will require at least a single member of SLT to manage.</p> <p>It is a service risk which is cross cutting, effects many teams to such a stage that it would benefit from Corporate oversight.</p> <p>If the risk materialises it will have a Corporate impact (i.e. will impact many teams at the same time).</p>

Service based risks can be escalated and become Corporate Strategic risks.

If a risk score is greater than our risk tolerance this would be a good driver for inclusion on the Corporate Register, even if it is just temporary.

Roles and Responsibilities

Everyone has a responsibility to manage risks, ensure risks are discussed and, record risks in the most appropriate place.

It is vital that everybody understands the role that they play, with every employee and Member of Cambridge City Council being responsible for ensuring effective risk management. The roles and responsibilities within the Risk Management Process are detailed below:

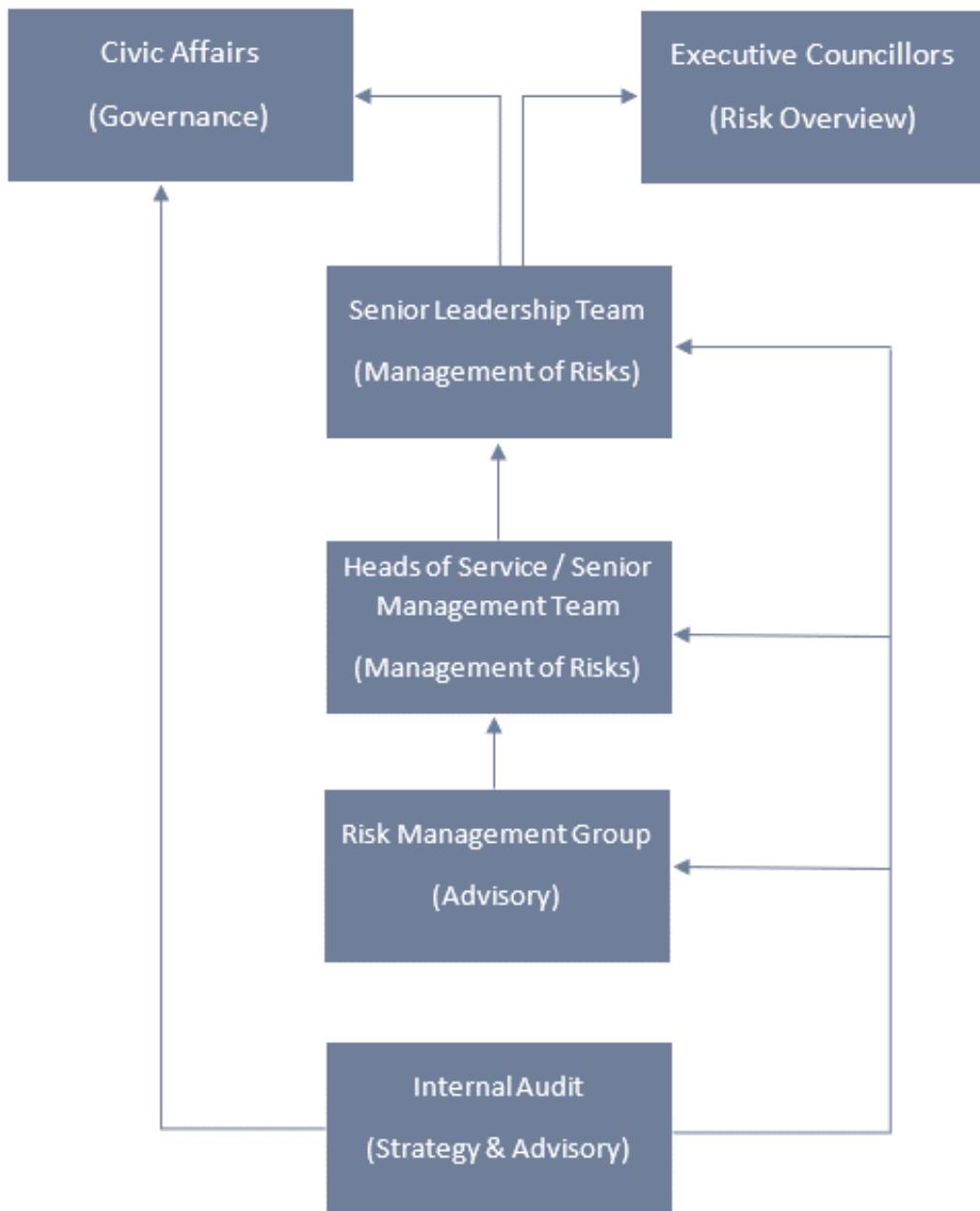
Group or Individual	Roles and Responsibilities
Civic Affairs	Members of Civic Affairs have the role of overseeing the effective management of risk by officers. In effect this means that they will agree the Strategy, Framework and process put forward by officers.
Executive Councillors	Ensure that risks are considered as part of the Portfolio Planning Process. Review and challenge the risks associated with their portfolios on a quarterly basis with the relevant Director.
Strategic Leadership Team	Strategic Leadership Team will approve the Risk Management Framework Process and Strategy. They will carry out twice yearly reviews of the key risks facing the Council and progress with the implementation of overdue and outstanding actions.
Heads of Service	Heads of Service will support the Risk Management framework strategy and process. Heads of Service are responsible for managing the risks within their service or associated projects and ensuring that risk management activity and targets for implementing actions are achieved and that the risk register is updated on a timely basis. Heads of Service will typically be a Risk Owner. The system will allow risk ownership to be delegated to a member of their team if this is more practical.
Risk Management Team	The Risk Management Team comprises a number of professional leads across the Council to help identify emerging risks and proportionate controls.
Internal Audit	Internal Audit is responsible for facilitating the integrated strategy and framework, and processes on behalf of the Council and its Strategic Leadership Team. They offer advice, guidance, support and challenge on all aspects of Risk Management as well as providing training on use of the Risk Register (4Risk). Internal Audit also provides independent assurance on the effectiveness of controls within the Council to mitigate risks. This helps to quality assure the risk management process. The risk register is used for monitoring the progress with implementation of management agreed actions resulting from audit reports. As part of the production and presentation of the annual Head of Internal Audit Opinion to the Civic Affairs committee, Internal Audit comments on the appropriateness of the risk management process

	within the Council; as well as identifying areas of no or limited assurance and the associated actions required.
Partners	Cambridge City Council works with a wide range of partners in delivering its services. It is important that these partners are brought into the risk management framework. At times it will be appropriate for partnerships / shared services to be undertaken. However, it is essential that accountabilities are adequately determined, and that Cambridge City Council does not overlook any risks that may arise as a result of its involvement in a joint venture. Even where there is transfer of operational risks, there will undoubtedly be some residual risks falling on the authority. It is not possible to transfer responsibility for the risk management process.

Risk Management Lines of Communication

As highlighted above there are many stakeholders involved in the Risk Management process.

Effective communication helps us to manage risks. The diagram below illustrates the role of each stakeholder group and the lines of communication between them.



The Importance of an Integrated Approach

The Framework detailed above should provide a consistent, integrated top-down meets bottom-up approach to risk management – embedding it into our strategy and operations.

Other Risk Systems

Risks may be identified and recorded in other Risk Management Systems, where it makes more practical sense. In these circumstances it makes sense to use the same Corporate Scoring Risk Matrix as this enables and supports the escalation of risks to the Corporate Risk Register.

Other risk management systems could include:

Environment	System	Purpose
 Project management	PM3	Risks related to the delivery of projects.
 Business continuity	Excel or Word	To support agile and quick development of risks and controls in an emergency.
 Health and safety	Excel or Word	To help identify hazards and mitigation
 Thematic development	Excel or Word	Working papers for the development of thematic risk registers – e.g., Financial Resilience or Information Governance. These are typically strategic and cross cutting documents and can be used as reference tools for identifying service risks.

We also have an Office Risk Management Templates, uploaded on our [Risk Management](#) webpages, for the agile identification of risks and to support risk identification workshops.

Communication and Training

The [Risk Management](#) webpages on our intranet have recently been updated and enhanced. They include:

- reference material
- training and guidance
- intelligence on emerging risks

Internal Audit are looking to develop a suite of Risk Management training tools to support officers and members. This will include some self -serve videos on how to use the 4 Risk system as well as regular Risk Management drop-in sessions, focussing on various elements of the Risk Management process. Information regarding such training will be published on the Risk Management Intranet pages.

Appendices

Appendix A – Risk Scoring

Risk Scoring Matrix

Impact	5	5-10 Medium	5-10 Medium	12-15 Significant	16-25 High	16-25 High
	4	1-4 Low	5-10 Medium	12-15 Significant	16-25 High	16-25 High
	3	1-4 Low	5-10 Medium	5-10 Medium	12-15 Significant	12-15 Significant
	2	1-4 Low	1-4 Low	5-10 Medium	5-10 Medium	5-10 Medium
	1	1-4 Low	1-4 Low	1-4 Low	1-4 Low	5-10 Medium
		1	2	3	4	5
Likelihood						

Below is the summary text and guidance included in the 4Risk system.

Score	Impact	Description
5	Critical	The consequences of this event occurring could cause the failure of a number of services or result in the Council having its powers removed through government intervention. The level of financial impact is likely to be over £500,000 in any year.
4	Significant disruption &/or damaging	Significant – the consequence of such an event occurring could cause the failure of the service or bring the Council into serious disrepute. The level of financial impact is likely to be up to £500,000 in any year.
3	Noticeable effect	This type of risk event would have a significant impact on a service's ability to provide its full range of activities. The result of this is that the integrity of the service/Council would be called into question by, for example an inspection service. The level of financial impact is likely to be up to £300,000.
2	Some limited disruption	These types of events can normally be dealt with through the normal day to day management of the service and internal control mechanisms. The level of financial impact is likely to be up to £50,000 in any year.
1	Virtually no impact	These events may be recognized internally but generally have no external impact and can be resolved quickly. The level of financial impact is likely to be under £5,000 in any year.

Score	Likelihood	Description
5	Dead Cert	In this case the event(s) may have already happened in the relatively recent past. Without controls it will happen again and may even occur despite controls. Projected increase in insurance premiums
4	Probable	The event is more likely to happen than not but there remains some possibility it will not. The chance of occurrence may be around 75%+.
3	Strong possibility	There is an even chance that this event may occur. (A probability would be around one in two, (50%)).
2	Some possibility	These events are not likely to occur but there remains some possibility it will. (A probability of a one in ten chance of this event occurring (10%)).
1	Little chance	These events will only occur in exceptional circumstances. (A probability of less than one in fifty (2%)).

Risk Categories

Risk categories are used to identify the Authority's main areas of risk and should be used by managers to identify and analyse service risks. The risk categories highlight common areas/sources of risk within the Authority and should be used as a prompt to ensure that all risks are considered when identifying corporate and service risks.

Risk Category	Risk Description
Financial	Failure to effectively manage the Council's assets and finances including budget monitoring, financial priorities, medium/long term planning, fraud prevention.
Health & Safety	Failure to manage health and safety effectively leading to a prosecution under the Corporate Manslaughter Act or other health and safety legislation.
Major Projects	Failure to adequately manage and control major CCC projects.
Climate Change	Failure to meet Council's climate change commitments.
Recruitment & Retention	Failure to recruit and retain adequate number of suitable staff leading to key person dependency and loss of capacity building opportunities.
Legislation	Failure to ensure compliance with legislation.
Business Continuity	Failure to adequately plan and manage processes for unforeseen events (Civil Emergency Plan, Business Continuity Plans, IT failure)
Reputation	Damage to Council's reputation through adverse media coverage.
Partnerships	Failure to adequately manage and control partnerships working and joint agency activity and key contractor relationships.
Equalities/Social Exclusion	Failure to manage equalities/social exclusion (including duties for specific vulnerable groups).
Political	Ineffective political leadership, policy development and community leadership; member support.
Officer/Member Relationships	Ineffective officer/member working relationships.
Planning & Leadership	Opportunity to maintain and continue to improve Council efficiency through clear strategic focus, planning and leadership.
Governance	Inappropriate internal governance.
Procurement & Contract Management	Failure to ensure effective procurement and contract management arrangements.
IT & Technology	Failure to properly manage IT, data and the Council's website.
Change Management	Ineffective management of change, inadequate capacity and knowledge.
Physical Property & Assets	Failure to properly manage property and other assets, to prevent damage, loss or theft.

Appendix B - Glossary

Key Terms

These are the key terms that a Risk Manager needs to understand in their daily risk management responsibilities.

Term	Description
Action	Something in addition to the existing controls which needs to be carried out to mitigate a risk. Once implemented actions may become controls.
Analysing Risk	The evaluation of risk with regard to the severity if the risk is realised, and the likelihood of the risk being realised.
Cause	What will cause the risk to occur.
Consequence	What the consequence will be should the risk occur.
Control	Existing checks / processes in place to mitigate a risk.
Corporate (Strategic) Risk	Potential risks that may prevent the organisation achieving its aims and Medium-Term Objectives.
Impact (Severity)	The probable effect on the Organisation / Service if the risk occurs (scored from 1 – 5).
Likelihood	The probability or chance of the risk occurring (scored from 1 – 5).
Operational (Service) Risk	Potential risks that managers and officers encounter during their business planning and day-to-day service delivery
Risk	Risk is the uncertainty of outcome, whether a positive opportunity or a negative threat, of action and events. It is the combination of likelihood and severity.
Risk Management	All the processes involved in identifying, analysing and profiling risks, assigning ownership, taking actions to mitigate or anticipate them and monitoring and reviewing progress.
Risk Score	The exposure arising from a specific risk after controls have been put in place to manage it and making the assumption that the control is effective. The score is calculated by multiplying likelihood by severity with controls in place.

Glossary of Specialist Terms

These are more detailed risk definitions and terms used by Risk Management Team and specialists.

Term	Description
Opportunity Risk	Most risk management standards and guidelines recognise the upside of risk. However, many people find the concept of opportunity risk management difficult to grasp, due to the negative associations of risk.
Threat Risk	Organisations should proactively manage opportunity risk. If only threat risks are managed, the best outcome expected is to meet the promised objectives but never to improve on them. The value of identifying opportunity risk and threat risk is that the Council can take a strategic approach to tackling the risk.
Risk Appetite	Level of risk we aim to operate within
Risk Tolerance	Level of risk we are willing to operate within
Risk Capacity	Maximum Level of risk we can operate with
Risk Universe	All of the risks that we document and are managed
Black swan event	An event that comes as a surprise, has a major effect, and is often inappropriately rationalized after the fact with the benefit of hindsight
Grey swan event	A potentially very significant event that is considered unlikely to happen but still possible. Examples include climate change, population growth, and rising debt.
White swan event	An event with a high certainty and easily estimated impact.

Appendix C - Risk management standards, legislation and guidance

These are some of the documents that we use to ensure our Framework stays up to date:

- ALARM (Association of Local Authority Risk Management) Risk Management Toolkit 2021
- ISO 31000:2018 Risk Management Guidance
- HM Treasury - Orange Book 2020
- Civil Contingencies Act 2004
- APP National Decision Model
- APP Risk
- Delivering Good Governance in Local Government 2016
- BS 31100:2011 Risk Management British Standard Code of Practice

Appendix D - Impact Matrix by Risk Category

Scoring risks consistently is important, as it helps us to prioritise our resources where it is most valued.

It can be challenging to consistently score the impacts of risks across the Council and Partners, as we can have different risk appetites. For example, not all teams have the same budget.

We tend to score risks according to how easy it is to measure their impact. It can be easy to quantify risks from their financial impact but considering other factors can more difficult. This can make it difficult to score risks consistently.

We have developed this matrix to help you consider the impact of a risk materialising across our different categories.

Bear in mind that sometimes risks can be cross cutting and fit into more than one category. In such scenarios we would suggest choosing the category where there is the greatest impact.

Risk Category	Risk Description	Virtually no impact	Some limited disruption	Noticeable effect	Significant disruption & / or damaging	Critical
	Score	1	2	3	4	5
Financial	Failure to effectively manage the Council's assets and finances including budget monitoring, financial priorities, medium/long term planning, fraud prevention.	The level of financial impact is likely to be under £5,000 in any year.	The level of financial impact is likely to be up to £50,000 in any year.	The level of financial impact is likely to be up to £300,000.	The level of financial impact is likely to be up to £500,000 in any year.	The level of financial impact is likely to be over £500,000 in any year.
Reputation	Damage to Council's reputation through adverse media coverage.	No reputational damage. Coverage in media which is not typically frequented.	Limited coverage in social media and local media. Short term reduction in public confidence. Elements of public expectation not being met.	Brief coverage in the national media. Sustained coverage in the local media. Longer term reduction in public confidence.	Coverage in the national media.	Repeated and extensive coverage in the national media. Commentary from MP in Parliament. Total loss of public confidence.
Health & Safety	Failure to manage health and safety effectively leading to a prosecution under the Corporate Manslaughter Act or other health and safety legislation.	Physical No injury/claims.	Minor injury/claims (first aid treatment).	Violence or threat or serious injury/claims (medical treatment required).	Extensive multiple injuries/claims. HSE inspection.	Loss of life. HSE inspection.
Major Projects	Failure to adequately manage and control major CCC projects.	Insignificant cost increase Schedule slippage	<5 percent over project budget	5 – 10 percent over project budget	10 - 25 per cent over project budget	25 percent over project budget

Risk Category	Risk Description	Virtually no impact	Some limited disruption	Noticeable effect	Significant disruption & / or damaging	Critical
	Score	1	2	3	4	5
Change Management	Ineffective management of change, inadequate capacity and knowledge.	Adhoc officer resistance. Insufficient resources (time/officers) resulting in minor slippage on planned implementation timescales.	Minor levels of resistance. Insufficient resources (time/officers) resulting in minor slippage on planned implementation timescales.	Lack of awareness or desire to support the change at officer level. Noticeable levels of resistance. Insufficient resources (time/officers) resulting in noticeable slippage on planned implementation timescales.	Lack of awareness or desire to support corporate change amongst Senior Management. Significant levels of resistance. Insufficient resources (time/officers) resulting in significant slippage on planned implementation timescales.	Lack of awareness or desire to support corporate change at strategic level (SLT/Members). High levels of resistance. Insufficient resources (time/officers) resulting in major slippage on planned implementation timescales.
IT & Technology	Failure to properly manage IT, data and the Council's website.	Out of date links on Council's website Ad-hoc access issues for individual users.	IT issues which impact individuals for an extended period or a small group of users, for a short period, but does not cause disruption to customer service.	Outages due to hardware/software failures affecting larger number of users within a service impacting on customer service/service operations.	Frequent outages due to hardware/software failures causing significant disruption to multiple service operations.	Major IT outages due to failure or Hardware causing major disruption to service delivery. Software no longer supported by suppliers.
Business Continuity	Failure to adequately plan and manage processes for unforeseen events (Civil Emergency Plan, Business Continuity Plans, IT failure)	Insignificant disruption on internal business – no loss of customer service. Less than 1 hour.	Some disruption on internal business only – no loss of customer service. Interruption of half a day.	Noticeable disruption to Council – would affect customers (loss of service no more than 48 hours).	Major disruption to the Council – serious damage to organisation's ability to service customers (loss of service for more than 48 hours but less than seven days).	Loss of service delivery for more than seven days.
Recruitment & Retention	Failure to recruit and retain adequate number of suitable staff leading to key person dependency and loss of capacity building opportunities.	Insignificant impact on service operation as a result of staff turnover. Occasional use of temporary staff Occasional vacant posts for a short period	Minor disruption to internal operations due to staff leaving/training new members of staff. Frequent use of temporary staff Frequent vacant posts for a short period	Significant number of staff leaving the council resulting in minor disruption to service delivery. Inability to recruit experienced permanent employees. Reliance on temporary workers to fill vacant posts.	Significant number of staff leaving the council resulting in major disruption to service delivery. Inability to recruit experienced permanent employees. Reliance on significant levels of temporary staff in individual service areas.	Unable to maintain service delivery due to high volumes of staff leaving the council/inability to recruit in a timely manner. Unable to attract suitable staff (permanent/temporary)
Legislation	Failure to ensure compliance with legislation.	Minor civil litigation or regulatory criticism	Minor regulatory enforcement	Major civil litigation and/or local public enquiry	Major civil litigation setting precedent and/or national public enquiry	Section 5 notice, Section 151 or government intervention or criminal charges.

Risk Category	Risk Description	Virtually no impact	Some limited disruption	Noticeable effect	Significant disruption & / or damaging	Critical
	Score	1	2	3	4	5
Partnerships	Failure to adequately manage and control partnerships working and joint agency activity and key contractor relationships.	Minor partnership friction	Some delay to projects	Project over-run against time and cost budgets, need for greater investment of senior officer time	Projects and initiatives not delivered; reputational damage and loss of trust impacting on future funding and partnership proposals	Irreconcilable breakdown in partnerships with loss of facility for joint working + reputational damage
Equalities / Social Exclusion	Failure to manage equalities/social exclusion (including duties for specific vulnerable groups).	Minor impact – queries able to be resolved	Risk of delay to initiatives and/or diversion of resources to resolve issues	Extended delays to projects and initiatives to ensure equalities considerations properly addressed	Adverse impacts for people with protected characteristics; risk of challenge; reputational damage	Legal challenge over legal compliance; significant reputational impact
Political	Ineffective political leadership, policy development and community leadership; member support.	Objectives still achieved with minimum extra cost or inconvenience	Partial achievement of objectives with compensating action taken or reallocation of resources.	Additional costs required and or time delays to achieve objectives – adverse impact on PIs and targets.	Unable to achieve corporate objectives or statutory obligations resulting in significant visible impact on service provision such as closure of facilities.	Unable to achieve corporate objectives and/or corporate obligations
Officer/Member Relationships	Ineffective officer/member working relationships.	Queries easily resolved	Queries and issues take longer to resolve	Policies and projects delayed due to additional queries and challenge	Difficulty in setting budgets or approving major policies: Significant diversion of officer and member time spent on issue; may require external (e.g. peer support)	Complete breakdown in officer/member relations – potential need for external intervention; major reputational damage
Planning & Leadership	Opportunity to maintain and continue to improve Council efficiency through clear strategic focus, planning and leadership.	Minor queries, easily resolved	Potential misunderstanding of priorities, minor delay / disruption to activities and initiatives	Some priorities delayed or not delivered due to insufficient clarity, planning or leadership	Financial and service objectives not met, with impacts for stakeholders and potential for unplanned financial consequences	Failure to deliver major service objectives; customer and stakeholder dissatisfaction; serious financial consequences.
Governance *	Inappropriate internal governance.	Minor weaknesses in governance risk and control identified. Management can easily and quickly rectify and implement improvements.	Independent and external assurance reporting identifies moderate weaknesses in governance risk and control.	Independent and external assurance reporting identifies major weaknesses in governance risk and control. Reporting in the Annual Governance statement required.	External inspection conducted under section 10 of the Local Government Act 1999. Reporting in the Annual Governance statement required.	Intervention and appointment of external parties / Commissioners to take over key functions in relation to governance and operations. Reporting in the Annual Governance statement required.

Risk Category	Risk Description	Virtually no impact	Some limited disruption	Noticeable effect	Significant disruption & / or damaging	Critical
	Score	1	2	3	4	5
Procurement & Contract Management	Failure to ensure effective procurement and contract management arrangements.	Limited resource, excessive demand for support	Lack of market visibility, unaware of innovations that may impact suitability of tender. Unaware of national trends in supply chain	Lack of contract management post award	Failing to follow procurement procedures and legislation	Lack of planning by stakeholder services Legislative changes or national requirement Supplier financially or operationally fails
Physical Property & Assets	Failure to properly manage property and other assets, to prevent damage, loss or theft.	Minor damage or loss to physical fabric that does not prevent ongoing use	Minor damage or loss to physical fabric that does not prevent ongoing use but disruption due to alternative arrangements or during repairs.	Damage or loss to physical structure that prevents ongoing use pending repair	Significant damage or loss to physical structure that prevents ongoing use for extended period pending substantial repair.	Catastrophic damage or loss to physical structure requiring full closure and alternative premises for ongoing operation
Environmental	Failure to properly identify/manage environmental impact.	Minimal or no impact on the environment.	Minor impact on the environment.	Moderate impact on environment.	Major impact on environment.	Catastrophic impact on environment.
Performance and Objectives	Ineffective performance monitoring arrangements.	Minimal impact on performance	Underperformance not detected or reported early, opportunity to mitigate may be missed	Underperformance not reported resulting in inefficiency, cost, delay and poor service	Major impact on performance requiring costly intervention to recover; reputational damage and impact on officer-member trust	Total absence or failure of performance management resulting in service failure, complaints, reputational and relational damage, potential need for external intervention

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FREEDOM OF INFORMATION, DATA PROTECTION AND TRANSPARENCY: ANNUAL REPORT 2020/2021

To: Civic Affairs Committee	22 September 2021
Report by:	Eleanor Dent
	Acting Deputy Data Protection Officer/ Senior Information Governance Specialist
	(3C Shared Services - Information Governance)
	Email: Eleanor.Dent@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 2020/21 (April 2020 - March 2021).

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 Incidents
 - 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 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 seven members, including the current Data Protection Officer (DPO). 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 information governance 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 Director and Senior Information Risk Owner (SIRO), Fiona Bryant and comprises of number of managers / heads of services across most service areas within the Council.
- 4.4 The Information Security Group agreed its Terms of Reference in February 2021. The purpose of the group is to provide SLT with assurance on information governance arrangements, ensure compliance with relevant legislation and council policies, and ensure that council services implement any actions necessary to ensure compliance.
- 4.5 The Information Security Group meets quarterly and last met in May 2021.

5. DATA PROTECTION COMPLIANCE

- 5.1 The team have built on last year's review of the Data Protection arrangements this year.
- 5.2 The Information Governance team have continued to focus on the key areas identified in 2019/20, including Lawfulness, Fairness and Transparency, Individual Rights, Accountability and Governance, Data Security, International Transfer and Breaches. Each area consists of a number of sub-categories. See [Appendix A](#) for details.
- 5.3 Following on from the priority areas identified in 2019/20 the Information Governance team have carried out improvements in the following areas.

Area	2019/20 Actions	Risk	Update on actions for 2020/21
Information Asset Registers (IAR) / Flows	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.	Information Asset Registers have been reviewed by all services.
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	Data flows identified under IAR review form baseline of records of processing.
Policies	Ensuring clear accessibility for all staff to up to date policies, including, for example IT Policies.	The risk is staff may not be aware of updates	Acceptable Use policy updated and signed off by ISG. New policy will be circulated by HR with

			compliance to monitor compliance.
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>	If timing for refresher training is not in line with other public sector partners this can present issues for public sector information sharing agreements.	<p>Requirement to undertake refresher training every 12 months, bringing Council in line with other public sector partners.</p> <p>GDPR training must be undertaken within the first 10 days as part of new starter induction process.</p> <p>Compliance with training reported to all services quarterly via ISG.</p>
Information Sharing Arrangements	No central register for the data sharing agreements signed by Council	Lack of clear central visibility on appropriateness of contracts / sharing agreements already in place. May lead to compliance risk	<p>Central information Sharing Log has been created.</p> <p>Multi-agency Covid response working governed by information sharing agreements.</p> <p>Information Asset Register review identifying where additional agreements/contracts are needed.</p>
Incorporation of Privacy by Design in Projects	DPIAs are currently treated as a standalone document to be completed at project initiation.	Possible risk that privacy risks may either not identified / identified in a timely manner.	Information governance is integrated into the Council's Project development process as part of the Quality Assurance Group. This enables the IG team to give and early warning of DPIAs in projects.

- 5.4 Updates to monitor the status and progress of these actions are provided to the City's Information Security Group (ISG).

6. INFORMATION SECURITY COMPLIANCE / CYBER ESSENTIALS

- 6.1 Cyber Security continues to play an important role every day and routine business processes. Integration of systems and sharing of information and data across multiple platforms requires the council to maintain safe and secure systems providing assurance to residents, members of public and partner agencies.
- 6.2 The council has continued to invest, time effort and resource into managing and mitigating cyber security risks and threats. 3C ICT have carried on developing and improving cyber security against the backdrop of continually evolving threats. Particularly over the last 12 months where global incidents have become more frequent.
- 6.3 Even though Cyber Essentials is not as comprehensive as 10 steps (only covers 5 basic controls) The assessment process is under way and we are awaiting feedback from the submission. The NCSC 10 Steps will remain as the principal method of assessing our cyber security position, however, Cyber Essentials will benefit from this.
- 6.4 Over the last year there has been a significant growth in cyber criminality in the form of high profile campaigns including the one against Solarwinds. Each threat creates additional crucial but time consuming checks to ensure that the councils environment remains protected and secure.

The COVID-19 pandemic has had an unprecedented impact with the council staff having to adapt to new ways of working, including the change to standard working practices and the shift to working remotely. With Virtual Private Network (VPN) software always being a target, newly uncovered vulnerabilities in the software are having to be patched and updated frequently whilst staff continue to work remotely and 3C ICT minimising disruption to the service.

- 6.5 Throughout the last FY 3C ICT have continued to improve the statuses of the themes identified in the National Cyber Security Centre (NCSC) 10 Steps to Cyber Security. The high profile global incidents relating to ransomware impacting networks due to vulnerabilities of email systems, the policies and processes in place for patching has meant that 3C ICT have been able to patch the councils environment or mitigate the risks as soon as the vulnerabilities are released. See [Appendix B](#) for summary of themes and RAG status.
- 6.6 Last year it was reported that four areas were in amber. Of this four, two have now moved to green and although two are still amber improvements have been made in each area. The themes that have remained green still required significant time, effort and resource to maintain the position through the year due to the

rapidly changing threat and risk environment nationally and globally. The rationale behind the status for these four areas is the following:

- Risk management – This area has now matured and moved to green this is supported by the independent assessment of the risk management approach. Cyber security updates are provided to the Shared Services Board as well as the Information Governance Committee. 3C ICT have submitted the necessary forms for Cyber Essentials and although Cambridge City have PSN compliance, 3C ICT are working with the Cabinet Office for a single submission for all 3 partners.
 - Incident Management – Although still regarded as amber. This area has improved with specialist cyber security training being completed and improved reporting and response to incidents. Process and procedures are in place and being used for dealing with cyber security incidents with the relevant bodies (National Cyber Security Centre, Information Commission Office, Action Fraud) all being notified when required. 3C ICT are continuing to promote user awareness and the importance of reporting any incidents.
 - User education and awareness – This area has now moved to green. All staff are required to complete cyber security training when employment starts. Over the next year 3C ICT will testing the effectiveness of the training to ensure that it is relevant and to identify areas that still need improving. This is subject to a bid approval for the next FY.
 - Monitoring – Although the work to complete the consolidation of tools is still ongoing (Due to other priorities COVID-19 response related) additional processes and procedures have been successfully developed and implemented in order to continue improvements in this area.
- 6.7 3C ICT have been working with the Cabinet Office and have agreed a more favourable approach to the annual PSN accreditation with the move to a single submittance for all 3 partners rather than a single submission for each. This will see 3C ICT as one of the early adopters and is the preferred way of working for the Cabinet Office.
- 6.8 Late 2020 3C ICT undertook an independent cyber security review. Among the good practices identified were that NCSC 10 Steps to Cyber Security had been identified, were being followed and reported on.

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, provides support, and ensures compliance.

The Council works to a target of 90% response compliance within 20 days (statutory requirement) as advised by the Information Commissioner. **We achieved 95% in 2020/21.**

This report relates to those formally processed requests.

- 7.3 For the year 2020/21 (April – March) the council received a total of 525 requests under FOI and EIR, representing a 27% decrease in the number of requests received in 2019/20.
- 7.4 [**Appendix C**](#) demonstrates the year on year trend in the number of FOI requests since 2014/2015.
- 7.5 There are services which receive a high percentage of FOIs. [**Appendix D**](#) shows the numbers and the percentages per service.

There are three departments with significant numbers of requests. These are Environmental Services, Greater Cambridge Shared Planning and Revenues and Benefits Service.

- 7.6 Freedom of Information request volumes and performance are reported quarterly as part of the Corporate Performance reporting. Compliance reports are also reported to the Information Security Group to understand trends, and to help departments focus on their compliance.

8.1 PERSONAL DATA RIGHTS REQUESTS

The UK left the EU on 31 January 2020, and the General Data Protection Regulation (GDPR) was replaced by the UK GDPR. The UK GDPR retains the key principles, rights and obligations of the EU GDPR, and alongside the Data Protection Act 2018 forms the basis of Data Protection regulations in the UK. Data protection applies to information relating to living individuals and the regulations govern how the Council uses this information.

- 8.2 As a data controller the Council is responsible for ensuring that it meets the obligations of the Data Protection Regulations. The regulations give individuals specific rights over their information.
- 8.3 The Information Governance Team coordinate requests relating to individuals rights such as right to request access to the personal data the Council holds

(subject access), 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 E**](#) 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. Many of the delays to requests have been due to the limitations that have come from working from home, including accessing paper files, and providing responses in hard copies for those subjects who could not receive electronic files.

- 8.4 One rights request was escalated to the Information Commissioner's Office. This was resolved without further investigation from the ICO.

9. PERSONAL DATA INCIDENTS

- 9.1 The guidance on notification of data breaches under the Data Protection Act / UK GDPR states 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. The Council also has a lawful duty to inform the individuals without undue delay if a breach is likely to result in high risk to their rights and freedoms.

- 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. This 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

During 2020/21 33 incidents were reported. This is a significant increase on the previous year, suggesting that services are becoming more aware of the need to report incidents in a timely manner. Following assessment by the IG team one breach met the threshold for reporting to the ICO. The ICO reviewed the

Council's submission and did not recommend any further actions. A breakdown of all incidents 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 provided to the ISG to ensure visibility and ensure any recommendations 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, all 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.
- 10.3 Benchmarking against other public sector partners revealed that the recommended 2 yearly update was not in line with other areas of the public sector. This was identified as a risk to information sharing arrangements, especially for the sharing of health and social care data that was necessary as part of multi-agency Covid-19 work. As a result, the IG team recommended that all staff should undertake refresher training on an annual basis. This recommendation was agreed by ISG.
- 10.4 The IG Team provide quarterly updates on GDPR training completions to ISG. The Council has also procured a new e-learning platform which will remind staff when refresher training is due. This will be in place from 2021/22.

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.

(c) **Equality and Poverty Implications**

This report does not propose decisions with equalities impacts, so an 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

[Appendix A](#) Scope and Categories for Data Protection Gap Analysis

[Appendix B](#) Areas for monitoring and managing cyber security risks

[Appendix C](#) Yearly trends of FOI Requests received by Cambridge City Council (Numbers and Percentage of FOI responses responded to within 20 working days, Numbers of internal reviews and ICO 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
<u>Appendix F</u>	Personal data incidents

16. BACKGROUND PAPERS

None

17. REPORT DETAILS AND CONTACT

Report: Freedom of Information, Data Protection and Transparency: Annual Report 2019/2020	Drafted: 28 th July 2021 Last Revision: 28 th July 2021
The author and contact officer for queries on the report	Information Governance Manager / Data Protection Officer infogov@3csharedservices.org

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:

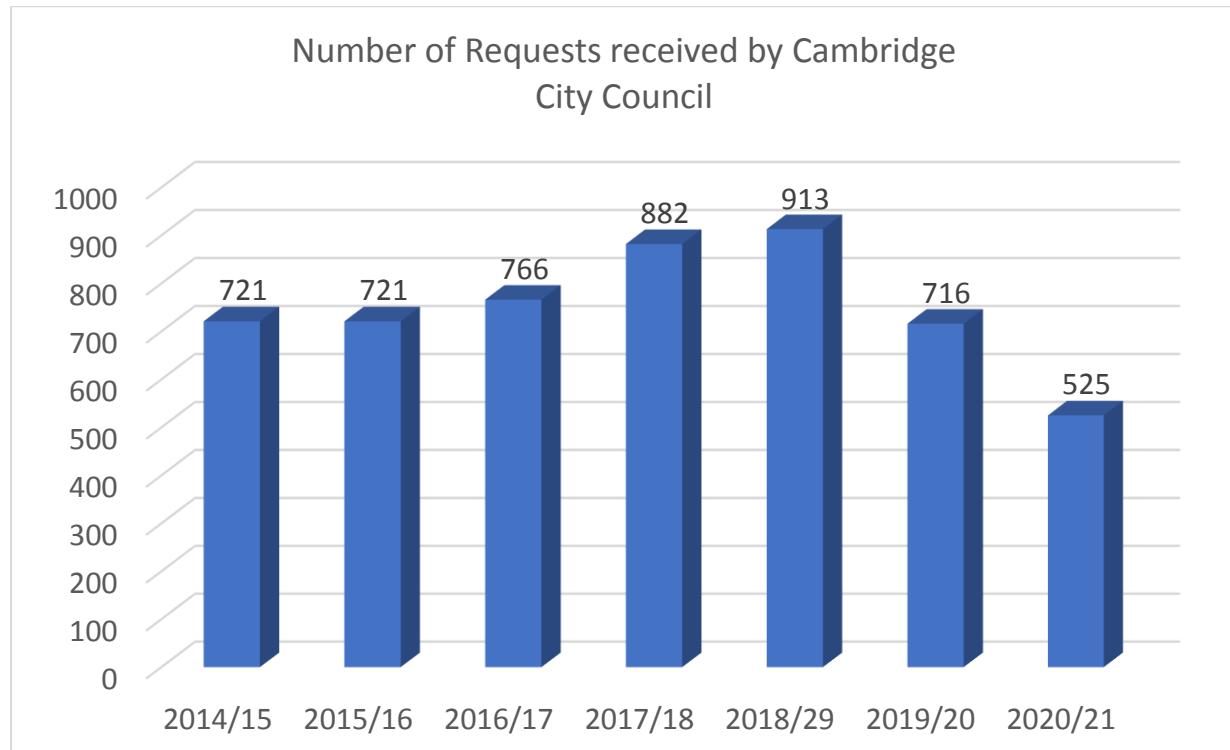
AREAS FOR MONITORING AND MANAGING CYBER SECURITY RISKS.

10 Steps Theme	Rating	RAG	Direction of travel
Risk Management *	7	GREEN	↑
Secure Configuration	7	GREEN	↔
Network Security	7	GREEN	↔
Managing user privileges	7	GREEN	↔
Incident management *	6	AMBER	↑
User education and awareness *	7	GREEN	↑
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
2014/15	721	84	16
2015/16	721	91	9
2016/17	766	87	13
2017/18	882	90	10
2018/19	913	91	9
2019/20	716	88	12
2020/21	525	95	5

c) FOI/EIR Complaints / Internal Reviews

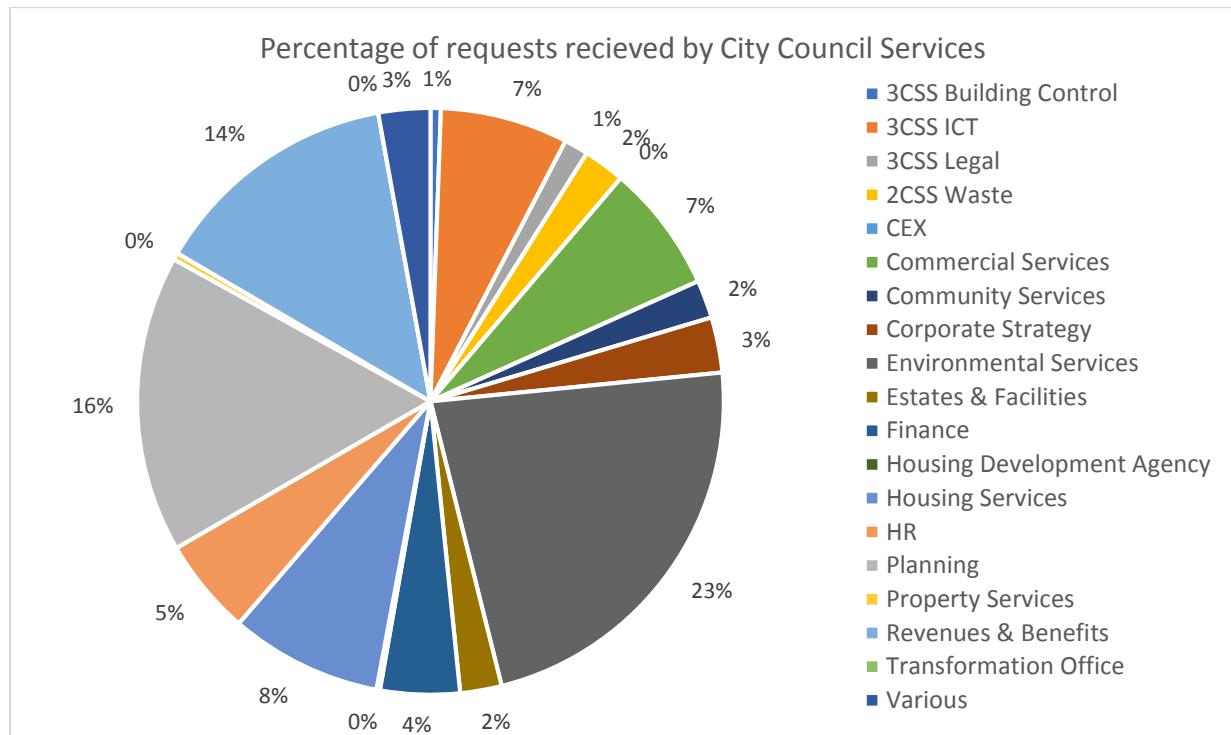
	Received	Compliance with time frame
Internal Reviews / Complaints	4	4
ICO Complaints	1	1

Whilst one complaint has been made to the regulator (ICO) it resulted in no action for the Council.

APPENDIX D:

BREAKDOWN OF FOI REQUESTS BY SERVICE AREAS

a) Percentage of Requests received by each Service Area



b) 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	3	3	100%	10.7
3CSS ICT	37	31	84%	15.5
3CSS Legal	7	7	100%	14.6
2CSS Waste	12	11	92%	14.8
CCC CEX	0	0	-	-
CCC Commercial Services	37	37	100%	5.2
CCC Community Services	11	11	100%	10.0
CCC Corporate Strategy	16	16	100%	12.3
CCC Environmental Services	119	118	99%	12.4
CCC Estates & Facilities	12	11	92%	16.3
CCC Finance	23	22	96%	17.3
CCC Housing Development Agency	1	1	100%	20.0
CCC Housing Services	44	44	100%	9.3
CCC HR	28	28	100%	14.2
CCC Planning	86	76	88%	13.2
CCC Property Services	2	2	100%	9.5
CCC Revenues & Benefits	72	66	92%	12.0
CCC Transformation Office	0	0	-	-
Various	15	13	87%	15.6
	525	497	95%	

APPENDIX E:

Individual Rights Requests

This includes other requests other formal requests for information (other than FOI/EIR)

E.g. Subject Access, Erasure, and Rectification requests.

Other Requests	Received	Compliance with time frame
Individual Rights Requests (including SAR, erasure and rectification requests)	27	23
SAR Complaints	0	-
ICO Complaints	1	1

Whilst one complaint has been made to the regulator (ICO) it resulted in no further action for the Council.

APPENDIX F:

PERSONAL DATA INCIDENTS

Personal data incidents recorded in 2020/21 (April 2020 – Mar 2021) by Category.

Category	Number	Reported to ICO
Disclosed in error	24	Not reportable to ICO
Lost or stolen hardware	1	Not reportable to ICO
Uploaded to website in error	1	Not reportable to ICO
Technical security failing	1	Not reportable to ICO
Other	6	1
Total	33	1

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Item

2021/22 Area Committees, Additional Council Meeting and the Municipal Year 2022/23 (Indicative)

To:

Civic Affairs Committee 22/09/2021

Report by:

Democratic Services Manager, Gary Clift

Tel: 01223 - 457011 Email: gary.clift@cambridge.gov.uk

Wards affected:

None directly affected

1. Introduction

The report seeks decisions on various committee meeting matters.

2. Recommendations

- 2.1 To continue with Area Committees held virtually until April 2022 then review in May 2022.
- 2.2 To agree to an additional Council Meeting in w/c 28 February or 7 March 2022, with the already scheduled 24 February 2022 Council dealing with the Budget (HRA capital and General Fund BSR) only. The date for the additional meeting to be agreed by the Chief Executive in consultation with the Mayor and Group Leaders.

2.3 To remove the April 2022 council meeting from the calendar.

2.3 To comment and agree the meetings calendar 2022/23.

3. Background

Area Committees

3.1 At Council on 27 May it was agreed to hold area committees virtually up to 31 December initially, with a review by Civic Affairs Committee in the autumn on a more permanent change.

3.2 As at 17 September, two for each area have met. The viewing figures and public speakers have been:

North-10 (June), 17 (September)

West/Central-14, (June), 12 (September)

South-9 (June), 17 (September)

East-25 (June), TBC (September)

3.3 With hindsight, expecting to make a decision after just two rounds of area committee is premature if Members want to agree a permanent revert to meeting in person or decide to hold these meetings on-line only. The Council is investing in equipment to live stream its meetings from committee rooms and the council chamber from September. If Members want to make a permanent change to Area Committees it would be better to continue on-line for a further two cycles of meetings each to get a year's worth of experience, reviewing in May 2022. In the meantime any decisions will be made by officers following the debate had at an area committee eg. small community grants.

3.4 There is a wider debate to be had about Area Committees and the value added of the current format, agenda items and terms of reference which have been raised by Members for some time. A review being commissioned by the Centre for Governance and Scrutiny on the Council's decision-making will contribute to this.

Additional Council meeting

3.4 At the Budget Council meeting on Thursday 25 February, all the business could not be dealt with so the meeting was adjourned to the

following Monday 1 March. Group Leaders agreed that an additional Council meeting should be included in the calendar as a matter of course, so one meeting dealt with budget setting only, the other would deal with all other business.

- 3.5 It is not unusual for Councils to have a dedicated meeting for budget setting. The additional meeting for 2022 should take place after the scheduled budget meeting on 24 February, on a Thursday within the next two weeks (Thursday 3 or 10 March-with subsequent moving of an area committee already scheduled).
- 3.6 As Members have agreed in recent years, it is proposed to remove the April Council meeting from the calendar.

Calendar 2022/23

- 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 confirm dates at respective meetings in February-April each year.
- 3.2 The annual calendar avoids main school holidays and political party conferences where possible. Liaison with our partner Councils/authorities is done so the calendar seeks to avoid date clashes wherever possible.
- 3.3 If an additional Council meeting for 2022 is confirmed (as referenced above), the 2022/23 calendar will be amended to reflect this change.

4. Implications

- (a) Financial Implications** - none
- (b) Staffing Implications**-none
- (c) Equality and Poverty Implications**

The calendar of meetings 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 2022/23 calendar avoids meetings in school holidays following the committee's 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

There were none.

Cambridge City Council Meeting Dates, May 2022 - May 2023

Updated: 10/09/2021

Please note that dates are correct at time of print and are subject to change.

[You can find an up to date calendar on the Council's website.](#)

MEETING	DAY	TIME	2022									2023				
			MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APRIL	MAY	
Council	Thurs	18:00	26-11am		21			20				23				25-11am
Environment and Community	Thurs	17:30		30				6			26		23			
Planning and Transport	Tues	17:30		28			27				17		21			
Housing	Tues	17:30		Tues - 21			22				19		Tues - 14			
S&R	Mon	17:00			11			10				6	27			
Civic Affairs	Wed	17:30	16		13		21					8				
Full Licensing	Mon	10:30		27			26				30		20			
Licensing Sub	Mon	10.30		20	11, 25	8, 22	5	17, 24	7, 21	5, 12	9, 23	13, 20	6	3, 17		
Planning	Wed	10:00		Tues - 14	6	3	7	5	2	7	11	1	1, 29	26		
Jnt Dev Control	Wed	10:30		22	20	17	21	19	16	14	25	15	15	12		
Equalities	Tues	16:00			5						10					
DCF	TBC	10.00		28	26	23	27	25	22		31	21	(Weds) 23	18		
JSEF	Tues	17.00			12			11			31					
East Area *	Thurs	19.00		23			15			1			16			
North Area *	Thurs	19.00		9			1		17				2			
South Area *	Mon	19.00		13			5		28				6			
West Area *	Thurs	19.00		16			8		24				9			
Joint Local Planning Advisory Group		17.30														
Executive	Mon	18.00										6				

* Area Committees set their own dates and times in between Jan - March 2022

Member briefings	TIME	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APRIL	MAY
Mon, Tues or Wed at 18.00	00:00	various*												

*various member briefings/training sessions for new/all councillors are taking place during May (see Induction Programme)

2022 Lib Dem Party Conference

2022 Labour Party Conference

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