



Cambridge City Council  
**Civic Affairs**

**Date:** Thursday, 3 November 2022

**Time:** 10.00 am

**Venue:** Council Chamber, The Guildhall, Market Square, Cambridge, CB2 3QJ

**Contact:** [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk), tel:01223 457000

**Agenda**

- 1 Apologies
- 2 Declarations of Interest
- 3 Public Questions
- 4 Annual Governance Statement 2021/2022 (Pages 3 - 48)
- 5 Statement of Accounts 2021/22 (Pages 49 - 176)

**Civic Affairs Members:** McPherson (Chair), Carling (Vice-Chair), Bennett, Davey, Hauk and Thornburrow

**Alternates:** Bick, S. Davies and Moore

## **Information for the public**

The public may record (e.g. film, audio, tweet, blog) meetings which are open to the public.

For full information about committee meetings, committee reports, councillors and the democratic process:

- Website: <http://democracy.cambridge.gov.uk>
- Email: [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk)
- Phone: 01223 457000

This Meeting will be live streamed to the Council's YouTube page. You can watch proceedings on the livestream or attend the meeting in person.

Those wishing to address the meeting will be able to do so virtually via Microsoft Teams, or by attending to speak in person. You must contact Democratic Services [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk) by 12 noon two working days before the meeting.



Item

## Annual Governance Statement and Local Code of Governance

**To:**

Civic Affairs Committee [03/11/2022]

**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 2021/2022, 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.

### **Significant events**

- 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 2021/2022, 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 2021/2022.
- 3.9 The Council responded to the pandemic and completed numerous activities to 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 added a section in the previous AGS report to highlight this. Internal Audit have completed an independent review in 2022/2023 to help support this statement.

### **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 and published on our [website](#). 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 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.
- 3.16 The final, and formatted, version of the AGS will also be included with the approved and published Statement of Accounts.

### **Local Code of Corporate Governance**

- 3.17 The preparation of the AGS and the Local Code of Governance is undertaken in accordance with the guidance published by CIPFA.
- 3.18 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.
- 3.19 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.
- 3.20 The Council first adopted a Code of Corporate Governance on 25 April 2002 and it has been reviewed annually since then. The Code stands as the overall statement of the Councils corporate governance principles and commitments.
- 3.21 Significant changes were made in 2017, following revised international guidance being issued in 2016.
- 3.22 The Code is continually 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.
- 3.23 The Code includes the Seven principles of public life, as it applies to anyone who works for local government and supports good governance. It is updated to reflect any changes made by the Committee on Standards in Public Life. The Leadership descriptor was recently updated.

## **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](mailto:jonathan.tully@cambridge.gov.uk).

This page is intentionally left blank



# Covering Note

This is the draft Annual Governance Statement (AGS) for 2021/2022.

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 has 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.



## 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

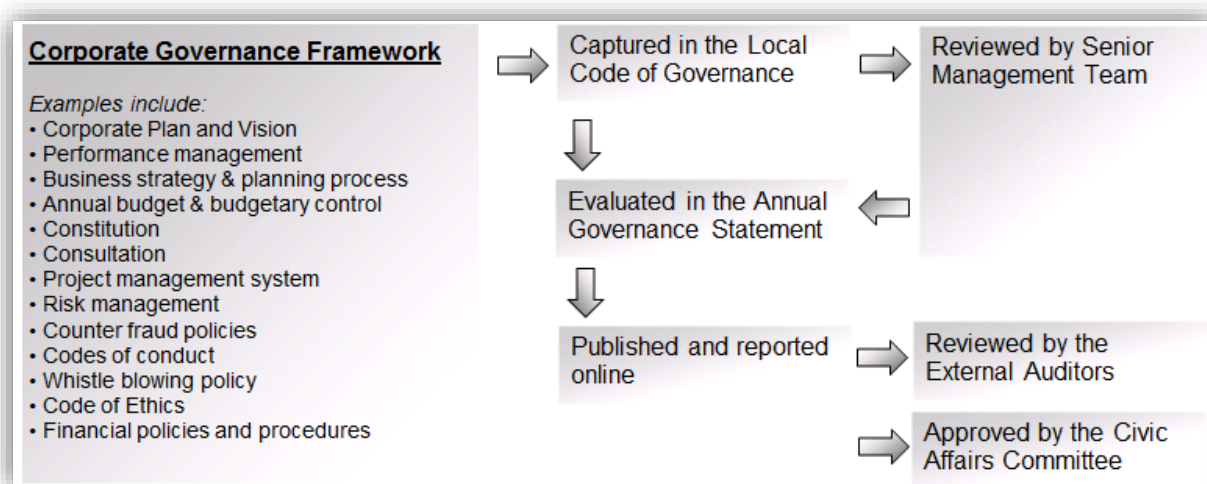
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

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](#)<sup>1</sup>. 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.

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



The Council produces a [Corporate Plan](#)<sup>2</sup>, which included three key priorities for 2021/2022:

- Tackling poverty and 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 whilst transforming the council

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

### **Local Code of Governance**

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

The Governance Framework has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the statement of accounts. It is recorded in our [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

### **Role and responsibilities**

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

---

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

Governance structures	Roles and responsibilities
Council	Council agrees the budget and policy framework, such as the Corporate Plan, Medium Term Financial Strategy. Further details are published on our <a href="#">website</a> .
The Executive	The <a href="#">Executive</a> is the Leader of the council and six Executive Councillors. They make decisions on major service areas.  They 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.
Scrutiny and Overview Committees	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: <ul style="list-style-type: none"> <li>• <a href="#">Environment and Community Scrutiny Committee</a></li> <li>• <a href="#">Housing Scrutiny Committee</a></li> <li>• <a href="#">Planning and Transport Scrutiny Committee</a></li> <li>• <a href="#">Strategy and Resources Scrutiny Committee</a></li> </ul>
Leadership Team	Our management structure includes a <a href="#">Leadership Team</a> with a Chief Executive, the Assistant Chief Executive, Directors, and a Head of Finance. It is supported by a Senior Management Team. Both teams consider policy formulation and future planning.
Civic Affairs Committee	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: <ul style="list-style-type: none"> <li>• Electoral issues</li> <li>• Audit and regulatory financial matters</li> <li>• Civic and democratic process management issues</li> <li>• Miscellaneous regulatory responsibilities</li> </ul> <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 <a href="#">published on the website</a>. The Committee has also appointed an independent person which is regarded as best practice.</p>

You can visit our website for more information about "[How the Council Works](#)".

### **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. 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:

### **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 which outline the key findings of the internal audit work undertaken during 2021/2022, 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 2021/2022, 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.

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 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.

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 2022. For 2020/2021 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. Councils are required to be compliant with the code from the 2021/2022 financial year.

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.

Our evaluation has demonstrated that the requirements of the code are being satisfied. This process has also helped us to identify further opportunities to improve our financial resilience which have been agreed by the Leadership Team.



## 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.

The financial year 2021/2022 was another year in which council services were disrupted by the impacts of the global coronavirus pandemic. Restrictions and regulations changed during the year. Some services continued largely unaffected, whilst others (such as the Corn Exchange and other live cultural events) were not able to operate "normally" until later in the year. Even when services were allowed to operate normally, the continuing presence of coronavirus in the community lead to periods of sick leave and isolation, reducing our capacity to deliver some services at times.

In response to the pandemic we 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 2021/2022](#) 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 Councils 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 2020/2021](#) which was approved by the Civic Affairs Committee in September 2021:

Action	Update and status
Managing our recovery and resilience	2021/2022 continued to be 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. We continued reviewing how we delivered our services and the best way to do this as we responded to further changes from the pandemic.
Transformation, resources and risk management	We reviewed the Risk Management Framework to best practice guidance. We developed a revised Strategy and Toolkit to reflect our current risk appetite and support an agile and transformative approach to working. The revised documents approved by the Civic Affairs Committee.
Maintaining financial resilience and compliance	External pressures continue to create financial uncertainty. It is important the council proactively manages this risk.  We delivered an action plan from our earlier high-level assessment of the Financial Management Code. This aims to improve our financial resilience by embedding enhanced standards of financial management and provides assurance that we are managing our financial risks.
Minimising the fraud and error risks	We have started to review and update our local policies and procedures to reflect best practice guidance such as national Fighting Fraud and Corruption Locally Strategy.  We completed post assurance work on Business Grant Schemes, working with the Cabinet Office, BEIS, and HMRC through data sharing initiatives. This included high levels of transactions and regular updates were reported to our Stakeholders.
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 started to review our local guidance and promote any changes. This good practice will continue into 2022/2023.
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.

## 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
<p>A Behave: integrity, ethical values, respect rule of law</p>	<ul style="list-style-type: none"> <li>• We continued to work 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 <a href="#">website</a> to signpost to national guidance, policy and advice on Health and Safety.</li> <li>• The <a href="#">Local Code of Governance</a> was reviewed and updated to reflect the latest professional standards and guidance.</li> <li>• We proactively implemented risk-based controls to mitigate the increased potential for Business Grants fraud and deliver prompt funding support to businesses in the community.</li> </ul>
<p>B Openness &amp; stakeholder engagement</p>	<ul style="list-style-type: none"> <li>• We maintained openness through access to meetings, information and online support.</li> <li>• We actively communicated with residents throughout the pandemic. This included using the <a href="#">website</a> to signpost people to where they could get help, keeping them updated on changes to services, and financial support for businesses and residents.</li> <li>• The 2021 Annual Briefing for Cambridge Businesses and Organisations was <a href="#">delivered online</a>. The <a href="#">budget</a> for the next financial year was also promoted online to help engage with our stakeholders, residents and businesses. Priorities were set to tackle the systemic challenges facing the Council: <ul style="list-style-type: none"> <li>○ Leading Cambridge's response to the climate change emergency and biodiversity emergencies;</li> <li>○ Tackling poverty &amp; inequality and helping people in the greatest need;</li> <li>○ Building a new generation of council homes and reducing homelessness; and</li> <li>○ Modernising the council to lead a greener city that is fair for all;</li> </ul> </li> <li>• We continued to consult and engage with stakeholders, including: Biodiversity Supplementary Planning Document; Greater Cambridge Local Plan: Preferred Options.</li> </ul>

Principle	Review of effectiveness
C Defining outcomes - economic, social, environmental	<ul style="list-style-type: none"> <li>• A new <a href="#">Corporate Plan 2022-2027</a> was set during the 2021/2022 year, to define our outcomes and strategic level objectives.</li> <li>• 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.</li> <li>• The Council approved the Resident Involvement Strategy for 2021/2024, which incorporated business plan objectives, feedback from the 2020 Tenant and Leaseholder Satisfaction Survey and recommendations from the Charter for Social Housing Residents: Social Housing White Paper (2020).</li> <li>• Three <a href="#">new housing policies</a>, were developed with South Cambridgeshire District Council, and will form annexes to the Greater Cambridge Housing Strategy 2019-2023.</li> <li>• The Environment &amp; Scrutiny Committee approved the <a href="#">Council's Climate Change Strategy for 2021-2026</a>, and the <a href="#">Carbon Management Plan for 2021-2026</a> which was consulted with the public in autumn 2020. The revised strategy builds on what the Council has achieved to date, but sets out new ambitions in the context of the Climate Emergency, including working more with residents, communities, businesses and institutions.</li> <li>• The Housing Scrutiny Committee approved a <a href="#">pilot project to retrofit up to fifty Council properties</a> to establish the actual cost and methodology of achieving net zero carbon in existing Council properties.</li> </ul>

Principle	Review of effectiveness
<p>D Determine interventions to achieve outcomes</p>	<ul style="list-style-type: none"> <li>• Our Corporate Plan 2019-2022, defined our outcomes and strategic level objectives in this review year. Performance, achievements, and further actions linked to the Corporate Plan are included in our <a href="#">Corporate Plan Annual Report</a>. It reflects the impact of the pandemic including activities which could not be delivered, and also new activities which could not be planned.</li> <li>• In response to the Covid-19 pandemic we continued to help support the public and provided regular updates on our website. We also provided support to businesses by providing information, and financial assistance through the distribution of national and local business support grants. This included £55 million awarded to support businesses since the pandemic started.</li> <li>• 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 <a href="#">received updates</a> on the ongoing work that the Council had undertaken during the pandemic to respond to the needs of the City, and proposals for grant funding support. The Committee also received an update on the Council's intermediate housing company, Cambridge City Housing Company Limited (CCHC) and Business Plan.</li> </ul>
<p>E Develop capacity and capability of entity</p>	<ul style="list-style-type: none"> <li>• The pandemic challenged our capacity to manage the governance framework. Digital enabling technology enabled the Council to adapt and respond with different ways of working.</li> <li>• Our 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. This helped maintain business continuity for delivery of the elections in May 2021.</li> <li>• Members of the Council <a href="#">appointed Councillor Anna Smith as the new Leader</a> of the Council.</li> <li>• The Council received updates on the work of the <a href="#">Cambridgeshire and Peterborough Business Board</a> (formerly the Greater Cambridge Greater Peterborough Local Enterprise Partnership), <a href="#">Greater Cambridge Partnership</a> and other growth-related partnerships. This is provided as a part of the Council's commitment, given in its "<a href="#">Principles of Partnership Working</a>", to set out annual reports summarising the work of the key partnerships it is involved with.</li> </ul>

Principle	Review of effectiveness
F Manage risk & performance, internal control, finance	<ul style="list-style-type: none"> <li>• 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 <a href="#">report presented to the council's Strategy and Resources Committee</a> on 12 July 2021 estimated that the cost of the pandemic to the council is £18.5million due to increased spending on housing and providing accommodation, alongside reduced income from car parking, Council Tax and Cambridge Live events. These additional costs have only partially been mitigated by government grants.</li> <li>• Scrutiny Committees received annual Performance reports for the Shared Services. This communicated that increased collaborative working between partners is assisting in delivering the benefits set out in the original business plans.</li> <li>• 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 as part of our Contingency Planning. Both our <a href="#">Strategy and Framework</a> were reviewed as good practice and approved by our Civic Affairs Committee.</li> <li>• 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 "<a href="#">Principles of Partnership Working</a>".</li> </ul>

Principle	Review of effectiveness
G Transparency, reporting, audit, accountability	<ul style="list-style-type: none"><li data-bbox="528 288 2033 520">• We received an unqualified opinion on the Statement of Accounts for 2020/2021. 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. There is continuing pressure to complete accounts nationally to the prescribed timetable, and legislation was set to assist Councils with the completion of their 2020/2021 accounts. We completed our accounts after the standard statutory deadline, but within revised timetable, and this was a significant accomplishment for the Council as the majority of Councils could not achieve this.</li><li data-bbox="528 544 2033 603">• Council agreed to use <a href="#">Public Sector Appointments Ltd (PSAA)</a> as the appointing person for procuring External Auditors for the Council.</li><li data-bbox="528 627 2033 686">• The Civic Affairs Committee received the <a href="#">annual report on transparency</a>, including Data Protection, Freedom of Information and Environmental Information Regulations.</li><li data-bbox="528 710 2033 769">• 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.</li></ul>



## 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 2021/2022 financial year and up to the date the Statement of Accounts are approved, and we also look ahead for potential issues for 2022/2023 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	The UK has faced a sequence of significant and ongoing macroeconomic shocks over the past three years. We developed and adapted our processes and governance arrangements during the pandemic, which continued into 2021/2022. At the end of the year, the war in Ukraine presented new challenges for the council in ensuring refugee guests from Ukraine were welcomed and safely housed, and the emerging cost of living crisis raised the prospect of our many residents in the city facing further economic hardship in the months ahead. High inflation, a tight labour market, and supply chain disruption also create pressures and uncertainty. We will continue to respond to emerging challenges and seek new ways of working (including our communities and partners) to deliver the services that are important to local people.
Transformation, resources and risk management	In 2020/2021 the council initiated an ambitious programme of transforming and modernising the way it works, the Our Cambridge Programme. This will deliver a more customer-focussed and efficient approach to service delivery, and a systems-based approach to delivering the council's vision of "One Cambridge, Fair for all" in partnership with communities and a wide range of partners and stakeholders. We will continue the transformation by reviewing the organisation design of the council, identifying savings to achieve a balanced budget, and implementing revised project governance. We will also continue to review our risk management framework to ensure it is complimentary to the Our Cambridge Programme.
Minimising the fraud and error risks	We are reviewing and updating our local policies and procedures to reflect best practice guidance such as national Fighting Fraud and Corruption Locally Strategy. The fraud landscape continues to develop, and it is important that we proactively respond to this. We will continue this work into 2022/2023 to help maintain effective governance arrangements.

Theme	Details
Maintaining good governance and proactively preparing for emerging legislative change.	<p>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 are reviewing our local guidance and will promote any changes. We will also respond to professional guidance issued following the national Redmond Review.</p> <p>External factors continue to create uncertainty to developments in national legislation which could impact Councils. We will continue to 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.</p>

## 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 our 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.

# Local Code of Governance -



# 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

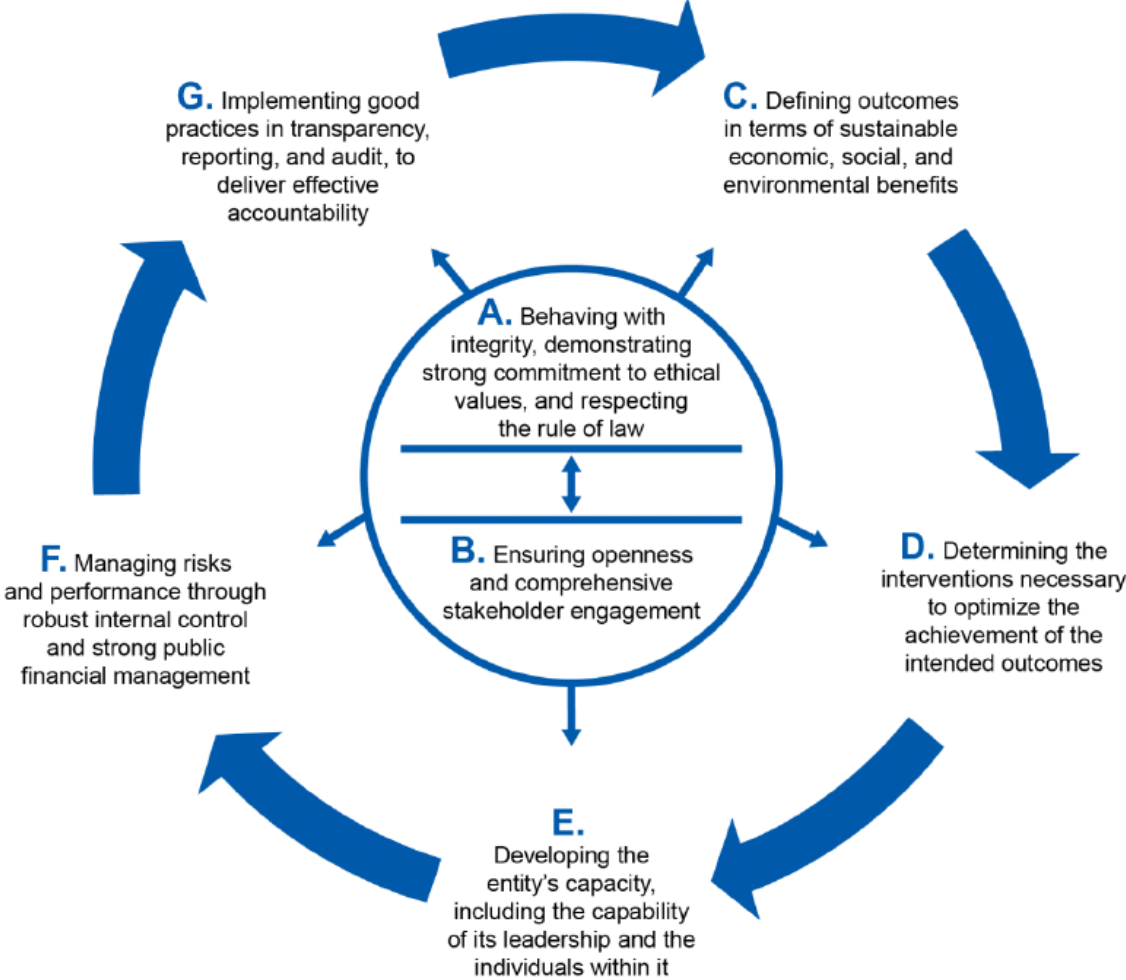
The core governance principles of the council are:-

- 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.

**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.

<b>Principle A – Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>		
<b>Supporting Principles</b>	<b>How do we achieve this?</b>	<b>Supporting Evidence</b>
<ul style="list-style-type: none"> <li>• Behaving with integrity</li> <li>• Demonstrating strong commitment to ethical values</li> <li>• Respecting the rule of law</li> </ul>	<p>The Council expects the authority's leadership – both Members and Officers - to create a climate of openness, support and respect and to uphold the Council's values.</p> <p>Standards of conduct and personal behaviour are set out in the Employee Code of Conduct, the Member Code of Conduct and in the Member/ Officer protocol. An up-to-date register of Member and Officer Senior Officer Interests is maintained. The underlying principles which underpin the Codes of Conduct build upon the Seven Principles of Public Life (the Nolan Principles).</p> <p>The Council has put in place procedures for considering complaints so that members of the public can express dissatisfaction with Council services and their concerns can be monitored and addressed.</p> <p>The Council has appointed two “independent persons” to support this, in accordance with the requirements of the Localism Act, 2011.</p> <p>It publishes an Annual Complaints report analysing trends in complaints against the Council and what has been done to address them.</p> <p>The 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.</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>	<p>Constitution</p> <p>Register of Interests</p> <p>Employee Code of Conduct</p> <p>Member Code of Conduct</p> <p>Member/Officer Protocol</p> <p>Complaints Procedure</p> <p>Annual Complaints Report</p> <p>LGSCO Annual Letter</p> <p>Terms of Reference for Civic Affairs Committee</p> <p>Whistleblowing Policy</p> <p>Prevention of Fraud &amp; Corruption Policy</p> <p>Annual Report on the Prevention of Fraud and Corruption</p>

<b>Principle A – Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>		
<b>Supporting Principles</b>	<b>How do we achieve this?</b>	<b>Supporting Evidence</b>
	<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 2021-2024. 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 2021-2024, including action plan and annual reports</p>

<b>Principle B - Ensuring openness and comprehensive stakeholder engagement</b>		
<b>Supporting Principles</b>	<b>How do we achieve this?</b>	<b>Supporting Evidence</b>
<ul style="list-style-type: none"> <li>• Openness</li> <li>• Engaging comprehensively with Institutional stakeholders</li> <li>• Engaging stakeholders effectively, including citizens and service users</li> </ul>	<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>The Council adopted legislation and best practice, and implemented software, to enable it to continue holding meetings remotely during the pandemic.</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 South Cambridgeshire District Council for decisions affecting growth sites bordering the City and South Cambridgeshire.</p> <p>The Council seeks to encourage engagement in its work through a variety of means including through area committees, public representatives on the Equalities Panel, Tenant Representatives on the Housing Scrutiny Committee and involvement of appointed "Independent Persons" in the work of the Civic Affairs Committee.</p> <p>It also puts resources into outreach work through its community development services and support to tenant and leaseholder representatives.</p>	<p>Committee Agendas</p> <p>Constitution</p> <p>Committee Forward Plan</p> <p>Agendas and Minutes of Committees</p> <p>Council Website</p> <p>Standard Committee Report Templates</p> <p>Area Committee Terms of Reference</p> <p>Terms of Reference of Joint Development Control Committee</p> <p>Membership and Terms of Reference of these bodies</p> <p>Public participation at Committee meetings</p> <p>Public petition scheme</p>



Principle B - Ensuring openness and comprehensive stakeholder engagement		
Supporting Principles	How do we achieve this?	Supporting Evidence
	<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>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>

<b>Principle B - Ensuring openness and comprehensive stakeholder engagement</b>		
<b>Supporting Principles</b>	<b>How do we achieve this?</b>	<b>Supporting Evidence</b>
	<p>The Council seeks to ensure all views are actively considered when making decisions, recognising that it is not always possible to reconcile conflicting viewpoints.</p> <p>The Council ensures it makes feedback available to consultees on the outcomes of consultation, what has changed as a result and explaining why it has made the decisions it has.</p> <p>The Council's Equalities Panel (which has staff, member and public representatives) helps the Council evaluate its success in promoting diversity and meeting a broad range of needs.</p> <p>The Council enters into compacts with Tenants and the Voluntary Sector agreeing ways of working with these two stakeholder groups.</p> <p>The Council sets out in its collective agreements, employment policies and procedures, and terms of reference for forums and meetings involving trade unions, and how it consults with staff and Trade Unions.</p> <p>Members meet with the Trade Unions in a Joint Staff/ Employer Forum. Each Strategic Director has staff forums and there are Joint Trade Unions Group meetings.</p>	<p>Consultation pages on website</p> <p>Council Publications</p> <p>Code of Best Practice on Consultation and Community Engagement</p> <p>Terms of Reference and Agendas for these Meetings</p> <p>Compact documents</p> <p>Collective Agreements</p> <p>Employment policies and procedures</p> <p>Joint Staff/Employer Forum Terms of Reference and Agendas/Joint Trade Unions Group Agendas and Minutes</p> <p>Trade Union Facilities Agreement</p>

<b>Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>		
<b>Supporting Principles</b>	<b>How do we achieve this?</b>	<b>Supporting Evidence</b>
<ul style="list-style-type: none"> <li>• Defining Outcomes</li> <li>• Sustainable economic, social and environmental benefits</li> </ul>	<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 &amp; Wellbeing Board and other relevant countywide partnerships including the Combined Authority for Cambridgeshire and Peterborough.</p>	<p>Vision</p> <p>Corporate Plan</p> <p>Annual Statement</p> <p>Environmental Assessment Tool for Council Policies Plans and Projects</p> <p>Environmental Policy Statement</p> <p>Committee reports</p> <p>Budget Setting Report</p> <p>CPCA Business Board</p> <p>Strategic Economic Plan</p> <p>Health and Wellbeing Strategy</p>

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes		
Supporting Principles	How do we achieve this?	Supporting Evidence
<ul style="list-style-type: none"> <li>• Determining Interventions</li> <li>• Planning Interventions</li> <li>• Optimising achievement of intended outcomes</li> </ul>	<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>Medium Term Financial Strategy – GF &amp; HRA</p> <p>Corporate Plan</p> <p>Agendas for Strategy and Resources Committee</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.</p> <p>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 Leadership Team to consider necessary remedial action.</p>	<p>Operational Plans</p> <p>Budget Setting Report</p> <p>Budget Variance Reports</p> <p>Transformation Program</p> <p>Risk based Internal Audit program</p> <p>Quarterly Performance Monitoring Reports</p>



<b>Principle E - Developing the Council's capacity, including the capability of its leadership and the individuals within it</b>		
<b>Supporting Principles</b>	<b>How do we achieve this?</b>	<b>Supporting Evidence</b>
<ul style="list-style-type: none"> <li>• Developing the Council's capacity</li> <li>• Developing the capability of the entity's leadership and other individuals</li> </ul>	<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>Constitution</p> <p>Member/Officer Protocol</p> <p>Constitution</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>	<p>Partnership Guidance</p> <p>Principles of Partnership Working</p> <p>Competency Framework</p> <p>Organisational Development Strategy</p> <p>IIP Accreditation</p> <p>Council Induction Programme</p> <p>Performance Review Process</p> <p>Job Descriptions</p> <p>Performance Review Process</p> <p>Member Induction Programme</p> <p>Recruitment Guidance</p>

<b>Principle F - Managing risks and performance through robust internal control and strong public financial management</b>		
<b>Supporting Principles</b>	<b>How do we achieve this?</b>	<b>Supporting Evidence</b>
<ul style="list-style-type: none"> <li>• Managing Risk</li> <li>• Managing Performance</li> <li>• Robust Internal Control</li> <li>• Managing data</li> <li>• Strong public financial management</li> </ul>	<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>



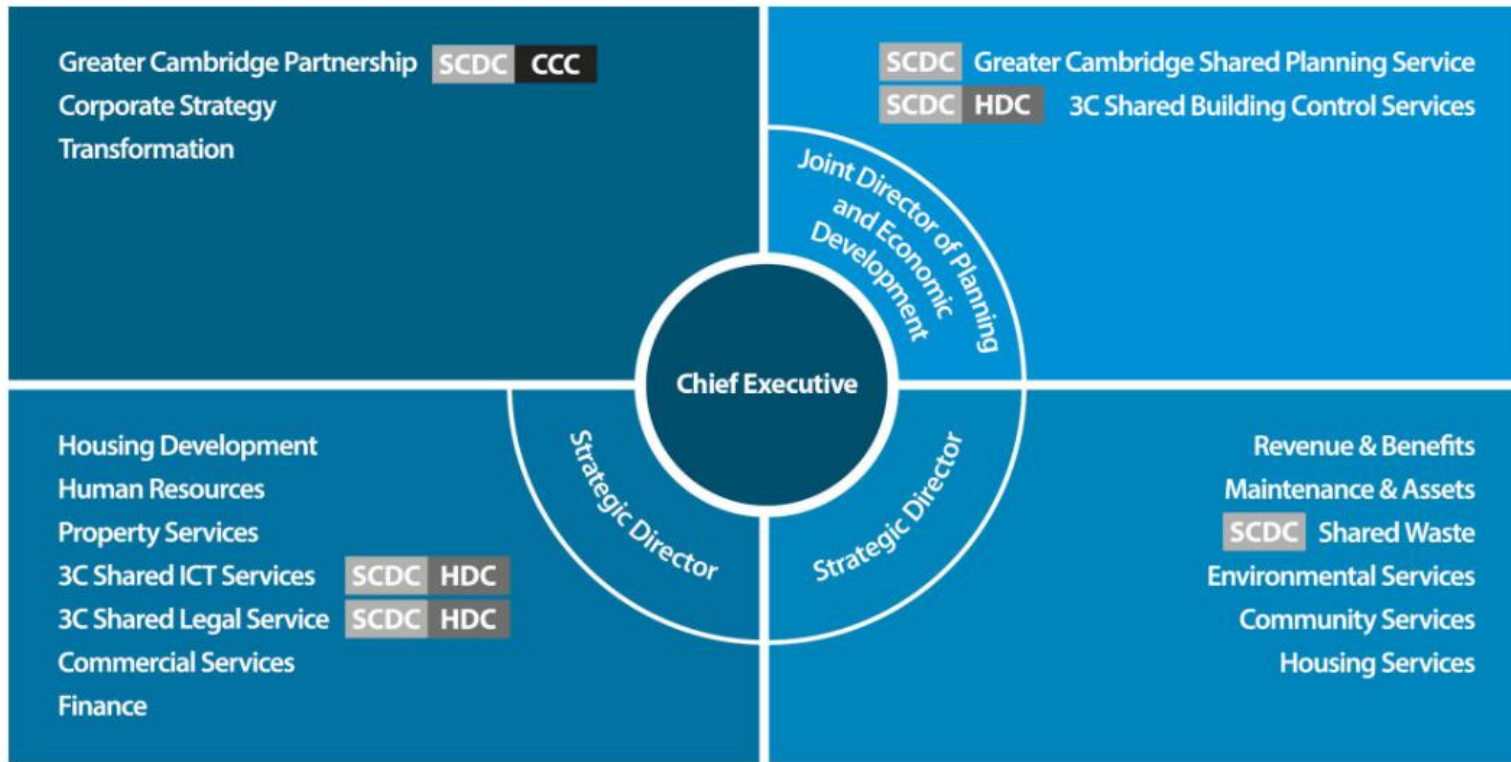


<b>Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>		
<b>Supporting Principles</b>	<b>How do we achieve this?</b>	<b>Supporting Evidence</b>
<ul style="list-style-type: none"> <li>• Implementing good practice in transparency</li>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

**Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

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

# How the Council is organised



## Shared services key:

- SCDC** South Cambridgeshire District Council
- HDC** Huntingdonshire District Council
- CCC** Cambridgeshire County Council

## Partnerships and separate bodies

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

Who	Background	Governance
Investment Partnership	<p>The Council set up an Investment Partnership with Hill Investment Partnerships in 2017. The members agreement has the following objectives:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Improve the use of Council assets and those of other Public Sector Bodies in the Cambridge, or Cambridge wide, area;</li> <li>• 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.</li> </ul>	<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: <a href="https://www.ip-cambridge.co.uk/about-us/">https://www.ip-cambridge.co.uk/about-us/</a></p>
Cambridge City Housing Company Ltd	<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 two organisations.</p>	<p>The Council receives information on the Housing Company through its Strategy &amp; 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:

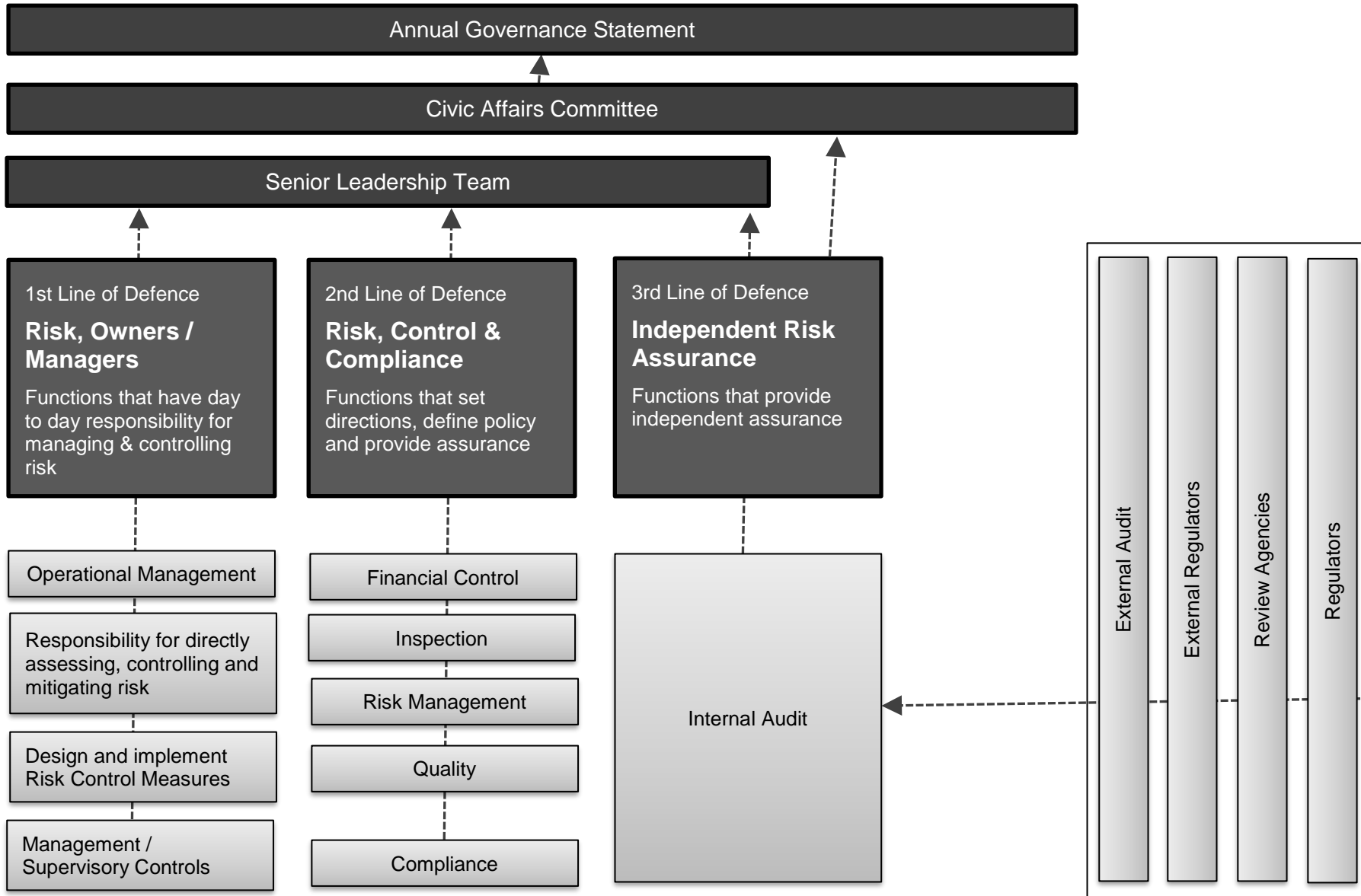
- an acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance;
- a reference to and assessment of the effectiveness of key elements of the governance framework and the role of 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](#), and apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the Civil Service, local government, the police, courts and probation services, non-departmental public bodies (NDPBs), and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

Selflessness	Holders of public office should act solely in terms of the public interest.
Integrity	Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
Objectivity	Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
Accountability	Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this
Openness	Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
Honesty	Holders of public office should be truthful.
Leadership	Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

This page is intentionally left blank



## Item

### STATEMENT OF ACCOUNTS 2021/22

**To:**

Civic Affairs Committee – 03 November 2022

**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 The external audit of the Statement of Accounts for 2021/22 by EY commenced in August in line with the agreed timetable. Work is still ongoing at the time of preparing this report. However, sufficient progress has been made to enable EY to issue an Audit Results Report containing their preliminary findings and conclusions. The report explains that, at the current time, no material adjustments to the draft Statement of Accounts are required and no significant deficiencies in the Council's arrangements have been identified. Much of the work which is described in EY's report as outstanding is nearing completion. A verbal update will be provided at today's meeting to summarise any additional findings and to specify the remaining work which EY need to complete prior to issuing their audit opinion.
- 1.2 In accordance with auditing standards, EY have communicated their audit findings for members of the Civic Affairs Committee to consider in the context of their role as 'those charged with governance'. This covering report provides both commentary from officers on EY's report and information regarding the Council's Statement of Accounts to assist members to fulfil their responsibility for approving the Statement of Accounts. At the same time as approving the Statement of Accounts,

EY require the Council to provide a Letter of Representation signed by both the Head of Finance and a member on behalf of ‘those charged with governance’.

## **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 2022 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 the 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 2022 on behalf of the Council.

## **3. Preparation of Statement of Accounts**

- 3.1 Draft unaudited accounts were published on 29 July 2022, in line with the timetable for 2021/22 set out by central government.
- 3.2 In June 2022, further changes were made to the Accounts and Audit Regulations extending the deadline for publication of the audited accounts by two months from 30 September 2022 to 30 November 2022. This extension only applies to the 2021/22 Statement of Accounts. From 2022/23 onwards the deadline for publication of the audited accounts is 30 September 2022.
- 3.3 A revised Statement of Accounts is attached at Appendix 1. The revised statements incorporate a small number of audit and management adjustments which are detailed in section 6.3 of this report. There are two further non-material adjustments not yet reflected in the accounts which are explained on the following page:

Receipts in Advance

- 3.4 Sample testing undertaken by EY identified an error relating to receipts in advance. Balances relating to revenue from ticket sales connected to events which took place before 31 March 2022 were recognised as receipts in advance within the year-end Balance Sheet. This treatment was incorrect as the balance should either have been recognised in creditors or in comprehensive income and expenditure depending on whether conditions had been met for revenue to be recognised. Further work by officers has also identified some events where errors relating to the treatment of VAT has resulted in balances being incorrectly recognised as a receipt in advance. Having considered all of the affected codes in the Council's general ledger, officers are satisfied that the error does not materially impact the Council's Statement of Accounts. Work is ongoing to quantify the error and agree the resulting adjustments to the accounts. Officers and colleagues from EY will provide a verbal update on this issue at the meeting.

#### Valuation of Pension Fund Assets Attributable to Cambridge City Council

- 3.5 Officers and colleagues from EY are also anticipating a non-material change to the net pension liability recognised on the Balance Sheet. The auditors of the Cambridgeshire Pension Fund (also EY) identified a non-trivial difference between the estimated pension asset values used by the actuary to calculate 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). The Council is awaiting a revised report from the actuary with updated asset values. When this is received officers will update the Statement of Accounts. 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.

#### Other Outstanding Matters

- 3.6 Officers and EY will work closely following today's meeting to facilitate the publication of the Council's audited Statement of Accounts prior to the deadline. 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.
- 3.7 The most significant risks to delivery relate to additional assurance the auditors have sought in relation to the Council's approach to

recognising infrastructure assets and the approach taken by the Council's appointed expert to value General Fund land, buildings and investment property. The issues surrounding infrastructure assets are complex and relate to the extent to which individual infrastructure assets can reasonably be split into components with differing asset lives. All local authorities with such assets are potentially affected. However, upper tier authorities and unitary authorities tend to have more infrastructure assets as a proportion of their asset base than lower-tier authorities. Officers have self-assessed that the City Council is not materially impacted by the issues which have been raised nationally.

#### **4. Council Financial Results for 2021/22**

- 4.1 The Council's financial performance is summarised in the main financial statements.
- 4.2 The Movement in Reserves Statement shows an overall decrease in the Council's usable reserves of £13.6 million to £188.5 million.
- 4.3 The movement in usable reserves includes net decreases of £2.3 million in reserves which can only be used to support capital expenditure. These reserves will be utilised in future years in accordance with the capital programme. The net change in usable revenue reserves is therefore a decrease of £11.3 million.
- 4.4 General Fund unallocated reserves increased by £8.9 million to £25.5 million, whilst General Fund earmarked reserves decreased by £21.4 million to £29.8 million. The net decrease in earmarked reserves includes £25.4 million set aside to cover part of the Council's share of the forecast collection fund deficit in 2020/21 caused by the Covid-19 pandemic and the government's response to it (for example, the expanded retail rates relief scheme). The deficit is being repaid over 3 financial years, starting in 2021/22, and has largely been funded by compensatory grants from central government which were received during 2020/21 and placed in an earmarked reserve.
- 4.5 HRA reserves increased by £1.2 million to £19.6 million. HRA earmarked reserves increased by £0.1 million to £17.4 million.
- 4.6 A more detailed analysis of the movement of both General Fund and HRA earmarked reserves is shown in Note 13 to the Statement of Accounts.

- 4.7 There is a table on page 8 of the Narrative Report within the Statement of Accounts 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 £25.7 million, compared to a net surplus of £29.1 million in 2020/21. The most significant changes year-on-year were:
- Revaluation gains of £6.7 million were charged to HRA expenditure in respect of council dwellings, compared with losses of £8.2 million in 2020/21. Note that whilst 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 gain / 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).
  - Finance and Resources income includes Covid-19 related grants of £1.5 million, versus £6.2 million in 2020/21.
  - The Planning, Policy and Transport portfolio includes income of £9.3 million from car parks in 2021/22, compared with £3 million in 2020/21. This movement is due to the impact of Covid-19.
  - Other operating income includes £6.2 million in respect of gains on the disposal of non-current assets, compared with losses of £0.4 million in 2020/21.
  - Financing and investment income includes £2.5 million gains in respect of the fair value of financial instruments (relating to an increase in the valuation of the Council's investment in a Pooled Property Fund), compared with gains of £0.1 million in 2020/21.
  - Taxation and non-specific grant income includes capital grants of £9.5 million, compared with £36.3 million in 2020/21. It also includes other Covid-19 grants of £1.8 million, compared with £8.4 million in 2020/21. The business rates income retained by the Council under the business rates retention scheme is a net £4.4 million payment to government compared to a net payment of £15.7 million in 2020/21. Retained business rate income for both years is negative, essentially

it is a payment to government. This is 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 the cost of awarding these reliefs and other losses caused by changes in government policy. The receipt of business rate relief grants totalling £11.0 million (compared with £23.4 million in 2020/21) is recognised separately from the business rates retention scheme and disclosed 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 £136.8 million, to £963.3 million. Key movements to note include:

- Net revaluation gains of £70.5 million on property, plant and equipment, consisting of a net gain of £64.9 million on Council dwellings, a net gain of £5.8 million on other land and buildings and a net loss of £0.2 million on surplus assets.
- Net revaluation gains of £1.7 million on investment properties, consisting of a loss of £0.2 million on the central Cambridge shopping centre portfolio, and a net gain of £1.9 million on other investment properties.
- A decrease in the net pension liability of £39.9 million, which includes actuarial gains of £47.6 million and net interest costs of £2.8 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 £251k. 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 £444k.

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 £0.4

million (£0.7 million in 2020/21), Mill Road posted a profit of £6.5 million (£3.3 million in 2020/21) and Cromwell Road posted a profit of £3.4 million (loss of £6k in 2020/21). Orchard Park L2 reported a loss of £3k (£5k in 2020/21), reflecting the fact that development is ongoing.

- 5.4. The Council's share of the net assets of the joint venture entities totals £5.4 million, compared with only £0.8 million in 2020/21.

## **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. Representatives from EY will be present at today's 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 opinion. 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 extremely low which reflects the progress made in improving the quality of the draft accounts and supporting working papers. The adjustments required, as set out below, only impact disclosure notes in the accounts and not the Council's reserves:
- Restating the prior year debtor and creditor balances to gross up balances with central government relating to business rates;
  - Minor corrections to the related party transactions note (note 26);
  - Including prior year comparators as part of the provisions note (note 20);
  - Additional narrative to the income and expenditure analysed by nature note (note 7) to detail material housing benefits expenditure; and
  - Additional narrative added to the HRA Statement of Accounts to state rent arrears balances.

## **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 audit 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 Due to the current uncertainties regarding infrastructure assets referred to in paragraph 3.7, a final version of the Letter of Representation has not been prepared by EY for formal sign-off by the Committee. In all material respects, the final content and form of EY's letter is not expected to differ from that set out in Appendix C of EY's Audit Results Report. Subject to feedback from Members of the Committee at today's meeting, officers will arrange with the Chair of the Committee to provide a signed Letter of Representation once EY have indicated they are ready to issue their audit opinion.

## **8. Audit Fee**

- 8.1 EY have provided an update on their fee proposal on page 40 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 2021/22

**12. Appendices**

- Appendix 1 – Statement of Accounts 2021/22
- Appendix 2 – EY Audit Results Report

**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

This page is intentionally left blank

# Cambridge City Council

Statement of Accounts

for the year ended 31 March 2022

**Introduction**

This Statement of Accounts gives an overview of the Council’s finances for the year ended 31 March 2022. It has been written to help residents and others to:

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

The document is split into the following key sections:-

- The **Narrative Report** explains how the Council is organised, managed and governed. It sets out the Council’s vision and priorities, and the main risks faced in the achievement of these. It also contains commentary on the Council’s financial and non-financial performance for the year.
- The **Council Financial Statements** set out in more detail the financial cost to the Council of the services it has provided during the year, and its financial position at the year-end. It consists of a number of main statements and notes, as set out in the Contents table opposite. It is prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and the Council’s accounting policies which are explained in more detail at note 2.
- The **Group Financial Statements** explain the impact on the Council’s finances of its involvement with Cambridge City Housing Company Ltd (a wholly owned subsidiary) and the Cambridge Investment Partnership (a joint venture partnership).
- The **Glossary** contains a definition of any complex accounting terms used throughout this Statement of Accounts.

Page 60

**Contents**

**Narrative Report** ..... 3

**Council Financial Statements** ..... 12

Statement of Responsibilities ..... 12

Independent Auditor’s Report to the Members of Cambridge City Council ..... 13

Comprehensive Income and Expenditure Statement ..... 16

Movement in Reserves Statement ..... 17

Balance Sheet ..... 18

Cash Flow Statement ..... 19

Notes to the Council Financial Statements ..... 20

Housing Revenue Account Statements and Notes ..... 48

Collection Fund Statements and Notes ..... 50

**Group Financial Statements** ..... 52

Group Comprehensive Income and Expenditure Statement ..... 52

Group Movement in Reserves Statement ..... 53

Group Balance Sheet ..... 54

Group Cash Flow Statement ..... 55

Notes to the Council Financial Statements ..... 56

**Glossary** ..... 60

## Introduction

This has been another year of disruption to council services as a result of the global Covid-19 pandemic. Restrictions waxed and waned, and whilst some services were largely unaffected, others (such as the Corn Exchange and live cultural events) were not able to operate normally for much of the year.

In addition, the UK has continued to experience the social and economic impacts of leaving the European Union, such as nationwide labour shortages in a number of sectors. This has also impacted upon council services, for example contributing towards a driver shortage which led to a temporary suspension of green waste collections.

Further new challenges which emerged towards the end of the year include the arrival of refugee guests from Ukraine, and the cost of living crisis and its impact on city residents. Meanwhile, the United Nations Climate Change Conference (COP26) highlighted the continuing and urgent need to tackle the greatest threats to our planet.

Against this challenging backdrop the Council has continued to work closely with partners and communities to achieve its objectives, and in the autumn produced a draft strategy to promote a green and sustainable recovery from the economic and social impacts of the pandemic.

During the year the Council has also entered a period of significant internal change as it launched the Our Cambridge transformation programme. This ambitious programme will transform and modernise the way the Council works, delivering a more customer focussed and efficient approach to service delivery, and a systems-based approach to delivering the Council's vision in partnership with communities and stakeholders.

The disruption to services caused by Covid-19, and difficulties in recruiting and retaining staff, have contributed to the Council spending £3.5 million less than budgeted on delivering General Fund services. However, £0.9 million of this underspend will be carried forward to support the delivery of delayed work in 2022/23.

In the medium term, the Council is required to find annual savings on its General Fund budget of £6.9 million, much of which will be delivered through the Our Cambridge programme. Further information is set out in the Council's [Budget Setting Report 2021/22](#)<sup>1</sup>.

Alongside this, the Council collected £44.2 million of rent and other income through the Housing Revenue Account. This is used solely to provide services to the Council's housing tenants and leaseholders, and to support the construction of new council housing and improvements to existing properties.

<sup>1</sup> <https://democracy.cambridge.gov.uk/documents/s54960/Council%20Final%2025-2-2021%20Full%20report%20and%20appendices.pdf>

## Organisational Overview and External Environment

### About Cambridge

Cambridge covers a relatively small urban area (measuring 3 miles by 5 miles), with a population of 145,700 (Census 2021). This is 17.6% higher than in 2011, the fifth highest increase for a local authority area in England and Wales.

Around 15,000 people move to and leave the city each year from within the UK, partly due to the nearly 20,000 full time students that attend our world class university and colleges.

50 languages are spoken in the city. People from around the world are attracted to study and work in Cambridge, with international students making up just over a third of all higher education places in the city.

Cambridge has one of the highest skilled workforces in the country, with 63.4% of working people having qualifications of NVQ Level 4 and above, compared to the national average of 43.1%.

Social mobility is an issue. Cambridge ranks 275th out of 324 local authorities across England and Wales in the Social Mobility Index.

Levels of homelessness are higher in Cambridge than the national average, with 13.7% of households owed a duty under the Homelessness Prevention Act compared to an average of 11.7% in England.

Cambridge has a strong, successful economy, including a globally significant cluster of hi-tech and bio-technology businesses. There are over 5,000 knowledge intensive companies with more than 61,000 employees and a combined revenue of over £15.5 billion in the sub-region.

Cambridge is also an attractive tourist destination – 7.6 million people visit the area annually, generating over £2 billion for the local economy. Cambridge is the tenth most popular international travel destination in the UK, with 450,000 international visitors in 2020.

In 2020/21, 9% of working age households were claiming council tax support and the fuel poverty rate in Cambridge (11% of households) is higher than the national average (10%).

The average house price in the city is £440,600, ranking second in the UK 20 City Index. Lower quartile prices are 13.9 times greater than lower quartile incomes.

42% of all households in the city live in private-rented homes. Private sector rents in the city across all property sizes are the highest in the Eastern region and considerably above the England average

### Council Vision and Priorities

Cambridge City Council has a vision:

**'One Cambridge Fair for All', in which economic dynamism and prosperity are combined with social justice and equality.**

It's a vision we share and develop, working with our citizens and partner organisations.

To achieve this vision, our Corporate Plan priorities are:

Leading Cambridge's response to the climate and biodiversity emergencies and creating a net zero council by 2030	Tackling poverty and inequality and helping people in the greatest need
Building a new generation of council and affordable homes and reducing homelessness	Modernising the council to lead a greener city that is fair for all

The [Corporate Plan 2022-27](#)<sup>2</sup> can be found on the Council's website.

**Our Services**

Our services have been reported to management and committees in the following portfolios during 2021/22:

Portfolio	Examples of services included
Strategy and External Partnerships	Chief Executive, Corporate Strategy, Democratic Services
Finance and Resources	Finance, Human Resources, Property Services, Transformation
General Fund Housing	Housing Strategy, Housing Development, Homelessness
Climate Change, Environment and City Centre	Waste and Recycling, Sustainable City, Licensing
Communities	Culture and Community, Sport and Recreation, Community Centres
Open Spaces, Sustainable Food and Community Wellbeing	Community Safety, Streets and Open Spaces
Planning Policy and Transport	Planning, Building Control, Parking Services
Housing Revenue Account	Services delivered as a landlord to the Council's residential tenants and leaseholders

**Our Companies**

The council owns 100% of the shares of Cambridge City Housing Company, which provides housing for sub-market rents and other housing services in the city.

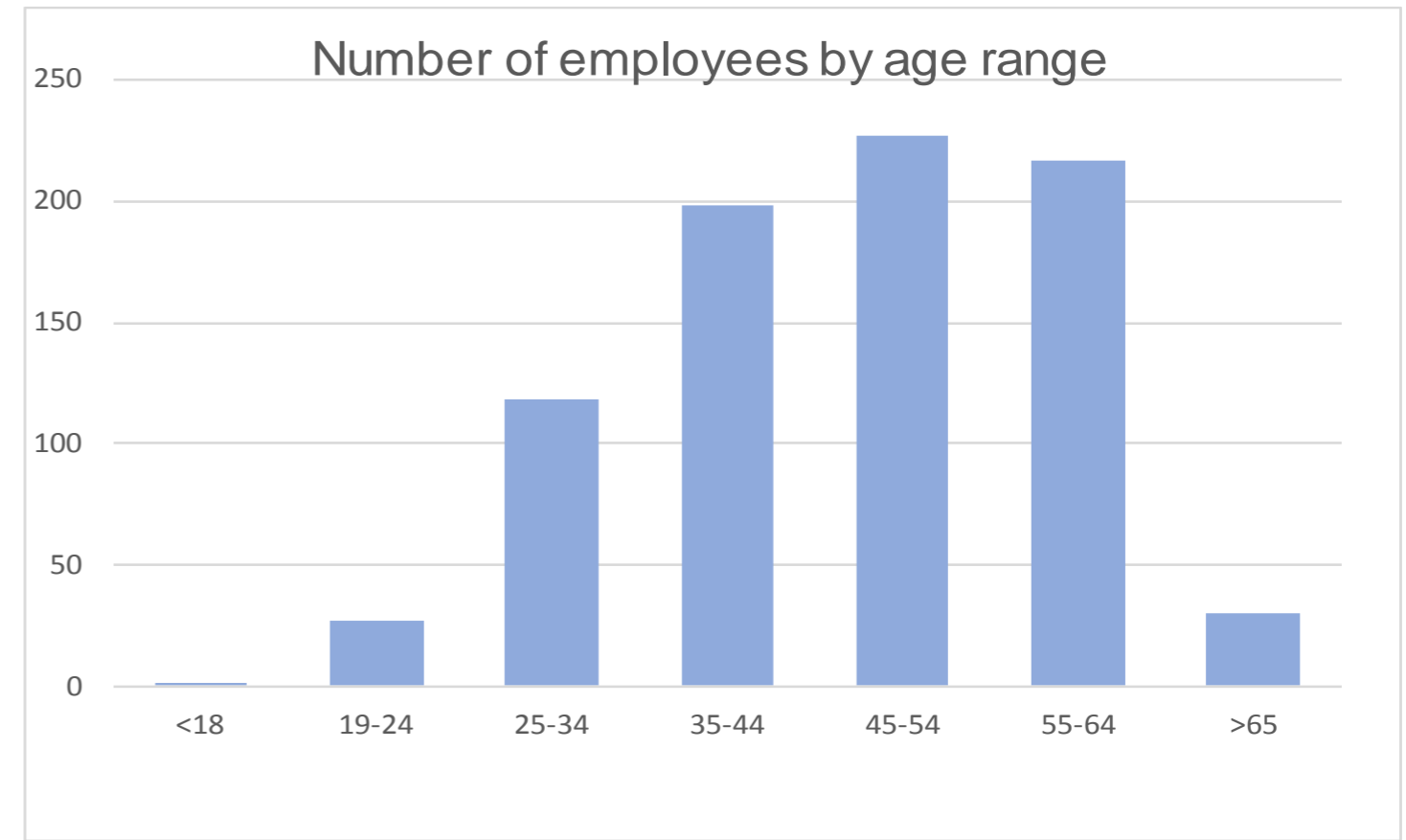
The council also participates as a 50% joint venture partner with a property developer in the Cambridge Investment Partnership, consisting of four limited liability partnerships (LLPs) which are engaged in housing development in the Cambridge area.

Further information can be found in the Group Financial Statements.

<sup>2</sup> <https://www.cambridge.gov.uk/corporate-plan-2022-27-our-priorities-for-cambridge>

**Our People**

The City Council employs 819 staff directly as well as delivering services through others who are based in our shared services and arm's length partnership arrangements. As an Investors in People employer, we are committed to developing and supporting our staff through effective leadership and continuous improvement that supports the Council's vision.

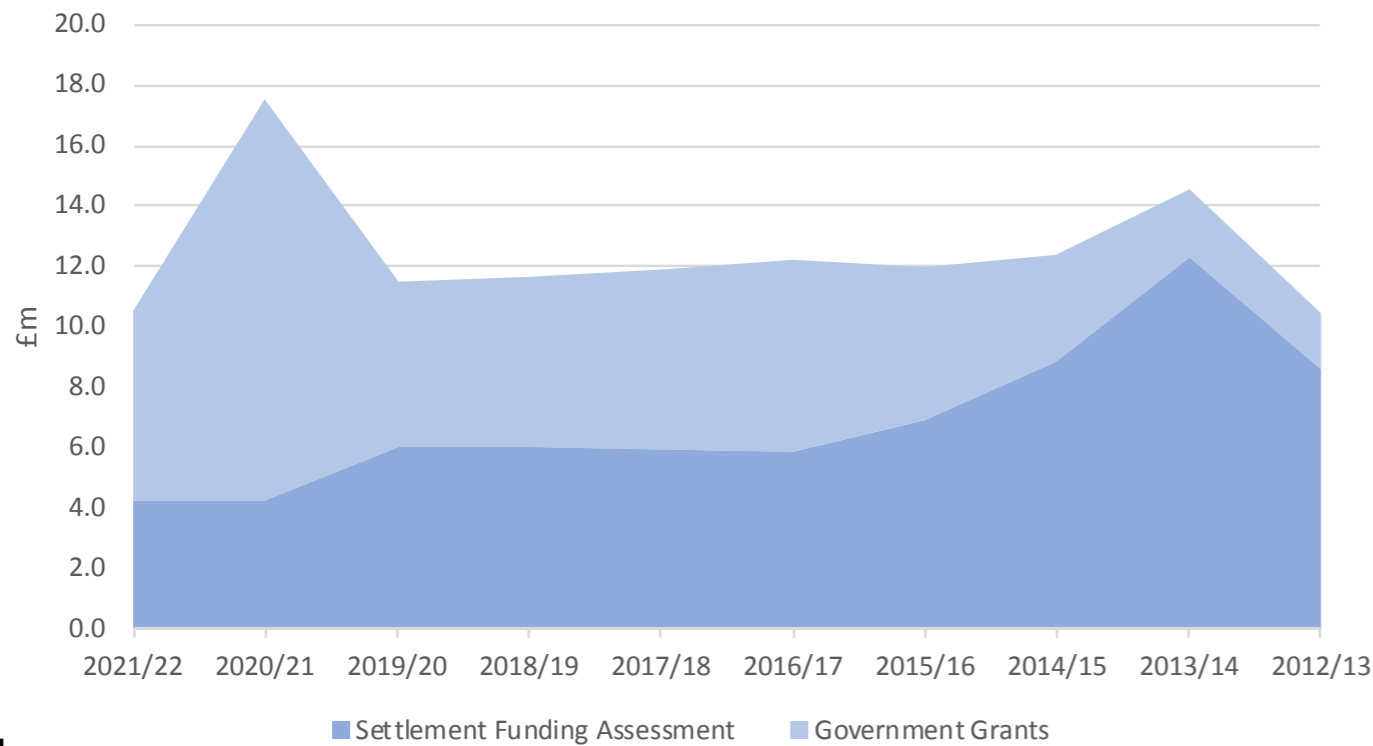


We have <b>626</b> full time and <b>193</b> part time employees	<b>47.98%</b> of our workforce are female and <b>52.02%</b> are male	<b>41.3%</b> of staff have been with the Council over 10 years
---	--	--

**Our Funding**

The Settlement Funding Assessment is the core government funding for the Council. The peak in government grants in 2020/21 is due to additional funding allocated to the Council as a result of the Covid-19 pandemic. Over ten years, core funding has reduced from 83% to 41% of total government funding for the Council.

Government Funding 2012/13 to 2021/22



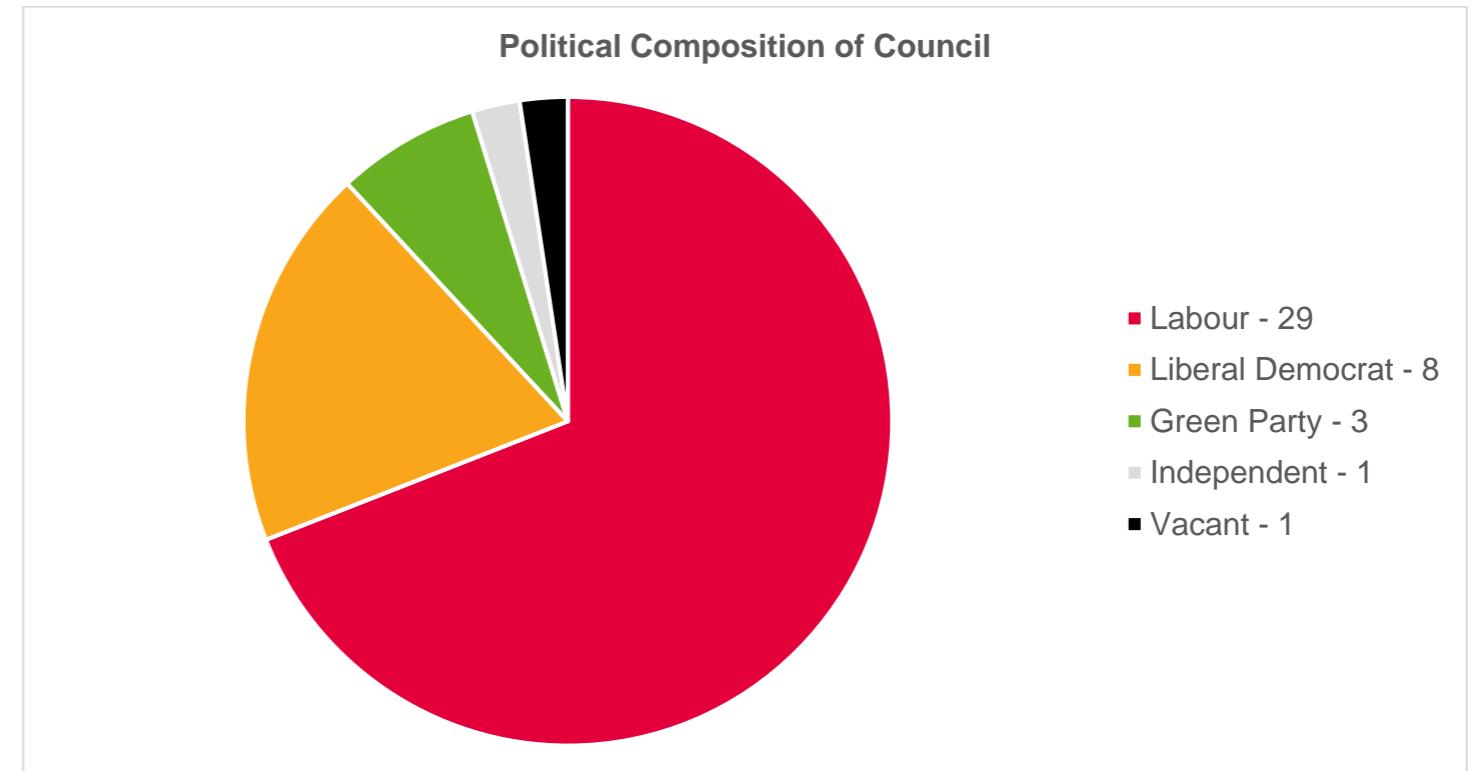
Our External Economic Outlook

The direct economic effects of the Covid-19 pandemic have lessened during 2021/22, as commercial and retail activities have increased. However, the Council continues to support businesses through the application of business rates reliefs and the distribution of Covid-related grants. Supply issues arising from the recovery and conflict in the Ukraine are causing high levels of inflation that continue to put pressure on budgets, for the Council, local households and businesses.

For some time, the government has been consulting on a number of proposals as part of the reform of local government funding, including a fairer funding methodology (distribution of funding within the sector), business rates retention and a business rates reset. No firm implementation dates have been announced for these reforms, giving rise to significant uncertainty in the levels of government funding that the Council will receive in future years.

How the Council is Governed

Cambridge City Council has 14 wards represented by 42 elected members (councillors). Councillors combine into political groups as follows:-



The Council's constitution sets out the governance arrangements of the Council, comprising a hybrid Leader and Executive system with pre-scrutiny committees. This provides assurance to our citizens that decisions made in their name have been taken correctly. The [Constitution](https://www.cambridge.gov.uk/constitution)<sup>3</sup> can be found on the Council's website.

The [Annual Governance Statement 2021/22](https://www.cambridge.gov.uk/statement-of-accounts)<sup>4</sup> is also available on the Council's website. This is published alongside the Statement of Accounts, and provides details of the annual review of the effectiveness of the Council's governance framework, including the system of internal control. It also includes the annual opinion of the Head of Internal Audit.

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 2021/22, and this remains at a similar level to the previous year.

<sup>3</sup> <https://www.cambridge.gov.uk/constitution>

<sup>4</sup> <https://www.cambridge.gov.uk/statement-of-accounts>

How the Council Operates

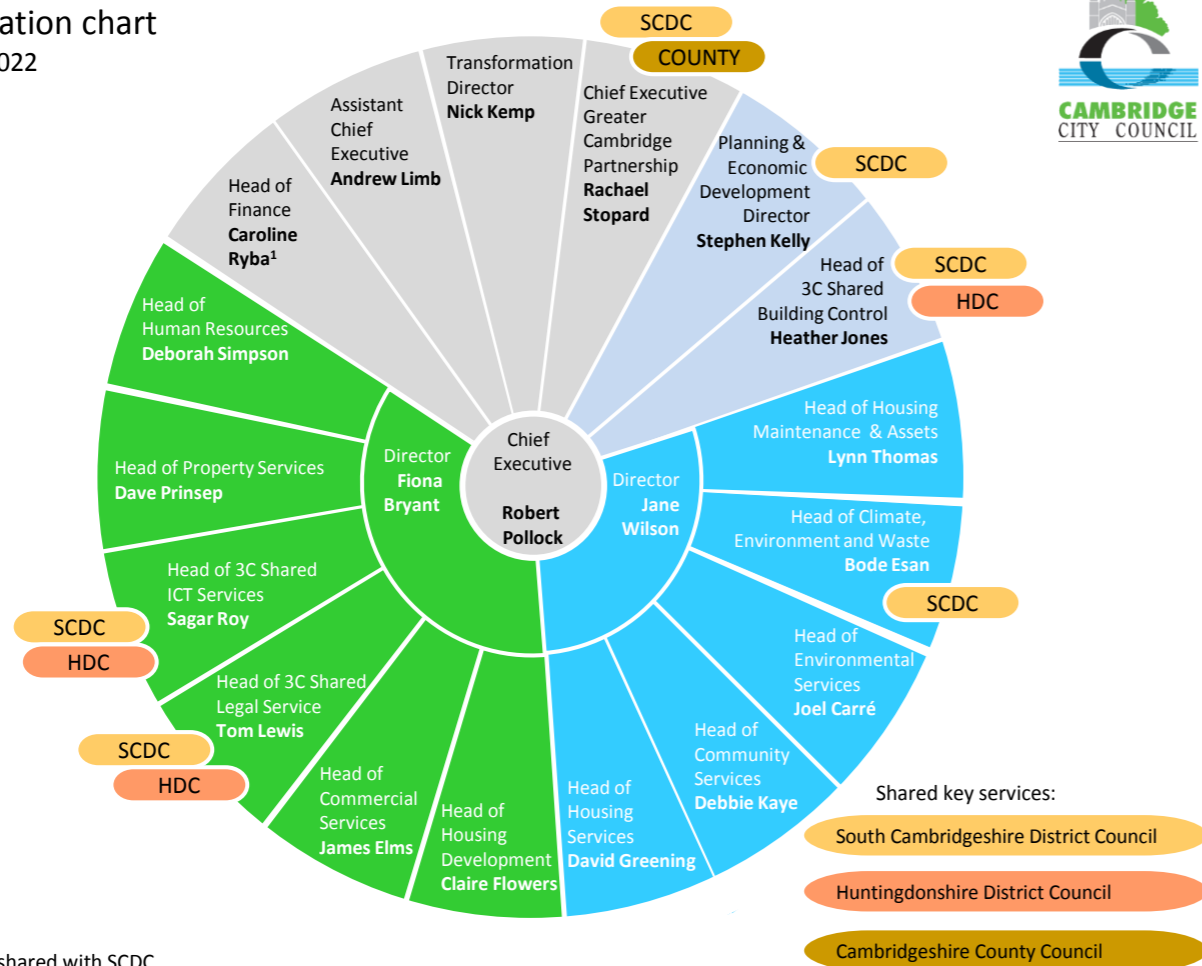
The Council operates to achieve its objectives through utilising its resources (inputs) to achieve value for money (effective, efficient and economical outputs). The Senior Management Team under the leadership of the Chief Executive, Robert Pollock, is responsible for the management of the organisation, initiatives and projects to support delivery of the Corporate Plan.

Performance

Highlights

The Annual Report on the Corporate Plan shows what was achieved in 2021/22 under the three priority themes during that year. The highlights are:

Organisation chart  
January 2022



Page 64

Note:  
<sup>1</sup> Internal Audit shared with SCDC

**Tackling poverty and inequality and helping people in the greatest need**

- Paid £24.4 million in housing benefit and £8.2 million in council tax support
- Supported food hubs to distribute over 204 tonnes of food through a total of 21,210 visits to food hubs
- Provided energy advice to 178 households
- Engaged over 350 people in the free Healthy You festival
- Helped secure Region of Learning programme funding worth £1.6 million
- Provided £695,770 in grants and contracts to deliver homelessness prevention
- Prevented homelessness for 396 households
- Delivered seven Housing First tenancies and six modular homes for rough sleepers
- Achieved “started on site” for 546 new council homes, and gained approval for a further 83
- Completed 30 new affordable homes on strategic growth sites, and 66 on other sites
- Carried out £15.8 million of planned capital and revenue work on council homes
- Delivered energy saving improvements to 100 council homes
- Carried out over 12,000 responsive repairs
- Investigated 136 complaints relating to houses in multiple occupation (HMOs)
- Issued 132 mandatory HMO licences and revoked 18
- Completed 33 estate improvement projects
- Taken enforcement action against antisocial behaviour
- Completed technical design for three new community centres
- Awarded over £43,000 of section 106 funds to community groups & centres
- Allocated £1.066 million of community grants
- Supported volunteers by offering them time credits
- Worked in partnership to resettle families from Afghanistan and Syria



**Leading Cambridge's responses to the climate change emergency and biodiversity crisis**

Deployed a further five fast and rapid electric vehicle (EV) chargers for taxis

Planted over 1,400 trees

Increased the area of open spaces managed for biodiversity by 9.2 ha

Created 5,740 m<sup>2</sup> of new perennial native wildflower meadow

Used £1.7 million of government funding to deliver heat pumps, additional solar panels and other energy efficiency measures at Parkside and Abbey Pools.

Undertaken 1,805 public realm environmental crime investigations

Carried out over 700 environmental health complaint investigations

Supported Cambridge Sustainable Food to attain Silver Award status for Cambridge

With our partners in the Greater Cambridge Partnership, invested £8.5 million to improve connectivity in Greater Cambridge, and £6.2 million in cycling and active travel schemes

**Delivering quality services within financial constraints while transforming the Council**

Dealt with 2,859 planning applications

Collected £82.3 million in council tax from 59,129 households

Collected £91 million in business rates from 4,418 businesses, and administered £36 million in Covid business grants and rate relief

Collected 1,248.5 tonnes of litter and bin waste from our parks and open spaces

Cleared 2,347 cases of fly-tipping

Inspected 269 food businesses

Attracted over £32,000 of donations to the Street Aid Fund to keep people off the street

Collected waste from over 50,000 bins, missing only 0.2% of bins

Collected over 43,000 tonnes of materials for recycling and composting

Saw 2.3 million visits to our car parks

Achieved a net income of £923,465 from the shared commercial waste service

Nearly 104,000 people attended our cultural and entertainment events

Carried out 20 corporate consultations

149,613 council transactions were conducted over the internet

Delivered 1,662 short online training sessions to help enhance digital skills

840 staff attended 110 learning and development courses

Reduced planning applications awaiting decision by around 1,000

Generated receipts from the disposal of property assets totalling £12.7 million

Supported the police in making 400 community engagements

**Financial Performance****General Fund**

The General Fund represents the resources of the Council which are available to fund revenue services or capital expenditure without restriction (except that they may not be spent on Housing Revenue Account services or assets).

The final outturn on the General Fund for 2021/22 was a surplus of £8.9 million, compared to a budgeted deficit of £5.4 million (i.e. a total net underspend of £14.3 million). The main reasons for the variance were as follows:-

- During 2020/21, a significant provision was put aside to cover the costs of business rates appeals arising specifically in relation to Covid-19. The government has since legislated to rule out such claims, so the provision has now been released. The in year benefit to the General Fund was £8.6 million, although it should be noted that this reverses a loss previously recognised.
- There was a net underspend on services of £3.5 million, which is spread across a number of individual services as set out in the table above. This was caused by a variety of reasons, including difficulty recruiting staff to vacant posts, and higher than budgeted interest income from investments with joint ventures (due to higher than anticipated borrowing requirements). It should be noted that £0.9 million of the underspent amount will be carried forward to 2022/23 as approved by Council. Further details on individual service variances can be found in the [General Fund Outturn Report](#)<sup>5</sup> on the Council's website.
- There was a net underspend on General Fund capital financing of £1.2 million, due to capital slippage on a number of projects. This amount will be carried forward in its entirety to fund the capital works in future years.
- The Council received additional Covid-19 support grants totalling £1.1 million from central government which were not included in the budget.

The table below sets out the General Fund revenue outturn for the year for each service portfolio. The accounting adjustments column reflects differences between the way in which the Council's resources are managed internally, and the way in which income and expenditure must be reported in the Statement of Accounts in line with accounting requirements. The most significant adjustments relate to the classification of income and expenditure relating to investment properties and the allocation of depreciation charges across service lines. The 'total chargeable to the General Fund' column represents the movements on the General Fund as presented in the Council's Expenditure and Funding Analysis (see note 1 to the Council Financial Statements).

<sup>5</sup> [https://democracy.cambridge.gov.uk/documents/s59872/GF\\_Outturn\\_21-22\\_Final\\_v1.pdf](https://democracy.cambridge.gov.uk/documents/s59872/GF_Outturn_21-22_Final_v1.pdf)

	Original budget	Final budget	Overspend / (underspend)	Actual net expenditure	Accounting adjustments	Total chargeable to General Fund
	£'000	£'000	£'000	£'000	£'000	£'000
Strategy and External Partnerships	7,323	6,675	(1,460)	5,215	(200)	5,015
Finance and Resources	(5,026)	(4,496)	(1,596)	(6,092)	9,980	3,888
General Fund Housing	3,431	3,545	169	3,714	195	3,909
Climate Change, Environment and City Centre	5,143	5,889	232	6,121	(625)	5,496
Communities	7,848	7,487	(540)	6,947	(1,736)	5,211
Open Spaces, Sustainable Food and Community Wellbeing	2,428	5,358	(53)	5,305	(608)	4,697
Planning Policy and Transport	3,444	(120)	(253)	(373)	(1,101)	(1,474)
<b>Total cost of services</b>	<b>24,591</b>	<b>24,338</b>	<b>(3,501)</b>	<b>20,837</b>	<b>5,905</b>	<b>26,742</b>
Other income and expenditure	0	0	0	0	(9,577)	(9,577)
Capital expenditure financed from General Fund	1,458	1,458	(1,208)	250	421	671
Other capital adjustments	(6,347)	(6,013)	17	(5,996)	5,994	(2)
Contributions to earmarked reserves	1,722	5,722	584	6,306	(237)	6,069
Contribution to / (from) General Fund balance	(813)	(5,417)	14,534	9,117	(178)	8,939
<b>Net spending requirement</b>	<b>20,611</b>	<b>20,088</b>	<b>10,426</b>	<b>30,514</b>	<b>2,328</b>	<b>32,842</b>
<b>Financed by:</b>						
Council tax	(9,033)	(9,033)	0	(9,033)	0	(9,033)
Business rates settlement	(5,671)	(5,671)	(9,242)	(14,913)	0	(14,913)
New Homes Bonus	(3,458)	(3,458)	0	(3,458)	0	(3,458)
Other core government grants	(1,641)	(1,641)	(1,144)	(2,785)	(442)	(3,227)
Use of earmarked reserves	(23,882)	(25,694)	34	(25,660)	(1,886)	(27,546)
Collection Fund deficit repayment	23,074	25,409	(74)	25,335	0	25,335
<b>Total financing</b>	<b>(20,611)</b>	<b>(20,088)</b>	<b>(10,426)</b>	<b>(30,514)</b>	<b>(2,328)</b>	<b>(32,842)</b>

### Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) reflects the statutory requirement for the Council to maintain a separate revenue account for council housing provision. It contains the balance of income and expenditure in connection with the Council's landlord function (for example rental income), which can only be used to fund expenditure on HRA services in the future.

The final outturn on the HRA for 2021/22 was a surplus of £1.2 million, compared with a budgeted deficit of £14.1 million. The main reasons for the variance were as follows:-

- There was an underspend of £3.7 million on HRA expenditure, due mainly to fewer than expected backlog and responsive repairs, delays in the delivery of smoke and heat detector programmes, and a reduction in depreciation charges following a review of the remaining useful lives of council

dwellings. It should be noted that £1.4 million of the underspend will be carried forward to 2022/23 as agreed by Council – this is mainly to deliver housing repairs and maintenance which have been delayed.

- HRA contributions to capital expenditure were £20.9 million below budget due to delays in the delivery of the capital programme, brought about predominantly by materials and labour shortages following the Covid-19 pandemic. The full amount will be carried forward to fund the capital expenditure in future years. As a result, a budgeted contribution from earmarked reserves of £9.8 million to fund this expenditure was not yet required, and will instead be drawn down in future years as the spend is incurred.

The following table sets out the HRA outturn for the year compared to budget:

	<b>Original budget £'000</b>	<b>Final budget £'000</b>	<b>Overspend / (underspend) £'000</b>	<b>Actual net expenditure £'000</b>
Dwelling rents and other income	(44,591)	(44,234)	(165)	(44,399)
Expenditure	30,200	31,059	(3,654)	27,405
<b>Net cost of Housing Revenue Account services</b>	<b>(14,391)</b>	<b>(13,175)</b>	<b>(3,819)</b>	<b>(16,994)</b>
Interest receivable	(231)	(146)	(95)	(241)
Interest payable	7,472	7,494	0	7,494
Capital expenditure financed from Housing Revenue Account	19,133	29,417	(20,930)	8,487
Transfer to / (from) earmarked reserves	(5,586)	(9,491)	9,575	84
<b>(Surplus) / deficit for the year</b>	<b>6,397</b>	<b>14,099</b>	<b>(15,269)</b>	<b>(1,170)</b>

### Capital Programme

The outturn for the year on the Council's capital programme was as follows:-

	<b>Original budget £'000</b>	<b>Final budget £'000</b>	<b>Actual net expenditure £'000</b>	<b>Overspend / (underspend) £'000</b>	<b>Carried forward to future years £'000</b>	<b>Overspend / (underspend) after carry forwards £'000</b>
General Fund	41,760	102,461	23,294	(79,167)	71,909	(7,258)
Housing Revenue Account	67,845	61,080	37,804	(23,276)	22,055	(1,221)
<b>Total capital programme</b>	<b>109,605</b>	<b>163,541</b>	<b>61,098</b>	<b>(102,443)</b>	<b>93,964</b>	<b>(8,479)</b>

There are significant in-year underspends against capital budgets in both the General Fund and HRA. In most cases, this is due to the slippage of capital projects, and the budgets have been carried forward to fund the works in future years. The most significant underspends were as follows:-

- Park Street car park development – an underspend of £29.6 million due to initial delays to the start of the project. Mitigating actions have been taken and the project remains on track to complete on time.
- Cambridge Investment Partnership (CIP) loans – an underspend of £20.6 million. This budget represents the commitment that the Council has made to provide loan financing to CIP for the development of new build housing – however the timing and extent of the loans depends upon CIP's cash flow requirements. Of this amount, £14.1 million will be carried forwards, whilst the remaining £6.5 million is no longer required as the related development is almost complete.

- Depot relocation project – an underspend of £10.0 million. The deadline for moving from the current depot site has now been extended, and this budget will be carried forward to future years.
- HRA new build schemes – an underspend of £11.5 million. The programme has slipped due mainly to materials and labour shortages. Most of this amount will be required in future years and has been carried forwards.

Note that the total capital expenditure figure of £61.1 million above differs slightly from total capital expenditure recognised in the Council Financial Statements (£62.2 million – see note 29) due to the existence of accounting adjustments, including in relation to interest on CIP loans.

During the year, the Council generated £12.7 million of new capital receipts from the sale of properties, including investment properties and council dwellings (under the right-to-buy scheme). These receipts will be used to finance future capital expenditure. As at 31 March 2022, the Council's total reserves which are restricted by statute to capital purposes stood at £96.2 million.

### Earmarked Reserves

The Council holds earmarked reserves for a variety of purposes, including:

- to fund future anticipated revenue costs;
- to fund future capital expenditure (both on the construction of new assets and the repairs and renewal of existing assets); and
- to hold funds which are ringfenced to a particular purpose, for example restricted grants, or surpluses generated through partnership working.

The movements on earmarked reserves during 2021/22 were as follows:-

	<b>General Fund earmarked reserves £'000</b>	<b>Housing Revenue Account earmarked reserves £'000</b>	<b>Total earmarked reserves £'000</b>
<b>Balance at 1 April 2021</b>	<b>(51,243)</b>	<b>(17,267)</b>	<b>(68,510)</b>
Contributions to earmarked reserves	(6,069)	(272)	(6,341)
Use of earmarked reserves to fund expenditure	27,546	188	27,734
<b>Balance at 31 March 2022</b>	<b>(29,766)</b>	<b>(17,351)</b>	<b>(47,117)</b>

The most significant movements were as follows:-

- A planned contribution from earmarked reserves of £25.4 million to fund the repayment of the Collection Fund deficit which arose during the Covid-19 pandemic. This deficit primarily relates to business rates lost through expanded retail discount – the Council was compensated in full for this by central government in 2020/21 and the funds put aside in an earmarked reserve in anticipation of this payment.

- A contribution of £3.9 million from the General Fund to cover the anticipated revenue costs of the Our Cambridge transformation programme.

### Assets

The most significant assets on the Council's Balance Sheet are its property, plant and equipment (£953.0 million) and investment properties (£160.7 million). These are revalued on a regular basis in line with accounting requirements, and are therefore subject to large fluctuations in value. However, under statutory provisions these movements do not impact the usable resources of the Council.

As at 31 March 2022 the Council held investments totalling £184.7 million (including loans to its subsidiary and joint ventures). These are mostly held at amortised cost – further detail is given at note 17 to the Council Financial Statements. Cash and cash equivalents held at 31 March 2022 totalled £30.2 million.

### Liabilities

The Council has external borrowing of £213.6 million with the Public Works Loan Board (PWLB). This was taken out to fund the HRA self-financing payment to central government in March 2012, and no further external borrowing has been required since. The Council does anticipate undertaking further external borrowing of £19.1 million in 2022/23, and a further £140.8 million over the subsequent 3 years, in order to fund its future capital programme. This is as set out in the [Treasury Management Strategy](#)<sup>6</sup> which is available on the Council's website. Prudent provision is made within the Council's budgets for the repayment of debt in accordance with statutory guidance.

There is a net liability on the Balance Sheet of £102.3 million in relation to the Local Government Pension Scheme (LGPS). This liability is revalued by an external actuary on an annual basis, and is subject to large valuation movements as a result of changes to assumptions such as rates of inflation and longevity assumptions. However, gains and losses of this nature do not impact on the Council's usable resources under statutory provisions. A funding strategy is agreed with the actuary every three years to ensure that the Council is making sufficient contributions (and charging sufficient amounts to the General Fund and HRA) to ensure that all liabilities can be paid by the pension fund as they fall due.

### Collection Fund

The Council is required to operate a separate Collection Fund in respect of council tax and business rates it collects on behalf of itself, local preceptors and central government. The Collection Fund had a deficit of £17.9 million as at 31 March 2022, of which the Council's share is £6.8 million. This largely reflects business rates lost during the Covid-19 pandemic, which legislation required to be paid back over a 3 year period beginning in 2021/22. The Council has set aside funds in an earmarked reserve to cover its share of the outstanding deficit.

### Group Performance

The Council is required to produce Group Financial Statements incorporating the performance of its subsidiary company (Cambridge City Housing Company Ltd), and its share of the profits of CIP. The Council's share of the net assets of group increased by £5.7 million during the year, of which £5.4 million relates to CIP profits (which are yet to be distributed).

### Risks and Opportunities

The Council manages all risks in line with its risk management strategy and framework, which is approved by the Civic Affairs Committee. As part of the process, comprehensive strategic, service and project risk registers are maintained, and processes are in place for risk identification, evaluation and prioritisation. Resources can then be allocated to manage risks in the most efficient way possible.

Financial risks are specifically identified and considered within the General Fund and Housing Revenue Account [Medium Term Financial Strategies](#)<sup>7</sup> (MTFS – available on the Council's website) and as part of the budget setting process. These risks are then monitored throughout the year, with quarterly financial monitoring reports reviewed by the Senior Management Team and members.

The key strategic risks for the council are:

- Inability to recruit and retain staff with suitable skills, aptitude and abilities to meet the Council's needs.
- Failure to manage the impact of a pandemic.
- Inability to manage service delivery following an unforeseen event.
- Inability to maintain safeguarding systems and processes.
- Brexit has negative impact on city and Council.
- Cambridge's successful economy starts to fail.
- Failure to set and deliver a balanced budget.

### Future Outlook

The Council's [Corporate Plan 2022 - 2027](#)<sup>8</sup> sets out the current strategic priorities. The General Fund and Housing Revenue Account [Budget Setting Reports](#)<sup>9</sup> set out how these will be funded. These are all available on the Council's website.

The government has been undertaking a Fairer Funding Review and a review of the business rates retention scheme, both of which have been delayed due to priorities around Brexit and Covid-19. The General Fund [Budget Setting Report 2022-23](#)<sup>9</sup> assumes that there will be a significant impact on our funding levels, resulting in an annual estimated funding gap of £5.5 million in 2023/24, rising to £7.6

<sup>6</sup> <https://democracy.cambridge.gov.uk/ielIssueDetails.aspx?IId=27584&Opt=3>

<sup>7</sup> <https://democracy.cambridge.gov.uk/ielListDocuments.aspx?CIId=116&MIId=3964&Ver=4>

<sup>8</sup> <https://www.cambridge.gov.uk/corporate-plan-2022-27-our-priorities-for-cambridge>

<sup>9</sup> <https://democracy.cambridge.gov.uk/ielListDocuments.aspx?CIId=116&MIId=3965&Ver=4>

million in 2027/28. The Council has earmarked £3.9 million of reserves to fund a comprehensive transformation programme, Our Cambridge, to reshape and redesign the Council to build a better, more sustainable organisation that takes a whole-system approach with a deeper and more integrated relationship with its community and partners.

The prudent minimum balance for the General Fund has been set at £6.64 million based on our current understanding of financial risk. The balance on this reserve as at 31 March 2022 was £25.53 million, giving significant coverage for the programme to deliver the savings needed to achieve a balanced budget.

The Council has approved the following capital programme for the period 1 April 2022 to 31 March 2026 – note that this is in addition to the unspent 2021/22 capital budgets carried forward as set out on page 9:

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
General Fund capital expenditure	36,734	49,554	15,190	19,411
Housing Revenue Account capital expenditure	96,204	67,598	150,717	195,882
<b>Total capital expenditure</b>	<b>132,938</b>	<b>117,152</b>	<b>165,907</b>	<b>215,293</b>
<b>Financed by:</b>				
Capital receipts	(10,339)	(15,867)	(6,447)	(1,203)
Other contributions (from capital and revenue resources)	(76,402)	(67,642)	(107,909)	(118,451)
<b>Total capital financing to be applied</b>	<b>(86,741)</b>	<b>(83,509)</b>	<b>(114,356)</b>	<b>(119,654)</b>
<b>Total to be financed from internal and external borrowing</b>	<b>66,442</b>	<b>46,197</b>	<b>33,643</b>	<b>51,551</b>

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

At this Council, the officer with responsibility for the administration of financial affairs is the Head of Finance and Section 151 Officer.

### The Head of Finance and Section 151 Officer's Responsibilities

The Head of Finance and Section 151 Officer 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').

Page 70  
In preparing this Statement of Accounts, the Head of Finance and Section 151 Officer 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 and Section 151 Officer has also:

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

## Certification

I certify that this Statement of Accounts gives a true and fair view of the financial position of Cambridge City Council as at 31 March 2022, and of its expenditure and income for the year then ended.

**Caroline Ryba**  
**Head of Finance and Section 151 Officer**  
**XX XXXX 2022**

**THIS PAGE HAS BEEN LEFT BLANK FOR INSERTION OF THE INDEPENDENT AUDITOR'S REPORT UPON COMPLETION OF THE AUDIT**

**THIS PAGE HAS BEEN LEFT BLANK FOR INSERTION OF THE INDEPENDENT AUDITOR'S REPORT UPON COMPLETION OF THE AUDIT**



**THIS PAGE HAS BEEN LEFT BLANK FOR INSERTION OF THE INDEPENDENT AUDITOR'S REPORT UPON COMPLETION OF THE AUDIT**

## Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. The Council raises taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The amounts chargeable to taxation and rents for the year are set out in the Movement in Reserves Statement, whilst the Expenditure and Funding Analysis (note 1) shows how these amounts have been applied to fund services.

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

	Note	2021/22			2020/21 (Restated)		
		Gross expenditure £'000	Gross income £'000	Net expenditure £'000	Gross expenditure £'000	Gross income £'000	Net expenditure £'000
Strategy and External Partnerships		3,461	(360)	3,101	3,168	(214)	2,954
Finance and Resources		36,595	(31,095)	5,500	40,844	(37,668)	3,176
General Fund Housing		8,545	(3,251)	5,294	9,125	(4,451)	4,674
Climate Change, Environment and City Centre		10,202	(3,108)	7,094	11,981	(3,208)	8,773
Communities		14,685	(5,981)	8,704	12,614	(3,979)	8,635
Open Spaces, Sustainable Food and Community Wellbeing		7,418	(1,026)	6,392	7,215	(1,120)	6,095
Planning Policy and Transport		13,172	(11,367)	1,805	13,487	(5,528)	7,959
Housing Revenue Account		21,196	(43,596)	(22,400)	36,450	(42,904)	(6,454)
<b>Cost of services</b>		<b>115,274</b>	<b>(99,784)</b>	<b>15,490</b>	<b>134,884</b>	<b>(99,072)</b>	<b>35,812</b>
Other operating income and expenditure	9	1,134	(6,208)	(5,074)	1,712	0	1,712
Financing and investment income and expenditure	10	13,111	(17,190)	(4,079)	13,156	(13,404)	(248)
Taxation and non-specific grant income	11	0	(31,995)	(31,995)	0	(66,371)	(66,371)
<b>(Surplus) / deficit on the provision of services</b>	<b>1</b>	<b>129,519</b>	<b>(155,177)</b>	<b>(25,658)</b>	<b>149,752</b>	<b>(178,847)</b>	<b>(29,095)</b>
(Surplus) / deficit on revaluation of non-current assets	15			(63,547)			(34,766)
Remeasurement of the net defined benefit liability	21			(47,627)			36,106
<b>Other comprehensive (income) / expenditure</b>				<b>(111,174)</b>			<b>1,340</b>
<b>Total comprehensive (income) / expenditure</b>				<b>(136,832)</b>			<b>(27,755)</b>

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

## Movement in Reserves Statement (MIRS)

This statement shows the movement 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 'unusable reserves'. The Movement in Reserves Statement shows how the movements in the Council's reserves are broken down between comprehensive income and expenditure incurred in accordance with generally accepted accounting practices (as shown in the Comprehensive Income and Expenditure Statement) and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year. The increase / decrease line shows the reserve movements for the year following those adjustments.

	Note	General Fund	Collection Fund deficit earmarked reserve	Other earmarked General Fund reserves	Housing Revenue Account (HRA)	Earmarked HRA reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Reserve	Total usable reserves	Unusable reserves	Total Council reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2020</b>		(17,263)	0	(18,680)	(15,066)	(17,257)	(46,657)	(9,801)	(23,362)	(148,086)	(650,587)	(798,673)
<b>Movement in reserves during 2020/21:</b>												
Total comprehensive income and expenditure	CIES	(255)	0	0	(28,840)	0	0	0	0	(29,095)	1,340	(27,755)
Adjustments between accounting basis and funding basis under statutory provisions	12	(31,639)	0	0	25,476	0	6,444	(3,846)	(21,310)	(24,875)	24,875	0
Transfers to / from earmarked reserves	13	32,563	(31,809)	(754)	10	(10)	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>		<b>669</b>	<b>(31,809)</b>	<b>(754)</b>	<b>(3,354)</b>	<b>(10)</b>	<b>6,444</b>	<b>(3,846)</b>	<b>(21,310)</b>	<b>(53,970)</b>	<b>26,215</b>	<b>(27,755)</b>
<b>Balance at 31 March 2021</b>		<b>(16,594)</b>	<b>(31,809)</b>	<b>(19,434)</b>	<b>(18,420)</b>	<b>(17,267)</b>	<b>(40,213)</b>	<b>(13,647)</b>	<b>(44,672)</b>	<b>(202,056)</b>	<b>(624,372)</b>	<b>(826,428)</b>
<b>Movement in reserves during 2021/22:</b>												
Total comprehensive income and expenditure	CIES	(4,345)	0	0	(21,313)	0	0	0	0	(25,658)	(111,174)	(136,832)
Adjustments between accounting basis and funding basis under statutory provisions	12	16,883	0	0	20,059	0	(2,926)	2,106	3,138	39,260	(39,260)	0
Transfers to / from earmarked reserves	13	(21,477)	25,432	(3,955)	84	(84)	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>		<b>(8,939)</b>	<b>25,432</b>	<b>(3,955)</b>	<b>(1,170)</b>	<b>(84)</b>	<b>(2,926)</b>	<b>2,106</b>	<b>3,138</b>	<b>13,602</b>	<b>(150,434)</b>	<b>(136,832)</b>
<b>Balance at 31 March 2022</b>		<b>(25,533)</b>	<b>(6,377)</b>	<b>(23,389)</b>	<b>(19,590)</b>	<b>(17,351)</b>	<b>(43,139)</b>	<b>(11,541)</b>	<b>(41,534)</b>	<b>(188,454)</b>	<b>(774,806)</b>	<b>(963,260)</b>

## Balance Sheet

	Note	31 March 2022		31 March 2021 (Restated)	
		£'000	£'000	£'000	£'000
Property, plant and equipment	15	952,957		850,092	
Heritage assets		669		669	
Investment property	16	160,682		158,594	
Intangible assets		812		844	
Loans to joint ventures	17	38,476		50,469	
Loan to subsidiary	17	7,500		7,500	
Other long-term investments	17	22,451		17,053	
Long-term debtors		1,119		6,489	
<b>Long-term assets</b>			<b>1,184,666</b>		<b>1,091,710</b>
Investment property held for sale	16	620		3,525	
Short-term investments	17	116,235		83,161	
Short-term debtors	18	15,347		52,809	
Inventories		194		198	
Cash and cash equivalents	CFS	30,208		14,303	
<b>Current assets</b>			<b>162,604</b>		<b>153,996</b>
Short-term borrowing	17	(82)		(82)	
Short-term creditors	19	(63,863)		(59,126)	
Provisions	20	(4,051)		(4,209)	
<b>Current liabilities</b>			<b>(67,996)</b>		<b>(63,417)</b>
Long-term borrowing	17	(213,572)		(213,572)	
Long-term receipts in advance		(105)		(80)	
Net defined benefit pension liability	21	(102,337)		(142,209)	
<b>Long-term liabilities</b>			<b>(316,014)</b>		<b>(355,861)</b>
<b>Net assets</b>			<b>963,260</b>		<b>826,428</b>
Usable reserves	MIRS	(188,454)		(202,056)	
Unusable reserves	14	(774,806)		(624,372)	
<b>Total reserves</b>			<b>(963,260)</b>		<b>(826,428)</b>

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are 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 (for example the capital receipts reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold. It also includes reserves which reflect timing differences between the recognition of income and expenditure under generally accepted accounting practices, and the point at which it must be credited or charged to usable reserves under statutory provisions.

Prior year short-term debtors and creditors have been adjusted to reflect the nature of the arrangements with central government in relation to non-domestic rates. These arrangements require discrete balances due to/from government to be settled separately rather than being set against one another to form a single payment or receipt. In the previous year's Statement of Accounts, the Balance Sheet as at 31 March 2021 presented amounts due to government in relation to non-domestic rates as a net balance. This has been corrected in the restated column in line with the treatment applied to correctly recognise the equivalent balances as at 31 March 2022. There is no change to the total net assets previously reported.

Caroline Ryba  
Head of Finance and Section 151 Officer  
XX XXXX 2022

## Cash Flow Statement (CFS)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the year. 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 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 from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities reflect movements in the cash collected by the Council on behalf of others in respect of council tax and business rates.

	Note	2021/22		2020/21	
		£'000	£'000	£'000	£'000
Net surplus on the provision of services	CIES	25,658		29,095	
Adjust net surplus on the provision of services for non-cash movements	22	22,851		60,646	
Adjust for items included in the net surplus on the provision of services that are investing and financing activities	22	(22,290)		(42,022)	
<b>Net cash flows from operating activities</b>			<b>26,219</b>		<b>47,719</b>
<b>Investing activities:</b>					
Purchase of property, plant and equipment, investment property and intangible assets		(50,429)		(39,825)	
Purchase of short-term and long-term investments		(197,640)		(67,700)	
Proceeds from the sale of property, plant and equipment, assets held for sale, investment property and intangible assets		15,465		6,099	
Proceeds from short-term and long-term investments		174,747		55,587	
Capital grants received		19,321		43,482	
Other receipts / (payments) from investing activities		25		24	
<b>Net cash flows from investing activities</b>			<b>(38,511)</b>		<b>(2,333)</b>
<b>Financing activities</b>	23		<b>28,197</b>		<b>(42,673)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>			<b>15,905</b>		<b>2,713</b>
<b>Cash and cash equivalents at the beginning of the year:</b>					
Overnight money market funds		13,500		11,000	
Bank accounts		786		574	
Cash held by the Council		17		16	
<b>Total cash and cash equivalents at the beginning of the year</b>			<b>14,303</b>		<b>11,590</b>
<b>Cash and cash equivalents at the end of the year:</b>					
Overnight money market funds		29,500		13,500	
Bank accounts		692		786	
Cash held by the Council		16		17	
<b>Total cash and cash equivalents at the end of the year</b>			<b>30,208</b>		<b>14,303</b>

### Note 1 – Expenditure and Funding Analysis

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

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

	Note	2021/22				2020/21 (Restated)					
		Net expenditure chargeable to the General Fund and HRA balances	Adjustments for capital purposes	Pensions adjustments	Other statutory adjustments	Net expenditure in the Comprehensive Income and Expenditure Statement	Net expenditure chargeable to the General Fund and HRA balances	Adjustments for capital purposes	Pensions adjustments	Other statutory adjustments	Net expenditure in the Comprehensive Income and Expenditure Statement
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Strategy and External Partnerships		5,015	0	(1,914)	0	3,101	5,128	10	(2,184)	0	2,954
Finance and Resources		3,888	1,029	583	0	5,500	1,353	1,510	378	(65)	3,176
General Fund Housing		3,909	531	854	0	5,294	3,918	344	412	0	4,674
Climate Change, Environment and City Centre		5,496	794	804	0	7,094	7,712	650	411	0	8,773
Communities		5,211	2,079	1,414	0	8,704	5,452	2,507	676	0	8,635
Open Spaces, Sustainable Food and Community Wellbeing		4,697	1,050	645	0	6,392	4,700	1,092	303	0	6,095
Planning Policy and Transport		(1,474)	1,369	1,910	0	1,805	5,175	1,796	988	0	7,959
Housing Revenue Account		(8,033)	(15,023)	656	0	(22,400)	(9,769)	3,479	(116)	(48)	(6,454)
<b>Net cost of services</b>		<b>18,709</b>	<b>(8,171)</b>	<b>4,952</b>	<b>0</b>	<b>15,490</b>	<b>23,669</b>	<b>11,388</b>	<b>868</b>	<b>(113)</b>	<b>35,812</b>
Other income and expenditure		(7,425)	(16,889)	2,803	(19,637)	(41,148)	(58,927)	(36,010)	2,410	27,620	(64,907)
<b>(Surplus) / deficit</b>		<b>11,284</b>	<b>(25,060)</b>	<b>7,755</b>	<b>(19,637)</b>	<b>(25,658)</b>	<b>(35,258)</b>	<b>(24,622)</b>	<b>3,278</b>	<b>27,507</b>	<b>(29,095)</b>
Opening General Fund and HRA balance	MIRS	(103,524)					(68,266)				
<b>Closing General Fund and HRA balance</b>	<b>MIRS</b>	<b>(92,240)</b>					<b>(103,524)</b>				

Further information about the adjustments for capital purposes, pensions adjustments and other statutory adjustments are set out at note 12.

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

## Note 2 – Accounting Policies

### 1 General Principles

This Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its financial position at the year-end of 31 March 2022. The Council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ('the Code'), supported by International Financial Reporting Standards (IFRS).

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

### 2 Going Concern

These accounts have been prepared on a going concern basis, in accordance with the requirements of the Code.

In making its assessment that this basis is appropriate, for the going concern period to 31 March 2024, the Council has carried out forecasting of income and expenditure, the impact on reserve balances, and cash flows.

The 2022/23 Budget Setting Report (BSR) forecasts a General Fund balance of £24.2 million at 31 March 2023 and £25.0 million at 31 March 2024. The BSR also includes an alternative scenario where required savings targets are not met, which results in a General Fund balance of £19.7 million at 31 March 2023 and £13.5 million at 31 March 2024. In both cases, the balance remains well above the Council's prudent minimum balance of £6.6 million.

Cash flow forecasting demonstrates positive liquid cash balances throughout the going concern period, with no expectation of external borrowing other than to support the planned capital programme. This is consistent with the Capital Strategy.

The Council therefore has a reasonable expectation that it will have adequate resources to continue its operations and maintain provision of services throughout the going concern period.

### 3 Changes in Accounting Policies and Estimates

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 Council's financial position or performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and prior year amounts as if the new policy had always applied.

There have been no significant changes in accounting policies during 2021/22.

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

### 4 Fair Value Measurement

The Council measures some of its financial and non-financial assets at fair value at each Balance Sheet date, as set out in these accounting policies. For other financial assets and liabilities measured at amortised cost, the Council is required to disclose the fair value in this Statement of Accounts (see note 17).

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset takes place either in the principal market for the asset, or, in the absence of a principal market, in the most advantageous market.

The Council measures the fair value of its assets using the assumptions that market participants would use when pricing the asset, assuming that they act in their economic best interest.

The fair value of the Council's financial assets is measured based upon quoted market prices where available, or if not, using discounted cash flow analysis.

The fair value of the Council's non-financial assets (such as investment properties) assumes that a market participant would look to use the asset in its highest and best use, which may differ from its current use.

For all assets, 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.

Inputs to the valuation techniques are categorised within the following fair value hierarchy:

Input Level	Description
Level 1	Quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date
Level 2	Inputs, other than quoted prices included within level 1, that are observable for the asset, either directly or indirectly
Level 3	Unobservable inputs for the asset

### 5 Income and Expenditure Accruals

Income and expenditure is accounted for in the Comprehensive Income and Expenditure Statement (CIES) in the year in which the activity takes place, not simply when cash is received or paid. In particular:

- Revenue from contracts for goods or services is recognised when (or as) the goods or services are transferred in accordance with the performance obligations in the contract.
- Expenditure on goods and services is recognised when (or as) the goods or services are received.
- Interest payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument.

Where there is a timing difference between the recognition of income or expenditure as above and the receipt or payment of cash, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

Where the Council is acting as an agent for a third party, income and expenditure are recognised only to the extent that commission is receivable by the Council, or the Council incurs expenses directly on its own behalf.

## 6 Council Tax and Business Rates

The Council, as a billing authority, collects council tax and business rates both for itself, and on behalf of local preceptors (and central government for business rates). Billing authorities are required to maintain a separate Collection Fund for the collection and distribution of council tax and business rates. Under the legislative framework, billing authorities, major preceptors, and central government (for business rates) share proportionately the risks and rewards that the amount of council tax and business rates collected could be more or less than predicted.

The council tax and business rates income included in the CIES is the Council's share of accrued income for the year. However, regulations determine the amount that must be included in the Council's General Fund, which is based upon amounts forecast in the preceding January, adjusted for the distribution or repayment of historic Collection Fund surpluses or deficits. The difference between the income included in the CIES and the amount required to be credited to the General Fund is transferred to the Collection Fund Adjustment Account through the Movement in Reserves Statement (MIRS).

The Balance Sheet includes the Council's share of the year-end balances in respect of council tax and business rates arrears, impairment allowances for doubtful debts, overpayments and prepayments, and business rates appeal provisions.

## 7 Grants and Contributions

Grants and contributions are recognised as income in the CIES when there is reasonable assurance that the grants or contributions will be received, and that the Council will comply with any conditions attached. Revenue grants and contributions for specific services are credited to the relevant service line, whilst non-ringfenced revenue grants and all capital grants are credited to taxation and non-specific grant income.

Conditions are stipulations that the grant or contribution is to be used by the Council as specified, or that it must be returned to the donor. Where there is not yet sufficient assurance that conditions will be met, any cash received is held on the Balance Sheet as a creditor.

Under statutory provisions, capital grants credited to the CIES are reversed out of the General Fund or Housing Revenue Account (HRA) to the Capital Grants Unapplied Reserve through the MIRS. When the amount is applied to fund capital expenditure, it is transferred through the MIRS to the Capital Adjustment Account.

## 8 Employee Benefits

### Short-term Employee Benefits

Short-term employee benefits, such as wages and salaries and paid leave, are recognised as expenditure on the relevant service line in the CIES, in the year in which employees render service to the Council.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are recognised as expenditure on the relevant service line in the CIES, at the earlier of the point that the Council can no longer withdraw the offer of termination, or the point at which the Council recognises restructuring costs.

### Local Government Pension Scheme

Employees of the Council are members of the Local Government Pension Scheme (LGPS), unless they opt out. The LGPS is a defined benefits scheme.

The Council's share of pension fund liabilities is included on 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 upon assumptions about mortality rates, employee turnover rates, projected earnings for current employees, etc.

Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (based upon constituents of the iBoxx AA corporate bond index).

The Council's share of the assets of the pension fund is included in the Balance Sheet at their fair value, using bid prices where quoted, or professional estimates for unquoted securities and property assets.

The change in the net pension liability is analysed into the following components:

Component	Description	Accounting Treatment
<b>Service costs</b>		
Current service cost	Increase in liabilities as a result of years of service earned this year	Service costs are charged to the services for which the employees worked in the CIES, whilst net interest costs are charged to financing and investment expenditure.
Past service cost	Change in liabilities as a result of scheme amendment or curtailment affecting years of service earned in earlier years	
Net interest cost	Increase in net liability arising from the passage of time, calculated by applying the liability discount rate at the start of the year to the net liability at the start of the year	



Component	Description	Accounting Treatment
<b>Remeasurements</b>		
Return on plan assets	The Council's share of the return on pension fund assets for the year, excluding amounts included within the net interest cost	Remeasurements are included in the CIES as other comprehensive income and expenditure, and credited or charged to the Pensions Reserve.
Actuarial gains and losses	Changes to the net pension liability because events have not occurred in line with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions	
<b>Other</b>		
Employer contributions	Cash contributions paid by the Council to fund future benefit payments in accordance with scheme rules.	Employer contributions will reduce the net pension liability, but do not give rise to expenditure in the CIES.

Statutory provisions require the General Fund and HRA to be charged with the amount of employer contributions payable by the Council in the year, not the amount calculated according to accounting standards. This means that the MIRS includes transfers to and from the Pensions Reserve to remove the notional expenditure set out under 'service costs' in the table above, and replace it with the employer contributions payable for the year.

The negative balance on the Pensions Reserve therefore measures the benefit to the General Fund and HRA of being required to account for retirement benefits on the basis of cash flows, rather than as benefits are earned by employees.

## 9 Overheads and Support Services

The cost of overheads and support services is apportioned to individual service lines within the CIES. This is based upon a best estimate of the proportions in which each support service is utilised.

## 10 VAT

VAT payable is included within expenditure only to the extent that it is not recoverable from HM Revenue & Customs (HMRC). VAT receivable is excluded from income.

## 11 Investment Property

Investment properties are those that are used solely to earn rental income and/or for capital appreciation. Rental income receivable in relation to investment properties is credited to financing and investment income in the CIES.

### Recognition and Measurement

Investment properties are measured initially at cost, and subsequently at fair value.

Investment properties are not depreciated, but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are credited or charged to financing and investment income in the CIES.

Under statutory arrangements, gains and losses on revaluation are not permitted to have an impact on the General Fund or HRA balance. Any gains or losses are therefore transferred through the MIRS to the Capital Adjustment Account.

### Investment Properties Held for Sale and Disposals

When it becomes probable that the carrying amount of an investment property will be recovered principally through sale, rather than through its continuing use, it is reclassified as an investment property held for sale. The property is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

When an investment property is sold, the carrying amount of the asset in the Balance Sheet (whether investment property or investment property held for sale) is written off to other operating income or expenditure in the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the same place.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts, and transferred to the Capital Receipts Reserve through the MIRS. These amounts are restricted for use to fund new capital investment, or to reduce the Council's underlying need to borrow.

Under statutory arrangements, any gain or loss on disposal is transferred through the MIRS to the Capital Adjustment Account, in order that it does not impact the General Fund or Housing Revenue Account balance. This is because the cost of investment properties is fully provided for under separate arrangements for capital financing.

## 12 Property, Plant and Equipment

Property, plant and equipment comprises physical assets that 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 for more than one year.

### Recognition and Measurement

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 authority and the cost of the item can be reliably measured.

Expenditure on repairs and maintenance that does not add to an asset's potential to deliver future economic benefits or service potential (e.g. by enhancing its performance or extending its life) is charged as an expense to the relevant service line in the CIES.

Assets are initially measured at cost, comprising the purchase price plus any costs attributable to bringing the asset to the location and condition necessary for its operation.

Assets are subsequently carried on the Balance Sheet using the following measurement bases:

Class of asset	Measurement basis
Council dwellings	Current value, determined using the basis of existing use value for social housing (EUV-SH)
Other land and buildings	Current value, determined as the amount that would be paid for the asset in its existing use (EUV), except for highly specialised assets where there is no market-based evidence of current value, for which depreciated replacement cost (DRC) is used
Vehicles, plant, furniture and equipment	Current value, determined using depreciated historic cost as a proxy (due to assets having short lives and/or low values)
Infrastructure assets	Depreciated historic cost
Community assets	Historic cost
Surplus assets	Fair value
Assets under construction	Historic cost

Assets measured at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, and as a minimum every five years.

In addition, an assessment is made at each year-end as to whether there is any indication that any property, plant and equipment assets may be impaired. Where such indications exist, and any possible impairment is estimated to be material, an impairment loss is recognised for the difference between the recoverable amount of the asset and its carrying amount.

Revaluation gains are recognised in other comprehensive income within the CIES, and credited to the Revaluation Reserve. The exception is for gains that reverse a previous revaluation or impairment loss which was charged to the CIES – in this case the gain will be credited back to same service line originally charged to the extent that it reverses the original loss (adjusted for additional depreciation which would have been charged in the meantime had the loss not been recognised).

Revaluation and impairment losses are accounted for as follows:-

- Where there is a balance of previous revaluation gains for the asset in the Revaluation Reserve, the loss will be charged to other comprehensive income within the CIES, and the Revaluation Reserve reduced accordingly.
- Where there is no balance for the asset in the Revaluation Reserve, or the balance is insufficient to cover the full amount of the loss, any excess amount will be charged to the relevant service line in the CIES.

Under statutory arrangements, gains and losses on revaluation and impairment are not permitted to have an impact on the General Fund or HRA balance. Any gains or losses charged to the CIES are therefore transferred through the MIRS to the Capital Adjustment Account.

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

### Depreciation

Depreciation is charged on property, plant and equipment assets on the following bases:

Asset Class	Depreciation Method	Useful Economic Lives
Council dwellings	Land: Not depreciated as indefinite useful economic life  Buildings: Straight line using a weighted average life for all significant components	As advised by external valuer: Houses / Bungalows: 55 years Flats / Maisonettes: 53 years
Other land and buildings	Land: Not depreciated as indefinite useful economic life  Buildings: Straight line	Buildings: 5 – 90 years (as advised by external valuer), with shorter lives applied to individual components where the impact is material
Vehicles, plant, furniture and equipment	Straight line	3 – 25 years
Infrastructure assets	Straight line	10 – 40 years
Community assets	Not depreciated	Not applicable
Surplus assets	Not depreciated	Not applicable
Assets under construction	Not depreciated	Not applicable

Revaluation gains are also depreciated. An amount equal to the difference between the depreciation charged on assets and the depreciation that would have been charged based on their historic cost is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Under statutory arrangements, the Council is not required to raise council tax to fund depreciation. However, it is required to make an annual contribution from revenue resources towards the reduction in its overall General Fund borrowing requirement, known as the Minimum Revenue Provision (MRP). MRP must be calculated on a prudent basis determined in accordance with statutory guidance. Depreciation charges on General Fund assets are therefore reversed out of the General Fund to the Capital Adjustment Account by way of a transfer in the MIRS, and replaced by a transfer in the opposite direction representing the annual MRP charge.

Different arrangements apply to the HRA whereby depreciation charged is not reversed, but an equivalent amount is transferred from the Capital Adjustment Account to the Major Repairs Reserve through the MIRS to ensure that the Council maintains a prudent level of capital resources ringfenced for maintaining the standard of council dwellings.

### Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to other operating income or expenditure in the CIES as part of the gain or loss on

disposal. Receipts from disposals (if any) are credited to the same place. Any accumulated revaluation gains for the asset held in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts, and transferred to the Capital Receipts Reserve through the MIRS. These amounts are restricted for use to fund new capital investment, or to reduce the Council's underlying need to borrow.

Under statutory arrangements, any gain or loss on disposal is transferred through the MIRS to the Capital Adjustment Account, in order that it does not impact the General Fund or HRA balance. This is because the cost of property, plant and equipment is fully provided for under separate arrangements for capital financing.

### 13 Leases

Leases are classified as finance leases where substantially all the risks and rewards incidental to ownership of the asset are transferred from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, each element is considered separately for classification.

#### Council as Lessee – Finance Leases

Property held under finance leases is recognised on the Balance Sheet at the start of the lease, at the lower of its fair value and the present value of minimum lease payments. The asset is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the asset, applied to write down the lease liability.
- A finance charge, debited to financing and investment expenditure in the CIES.

Property held under finance leases is accounted for using the policies applied generally to the relevant class of asset, subject to depreciation being charged over the lease term if this is shorter than the asset's useful economic life.

#### Council as Lessor – Operating Leases

Where the Council grants an operating lease over a property, the asset is retained on the Balance Sheet. Rental income is credited to financing and investment income in the CIES, on a straight-line basis over the life of the lease.

### 14 Investments in Other Entities

The Council has material interests in a number of subsidiaries and joint ventures, which requires the preparation of group accounts. The basis of consolidation is set out at note 1 to the Group Financial Statements.

Within the Council Financial Statements (the single-entity accounts), these interests are recorded as financial assets at cost.

### 15 Financial Instruments

#### Financial Assets

Financial assets are classified and measured using an approach that reflects the business model for holding the assets and their cash flow characteristics. The Council holds financial assets measured at:

- Amortised cost
- Fair value through profit or loss

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

#### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of the asset, and are initially measured at fair value. They are subsequently measured at amortised cost, i.e. the outstanding principal receivable plus any accrued interest not yet received. Interest receivable is credited to financing and investment income in the CIES, based upon the amount due for the year as set out in the loan agreement.

#### 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.

Impairment losses are calculated to reflect the expectation that 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 asset was 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.

Trade receivables (debtors) held by the authority are only assessed on a lifetime basis.

#### Financial Assets Measured at Fair Value through Profit or Loss

Financial assets measured at fair value through profit or loss are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of the asset, and are initially measured and subsequently carried at fair value. Fair value gains and losses are recognised as they arise within financing and investment income in the CIES.

**Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of the liability, and are initially measured at fair value. They are subsequently carried at amortised cost, i.e. the outstanding principal repayable (plus any accrued interest not yet paid). Interest payable is charged to financing and investment expenditure in the CIES, based upon the amount due for the year as set out in the loan agreement.

**16 Cash and Cash Equivalents**

Cash comprises 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 three months or less from the date of acquisition, and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**17 Provisions and Contingencies****Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement (e.g. a payment to be made), and the amount of the obligation can be reliably estimated. For instance, the Council may be involved in a court case that could eventually result in the payment of compensation.

Provisions are charged to the appropriate service line in the CIES when the Council has an obligation, and are measured at the best estimate at the Balance Sheet date, taking into account relevant risks and uncertainties.

When payments are 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 payment will now be required (or a lower settlement is anticipated), the provision is reversed in full or in part and credited back to the relevant service line in the CIES.

**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 outcome of future uncertain events not entirely within the Council's control.

Contingent assets are not recognised in the Balance Sheet, but disclosed in the Statement of Accounts where it is probable that the asset will be received.

**18 Earmarked Reserves**

The Council sets aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. Earmarked reserves are created by transferring amounts out of the General Fund or

HRA through the MIRS. When expenditure to be financed from an earmarked reserve is incurred, it is charged to the appropriate service line in the CIES, then an equivalent amount transferred back to the General Fund or HRA through the MIRS.

**Note 3 – Accounting Standards Issued but not yet Adopted**

The following accounting standards are adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and therefore apply to the Council with effect from 1 April 2022. Neither are anticipated to have a material impact on the Statement of Accounts 2022/23:

- Annual Improvements to IFRS Standards 2018-2020 – amendments to IFRS 1 (First-time adoption), IAS 37 (Onerous contracts), IFRS 16 (Leases) and IAS 41 (Agriculture)
- Amendments to IAS 16 (Property, Plant and Equipment) – Proceeds before Intended Use

**Note 4 – Critical Judgement in Applying Accounting Policies**

In applying the accounting policies set out in note 2, the Council has had to make the following critical judgement involving uncertainty about future events:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to indicate that its assets might be impaired, for example as a result of a need to close facilities or reduce levels of service provision.

**Note 5 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The preparation of these accounts requires estimates to be made that are based upon the Council's assumptions about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors – nevertheless some balances cannot be determined with certainty and actual results could be materially different from the estimates made.

The items in the Balance Sheet as at 31 March 2022 at significant risk of material adjustment in the following year are set out below. These are the estimates which require the most difficult, subjective or complex judgements. More detailed information about each estimate is set out within the relevant disclosure note.

Balance Sheet Item	Source of Estimation Uncertainty	31 March 2022 £'000	31 March 2021 £'000	Note
Property, plant and equipment	Assets are depreciated over useful lives dependent on assumptions made about the level of repairs and maintenance that will be carried out. Should the Council not sustain an appropriate level of spending on repairs and maintenance, asset lives may be reduced leading to a higher annual depreciation charge.  Operational property assets are revalued by the Council's external valuers, using valuation techniques which are based upon observable data wherever possible. Where such data is not available, professional judgements must be made taking into account considerations such as uncertainty and risk. Changes in the assumptions used could affect the valuation amount.	952,957	850,092	15
Investment property	Investment property assets are held at fair value as determined by the Council's external valuers, using valuation techniques which are based upon observable data wherever possible. Where such data is not available, professional judgements must be made taking into account considerations such as uncertainty and risk. Changes in the assumptions used could affect the valuation amount.	160,682	158,594	16
Provisions – business rates appeals provision	The Council is liable for its share (40%) of current and previous years' business rates income lost as a result of successful rating appeals. An external expert has been engaged to assist with calculating a best estimate of the provision required, but inherent uncertainties remain around the quantity, value and success rates of appeals, both already submitted and still to come.	(3,863)	(4,059)	20
Net defined benefit pension liability	The net pension liability depends on a number of complex judgements, e.g. the discount rate used, the rate at which salaries are expected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.  The assumptions used are themselves highly sensitive to external economic factors, for example increasing interest rates could have a detrimental impact on asset returns. The Council engages a professional actuary to carry out the valuation of the net pension liability.  See Note 21 for more information on sensitivity analysis and the quantification of some of these uncertainties.	(102,337)	(142,209)	21

## Note 6 – Events After the Reporting Period

This audited Statement of Accounts was authorised for issue by the Head of Finance and Section 151 Officer on **XX XXXX 2022**. Events taking place after this date are not reflected in the accounts or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the accounts and notes have been adjusted to reflect the impact of this information.

## Note 7 – Income and Expenditure Analysed by Nature

	Note	2021/22 £'000	2020/21 £'000
<b>Income</b>			
Fees, charges and other service income	8	(66,038)	(57,292)
Interest and investment income	10	(15,577)	(11,863)
Income from council tax and business rates	11	(4,754)	7,080
Government grants and contributions	27	(62,600)	(116,772)
Gain on disposal of non-current assets	9	(6,208)	0
<b>Total income</b>		<b>(155,177)</b>	<b>(178,847)</b>
<b>Expenditure</b>			
Employee benefits expenses		41,942	37,977
Other service expenses		66,688	72,543
Depreciation, amortisation and impairment		8,144	26,254
Interest payments and investment expenses	10	11,611	11,619
Payments to the housing capital receipts pool	9	1,134	1,359
<b>Total expenditure</b>		<b>129,519</b>	<b>149,752</b>
<b>(Surplus) / deficit on the provision of services</b>		<b>(25,658)</b>	<b>(29,095)</b>

Included within other service expenses is expenditure associated with housing benefits of £28.4 million (2020/21: £30.5 million). Within the CIES, this is included within Finance and Resources expenditure.

## Note 8 – Segmental Fees, Charges and Other Service Income

	2021/22 £'000	2020/21 £'000
Strategy and External Partnerships	(176)	(117)
Finance and Resources	(730)	(682)
General Fund Housing	(1,326)	(1,474)
Climate Change, Environment and City Centre	(2,545)	(2,729)
Communities	(4,443)	(2,335)
Open Spaces, Sustainable Food and Community Wellbeing	(799)	(627)
Planning Policy and Transport	(11,352)	(5,487)
Housing Revenue Account	(43,053)	(42,300)
Financing and investment income	(1,614)	(1,541)
<b>Total fees, charges and other service income</b>	<b>(66,038)</b>	<b>(57,292)</b>

Last year's figures have been reclassified to reflect changes in the Council's internal reporting structure. There is no change to the total figure previously reported.

## Note 9 – Other Operating Income and Expenditure

	2021/22		2020/21	
	Income £'000	Expenditure £'000	Income £'000	Expenditure £'000
(Gains) / losses on the disposal of non-current assets	(6,208)	0	0	353
Payments to government housing capital receipts pool	0	1,134	0	1,359
<b>Total other operating income and expenditure</b>	<b>(6,208)</b>	<b>1,134</b>	<b>0</b>	<b>1,712</b>

## Note 10 – Financing and Investment Income and Expenditure

	2021/22		2020/21	
	Income £'000	Expenditure £'000	Income £'000	Expenditure £'000
Interest payable and similar charges	0	7,494	0	7,494
Interest on net defined benefit pension liability	0	2,803	0	2,410
Interest receivable and similar income	(2,170)	0	(2,483)	0
Investment property income and expenditure	(9,290)	1,314	(9,734)	1,715
Changes in fair value of investment property	(1,661)	0	444	0
(Gains) / losses on financial instruments classified as fair value through profit or loss	(2,456)	0	(90)	0
Trading account income and expenditure	(1,613)	1,500	(1,541)	1,537
<b>Total financing and investment income and expenditure</b>	<b>(17,190)</b>	<b>13,111</b>	<b>(13,404)</b>	<b>13,156</b>

## Note 11 – Taxation and Non-Specific Grant Income

	2021/22		2020/21	
	£'000	£'000	£'000	£'000
Council tax		(9,126)		(8,664)
Business rates:				
Council share of business rates income collected	(32,890)		(21,518)	
Less tariff payable to central government	37,262		37,262	
Net retained business rates income		4,372		15,744
Non-ringfenced government grants		(17,711)		(37,178)
Capital grants and contributions		(9,530)		(36,273)
<b>Total taxation and non-specific grant income</b>		<b>(31,995)</b>		<b>(66,371)</b>

Net retained business rates income is negative for 2020/21 and 2021/22 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 this through the receipt of business rates relief grants, which are recognised within non-ringfenced government grants above (see note 27).

## Note 12 – Adjustments Between Accounting Basis and Funding Basis Under Statutory Provisions

This note details the adjustments made to the total comprehensive income and expenditure recognised in accordance with proper accounting practice, in order to arrive at the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure. The adjustments are made against the following usable reserves:

**General Fund** – the statutory fund into which all the receipts of the Council are required to be paid, and out of which all liabilities of the Council are to be met, except to the extent that statutory rules provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund, which is not necessarily in accordance with generally accepted accounting practices. The General Fund balance therefore summarises the resources that the Council is empowered to spend on its services or on capital investment at the end of the financial year. The balance is not available to be applied to funding HRA services.

**Housing Revenue Account (HRA)** – reflects the statutory obligation to maintain a separate revenue account for council housing provision under Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure in connection with the council's landlord function (for example rental income), which can only be used to fund expenditure on HRA services in the future.

**Major Repairs Reserve** – contains an element of the Council's capital resources which is limited to being used to finance future or historic capital expenditure on HRA assets (such as council houses).

**Capital Receipts Reserve** – holds the proceeds from the disposal of property and other assets, which can only be used to finance future or historic capital expenditure.

**Capital Grants Unapplied Reserve** – holds grants and contributions received towards capital projects which have not yet been applied to meet expenditure. The balance is restricted by the grant terms as to the capital expenditure against which it can be applied and/or the financial years in which this can place.

	2021/22						2020/21						Unusable Reserve Affected
	General Fund	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Reserve	Unusable reserves	General Fund	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Reserve	Unusable reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Adjustments for capital purposes</b>													
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>													
Depreciation, impairment and revaluation gains and losses on property, plant and equipment	(5,617)	6,701	0	(8,981)	0	7,897	(7,066)	(8,154)	0	(10,893)	0	26,113	Capital Adjustment Account
Amortisation of intangible assets	(129)	0	0	(118)	0	247	(85)	0	0	(56)	0	141	Capital Adjustment Account
Movements in the fair value of investment properties	1,626	35	0	0	0	(1,661)	(629)	185	0	0	0	444	Capital Adjustment Account
Capital grants and contributions	8,264	1,266	0	0	(9,530)	0	7,064	29,209	0	0	(36,273)	0	
Revenue expenditure funded from capital under statute	(1,108)	0	0	0	0	1,108	(811)	0	0	0	0	811	Capital Adjustment Account
Costs of disposal funded from capital receipts	0	(165)	165	0	0	0	0	(120)	120	0	0	0	
Carrying value of non-current assets and non-current assets held for sale written off on disposal	(3,423)	(3,129)	0	0	0	6,552	(523)	(5,590)	0	0	0	6,113	Capital Adjustment Account
Proceeds from the disposal of non-current assets and non-current assets held for sale (greater than £10,000)	5,193	7,528	(12,721)	0	0	0	659	5,027	(5,686)	0	0	0	
Amount payable into the housing capital receipts pool	(1,134)	0	1,134	0	0	0	(1,359)	0	1,359	0	0	0	
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>													
Minimum revenue provision for repayment of debt	306	0	0	0	0	(306)	306	0	0	0	0	(306)	Capital Adjustment Account
Financing of capital expenditure from usable reserves	368	8,487	29,979	11,205	12,668	(62,707)	1,715	4,794	11,040	7,103	14,963	(39,615)	Capital Adjustment Account
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(2,705)	0	0	2,705	0	0	(349)	0	0	349	Deferred Capital Receipts Reserve
Transfers on repayment of loans	(9)	0	(18,778)	0	0	18,787	0	0	(40)	0	0	40	Capital Adjustment Account
<b>Total adjustments for capital purposes</b>	<b>4,337</b>	<b>20,723</b>	<b>(2,926)</b>	<b>2,106</b>	<b>3,138</b>	<b>(27,378)</b>	<b>(729)</b>	<b>25,351</b>	<b>6,444</b>	<b>(3,846)</b>	<b>(21,310)</b>	<b>(5,910)</b>	
<b>Pensions adjustments</b>													
Reversal of pension costs charged to the Comprehensive Income and Expenditure Statement in accordance with IAS 19	(13,040)	(2,396)	0	0	0	15,436	(9,391)	(1,633)	0	0	0	11,024	Pensions Reserve
Insertion of contributions due under the pension scheme regulations	5,942	1,739	0	0	0	(7,681)	5,996	1,750	0	0	0	(7,746)	Pensions Reserve
<b>Total pensions adjustments</b>	<b>(7,098)</b>	<b>(657)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,755</b>	<b>(3,395)</b>	<b>117</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,278</b>	
<b>Total adjustments for capital purposes and pensions adjustments</b>	<b>(2,761)</b>	<b>20,066</b>	<b>(2,926)</b>	<b>2,106</b>	<b>3,138</b>	<b>(19,623)</b>	<b>(4,124)</b>	<b>25,468</b>	<b>6,444</b>	<b>(3,846)</b>	<b>(21,310)</b>	<b>(2,632)</b>	



	2021/22						2020/21						Unusable Reserve Affected
	General Fund	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Reserve	Unusable reserves	General Fund	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Reserve	Unusable reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Total adjustments for capital purposes and pensions adjustments</b>	(2,761)	20,066	(2,926)	2,106	3,138	(19,623)	(4,124)	25,468	6,444	(3,846)	(21,310)	(2,632)	
<b>Other statutory adjustments</b>													
Transfers between the General Fund and Housing Revenue Account under statutory provisions	7	(7)	0	0	0	0	40	(40)	0	0	0	0	
<b>Adjustments for differences between the income and expenditure included in the Comprehensive Income and Expenditure Statement and the amounts charged to the General Fund and HRA under statutory provisions, in respect of:</b>													
Finance income and expenditure	(37)	0	0	0	0	37	32	0	0	0	0	(32)	Financial Instruments Adjustment Account
Council tax and business rates income	17,168	0	0	0	0	(17,168)	(27,497)	0	0	0	0	27,497	Collection Fund Adjustment Account
Fair value gains and losses on pooled investment funds	2,506	0	0	0	0	(2,506)	(155)	0	0	0	0	155	Pooled Investment Adjustment Account
Movements in the accumulated absences accrual	0	0	0	0	0	0	65	48	0	0	0	(113)	Accumulated Absences Account
<b>Total other statutory adjustments</b>	<b>19,644</b>	<b>(7)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(19,637)</b>	<b>(27,515)</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,507</b>	
<b>Total adjustments between accounting basis and funding basis under statutory provisions</b>	<b>16,883</b>	<b>20,059</b>	<b>(2,926)</b>	<b>2,106</b>	<b>3,138</b>	<b>(39,260)</b>	<b>(31,639)</b>	<b>25,476</b>	<b>6,444</b>	<b>(3,846)</b>	<b>(21,310)</b>	<b>24,875</b>	

## Note 13 – Earmarked Reserves

	1 April 2020 £'000	Transfers In £'000	Transfers Out £'000	31 March 2021 £'000	Transfers In £'000	Transfers Out £'000	31 March 2022 £'000
<b>General Fund</b>							
Collection Fund deficit reserve	0	(31,809)	0	(31,809)	0	25,432	(6,377)
Earmarked for capital use	(4,678)	(1,501)	1,889	(4,290)	(975)	129	(5,136)
Greater Cambridge Partnership	(5,328)	(715)	901	(5,142)	(418)	346	(5,214)
Other shared / partnership working	(2,036)	(560)	517	(2,079)	(325)	370	(2,034)
Insurance Fund	(1,238)	(118)	0	(1,356)	0	37	(1,319)
Service specific reserves	(5,358)	(3,724)	2,649	(6,433)	(289)	1,212	(5,510)
Transformation	0	(101)	0	(101)	(4,062)	20	(4,143)
Other	(42)	0	9	(33)	0	0	(33)
<b>Total General Fund</b>	<b>(18,680)</b>	<b>(38,528)</b>	<b>5,965</b>	<b>(51,243)</b>	<b>(6,069)</b>	<b>27,546</b>	<b>(29,766)</b>
<b>Earmarked reserves</b>							
<b>Housing Revenue Account (HRA)</b>							
Asset Repair and Renewal Reserves	(2,505)	(263)	234	(2,534)	(266)	188	(2,612)
Earmarked for HRA debt redemption / reinvestment	(14,705)	0	0	(14,705)	0	0	(14,705)
Other	(47)	(6)	25	(28)	(6)	0	(34)
<b>Total HRA earmarked reserves</b>	<b>(17,257)</b>	<b>(269)</b>	<b>259</b>	<b>(17,267)</b>	<b>(272)</b>	<b>188</b>	<b>(17,351)</b>

The **Collection Fund deficit reserve** holds money set aside to cover the Council's share of forecast future collection fund deficits caused mainly by the Covid-19 pandemic and the government's response (for example the expansion of mandatory and discretionary rates relief). The impact of this has largely been funded by compensatory grants from central government.

## Note 14 – Unusable Reserves

The Council's principal unusable reserves are as follows:-

**Capital Adjustment Account** – absorbs timing differences arising from the different arrangements for accounting for the consumption of non-current assets, and for financing the capital expenditure on these assets under statutory provisions. The account is debited as depreciation, revaluation and impairment losses and losses on disposal of non-current assets are charged to the Comprehensive Income and Expenditure Statement, and credited as amounts are set aside from capital resources to finance capital expenditure. It contains accumulated gains and losses on investment properties, together with revaluation gains accumulated on property, plant and equipment prior to 1 April 2007.

**Revaluation Reserve** – holds unrealised gains on property, plant and equipment accumulated since the reserve's implementation on 1 April 2007. Gains accumulated before this date are held in the Capital Adjustment Account.

**Pensions Reserve** – absorbs timing differences arising from the different arrangements for accounting for the Local Government Pension Scheme, and for funding the scheme in accordance with statutory provisions. The Council accounts for scheme costs in the Comprehensive Income and Expenditure Statement as benefits are earned by employees, updating the future liability each year to reflect changing assumptions and investment returns. However, statutory arrangements require the General Fund and Housing Revenue Account to be charged only with the employer contributions payable for the year. The debit balance on the reserve therefore reflects the current shortfall between the benefits earned by employees and the resources set aside to meet them. Statutory requirements will ensure that funding will have been set aside by the time the benefits come to be paid.

**Collection Fund Adjustment Account** – absorbs timing differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rates payers, and the statutory arrangements for paying across amounts to the General Fund. The balance here will be transferred to the General Fund in future years in line with statutory requirements.

	Note	Capital Adjustment Account	Revaluation Reserve	Pensions Reserve	Collection Fund Adjustment Account	Pooled Investment Adjustment Account	Accumulated Absences Account	Financial Instruments Adjustment Account	Deferred Capital Receipts Reserve	Total unusable reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2020</b>		<b>(577,071)</b>	<b>(170,271)</b>	<b>102,825</b>	<b>(3,490)</b>	<b>0</b>	<b>454</b>	<b>92</b>	<b>(3,126)</b>	<b>(650,587)</b>
<b>Other comprehensive income and expenditure:</b>										
(Surplus) / deficit on revaluation of non-current assets	CIES	0	(34,766)	0	0	0	0	0	0	(34,766)
Remeasurement of the net defined benefit liability	CIES	0	0	36,106	0	0	0	0	0	36,106
<b>Adjustments between accounting basis and funding basis under statutory provisions:</b>										
Adjustments for capital purposes	12	(6,259)	0	0	0	0	0	0	349	(5,910)
Pensions adjustments	12	0	0	3,278	0	0	0	0	0	3,278
Other statutory adjustments	12	0	0	0	27,497	155	(113)	(32)	0	27,507
<b>Transfers between unusable reserves:</b>										
Difference between fair value depreciation and historic cost depreciation		(4,115)	4,115	0	0	0	0	0	0	0
Accumulated gains on non-current assets disposed of		(336)	336	0	0	0	0	0	0	0
<b>Balance at 31 March 2021</b>		<b>(587,781)</b>	<b>(200,586)</b>	<b>142,209</b>	<b>24,007</b>	<b>155</b>	<b>341</b>	<b>60</b>	<b>(2,777)</b>	<b>(624,372)</b>
<b>Other comprehensive income and expenditure:</b>										
(Surplus) / deficit on revaluation of non-current assets	CIES	0	(63,547)	0	0	0	0	0	0	(63,547)
Remeasurement of the net defined benefit liability	CIES	0	0	(47,627)	0	0	0	0	0	(47,627)
<b>Adjustments between accounting basis and funding basis under statutory provisions:</b>										
Adjustments for capital purposes	12	(30,083)	0	0	0	0	0	0	2,705	(27,378)
Pensions adjustments	12	0	0	7,755	0	0	0	0	0	7,755
Other statutory adjustments	12	0	0	0	(17,168)	(2,506)	0	37	0	(19,637)
<b>Transfers between unusable reserves:</b>										
Difference between fair value depreciation and historic cost depreciation		(3,566)	3,566	0	0	0	0	0	0	0
Accumulated gains on non-current assets disposed of		(630)	630	0	0	0	0	0	0	0
<b>Balance at 31 March 2022</b>		<b>(622,060)</b>	<b>(259,937)</b>	<b>102,337</b>	<b>6,839</b>	<b>(2,351)</b>	<b>341</b>	<b>97</b>	<b>(72)</b>	<b>(774,806)</b>

## Note 15 – Property, Plant and Equipment

## Movements on Balances

	Council dwellings £'000	Other land and buildings £'000	Vehicles, plant, furniture and equipment £'000	Infrastructure assets £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Total property, plant and equipment £'000
<b>Balance at 1 April 2020:</b>								
Gross carrying amount	608,549	155,804	26,662	7,184	1,339	0	36,296	835,834
Accumulated depreciation and impairment	0	(10,521)	(15,887)	(1,102)	0	0	0	(27,510)
<b>Net book value</b>	<b>608,549</b>	<b>145,283</b>	<b>10,775</b>	<b>6,082</b>	<b>1,339</b>	<b>0</b>	<b>36,296</b>	<b>808,324</b>
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)
<b>Balance at 31 March 2021:</b>								
Gross carrying amount	639,804	146,957	22,131	7,880	1,351	10	47,070	865,203
Accumulated depreciation and impairment	0	(1,087)	(12,731)	(1,293)	0	0	0	(15,111)
<b>Net book value</b>	<b>639,804</b>	<b>145,870</b>	<b>9,400</b>	<b>6,587</b>	<b>1,351</b>	<b>10</b>	<b>47,070</b>	<b>850,092</b>
Additions	16,053	715	420	608	0	0	33,314	51,110
Disposals	(3,131)	(420)	(68)	0	(20)	(8)	0	(3,647)
Revaluation increases / (decreases) recognised in the revaluation reserve	58,627	5,112	0	0	0	(192)	0	63,547
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	6,318	667	(21)	0	0	(7)	0	6,957
Assets reclassified (to) / from investment properties	0	300	0	0	0	0	(548)	(248)
Assets reclassified (to) / from other categories of property, plant and equipment	17,451	(2,682)	598	0	0	276	(15,643)	0
Depreciation charge	(8,693)	(3,758)	(2,190)	(213)	0	0	0	(14,854)
<b>Balance at 31 March 2022:</b>								
Gross carrying amount	726,429	147,106	21,595	8,488	1,331	79	64,193	969,221
Accumulated depreciation and impairment	0	(1,302)	(13,456)	(1,506)	0	0	0	(16,264)
<b>Net book value</b>	<b>726,429</b>	<b>145,804</b>	<b>8,139</b>	<b>6,982</b>	<b>1,331</b>	<b>79</b>	<b>64,193</b>	<b>952,957</b>

## Valuation

**Council dwellings** are revalued at 31 March each year, using a beacon approach. The housing stock is divided into a number of 'archetypes' containing dwellings with similar characteristics (e.g. location, property type, number of bedrooms). Within each archetype, one representative 'beacon' property is selected for revaluation, with the resulting valuation applied to all similar dwellings.

Valuations are undertaken by an external valuer who inspects beacon properties on a rolling 5-yearly cycle. Valuations are carried out in accordance with 'Stock Valuation for Resource Accounting – Guidance for Valuers' published by the Department for Levelling Up, Housing and Communities (DLUHC), and the RICS Valuation – Professional Standards ('Red Book') except where varied to reflect DLUHC requirements.

In addition, the external valuer carries out an annual desktop revaluation exercise on all properties not subject to inspection in any given year. This exercise is carried out with reference to UK House Price Index data.

**Other land and buildings** are subject to revaluation on at least a 5-yearly rolling basis, with additional valuations carried out where there is a risk that values have moved significantly in the intervening period. Valuations are undertaken by an external valuer in accordance with the RICS Valuation – Professional Standards ('Red Book'), with one departure in respect of the physical inspection of properties. The valuer undertakes physical inspection of only a sample of properties, relying upon information provided by the Council in respect of the remaining properties. The Council has chosen to depart from the Red Book in this way to secure best value for money in relation to property valuation work.

The following table shows the current carrying value of property, plant and equipment (excluding those classes of asset held at historic cost) by date of most recent valuation:

	<b>Council dwellings</b>	<b>Other land and buildings</b>	<b>Surplus assets</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Valued at current value as at:</b>				
31 March 2022	726,429	133,457	79	859,965
31 March 2021	0	6,314	0	6,314
31 March 2020	0	2,251	0	2,251
31 March 2019	0	2,620	0	2,620
31 March 2018	0	1,162	0	1,162
<b>Total</b>	<b>726,429</b>	<b>145,804</b>	<b>79</b>	<b>872,312</b>

## Finance Leases

Included under other land and buildings are three car parks held by the Council under finance leases. The net carrying value as at 31 March 2022 is £29,905,000 (31 March 2021: £29,070,000). Since the leases are at peppercorn rent, there is no associated lease liability.

## Capital Commitments

The Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in future years, with the following values:-

	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b>£'000</b>	<b>£'000</b>
Park Street car park redevelopment	84,717	90,803
New build dwellings	49,220	62,725
Capital works on existing dwellings	8,436	7,266
Meadows Community Centre and Buchan Street shops	3,269	5,972
Other property, plant and equipment	1,483	81
<b>Total contractual commitments for property, plant and equipment</b>	<b>147,125</b>	<b>166,847</b>

## Note 16 – Investment Property

## Movements on Balances

	Central Cambridge shopping centres £'000	Other retail £'000	Offices £'000	Industrial £'000	Land £'000	Leisure £'000	Other £'000	Total investment properties £'000	Investment properties held for sale £'000	Total £'000
<b>Balance at 1 April 2020</b>	<b>21,975</b>	<b>32,180</b>	<b>13,000</b>	<b>26,690</b>	<b>37,386</b>	<b>1,000</b>	<b>30,491</b>	<b>162,722</b>	<b>0</b>	<b>162,722</b>
Additions – subsequent expenditure	0	72	60	53	0	0	17	202	0	202
Unrealised revaluation gains / (losses)	(6,145)	(626)	(554)	3,697	1,755	780	649	(444)	0	(444)
Disposals	0	0	0	0	0	0	(385)	(385)	0	(385)
Transfers to investment property held for sale	0	(2,135)	0	0	0	0	(1,390)	(3,525)	3,525	0
Transfers (to) / from property, plant and equipment	0	0	24	0	0	0	0	24	0	24
Transfers between investment property classes	0	0	0	0	0	1,800	(1,800)	0	0	0
<b>Balance at 31 March 2021</b>	<b>15,830</b>	<b>29,491</b>	<b>12,530</b>	<b>30,440</b>	<b>39,141</b>	<b>3,580</b>	<b>27,582</b>	<b>158,594</b>	<b>3,525</b>	<b>162,119</b>
Additions – subsequent expenditure	0	43	21	90	18	0	7	179	0	179
Unrealised revaluation gains / (losses)	(220)	(579)	(186)	260	2,413	(18)	(9)	1,661	0	1,661
Disposals	0	0	0	0	0	0	0	0	(2,905)	(2,905)
Transfers (to) / from property, plant and equipment	0	338	0	0	0	0	(90)	248	0	248
<b>Balance at 31 March 2022</b>	<b>15,610</b>	<b>29,293</b>	<b>12,365</b>	<b>30,790</b>	<b>41,572</b>	<b>3,562</b>	<b>27,490</b>	<b>160,682</b>	<b>620</b>	<b>161,302</b>

### Fair Value Measurement

Investment property is held at fair value as determined by an external valuer. Valuations are carried out in accordance with the RICS Valuation – Professional Standards ('Red Book'), with one departure in respect of physical inspection of properties. The valuer undertakes physical inspection of only a sample of properties, relying upon information provided by the Council in respect of the remaining properties. The Council has chosen to depart from the Red Book in this way to secure best value for money in relation to property valuation work.

The valuation techniques and key inputs used for each class of investment property are as follows:-

Investment property class	Predominant valuation technique	Key unobservable inputs	Range of inputs
Central Cambridge shopping centres	Investment	Net initial yield	6.20% - 6.75%
Other retail	Investment	Market rent (psf)	£7.00 - £45.70
		Market rent (area in terms of Zone A)	£20.00 - £136.00
		Yield	2.70% - 11.00%
Offices	Investment	Market rent (psf)	£12.00 - £26.50
		Yield	6.50% - 10.15%
Industrial	Investment	Market rent (psf)	£7.00 - £18.00
		Yield	6.37% - 8.24%
Land	Investment / Comparable	Market rent (per acre)	£200 - £50,000
		Net initial yield	2.70% - 5.71%
		Equivalent yield	5.30% - 5.70%
		£ / acre	£3,000 - £1,330,000
Leisure	Investment	Equivalent yield	7.59% - 8.25%
Other	Investment / Comparable	Yield	3.50% - 11.00%

The **investment method** involves estimating the rental value of each property and capitalising at an appropriate yield. This approach factors in future assumptions such as rent growth, occupancy levels and future maintenance costs, and also adjusts for redevelopment potential where applicable.

The **comparable method** involves reviewing recent similar transactions on the open market and using these as a benchmark, with appropriate adjustments to reflect differences between observed transactions and the Council's individual investment properties.

Both of these methods rely upon significant unobservable inputs to determine fair value, and therefore all investment property valuations are classified as level 3 in the fair value hierarchy. There is no reasonably available information that indicates that market participants would use different assumptions.

Significant increases in market rents or land values would result in a significantly higher fair value measurement, and vice versa.

Significant increases in yields would result in a significantly lower fair value measurement, and vice versa.

### Income and Expenditure

The following is included within financing and investment income and expenditure in the Comprehensive Income and Expenditure Statement:

	2021/22 £'000	2020/21 £'000
Rental income from investment property	(9,290)	(9,734)
Direct operating expenses arising from investment property	551	419
<b>Net (gain) / loss</b>	<b>(8,739)</b>	<b>(9,315)</b>

### Highest and Best Use

All of the Council's investment properties are currently operating at their 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.

### Operating Leases

Investment properties are let to a variety of tenants under operating leases. The future minimum lease payments due under non-cancellable leases are as follows:-

	31 March 2022 £'000	31 March 2021 £'000
Not later than one year	6,623	5,883
Between one and five years	20,236	17,951
Later than five years	102,828	99,476
<b>Total future minimum lease payments due under non-cancellable leases</b>	<b>129,687</b>	<b>123,310</b>

The future minimum lease payments above do not include contingent rents. In 2021/22, contingent rents of £773,000 (2020/21: £1,589,000) were receivable.

## Note 17 – Financial Instruments

## Categories of Financial Instruments

## Financial Assets

	Long-term								Short-term						Total	
	Loans to joint ventures		Loan to subsidiary		Other long-term investments		Debtors		Investments		Cash and cash equivalents		Debtors		31 March 2022 £'000	31 March 2021 £'000
	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000		
Fair value through profit or loss	0	0	0	0	17,401	14,803	753	3,520	14,950	15,042	0	0	0	0	33,104	33,365
Amortised cost	38,476	50,469	7,500	7,500	5,050	2,250	51	8	101,285	68,119	30,208	14,303	5,569	6,330	188,139	148,979
<b>Total financial assets</b>	<b>38,476</b>	<b>50,469</b>	<b>7,500</b>	<b>7,500</b>	<b>22,451</b>	<b>17,053</b>	<b>804</b>	<b>3,528</b>	<b>116,235</b>	<b>83,161</b>	<b>30,208</b>	<b>14,303</b>	<b>5,569</b>	<b>6,330</b>	<b>221,243</b>	<b>182,344</b>
Assets not defined as financial instruments	0	0	0	0	0	0	315	2,961	0	0	0	0	9,778	46,479	10,093	49,440
<b>Total</b>	<b>38,476</b>	<b>50,469</b>	<b>7,500</b>	<b>7,500</b>	<b>22,451</b>	<b>17,053</b>	<b>1,119</b>	<b>6,489</b>	<b>116,235</b>	<b>83,161</b>	<b>30,208</b>	<b>14,303</b>	<b>15,347</b>	<b>52,809</b>	<b>231,336</b>	<b>231,784</b>

## Financial Liabilities

	Long-term		Short-term				Total	
	Borrowing		Borrowing		Creditors		31 March 2022 £'000	31 March 2021 £'000
	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000		
Amortised cost	(213,572)	(213,572)	(82)	(82)	(15,777)	(10,978)	(229,431)	(224,632)
<b>Total financial liabilities</b>	<b>(213,572)</b>	<b>(213,572)</b>	<b>(82)</b>	<b>(82)</b>	<b>(15,777)</b>	<b>(10,978)</b>	<b>(229,431)</b>	<b>(224,632)</b>
Liabilities not defined as financial instruments	0	0	0	0	(48,086)	(48,148)	(48,086)	(48,148)
<b>Total</b>	<b>(213,572)</b>	<b>(213,572)</b>	<b>(82)</b>	<b>(82)</b>	<b>(63,863)</b>	<b>(59,126)</b>	<b>(277,517)</b>	<b>(272,780)</b>



## Income, Expense, Gains and Losses

The following income and expenditure relating to financial instruments is reflected in the surplus or deficit on the provision of services:

	2021/22		2020/21	
	£'000	£'000	£'000	£'000
<b>Net (gains) / losses on:</b>				
Financial assets measured at fair value through profit or loss	(4,589)		(90)	
Financial assets measured at amortised cost	73		949	
<b>Total net (gains) / losses</b>		<b>(4,516)</b>		<b>859</b>
<b>Interest revenue:</b>				
Financial assets measured at fair value through profit or loss	(607)		(784)	
Financial assets measured at amortised cost	(1,563)		(1,699)	
<b>Total interest revenue</b>		<b>(2,170)</b>		<b>(2,483)</b>
Interest expense on financial liabilities measured at amortised cost		7,494		7,494
<b>Net (income) / expenditure recognised in surplus or deficit on the provision of services</b>		<b>808</b>		<b>5,870</b>

The net gain on financial assets measured at fair value through profit or loss includes a gain on the recognition of £2,133,000 (2020/21: nil). This relates to contingent proceeds from the disposal of assets which were settled in full during the year, and is included within other operating income in the Comprehensive Income and Expenditure Statement.

## Fair Value

## Financial Assets Measured at Fair Value

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

	Fair value hierarchy input level	Valuation technique	31 March 2022 £'000	31 March 2021 £'000
Investments in pooled investment vehicles	Level 1	Unadjusted quoted prices in active markets for identical units	32,351	29,845
Soft loans	Level 3	Present value of likely future cash flows	753	815
Contingent proceeds from disposal of assets	Level 3	Present value of likely estimated sales proceeds	0	2,705
<b>Total financial assets held at fair value</b>			<b>33,104</b>	<b>33,365</b>

## Financial Assets Not Measured at Fair Value

The fair value of financial assets and liabilities measured at amortised cost can be assessed by calculating the present value of future cash flows, using the following assumptions:-

- For instruments which will mature in the next 12 months, carrying value is taken as an approximation of fair value.
- No early repayments are assumed.
- The fair value of long-term borrowing from the Public Works Loan Board (PWLB) is calculated using the average new loans rate for the year of 2.61% (2020/21: 2.15%).

	31 March 2022		31 March 2021	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
<b>Financial assets</b>				
Loans to joint ventures	38,476	38,476	50,469	50,469
Loan to subsidiary	7,500	7,500	7,500	7,500
Other long-term investments	5,050	5,050	2,250	2,250
Long-term debtors	51	51	8	8
Short-term investments	101,285	101,285	68,119	68,119
Cash and cash equivalents	30,208	30,208	14,303	14,303
Short-term debtors	5,569	5,569	6,330	6,330
<b>Total financial assets held at amortised cost</b>	<b>188,139</b>	<b>188,139</b>	<b>148,979</b>	<b>148,979</b>
<b>Financial liabilities</b>				
Long-term borrowing	(213,572)	(249,087)	(213,572)	(271,424)
Short-term borrowing	(82)	(82)	(82)	(82)
Short-term creditors	(15,777)	(15,777)	(10,978)	(10,978)
<b>Total financial liabilities held at amortised cost</b>	<b>(229,431)</b>	<b>(264,946)</b>	<b>(224,632)</b>	<b>(282,484)</b>

**Note 18 – Short-term Debtors**

	31 March 2022	31 March 2021
	£'000	(Restated) £'000
Trade receivables	3,457	3,957
Prepayments	4,060	3,325
Other receivables	7,830	45,527
<b>Total short-term debtors</b>	<b>15,347</b>	<b>52,809</b>

**Note 19 – Short-term Creditors**

	31 March 2022	31 March 2021
	£'000	(Restated) £'000
Trade creditors	(606)	(894)
Receipts in advance	(11,453)	(6,146)
Other creditors	(51,804)	(52,086)
<b>Total short-term creditors</b>	<b>(63,863)</b>	<b>(59,126)</b>

**Note 20 – Provisions and Contingencies****Provisions**

	Business rates appeals £'000	Other £'000	Total £'000
<b>Balance at 1 April 2020</b>	<b>(4,200)</b>	<b>(219)</b>	<b>(4,419)</b>
Additional provisions made	(2,987)	(133)	(3,120)
Amounts used	3,128	120	3,248
Unused amounts reversed	0	82	82
<b>Balance at 31 March 2021</b>	<b>(4,059)</b>	<b>(150)</b>	<b>(4,209)</b>
Additional provisions made	(478)	(159)	(637)
Amounts used	674	72	746
Unused amounts reversed	0	49	49
<b>Balance at 31 March 2022</b>	<b>(3,863)</b>	<b>(188)</b>	<b>(4,051)</b>

The **business rates appeals provision** represents the best estimate of the Council's share of the amount repayable to ratepayers, for years up to 31 March 2022, following successful rating valuation appeals. The estimate is calculated with the assistance of an external expert, using data from the Valuation Office Agency (VOA) on outstanding appeals and the outcomes of historic appeals. The timing and amount of payments remains uncertain, as the settlement of appeals is outside of the Council's control.

**Contingent Assets**

The Council has disposed of land in North East Cambridge for a consideration which is contingent on a number of events. The potential proceeds are so uncertain both in timing and amount that no asset has been recognised in respect of this.

**Note 21 – Defined Benefit Pension Scheme**

The Council participates in the Local Government Pension Scheme (LGPS) administered by Cambridgeshire County Council. The scheme provides defined benefits (lump sums and pensions) to members on retirement. It is funded through contributions from the Council and employees, calculated at a level intended to balance future pension liabilities with investment assets.

The scheme is operated under the regulatory framework for the LGPS, and its governance is the responsibility of the Pensions Committee and Investment Sub Committee of Cambridgeshire County Council, along with the Local Pension Board. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the Council arising from the scheme are statutory or structural changes to the scheme (e.g. large scale withdrawals), changes to actuarial assumptions (e.g. longevity, discount rates and inflation rates), and the performance of investments held by the scheme. These are mitigated to some extent by the statutory requirement to charge the General Fund and Housing Revenue Account only with the employer contributions payable for the year (see note 2 – accounting policy 8).

## Transactions Relating to Defined Benefit Pension Scheme

	2021/22		2020/21	
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of services:</b>				
Current service cost	12,822		8,505	
Past service costs (including settlements and curtailments)	(189)		109	
<b>Financing and investment expenditure:</b>				
Net interest expense	2,803		2,410	
<b>Total charged to surplus on the provision of services</b>	<b>15,436</b>		<b>11,024</b>	
<b>Remeasurement of the net defined benefit liability:</b>				
Return on plan assets (excluding amount included in net interest expense)	(18,262)		(50,019)	
Changes in demographic assumptions	(2,003)		84,854	
Changes in financial assumptions	(28,067)		4,653	
Other experience	705		(3,382)	
<b>Total charged to other comprehensive income and expenditure</b>	<b>(47,627)</b>		<b>36,106</b>	
<b>Total charged to Comprehensive Income and Expenditure Statement</b>	<b>(32,191)</b>		<b>47,130</b>	
<b>Movement in Reserves Statement – General Fund and Housing Revenue Account</b>				
Net charges included in surplus on the provision of services as above	15,436		11,024	
Reversal of net charges included in surplus on the provision of services	(15,436)		(11,024)	
Insertion of employer contributions due under the pension scheme regulations	7,681		7,746	
<b>Total charged to General Fund and Housing Revenue Account</b>	<b>7,681</b>		<b>7,746</b>	

## Reconciliation of Plan Assets and Liabilities

	Plan assets		Plan liabilities		Net defined benefit liability	
	2021/22 £'000	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000	2020/21 £'000
<b>Balance at 1 April</b>	<b>271,102</b>	<b>215,394</b>	<b>(413,311)</b>	<b>(318,219)</b>	<b>(142,209)</b>	<b>(102,825)</b>
Current service cost	0	0	(12,821)	(8,505)	(12,822)	(8,505)
Past service costs (including settlements and curtailments)	(836)	0	1,025	(109)	189	(109)
Interest income and expense	5,490	4,923	(8,293)	(7,333)	(2,803)	(2,410)
<b>Remeasurement of the net defined benefit liability:</b>						
Return on plan assets (excluding amount included in net interest expense)	18,262	50,019	0	0	18,262	50,019
Changes in demographic assumptions	0	0	2,003	(4,653)	2,003	(4,653)
Changes in financial assumptions	0	0	28,067	(84,854)	28,067	(84,854)
Other experience	0	0	(705)	3,382	(705)	3,382
Contributions from employer	7,681	7,746	0	0	7,681	7,746
Contributions from employees	1,672	1,658	(1,672)	(1,658)	0	0
Benefits paid	(9,054)	(8,638)	9,054	8,638	0	0
<b>Balance at 31 March</b>	<b>294,317</b>	<b>271,102</b>	<b>(396,654)</b>	<b>(413,311)</b>	<b>(102,337)</b>	<b>(142,209)</b>

## Fair Value of Plan Assets

	31 March 2022			31 March 2021		
	Quoted prices in active markets	Quoted prices not in active markets	Total	Quoted prices in active markets	Quoted prices not in active markets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Debt securities – UK government	0	15,354	15,354	0	10,942	10,942
Private equity	0	28,398	28,398	0	25,236	25,236
Real estate – UK property	0	19,433	19,433	0	16,532	16,532
Real estate – Overseas property	0	2	2	0	3	3
Derivatives	0	(153)	(153)	0	(3,207)	(3,207)
Cash and cash equivalents	3,464	0	3,464	7,448	0	7,448
<b>Investment funds and unit trusts:</b>						
Equities	0	173,648	173,648	0	161,395	161,395
Bonds	0	31,187	31,187	0	30,006	30,006
Infrastructure	0	22,984	22,984	0	22,747	22,747
<b>Total plan assets</b>	<b>3,464</b>	<b>290,853</b>	<b>294,317</b>	<b>7,448</b>	<b>263,654</b>	<b>271,102</b>

## Actuarial Assumptions

Plan liabilities have been assessed by an independent actuary, Hymans Robertson, based upon the latest full valuation of the scheme as at 31 March 2019, and the following significant assumptions:

	31 March 2022	31 March 2021
Pension increase rate (CPI)	3.20%	2.85%
Salary increase rate	3.70%	3.35%
Discount rate (for plan liabilities)	2.70%	2.00%
<b>Longevity at 65:</b>		
Current pensioners – men	22.0 years	22.2 years
Current pensioners – women	24.2 years	24.4 years
Future pensioners (aged 45 at last valuation date) – men	22.9 years	23.2 years
Future pensioners (aged 45 at last valuation date) – women	26.0 years	26.2 years
<b>Take up of option to convert annual pension into retirement lump sum:</b>		
In respect of service prior to April 2008	25%	25%
In respect of service since April 2008	64%	64%

The estimation of the plan liabilities is sensitive to the actuarial assumptions in the table above. The sensitivity analysis below is based on reasonably possible changes to the assumptions used at the Balance Sheet date. It assumes in each case that the assumption analysed changes while all other assumptions remain constant. In practice, this is unlikely to occur, as changes in some of the assumptions may be interrelated. The estimations used in the sensitivity analysis have followed the accounting policies for the scheme.

Change in assumption as at 31 March 2022	Approximate increase in plan liabilities	
	%	£'000
0.1% decrease in discount rate	2	7,679
1 year increase in member life expectancy	4	15,866
0.1% increase in salary increase rate	0	629
0.1% increase in pension increase rate (CPI)	2	6,993

## Funding Policy

The objective of the scheme is to keep employer contributions at as constant a rate as possible. A strategy has been agreed with the scheme actuary to achieve an appropriate funding level over the period to 31 March 2023.

The Council paid a deficit repair contribution of £8,905,000 in April 2020, covering the three year period ending 31 March 2023. This has been accounted for initially as a prepayment, and included within employer contributions across the three years. The amount included in employer contributions in 2021/22 is £2,965,000 (2020/21: £3,151,000), and the prepayment remaining at 31 March 2022 is £2,789,000 (31 March 2021: £5,754,000).

Employer contributions in 2022/23 (including the release of the final prepaid amount) are projected to be £7,022,000. As at the last full valuation date (31 March 2019), the weighted average duration of the Council's funded obligations is 21 years.

## Note 22 – Cash Flows from Operating Activities

Cash flows from operating activities include the following amounts relating to interest and dividends:

	2021/22 £'000	2020/21 £'000
Interest received	1,753	1,258
Interest paid	(7,494)	(7,494)
Dividends received	584	661

Within the Cash Flow Statement, the surplus on the provision of services has been adjusted for the following items:

	2021/22 £'000	2020/21 £'000
<b>Non-cash movements</b>		
Depreciation	14,854	17,972
Impairment and downward valuations	0	8,585
Amortisation	247	141
(Decrease) / increase in impairment for bad debts	(154)	824
Increase in creditors	1,957	32,141
Decrease / (increase) in debtors	3,995	(7,157)
Decrease / (increase) in inventories	4	(11)
Movement in pension liability	7,755	3,278
Carrying amount of non-current assets and assets held for sale disposed of	6,552	6,102
Other non-cash items credited to surplus on the provision of services	(12,359)	(1,229)
<b>Total adjustments to net surplus on the provision of services for non-cash movements</b>	<b>22,851</b>	<b>60,646</b>
<b>Items that are investing and financing activities</b>		
Proceeds from sale of property, plant and equipment, investment property and intangible assets	(12,760)	(5,749)
Capital grants receivable	(9,530)	(36,273)
<b>Total adjustments from items included in the net surplus on the provision of services that are investing or financing activities</b>	<b>(22,290)</b>	<b>(42,022)</b>

### Note 23 – Reconciliation of Assets and Liabilities Arising from Financing Activities

	1 April 2020 £'000	Financing Cash Flows £'000	31 March 2021 £'000	Financing Cash Flows £'000	31 March 2022 £'000
Long-term borrowings	(213,572)	0	(213,572)	0	(213,572)
Short-term borrowings	(82)	0	(82)	0	(82)
Short-term creditors: business rates and council tax collected as an agent for others	(13,388)	37,162	23,774	(25,505)	(1,731)
<b>Total liabilities from financing activities</b>	<b>(227,042)</b>	<b>37,162</b>	<b>(189,880)</b>	<b>(25,505)</b>	<b>(215,385)</b>
Short-term debtors: business rates and council tax collected as an agent for others	0	5,511	5,511	(2,692)	2,819
<b>Total assets from financing activities</b>	<b>0</b>	<b>5,511</b>	<b>5,511</b>	<b>(2,692)</b>	<b>2,819</b>

### Note 24 – Members' Allowances

The total of members' allowances and expenses paid in the year was £372,000 (2020/21: £358,000).

### Note 25 – Officers' Remuneration

#### Senior Employees

	2021/22			2020/21		
	Salary, fees and allowances £	Pension contribution £	Total £	Salary, fees and allowances £	Pension contribution £	Total £
Chief Executive <sup>1</sup>	119,087	20,721	139,808	0	0	0
Chief Executive <sup>2</sup>	0	0	0	71,149	11,622	82,771
Assistant Chief Executive and Head of Corporate Strategy <sup>3,4</sup>	79,326	13,803	93,129	78,154	13,599	91,753
Director of Enterprise and Sustainable Development <sup>5</sup>	103,745	18,052	121,797	102,212	17,785	119,997
Director of Neighbourhoods and Communities <sup>6</sup>	66,826	11,628	78,454	0	0	0
Strategic Director <sup>7</sup>	37,816	5,928	43,744	102,212	17,785	119,997
Head of Finance and Section 151 Officer	79,326	13,803	93,129	77,824	13,599	91,423
Head of Transformation <sup>8</sup>	62,620	10,857	73,477	78,154	13,599	91,753

<sup>1</sup> Joined on 19 April 2021

<sup>2</sup> Left on 30 September 2020

<sup>3</sup> Previously known as Head of Corporate Strategy

<sup>4</sup> In addition, £1,912 was paid in respect of elections work (2020/21: nil)

<sup>5</sup> Previously known as Strategic Director

<sup>6</sup> Appointed to current role on 12 July 2021 – remuneration from previous role (as a non-senior employee) is not included in the table above

<sup>7</sup> Left on 31 July 2021

<sup>8</sup> Left on 18 January 2022

In addition, there was an Interim Chief Executive and Returning Officer in post from 1 October 2020 to 14 May 2021, who was paid through an agency arrangement. The cost for the year is £31,646 (2020/21: £142,646).

The Council appointed a new Head of Transformation on 6 December 2021, who is paid through an agency arrangement. The cost for the year was £54,972.

### Other Employees

The Council's other employees (excluding the senior employees disclosed separately above) receiving more than £50,000 remuneration for the year (excluding employer pension contributions) were paid as follows:-

Remuneration band	2021/22	2020/21
	<u>No. of employees</u>	<u>No. of employees</u>
£50,000 - £54,999	19	20
£55,000 - £59,999	13	6
£60,000 - £64,999	6	4
£65,000 - £69,999	1	1
£70,000 - £74,999	1	2
£75,000 - £79,999	9	8

For year figures have been restated to exclude senior employees for consistency.

### Exit Packages

Exit package cost band (including special payments)	Total number of exit packages		Total cost of exit packages	
	2021/22 <u>No.</u>	2020/21 <u>No.</u>	2021/22 <u>£'000</u>	2020/21 <u>£'000</u>
£0 - £20,000	7	4	75	14
£20,001 - £40,000	0	2	0	59
£40,001 - £60,000	2	1	89	51
£60,001 - £80,000	0	1	0	72
£80,001 - £100,000	0	2	0	234
<b>Total</b>	<b>9</b>	<b>10</b>	<b>164</b>	<b>430</b>

All exit packages relate to compulsory redundancies.

## Note 26 – Related Party Transactions

### Central Government and Other Public Bodies

The UK government has significant influence over the operations of the Council. It is responsible for setting the statutory framework in which the Council operates, provides a significant level of funding, and prescribes the terms of many of the Council's transactions with others (e.g. relating to council tax and housing benefits).

The Council has a number of transactions and balances with central government and other public bodies (under its common control). Most of those which are material are disclosed elsewhere in this Statement of Accounts as follows:-

Transaction / Balance	Note
Government grant income and material year-end balances	27
Council tax and business rates collected on behalf of central government and local preceptors and related year-end balances	23, Collection Fund Statement
Transactions and balances with Local Government Pension Scheme administered by Cambridgeshire County Council	21

In addition, the Council frequently places fixed term deposits with other local authorities for treasury management purposes. The total principal amount invested with other local authorities at 31 March 2022 (included within short-term investments) was £88,000,000 (31 March 2021: £62,000,000).

The Council shares a number of key services with Huntingdonshire District Council and South Cambridgeshire District Council under the banner of 3C Shared Services, including ICT, Building Control and Legal. The Council also shares waste, planning, internal audit and payroll services with South Cambridgeshire District Council. In each case, the Council accounts for its share of income and expenditure, and any year-end debtor or creditor balances, in accordance with Code requirements.

### Members

Members of the Council have direct control over its financial and operating policies. The total of members' allowances and expenses paid in 2021/22 is set out at note 24.

Members are required to make declarations of interest concerning third parties. Details are recorded in the Council's [Register of Interests](#)<sup>10</sup> which is open to public inspection and available on the Council's website. The following table sets out transactions and balances (material to either party) between the Council and other organisations in which members have declared a controlling interest:

<sup>10</sup> <https://www.cambridge.gov.uk/councillors-duties-conduct-and-allowances>

Organisation	Relationship	Income from services provided		Grants paid to organisation		Year-end debtor / (creditor)	
		2021/22	2020/21	31 March 2022	31 March 2021	31 March 2022	31 March 2021
		£'000	£'000	£'000	£'000	£'000	£'000
Cambridge BID Ltd	One member is a director	(107)	(97)	47	11	(13)	6
Cambridge Sustainable Food CIC	Two members sit on Partnership Board	0	0	108	53	23	0
Granta Architects Ltd	One member is a director	0	0	2	8	0	0
Cherry Hinton Residents' Association	Three members sit on the Committee (including the Committee Chair)	0	0	1	0	0	0

The Council also paid Covid-19 support grants totalling £16,000 (2020/21: £46,000) to two (2020/21: one) non-profit organisations in which members have declared an interest. These were paid in the Council's capacity as a distributary agent for central government, therefore the Council had no discretion in determining the amounts to be paid and is fully reimbursed by central government (see note 27).

In addition to the amounts in the table above, the Council acts as agent for Cambridge BID Ltd in collecting levy payments from local businesses. During 2021/22, the Council collected £1,038,000 (2020/21: £933,000) and paid £984,000 (2020/21: £848,000) to Cambridge BID. At 31 March 2022, the outstanding creditor balance in respect of levies due was £127,000 (31 March 2021: £99,000).

### Subsidiaries and Joint Ventures

The transactions and balances arising with the Council's subsidiaries and joint ventures are as follows:

	Cambridge Investment Partnership		Cambridge City Housing Company		Storey's Field Community Trust	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>						
Management fees and recharged costs	(281)	(380)	(64)	(41)	(145)	(137)
Rent and service charges	0	0	(27)	(32)	0	0
Section 106 capital contributions	(524)	(327)	0	0	0	0
Interest receivable on loans	(1,114)	(929)	(152)	(152)	0	0

	Cambridge Investment Partnership		Cambridge City Housing Company		Storey's Field Community Trust	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Expenditure</b>						
Capital expenditure – new development	9,601	20,147	0	0	0	0
Grants paid	0	0	0	0	0	1
Services provided	80	10	0	0	3	0
Payment for loss of rental income due to property voids	0	0	23	23	0	0

	Cambridge Investment Partnership		Cambridge City Housing Company		Storey's Field Community Trust	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance Sheet</b>						
Loans	38,476	50,469	7,500	7,500	0	0
Short-term debtors	344	325	(4)	8	45	77
Short-term creditors	(958)	(1,363)	(15)	0	(1)	0

The Council also paid £16,000 (2020/21: £13,000) of Covid-19 support grants to Storey's Field Community Trust in the capacity of distributary agent for central government. The Council had no discretion in determining the amounts to be paid and is fully reimbursed by central government (see note 27).

The **Cambridge Investment Partnership (CIP)** consists of the following four limited liability partnerships (LLPs) in which the Council holds a 50% interest and exercises joint control:

- Cambridge Investment Partnership LLP
- CIP (Mill Road Development) LLP
- CIP (Cromwell Road) LLP
- CIP Orchard Park L2 LLP

**Cambridge City Housing Company Ltd (CCHC)** is a wholly owned subsidiary of the Council.

**Storey's Field Community Trust** is a company limited by guarantee in which the Council exercises joint control.

In addition, the Council has significant influence over the following entities with which there were no transactions or balances in 2021/22 or 2020/21:

Entity	Relationship
Cambridge Live	Full control
Cambridge Live Trading Ltd	Full control
Iron Works (Cambridge) Management Company Ltd	Joint control (75%)
Cambridge 4 LLP	Joint control (50%)
Romsey Works Cambridge Management Company Ltd	Joint control (50%)
Virido Management Company Ltd	Joint control (50%)

## Note 27 – Grant Income

	2021/22		2020/21	
	£'000	£'000	£'000	£'000
<b>Credited to taxation and non-specific grant income</b>				
<b>Covid-19 related grants and contributions:</b>				
Business rates relief grant – retail discount and nursery relief	(10,065)		(22,834)	
Other Covid-19 related grants and contributions	(1,778)		(8,366)	
<b>Other grants and contributions:</b>				
Capital grants and contributions	(9,530)		(36,273)	
New Homes Bonus	(3,458)		(4,913)	
Business rates relief grant – other	(961)		(571)	
Other grants and contributions	(1,449)		(494)	
<b>Total grants and contributions credited to taxation and non-specific grant income</b>		<b>(27,241)</b>		<b>(73,451)</b>
<b>Credited to services</b>				
<b>Covid-19 related grants and contributions:</b>				
Direct support for businesses and individuals	(1,470)		(6,234)	
Other Covid-19 related grants and contributions	(1,554)		(3,214)	
<b>Other grants and contributions:</b>				
Housing benefit subsidy	(27,951)		(30,016)	
Other grants and contributions	(4,384)		(3,857)	
<b>Total grants and contributions credited to services</b>		<b>(35,359)</b>		<b>(43,321)</b>
<b>Total grants and contributions</b>		<b>(62,600)</b>		<b>(116,772)</b>

## Council Acting as Distributory Agent

There are several arrangements by which the Council acts as a distributory agent for government grants. In these cases, grant amounts and eligibility criteria are set by central government, and the Council has no discretion to alter these. The Council is reimbursed in full (or paid in advance) for the expenditure incurred.

Income and expenditure related to such grants is not included in the Comprehensive Income and Expenditure Statement (or the tables above), as the Council does not have control over how the grants are spent. The material agency arrangements in place during the year were as follows:-

	Covid-19 business support grants £'000	Council tax rebate £'000	Housing Infrastructure Fund £'000
<b>Balance at 1 April 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash received from central government	(42,551)	0	(8,832)
Cash distributed to grant recipients	37,163	0	8,832
<b>Balance at 31 March 2021</b>	<b>(5,388)</b>	<b>0</b>	<b>0</b>
Cash received from central government	(10,776)	(6,239)	(11,525)
Cash distributed to grant recipients	11,115	0	11,525
Cash repaid to central government	265	0	0
<b>Balance at 31 March 2022</b>	<b>(4,784)</b>	<b>(6,239)</b>	<b>0</b>

## Note 28 – External Audit Costs

	2021/22 £'000	2020/21 £'000
Fees payable to EY for external audit services carried out by the appointed auditor for the year	50	40
Additional fees payable to EY for external audit services carried out by the appointed auditor for previous years	38	43
Fees payable to EY for the certification of grant claims and returns	8	15
<b>Total fees payable to EY</b>	<b>96</b>	<b>98</b>

## Note 29 – Capital Expenditure and Financing

The table below shows the capital expenditure incurred along with the resources used to finance it. All capital expenditure must be financed, either at the point it is incurred, or in future years as the underlying assets are used. The balance of historic capital expenditure yet to be financed is known as the Capital Financing Requirement (CFR).



	2021/22		2020/21	
	£'000	£'000	£'000	£'000
<b>Capital Financing Requirement at 1 April</b>	286,451		275,431	
<b>Capital investment:</b>				
Property, plant and equipment	51,110		39,038	
Investment property	179		202	
Intangible assets	214		245	
Revenue expenditure funded from capital under statute	1,108		811	
Capital loans advanced	9,569		10,645	
<b>Capital financing applied:</b>				
Capital receipts	(29,979)		(11,040)	
Capital grants and contributions	(12,668)		(14,963)	
Major Repairs Reserve	(11,205)		(7,103)	
Direct revenue contributions (towards in year capital investment)	(8,855)		(6,509)	
Minimum revenue provision (towards historic unfinanced capital investment)	(306)		(306)	
<b>(Decrease) / increase in Capital Financing Requirement</b>	<b>(833)</b>		<b>11,020</b>	
<b>Capital Financing Requirement at 31 March</b>	<b>285,618</b>		<b>286,451</b>	

Page 105

### Note 30 – Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks, including:

- Credit risk – the risk that other parties may fail to pay amounts due to the Council
- Liquidity risk – the risk that the Council might not have funds available to meet its commitments to make payments
- Market risk – the risk that financial loss may occur as a result of changes in financial markets (e.g. interest rate and stock market movements).

The Council's approach to managing these risks is set out in the [Treasury Management Strategy](#)<sup>11</sup> and [Capital Strategy](#)<sup>11</sup>. These are refreshed annually and approved by full Council, and are available to view on the Council's website. Day to day risk management is carried out by the Finance service in accordance with these strategies.

#### Credit Risk

Credit risk arises both from the Council's investments, and receivables from customers.

#### Investments

Credit risk management practices in relation to investments are set out in section 6 of the Capital Strategy. Investments with financial institutions are assessed using an external creditworthiness service provided by Link Asset Services. This uses credit ratings from three rating agencies, overlaid with credit watches, credit outlooks, and Credit Default Swap spreads to give early warning of likely changes. In making its investments, the Council prioritises security, liquidity and yield, in that order.

Investments with other local authorities are considered to have a low credit risk, due to the strong capacity of local authorities generally to meet future cash flow commitments, and the fact that they can only be discontinued through statutory provision.

Other significant investments (e.g. loans to subsidiaries and joint ventures) are only made where sufficient collateral is offered, for example through a charge on the assets of the borrower.

In light of the above, there are no expected credit losses arising from investments as at 31 March 2022 (31 March 2021: nil).

#### Receivables

There are written policies in place for the recovery and write-off of receivables from customers. An expected credit loss allowance is made for receivables, grouped by age and type, based upon previous collection experience. Movements in the credit loss allowance are follows:-

	2021/22 £'000	2020/21 £'000
<b>Balance at 1 April</b>	<b>(3,169)</b>	<b>(2,359)</b>
Amounts written off	66	139
Other decrease / (increase) in credit loss allowance	(57)	(949)
<b>Balance at 31 March</b>	<b>(3,160)</b>	<b>(3,169)</b>

The maximum exposure to credit risk on receivables held at amortised cost is as follows:-

	31 March 2022			31 March 2021		
	Gross debtor £'000	Credit loss allowance £'000	Carrying value £'000	Gross debtor £'000	Credit loss allowance £'000	Carrying value £'000
Current and former tenants	2,432	(1,966)	466	2,271	(1,894)	377
Other debtors	6,348	(1,194)	5,154	7,236	(1,275)	5,961
<b>Total</b>	<b>8,780</b>	<b>(3,160)</b>	<b>5,620</b>	<b>9,507</b>	<b>(3,169)</b>	<b>6,338</b>

<sup>11</sup> <https://democracy.cambridge.gov.uk/ieListDocuments.aspx?CId=116&MId=3965&Ver=4>

### Liquidity Risk

The Council has comprehensive cash flow management processes which ensure that cash is available as needed, with balances monitored and forecasts updated on a daily basis. Should unexpected events occur which require additional cash at short notice, the Council has ready access to borrowing from the money markets and other local authorities. Therefore the risk that the Council will be unable to meet its commitments to make payments is considered to be very low.

The maturity profile of the Council's borrowing is as follows:

	31 March 2022			31 March 2021		
	Principal repayments £'000	Interest payments £'000	Total payments £'000	Principal repayments £'000	Interest payments £'000	Total payments £'000
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	53,393	33,766	87,159	42,714	35,250	77,964
Between 20 and 25 years	53,393	24,426	77,819	53,393	26,302	79,695
Between 25 and 30 years	53,393	15,020	68,413	53,393	16,903	70,296
Between 30 and 35 years	53,393	5,618	59,011	53,393	7,494	60,887
Between 35 and 40 years	0	0	0	10,679	374	11,053
<b>Total</b>	<b>213,572</b>	<b>191,243</b>	<b>404,815</b>	<b>213,572</b>	<b>198,736</b>	<b>412,308</b>

Borrowing consists of fixed-rate maturity loans from the Public Works Loan Board (PWLB), and was taken out to meet the cost of the Housing Revenue Account (HRA) self-financing settlement in March 2012. The HRA Business Plan anticipates the repayment of these loans on maturity.

### Market Risk

Since most of the Council's investments are at fixed interest rates, the Council is not exposed to significant risks arising from changes in interest rates.

Instead, the principal market risk to which the Council is exposed is the risk of price changes on investments held at fair value. This is mitigated to some extent by the fact that it is the Council's intention to hold such investments over the long term.

The following investment balances are subject to price risk:

Investment type	Fair value at 31 March 2022	Change in value considered reasonably possible	Impact on surplus on the provision of services of reasonably possible change in value
	£'000	%	£'000
Enhanced cash funds	14,950	2	299
Pooled investment vehicles	17,401	20	3,480

The change in value which is deemed reasonably possible has been based upon prior experience. The range of reasonably possible movements on pooled investment vehicles has been increased from 5% at 31 March 2021 to 20% at 31 March 2022. This follows a significant upwards movement in valuation experienced during 2021/22, which is deemed to increase the likelihood of similar large movements (upwards or downwards) in future years.

Please note that any movements in the fair value of pooled investment vehicles are transferred through the Movement in Reserves Statement to unusable reserves (the Pooled Investment Adjustment Account), so as not to affect the General Fund.

## Housing Revenue Account Income and Expenditure Statement

This statement shows the economic cost in the year of providing Housing Revenue Account (HRA) services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. The Council charges rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The total increase or decrease on the HRA for the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

	2021/22		2020/21	
	£'000	£'000	£'000	£'000
<b>Expenditure:</b>				
Repairs and maintenance	10,336		8,801	
Supervision and management	7,615		7,571	
Rents, rates, taxes and other charges	278		138	
Depreciation, impairment and revaluation losses on non-current assets (net of reversals)	2,398		19,103	
Movement in the allowance for bad debts	132		523	
HRA share of corporate and democratic core costs	437		314	
<b>Total expenditure</b>		<b>21,196</b>		<b>36,450</b>
<b>Income:</b>				
Dwelling rents	(38,767)		(38,030)	
Non-dwelling rents	(846)		(816)	
Charges for services and facilities	(3,441)		(3,454)	
Contributions towards expenditure	(528)		(565)	
Reimbursement of costs	(14)		(39)	
<b>Total income</b>		<b>(43,596)</b>		<b>(42,904)</b>
<b>Net income from HRA services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(22,400)</b>		<b>(6,454)</b>
<b>HRA share of other income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>				
(Gain) / loss on sale of HRA non-current assets		(4,399)		563
Interest payable and similar charges		7,494		7,494
HRA interest and investment income		(742)		(1,234)
Capital grants and contributions		(1,266)		(29,209)
<b>Surplus for the year on HRA services</b>		<b>(21,313)</b>		<b>(28,840)</b>

## Movement on the Housing Revenue Account Statement

	2021/22		2020/21	
	£'000	£'000	£'000	£'000
Surplus for the year on HRA services		(21,313)		(28,840)
<b>Adjustments between accounting basis and funding basis under statutory provisions:</b>				
Depreciation, impairment and revaluation gains and losses on property, plant and equipment	6,701		(8,154)	
Movements in the fair value of investment properties	35		185	
Capital grants and contributions	1,266		29,209	
Costs of disposal funded from capital receipts	(165)		(120)	
Gain / (loss) on sale of HRA non-current assets	4,399		(563)	
Capital expenditure funded by the HRA	8,487		4,794	
HRA share of contributions to / (from) the Pensions Reserve	(657)		117	
Transfers from the General Fund under statutory provisions	(7)		(40)	
Movements in the accumulated absences accrual	0		48	
<b>Total adjustments between accounting basis and funding basis under statutory provisions</b>		<b>20,059</b>		<b>25,476</b>
<b>Net increase in HRA before transfers to / (from) earmarked reserves</b>		<b>(1,254)</b>		<b>(3,364)</b>
Transfers to / (from) earmarked reserves		84		10
<b>Increase in year in the HRA</b>		<b>(1,170)</b>		<b>(3,354)</b>
<b>Balance at 1 April</b>		<b>(18,420)</b>		<b>(15,066)</b>
<b>Balance at 31 March</b>		<b>(19,590)</b>		<b>(18,420)</b>

## Notes to the Housing Revenue Account Statements

## 1 Dwelling Stock

	31 March 2022 <u>No.</u>	31 March 2021 <u>No.</u>
Sheltered housing units	514	513
Shared ownership properties (whole property equivalent)	45	47
Other houses and bungalows	3,530	3,536
Other flats and maisonettes	3,111	3,054
<b>Total dwelling stock (whole property equivalent)</b>	<b>7,200</b>	<b>7,150</b>

## 2 Non-Current Assets

The value of non-current assets held by the HRA, and depreciation charged for the year, are as follows:-

	Net Book Value		Depreciation charged for the year	
	31 March 2022 <u>£'000</u>	31 March 2021 <u>£'000</u>	2021/22 <u>£'000</u>	2020/21 <u>£'000</u>
<b>Property, plant and equipment:</b>				
Council dwellings	726,429	639,804	8,694	10,593
Other land and buildings	10,258	10,312	152	169
Vehicles, plant, furniture and equipment	107	109	19	31
Infrastructure assets	4,586	4,094	116	100
Assets under construction	50,804	45,494	0	0
<b>Total property, plant and equipment</b>	<b>792,184</b>	<b>699,813</b>	<b>8,981</b>	<b>10,893</b>
Investment property	6,599	5,919	0	0
Intangible assets	354	353	118	56
<b>Total non-current assets</b>	<b>799,137</b>	<b>706,085</b>	<b>9,099</b>	<b>10,949</b>

The value of council dwellings at 1 April 2021, based upon vacant possession, was £1,684 million (1 April 2020: £1,601 million). This is the estimate of the total sum that would be received if all dwellings were sold with vacant possession on the open market. However, the Balance Sheet value above is calculated on the basis of existing use value – social housing (EUV-SH), which takes into account the fact that the dwellings are subject to ongoing tenancies at less than market rent. The difference between the two valuations shows the economic cost of providing housing at less than market rents.

## 3 Capital Expenditure and Financing

The following table sets out total capital expenditure on HRA assets, together with sources of capital financing:

	2021/22 <u>£'000</u>	2020/21 <u>£'000</u>
<b>Capital expenditure:</b>		
Property, plant and equipment	40,692	33,976
Investment property	44	10
Intangible assets	119	184
<b>Total capital expenditure</b>	<b>40,855</b>	<b>34,170</b>
<b>Financed by:</b>		
Capital receipts	(10,454)	(7,974)
Capital grants and contributions	(10,709)	(14,299)
Major Repairs Reserve	(11,205)	(7,103)
Direct revenue contributions	(8,487)	(4,794)
<b>Total capital financing applied</b>	<b>(40,855)</b>	<b>(34,170)</b>

## 4 Capital Receipts

The following amounts have been received from the disposal of HRA non-current assets:

	2021/22 <u>£'000</u>	2020/21 <u>£'000</u>
<b>Capital receipts from the disposal of:</b>		
Council dwellings	7,486	5,027
Other land	42	0
<b>Total capital receipts</b>	<b>7,528</b>	<b>5,027</b>
Payments to the central government housing capital receipts pool	(1,134)	(1,359)
<b>Total capital receipts retained by Council</b>	<b>6,394</b>	<b>3,668</b>

The capital receipts retained by the Council have been transferred to the Capital Receipts Reserve to finance future capital expenditure, in line with statutory requirements.

## 5 Rent Arrears

Rent arrears at 31 March 2022 were £2,432,000 (31 March 2021: £2,271,000). At 31 March 2022, a net provision for bad debt of £1,966,000 was held on the Balance Sheet (31 March 2021: £1,894,000).

## Collection Fund Statement

	Note	Council tax		Business rates	
		2021/22	2020/21	2021/22	2020/21
		£'000	£'000	£'000	£'000
<b>Income</b>					
Council tax and business rates receivable from taxpayers		(85,173)	(82,265)	(88,063)	(62,119)
Transfers from General Fund in respect of locally funded discounts		(83)	(912)	0	0
<b>Contributions towards previous year's collection fund deficit:</b>					
Cambridge City Council		(178)	0	(25,157)	0
Cambridgeshire County Council		(1,195)	0	(5,660)	0
Cambridgeshire and Peterborough Police and Crime Commissioner		(204)	0	0	0
Cambridgeshire and Peterborough Fire Authority		(63)	0	(629)	0
Central government		0	0	(31,446)	0
<b>Expenditure</b>					
<b>Council tax precepts and shares of business rates income distributed:</b>					
Cambridge City Council		9,033	9,001	43,111	47,112
Cambridgeshire County Council		60,933	60,417	9,700	10,600
Cambridgeshire and Peterborough Police and Crime Commissioner		10,778	10,342	0	0
Cambridgeshire and Peterborough Fire Authority		3,201	3,204	1,078	1,178
Central government		0	0	53,889	58,890
<b>Distribution of previous year's collection fund surplus:</b>					
Cambridge City Council		0	30	0	4,480
Cambridgeshire County Council		0	197	0	1,008
Cambridgeshire and Peterborough Police and Crime Commissioner		0	33	0	0
Cambridgeshire and Peterborough Fire Authority		0	11	0	112
Central government		0	0	0	5,600
<b>Other expenditure:</b>					
Transitional protection payment payable to central government		0	0	322	610
Impairment of debts		451	3,324	862	470
Movement in business rates appeals provision		0	0	(491)	(352)
Allowable collection costs payable to General Fund		0	0	239	237
<b>Total movement on fund balance</b>		<b>(2,500)</b>	<b>3,382</b>	<b>(42,245)</b>	<b>67,826</b>
<b>Collection Fund deficit / (surplus) at 1 April</b>		<b>3,633</b>	<b>251</b>	<b>59,032</b>	<b>(8,794)</b>
<b>Collection Fund deficit at 31 March</b>		<b>1,133</b>	<b>3,633</b>	<b>16,787</b>	<b>59,032</b>

As a billing authority, the Council has a statutory obligation to maintain a separate collection fund in respect of council tax and business rates. This statement shows the amounts collected from tax and rate payers, together with the amounts distributed to local preceptors (including the Council's own share) and central government.

## Notes to the Collection Fund Statement

## 1 Collection Fund Balances

The deficit on the Collection Fund as at 31 March 2022 will be recovered in future years from local preceptors (including the Council) and central government in line with statutory requirements. Each entity's share of the balance is as follows:-

Entity	Council tax deficit		Business rates deficit	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£'000	£'000	£'000	£'000
Cambridge City Council	124	395	6,715	23,612
Cambridgeshire County Council	827	2,644	1,511	5,313
Cambridgeshire and Peterborough Police and Crime Commissioner	137	453	0	0
Cambridgeshire and Peterborough Fire Authority	45	141	167	591
Central government	0	0	8,394	29,516
<b>Total deficit</b>	<b>1,133</b>	<b>3,633</b>	<b>16,787</b>	<b>59,032</b>

Page 119

## 2 Council Tax Base

Each domestic property within the Council's area is assigned to one of eight valuation bands for council tax purposes, based on its estimated value as at 1 April 1991. Council tax is set for band D properties (separately by the Council and each local preceptor), and the tax for other bands is calculated as a proportion of the band D amount.

The council tax for the year due on band D properties can be broken down as follows:-

Entity	Council tax per band D property	
	2021/22 £	2020/21 £
Cambridge City Council	207.50	202.50
Cambridgeshire County Council	1,399.77	1,359.18
Cambridgeshire and Peterborough Police and Crime Commissioner	247.59	232.65
Cambridgeshire and Peterborough Fire Authority	73.53	72.09
<b>Total council tax due per band D property</b>	<b>1,928.39</b>	<b>1,866.42</b>

In setting council tax, the Council and preceptors must first calculate their council tax requirement for the year (the amount which must be raised to cover budgeted expenditure net of other sources of finance such as government grants). This is then divided by the council tax base, which is the number

of domestic properties in the Council's area, expressed as the number of 'band D equivalent' dwellings.

The council tax base is forecast each January for the following financial year. The council tax base for 2021/22 was calculated as follows:-

Valuation band	2021/22				2020/21			
	Total dwellings	Equivalent dwellings after discounts, reliefs and exemptions	Ratio to band D	Band D equivalent dwellings	Total dwellings	Equivalent dwellings after discounts, reliefs and exemptions	Ratio to band D	Band D equivalent dwellings
	No.	No.		No.	No.		No.	No.
A	4,263	3,223	6/9	2,149	4,246	2,781	6/9	1,854
B	10,674	8,803	7/9	6,847	10,567	8,662	7/9	6,737
C	20,050	17,655	8/9	15,693	19,940	17,476	8/9	15,534
D	10,197	8,900	1	8,900	10,094	8,661	1	8,661
E	5,858	5,090	11/9	6,221	5,812	5,035	11/9	6,154
F	3,766	3,339	13/9	4,823	3,734	3,285	13/9	4,745
G	3,235	2,740	15/9	4,567	3,228	2,715	15/9	4,525
H	493	306	18/9	612	490	307	18/9	614
<b>Total</b>	<b>58,536</b>	<b>50,056</b>		<b>49,812</b>	<b>58,111</b>	<b>48,922</b>		<b>48,824</b>
Adjustments to tax base				(6,281)				(4,373)
<b>Forecast tax base for 2021/22</b>				<b>43,531</b>				<b>44,451</b>

The adjustments to tax base in the table above are to take account of forecast growth in property numbers, changes in exemption status, local council tax support scheme claims and an allowance for non-collection.

## 3 Business Rates Multiplier and Rateable Value

The total rateable value of non-domestic properties within the Council area at 31 March 2022 was £305,237,704 (31 March 2021: £309,654,357). The standard business rates multiplier for 2021/22 as set by central government was 51.2p (2020/21: 51.2p).

## Group Comprehensive Income and Expenditure Statement (GCIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. The Council raises taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The amounts chargeable to taxation and rents for the year are set out in the Group Movement in Reserves Statement.

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

	Note	2021/22			2020/21 (Restated)		
		Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Strategy and External Partnerships		3,461	(360)	3,101	3,168	(214)	2,954
Finance and Resources		36,595	(31,083)	5,512	40,844	(37,668)	3,176
General Fund Housing		8,522	(3,228)	5,294	9,102	(4,430)	4,672
Climate Change, Environment and City Centre		10,202	(3,108)	7,094	11,981	(3,208)	8,773
Communities		14,685	(5,981)	8,704	12,614	(3,979)	8,635
Open Spaces, Sustainable Food and Community Wellbeing		7,418	(1,026)	6,392	7,215	(1,120)	6,095
Planning Policy and Transport		13,172	(11,367)	1,805	13,487	(5,528)	7,959
Housing Revenue Account		21,196	(43,577)	(22,381)	36,450	(42,868)	(6,418)
Other group housing services		120	(337)	(217)	129	(325)	(196)
<b>Cost of services</b>		<b>115,371</b>	<b>(100,067)</b>	<b>15,304</b>	<b>134,990</b>	<b>(99,340)</b>	<b>35,650</b>
Other operating income and expenditure		1,134	(6,208)	(5,074)	1,712	0	1,712
Financing and investment income and expenditure		13,111	(17,028)	(3,917)	13,156	(13,245)	(89)
Taxation and non-specific grant income		0	(31,995)	(31,995)	0	(66,371)	(66,371)
<b>(Surplus) / deficit on the provision of services</b>		<b>129,616</b>	<b>(155,298)</b>	<b>(25,682)</b>	<b>149,858</b>	<b>(178,956)</b>	<b>(29,098)</b>
Share of the (surplus) / deficit on the provision of services by joint ventures	3			(5,406)			(759)
<b>Group (surplus) / deficit</b>				<b>(31,088)</b>			<b>(29,857)</b>
(Surplus) / deficit on revaluation of non-current assets				(63,774)			(34,810)
Remeasurement of the net defined benefit liability				(47,627)			36,106
<b>Other comprehensive (income) / expenditure</b>				<b>(111,401)</b>			<b>1,296</b>
<b>Total comprehensive (income) / expenditure</b>				<b>(142,489)</b>			<b>(28,561)</b>

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

## Group Movement in Reserves Statement (GMIRS)

This statement shows the movement on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Group Movement in Reserves Statement shows how the movements in the Group's reserves are broken down between comprehensive income and expenditure incurred in accordance with generally accepted accounting practices (as shown in the Group Comprehensive Income and Expenditure Statement) and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year. The increase / decrease line shows the reserve movements for the year following those adjustments.

	General Fund	Collection Fund deficit earmarked reserve	Other earmarked General Fund reserves	Housing Revenue Account (HRA)	Earmarked HRA reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Reserve	Total usable reserves	Unusable reserves	Total Council reserves	Council share of subsidiary and joint venture reserves	Total Group reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2020</b>	<b>(17,263)</b>	<b>0</b>	<b>(18,680)</b>	<b>(15,066)</b>	<b>(17,257)</b>	<b>(46,657)</b>	<b>(9,801)</b>	<b>(23,362)</b>	<b>(148,086)</b>	<b>(650,587)</b>	<b>(798,673)</b>	<b>(534)</b>	<b>(799,207)</b>
<b>Movement in reserves during 2020/21:</b>													
Total comprehensive income and expenditure	(98)	0	0	(28,804)	0	0	0	0	(28,902)	1,340	(27,562)	(999)	(28,561)
Adjustments between Group accounts and Council accounts	(157)	0	0	(36)	0	0	0	0	(193)	0	(193)	193	0
<b>Net (increase) / decrease before transfers</b>	<b>(255)</b>	<b>0</b>	<b>0</b>	<b>(28,840)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(29,095)</b>	<b>1,340</b>	<b>(27,755)</b>	<b>(806)</b>	<b>(28,561)</b>
Adjustments between accounting basis and funding basis under statutory provisions	(31,639)	0	0	25,476	0	6,444	(3,846)	(21,310)	(24,875)	24,875	0	0	0
Transfers to / from earmarked reserves	32,563	(31,809)	(754)	10	(10)	0	0	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>669</b>	<b>(31,809)</b>	<b>(754)</b>	<b>10</b>	<b>(10)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance at 31 March 2021</b>	<b>(16,594)</b>	<b>(31,809)</b>	<b>(19,434)</b>	<b>(18,420)</b>	<b>(17,267)</b>	<b>(40,213)</b>	<b>(13,647)</b>	<b>(44,672)</b>	<b>(202,056)</b>	<b>(624,372)</b>	<b>(826,428)</b>	<b>(1,340)</b>	<b>(827,768)</b>
<b>Movement in reserves during 2021/22:</b>													
Total comprehensive income and expenditure	(4,171)	0	0	(21,294)	0	0	0	0	(25,465)	(111,174)	(136,639)	(5,850)	(142,489)
Adjustments between Group accounts and Council accounts	(174)	0	0	(19)	0	0	0	0	(193)	0	(193)	193	0
<b>Net (increase) / decrease before transfers</b>	<b>(4,345)</b>	<b>0</b>	<b>0</b>	<b>(21,313)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(25,658)</b>	<b>(111,174)</b>	<b>(136,832)</b>	<b>(5,657)</b>	<b>(142,489)</b>
Adjustments between accounting basis and funding basis under statutory provisions	16,883	0	0	20,059	0	(2,926)	2,106	3,138	39,260	(39,260)	0	0	0
Transfers to / from earmarked reserves	(21,477)	25,432	(3,955)	84	(84)	0	0	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>(8,939)</b>	<b>25,432</b>	<b>(3,955)</b>	<b>(1,170)</b>	<b>(84)</b>	<b>(2,926)</b>	<b>2,106</b>	<b>3,138</b>	<b>13,602</b>	<b>(150,434)</b>	<b>(136,832)</b>	<b>(5,657)</b>	<b>(142,489)</b>
<b>Balance at 31 March 2022</b>	<b>(25,533)</b>	<b>(6,377)</b>	<b>(23,389)</b>	<b>(19,590)</b>	<b>(17,351)</b>	<b>(43,139)</b>	<b>(11,541)</b>	<b>(41,534)</b>	<b>(188,454)</b>	<b>(774,806)</b>	<b>(963,260)</b>	<b>(6,997)</b>	<b>(970,257)</b>



## Group Balance Sheet

	Note	31 March 2022		31 March 2021 (Restated)	
		£'000	£'000	£'000	£'000
Property, plant and equipment	4	961,080		857,989	
Heritage assets		669		669	
Investment property		160,682		158,594	
Intangible assets		812		844	
Loans to joint ventures		38,476		50,469	
Investments in joint ventures	3	6,165		759	
Other long-term investments		22,451		17,053	
Long-term debtors		1,119		6,489	
<b>Long-term assets</b>		<b>1,191,454</b>		<b>1,092,866</b>	
Investment property held for sale		620		3,525	
Short-term investments		116,235		83,161	
Short-term debtors		15,363		52,820	
Inventories		194		198	
Cash and cash equivalents		30,514		14,565	
<b>Current assets</b>		<b>162,926</b>		<b>154,269</b>	
Short-term borrowing		(82)		(82)	
Short-term creditors		(63,882)		(59,164)	
Provisions		(4,051)		(4,209)	
<b>Current liabilities</b>		<b>(68,015)</b>		<b>(63,455)</b>	
Long-term borrowing		(213,572)		(213,572)	
Long-term receipts in advance		(105)		(80)	
Net defined benefit pension liability		(102,337)		(142,209)	
Other long-term liabilities		(94)		(51)	
<b>Long-term liabilities</b>		<b>(316,108)</b>		<b>(355,912)</b>	
<b>Net assets</b>		<b>970,257</b>		<b>827,768</b>	
Usable reserves		(194,508)		(202,669)	
Unusable reserves		(775,749)		(625,099)	
<b>Total reserves</b>		<b>(970,257)</b>		<b>(827,768)</b>	

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold. It also includes reserves which reflect timing differences between the recognition of income and expenditure under generally accepted accounting practices, and the point at which it must be credited or charged to usable reserves under statutory provisions.

Prior year short-term debtors and creditors have been adjusted to reflect the nature of the arrangements with central government in relation to non-domestic rates. These arrangements require discrete balances due to/from government to be settled separately rather than being set against one another to form a single payment or receipt. In the previous year's Statement of Accounts, the Balance Sheet as at 31 March 2021 presented amounts due to government in relation to non-domestic rates as a net balance. This has been corrected in the restated column in line with the treatment applied to correctly recognise the equivalent balances as at 31 March 2022. There is no change to the total net assets previously reported.

## Group Cash Flow Statement (GCFS)

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the year. 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 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 from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities reflect movements in the cash collected by the Council on behalf of others in respect of council tax and business rates.

	2021/22		2020/21	
	£'000	£'000	£'000	£'000
Net surplus on the provision of services	25,682		29,098	
Adjust net surplus on the provision of services for non-cash movements	22,871		60,709	
Adjust for items included in the net surplus on the provision of services that are investing and financing activities	(22,290)		(42,003)	
<b>Net cash flows from operating activities</b>		<b>26,263</b>		<b>47,804</b>
<b>Investing activities:</b>				
Purchase of property, plant and equipment, investment property and intangible assets	(50,429)		(39,825)	
Purchase of short-term and long-term investments	(197,640)		(67,700)	
Proceeds from the sale of property, plant and equipment, assets held for sale, investment property and intangible assets	15,465		6,099	
Proceeds from short-term and long-term investments	174,747		55,587	
Capital grants received	19,321		43,482	
Other receipts and payments from investing activities	25		24	
<b>Net cash flows from investing activities</b>		<b>(38,511)</b>		<b>(2,333)</b>
<b>Financing activities</b>		<b>28,197</b>		<b>(42,692)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>15,949</b>		<b>2,779</b>
<b>Cash and cash equivalents at the beginning of the year:</b>				
Overnight money market funds	13,500		11,000	
Bank accounts	1,048		770	
Cash held by the Council	17		16	
<b>Total cash and cash equivalents at the beginning of the year</b>		<b>14,565</b>		<b>11,786</b>
<b>Cash and cash equivalents at the end of the year:</b>				
Overnight money market funds	29,500		13,500	
Bank accounts	998		1,048	
Cash held by the Council	16		17	
<b>Total cash and cash equivalents at the end of the year</b>		<b>30,514</b>		<b>14,565</b>

### Note 1 – Accounting Policies

The accounting policies applied to the Group Financial Statements are the same as those set out at note 2 to the Council Financial Statements, with the following additions:

#### Basis of Consolidation

##### Control and Joint Control

The Council is deemed to have control over another entity when both of the following conditions are met:

- The Council is exposed to variable returns from its involvement with the entity (for example a share of the entity's profits).
- The Council can use its power over the entity to affect these returns.

Joint control exists where decisions affecting the entity's returns can only be made by the unanimous consent of more than one investor.

##### Subsidiaries

Subsidiaries are separate entities which are controlled by the Council.

The financial statements of subsidiaries are consolidated on a line by line basis. This means that transactions and balances are included in the relevant lines in the Group Financial Statements.

Adjustments are made to remove transactions and balances between the Council and its subsidiary, such that the Group Financial Statements present the financial performance and position of the Group as a whole, from an external perspective.

##### Joint Ventures

A joint venture is a separate entity which is jointly controlled by the Council and at least one other investor.

The financial statements of joint ventures are consolidated using the equity method. The Council's investment in the joint venture is initially recognised on the Balance Sheet at cost, and subsequently adjusted to match the Council's share of the entity's net assets. The change in the Council's share of net assets (effectively the Council's share of the entity's profit or loss) is recognised within other comprehensive income in the Group Comprehensive Income and Expenditure Statement (GCIES).

#### Alignment of Accounting Policies

The results of subsidiaries and joint ventures are adjusted where applicable to align their accounting policies with those of the Council:

- Cambridge City Housing Company Ltd holds a portfolio of dwellings for rent. Within the company accounts these are accounted for as investment properties under International Accounting

Standard (IAS) 40. However, adjustments are made within the Group Financial Statements to account for these dwellings as property, plant and equipment (other land and buildings) using the Council's accounting policies (see note 2 to the Council Financial Statements – accounting policy 12). The difference in treatment reflects the fact that the Group's primary reason for holding the properties is service related (i.e. the provision of affordable housing), rather than solely to generate rental income.

### Note 2 – Group Composition

#### Cambridge City Housing Company Ltd

Cambridge City Housing Company Ltd (CCHC) is a private limited company. It's main activity is to provide and manage housing for those in housing need in Cambridge and neighbouring districts, whilst also generating a financial return for the Council.

The Council owns 100% of the company's share capital and has the right to appoint all of the company's directors (all of whom are Council officers). As such, the Council is deemed to have full control over CCHC and it is accounted for as a subsidiary.

#### Cambridge Investment Partnership

The Cambridge Investment Partnership (CIP) consists of the four separate limited liability partnerships (LLPs), as follows:

- Cambridge Investment Partnership LLP
- CIP (Mill Road Development) LLP
- CIP (Cromwell Road) LLP
- CIP Orchard Park L2 LLP

The main activity of the partnership is the redevelopment of sites within Cambridge for the provision of housing, including affordable housing. The partnership is strategically important to the Council as the vehicle through which a significant proportion of its new build programme for council dwellings is to be delivered.

Each of the four LLPs is owned jointly by the Council and a private sector property developer, with each having a 50% interest and equal voting rights. As such, the Council is deemed to have joint control over each of the LLPs, and they are accounted for as separate joint ventures.

## Note 3 – Joint Ventures

The financial performance and position of the Council's joint ventures can be summarised as follows:-

	Cambridge Investment Partnership LLP		CIP (Mill Road Development) LLP		CIP (Cromwell Road) LLP		CIP Orchard Park L2 LLP		Total	
	2021/22 £'000	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000	2020/21 £'000
Income	(44,660)	(50,826)	(32,918)	(16,852)	(32,907)	0	0	0	(110,485)	(67,678)
Expenditure	44,294	50,123	26,440	13,520	29,494	6	3	5	100,231	63,654
<b>(Profit) / loss from continuing operations and total comprehensive income</b>	<b>(366)</b>	<b>(703)</b>	<b>(6,478)</b>	<b>(3,332)</b>	<b>(3,413)</b>	<b>6</b>	<b>3</b>	<b>5</b>	<b>(10,254)</b>	<b>(4,024)</b>
Council share (50%)	(183)	(351)	(3,239)	(1,666)	(1,707)	3	2	2	(5,127)	(2,012)
Adjustments in respect of unrealised losses	0	301	0	1,137	3	(3)	(2)	(2)	1	1,433
Movements in provision for unrealised profit	0	0	(280)	(180)	0	0	0	0	(280)	(180)
<b>Share of the (surplus) / deficit on the provision of services by joint ventures recognised in the Group Comprehensive Income and Expenditure Statement</b>	<b>(183)</b>	<b>(50)</b>	<b>(3,519)</b>	<b>(709)</b>	<b>(1,704)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,406)</b>	<b>(759)</b>

	Cambridge Investment Partnership LLP		CIP (Mill Road Development) LLP		CIP (Cromwell Road) LLP		CIP Orchard Park L2 LLP		Total	
	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
Current assets	12,618	21,526	13,784	10,653	39,951	45,819	3,607	2,255	69,960	80,253
Current liabilities (including members' loans)	(12,152)	(21,426)	(4,885)	(8,232)	(36,544)	(45,825)	(3,615)	(2,260)	(57,196)	(77,743)
<b>Members' capital (classified as a liability)</b>	<b>466</b>	<b>100</b>	<b>8,899</b>	<b>2,421</b>	<b>3,407</b>	<b>(6)</b>	<b>(8)</b>	<b>(5)</b>	<b>12,764</b>	<b>2,510</b>
Council share (50%)	233	50	4,449	1,210	1,704	(3)	(4)	(2)	6,382	1,255
Adjustments in respect of unrealised losses	0	0	0	0	0	3	4	2	4	5
Provision for unrealised profit	0	0	(221)	(501)	0	0	0	0	(221)	(501)
<b>Investments in joint ventures recognised in the Group Balance Sheet</b>	<b>233</b>	<b>50</b>	<b>4,228</b>	<b>709</b>	<b>1,704</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,165</b>	<b>759</b>
<b>Included in current assets above:</b>										
Cash and cash equivalents	396	81	3,546	82	297	31	1,703	115	5,942	309
Current financial liabilities (excluding trade and other payables)	9,633	18,485	0	5,240	27,797	27,473	3,051	2,258	40,481	53,456

## Note 4 – Property, Plant and Equipment

## Movements on Balances

	Council dwellings £'000	Other land and buildings £'000	Vehicles, plant, furniture and equipment £'000	Infrastructure assets £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Total property, plant and equipment £'000
<b>Balance at 1 April 2020:</b>								
Gross carrying amount	608,549	163,731	26,662	7,184	1,339	0	36,296	843,761
Accumulated depreciation and impairment	0	(10,521)	(15,887)	(1,102)	0	0	0	(27,510)
<b>Net book value</b>	<b>608,549</b>	<b>153,210</b>	<b>10,775</b>	<b>6,082</b>	<b>1,339</b>	<b>0</b>	<b>36,296</b>	<b>816,251</b>
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)
<b>Balance at 31 March 2021:</b>								
Gross carrying amount	639,804	154,854	22,131	7,880	1,351	10	47,070	873,100
Accumulated depreciation and impairment	0	(1,087)	(12,731)	(1,293)	0	0	0	(15,111)
<b>Net book value</b>	<b>639,804</b>	<b>153,767</b>	<b>9,400</b>	<b>6,587</b>	<b>1,351</b>	<b>10</b>	<b>47,070</b>	<b>857,989</b>
Additions	16,053	715	420	608	0	0	33,314	51,110
Disposals	(3,131)	(420)	(68)	0	(20)	(8)	0	(3,647)
Revaluation increases / (decreases) recognised in the revaluation reserve	58,627	5,221	0	0	0	(192)	0	63,656
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	6,318	895	(21)	0	0	(7)	0	7,185
Assets reclassified (to) / from investment properties	0	300	0	0	0	0	(548)	(248)
Assets reclassified (to) / from other categories of property, plant and equipment	17,451	(2,682)	598	0	0	276	(15,643)	0
Depreciation charge	(8,693)	(3,869)	(2,190)	(213)	0	0	0	(14,965)
<b>Balance at 31 March 2022:</b>								
Gross carrying amount	726,429	155,229	21,595	8,488	1,331	79	64,193	977,344
Accumulated depreciation and impairment	0	(1,302)	(13,456)	(1,506)	0	0	0	(16,264)
<b>Net book value</b>	<b>726,429</b>	<b>153,927</b>	<b>8,139</b>	<b>6,982</b>	<b>1,331</b>	<b>79</b>	<b>64,193</b>	<b>961,080</b>

### Valuation

Details of the valuation approach adopted for the Council's property, plant and equipment are set out at note 15 to the Council Financial Statements.

**CCHC dwellings** are revalued at 31 March each year, using a beacon approach. The stock is divided into a number of 'archetypes' containing dwellings with similar characteristics (e.g. location, property type, number of bedrooms). Within each archetype, one representative 'beacon' property is selected for revaluation, with the resulting valuation applied to all similar dwellings.

Valuations are carried out in accordance with 'Stock Valuation for Resource Accounting – Guidance for Valuers' published by DLUHC, and the RICS Valuation – Professional Standards ('Red Book') except where varied to reflect DLUHC requirements.

The following table shows the current carrying value of property, plant and equipment (excluding those classes of asset held at historic cost) by date of most recent valuation:

	Council dwellings	Other land and buildings	Surplus assets	Total
	£'000	£'000	£'000	£'000
Valued at current value as at:				
31 March 2022	726,429	141,580	79	868,088
31 March 2021	0	6,314	0	6,314
31 March 2020	0	2,251	0	2,251
31 March 2019	0	2,620	0	2,620
31 March 2018	0	1,162	0	1,162
<b>Total</b>	<b>726,429</b>	<b>153,927</b>	<b>79</b>	<b>880,435</b>

### Note 5 – Commitments with Joint Ventures

#### Capital Commitments

The Council has contracted with the Cambridge Investment Partnership for the construction of new build council dwellings. The amounts contractually committed but not yet recognised at the year-end were as follows:-

Entity	31 March 2022 £'000	31 March 2021 £'000
Cambridge Investment Partnership LLP	0	25
CIP (Mill Road Development) LLP	1,295	1,780
CIP (Cromwell Road) LLP	6,108	12,798
CIP Orchard Park L2 LLP	4,121	0
<b>Total</b>	<b>11,524</b>	<b>14,603</b>

#### Loan Commitments

The Council has entered into agreements with the Cambridge Investment Partnership to provide loan financing through the use of a revolving credit facility. Loans are secured on the property of the partnership (work in progress and unsold dwellings, excluding affordable housing), with a maximum loan to value ratio of 60% at any given time.

The balances on the facilities at year-end were as follows:-

Entity	31 March 2022			31 March 2021		
	Maximum facility £'000	Amount utilised £'000	Unutilised commitment £'000	Maximum facility £'000	Amount utilised £'000	Unutilised commitment £'000
Cambridge Investment Partnership LLP	28,000	(8,992)	19,008	28,000	(16,627)	11,373
CIP Orchard Park L2 LLP	8,000	(558)	7,442	0	0	0
<b>Total</b>	<b>36,000</b>	<b>(9,550)</b>	<b>26,450</b>	<b>28,000</b>	<b>(16,627)</b>	<b>11,373</b>

## Glossary of Terms

Accrual	An item of income or expenditure which is included in the Statement of Accounts because it relates to goods or services provided or received during the year, even though payment has not yet been received or paid (and no formal invoices raised).
Amortisation	An expense recognised to reflect the consumption of intangible assets, similar to depreciation on property, plant and equipment. It is generally charged on a straight line basis over the useful life of the relevant asset.
Amortised cost	A method for determining the value of financial assets or liabilities based upon the principal invested or borrowed, adjusted for any interest accrued and expected credit losses (e.g. bad debt).
Business rates retention	The arrangements, set out by central government, which determine the proportion of the business rates collected which can be retained by the City Council, and the proportion which is paid to local preceptors and central government (for redistribution to other local authorities).
Capital expenditure	Expenditure on new long-term assets such as property, plant and equipment, intangible assets, and investment property. Also includes expenditure which enhances existing assets, for example through significantly prolonging their useful life or increasing their value. Under statutory requirements, loans to third parties to finance their own capital expenditure are also treated as capital expenditure of the Council.
Capital financing	The use of the Council's resources (revenue or capital) to fund capital expenditure in the current year, or to repay borrowing associated with capital expenditure in previous years.
Capital grants	Grants received by the Council which can only be used for capital financing.
Capital loans	Loans made by the Council to a third party to finance their capital expenditure, for example loans made to the Cambridge Investment Partnership to fund property development. Under statutory provisions, the making of these loans is treated as capital expenditure by the Council, whilst repayments are treated as capital receipts.
Capital receipts	Cash received from the sale of long-term assets such as council houses, land or other buildings. This may only be used to finance future capital expenditure.
Cash equivalents	Highly liquid investments that mature in three months or less from the date of acquisition, and that are readily convertible to known amounts of cash with insignificant risk of change in value.
Code	The Code of Practice on Local Authority Accounting in the United Kingdom, which sets out the rules which the Council must follow in preparing and presenting their Statement of Accounts.
Creditors	Amounts owed by the Council.
Current assets	Assets which are expected to be used or realised within 12 months of the Balance Sheet date.
Current liabilities	Liabilities which are due to be settled (or could be called in) within 12 months of the Balance Sheet date.
Current service cost	The increase in the Council's net pension liability as a result of future pension entitlement earned by employees as a result of their service during the year.
Debtors	Amounts owed to the Council.
Defined benefit	A type of pension scheme whereby the benefits paid on retirement (lump sums and pensions) are based upon length of service with the Council and salary earned.

Depreciated replacement cost (DRC)	An approach to valuing property assets based upon the estimated cost of rebuilding an equivalent asset from scratch (using modern methods and specifications), depreciated to reflect the actual condition of the existing asset (i.e. the proportion of its total useful life remaining).
Depreciation	An expense recognised to reflect the consumption of property, plant and equipment. It is generally charged on a straight line basis over the useful life of the relevant asset.
Discount rate	The rate used to discount future cash flows (for example future pension payments) to their value at today's prices.
Effective interest rate (EIR)	The rate which exactly discounts the future cash flows arising from a financial instrument to the amount at which it was originally recognised – essentially representing the average interest rate over the life of the instrument.
Enhanced cash funds	A managed investment fund, similar to a money market fund, but generally offering slightly higher potential returns in exchange for slightly higher levels of risk in terms of the security and liquidity of its investments.
Fair value	The price at which an asset could be sold, or liability settled, in an orderly transaction between market participants (i.e. knowledgeable, willing parties operating at arm's length).
Finance lease	A lease that transfers substantially all of the risks and rewards of ownership of an asset to the lessee. The lease period tends to cover most or all of the useful life of the asset, and the value of lease payments made over the duration of the lease tends to approximately equal the value of the asset at the start of the lease.
Financial asset	An asset which represents cash, or the right to receive cash (or cash equivalents) in the future, for example fixed term deposits, investments in pooled investment vehicles, loans and trade debtors.
Financial instrument	A contract which gives rise to a financial asset in one entity and a financial liability in another.
Financial liability	A liability which will require the Council to pay out cash (or cash equivalents) in the future, for example borrowings and trade creditors.
Going concern	A basis of accounting which assumes that the Council will continue in existence for the foreseeable future.
Group	Includes the Council and all other entities which it controls (subsidiaries). The Group Financial Statements also incorporate the Council's share of the profits of its joint ventures.
Impairment	A reduction to the value of a non-financial asset as a result of its recoverable amount falling below its carrying value on the Balance Sheet, for example because it has been damaged or become obsolete. Impairments can also apply to financial assets, for example when there is an expectation that amounts due to the Council in the future will not be paid (credit losses).
Intangible assets	Assets without physical substance, which are expected to benefit the Council over the course of more than one year, for example software licences.
Joint venture	A separate entity which is deemed to be jointly controlled by the Council and at least one other investor, where strategic decision making is by unanimous consent. The Council's share of any profits is included in the Group Financial Statements.
Minimum revenue provision (MRP)	A charge to the General Fund which must be made each year for the repayment of borrowing (internal and external) undertaken to fund historic capital expenditure. Effectively this is to ensure that the Council has sufficient capital resources available to renew or replace assets at the end of their lives. The charge must be set in accordance with statutory guidance, which ensures that it is prudent.

Money market funds	A managed investment fund consisting of highly liquid, short-term investments such as cash, cash equivalents, and short-term debt-based securities with high credit ratings. They are designed to offer high liquidity and very low risk to investors.
Non-current assets	Assets which are expected to benefit the Council over the course of more than one year, for example property, plant and equipment, intangible assets and investment property.
Operating lease	A lease which does not in substance transfer ownership of an asset to the lessor (i.e. the opposite of a finance lease). In practice these tend to be short in nature (as compared to the total useful life of the asset). Since land is deemed to have an infinite useful life, all leases of land are classified as operating leases.
Outturn	Actual income or expenditure amounts as opposed to budgeted amounts.
Past service cost	A change in the Council's net pension liability as a result of changes to the pension scheme which affect the pension entitlement earned by employees in previous years.
Pooled investment vehicle	A managed investment fund which takes investment from a large number of investors and pools this together in order to maximise returns and diversify risk. Investors can buy and sell units in these funds, which generate returns through the payment of dividends, increase in the underlying value of units, or both. Under statutory provisions, any change in value of pooled investment fund units is not recognised in the General Fund until it is realised (i.e. the units are sold).
Preceptor	Another local authority who is not a billing authority, and on whose behalf the Council collects council tax (i.e. Cambridgeshire County Council, Cambridgeshire and Peterborough Police and Crime Commissioner, and Cambridgeshire and Peterborough Fire Authority)
Provision	A liability which represents a future obligation as a result of a past event, but where the timing or amount of the obligation is uncertain. An example is the settlement of business rates appeals, whose outcome is unknown and outside of the control of the Council.
Restricted grants	Grants which can only be spent on particular purposes (for example a specific service), under the terms of the grant agreement.
Revenue expenditure	Expenditure which is not capital, i.e. spending on the day to day running of the Council such as staff costs and general supplies and services.
Revenue Expenditure Funded from Capital under Statute (REFCUS)	Expenditure which is revenue in nature, but which statute permits to be funded from resources usually earmarked for capital use. This includes capital grants to third parties (such as Disabled Facilities Grants to residents).
Section 106 (S106) contributions	Contributions from developers agreed as part of planning conditions, for example to provide infrastructure improvements to support new housing development.
Soft loan	A loan made at a below-market interest rate (which could be nil), generally made in pursuit of service interests (for example the provision of interest-free home improvement loans to eligible residents).
Subsidiary	A separate entity which is deemed to be controlled by the Council, and whose results are therefore included in the Group Financial Statements.

## Abbreviations

CFS	Cash Flow Statement
CIC	Community interest company
CIES	Comprehensive Income and Expenditure Statement
CIP	Cambridge Investment Partnership
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer price inflation
HRA	Housing Revenue Account
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LGPS	Local Government Pension Scheme
LLP	Limited liability partnership
MIRS	Movement in Reserves Statement
RICS	Royal Institution of Chartered Surveyors
PSF	Per square foot



# Cambridge City Council Audit Results Report

Year ended 31 March 2022

21 October 2022

Page 121

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

Building a better  
working world

21 October 2022



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

Dear Civic Affairs Committee Members

### 2021/22 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 2021/22 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 to date, although there are significant areas that need to be resolved prior to issuing the audit opinion. 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 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 3 November 2022.

Yours faithfully

*MARK HODGSON*

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

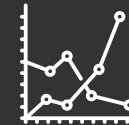
# Contents

**01** Executive Summary

**02** Areas of Audit Focus

**03** Audit Report

**04** Audit Differences



**05** Value for Money

**06** Other Reporting Issues

**07** Independence

**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.psa.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 Initial Audit Plan presented to the Civic Affairs Committee on the 13 July 2022, 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 updates:

- ▶ **Change in materiality:** In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £3.000 million. We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £2.600 million. This results in updated performance materiality, at 75% of overall materiality, of £1.950 million, and an updated threshold for reporting misstatements of £0.130 million.
- ▶ **Change in group scope:** In our Initial Audit Plan, we communicated that the scope for all Cambridge Investment Partnership entities would be 'Other Procedures', as these amounts were not considered material to the Group financial statements in terms of size relative to the Group and risk. Upon review of the draft financial statements for these entities, CIP (Mill Road Development) LLP has made a significant surplus (£6.478 million) in 2021/22 of which £3.519 million has been included within the Share of the Surplus on the Provision of Services by Joint Ventures within the Group Comprehensive Income and Expenditure Statement. We have therefore amended the scope of work at the joint venture to 'specific scope procedures', and issued group instructions to the component auditor (Peters Elworthy & Moore LLP).

Page  
125

## Status of the audit

As reported in the Audit Plan, our audit procedures were scheduled to commence at the start of August, with reporting and sign off for a Civic Affairs Committee in September. During this time we have experienced delays in our audit. Whilst the quality of responses has remained sufficient, there have been delays in areas including Going Concern & Value for Money (initial responses were received on 21 September), property valuations (including responses from the Council's external specialist), payroll, infrastructure assets, receipts in advance, group accounts, and a number of other areas.

Whilst we have received cooperation from the Finance staff involved in our audit, the above issues demonstrate short-term capacity issues within the finance team connected with the departure of the Deputy Head of Finance in July 2022. We understand that a new Deputy s151 Officer has since been recruited to address this issue.

Our audit has not been concluded in line with the proposed timeline. This is principally due to additional audit work we have needed to complete in relation to additional audit risks associated with this year's financial statements, and a number of areas continue to experience delays. Details of our outstanding work can be found on the next page. This has led to additional The need to complete additional audit procedures has increased the time being required for the audit which will result in additional audit fees which have been set out at Section 7.



# Executive Summary

## Status of the audit (continued)

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:

- ▶ Creditors;
- ▶ Investment Property valuations;
- ▶ Pension Liability;
- ▶ Infrastructure Assets;
- ▶ Other Land & Building valuations;
- ▶ Receipts in Advance;
- ▶ Group Accounting;
- ▶ Going Concern; and
- ▶ Journals Testing.

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.

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 Accounts which could influence our final audit opinion. Key to the type of audit report we issue will be the resolution of the Infrastructure Asset issue. We have included a current draft of an unmodified opinion in Section 4.

# Executive Summary

## Auditor responsibilities under the 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

We have completed our Value for Money (VFM) risk assessment and have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We will need to update our assessment on completion of the audit of the financial statements, including additional queries in relation to the Council's response to challenges during the 2021/22 financial year, in order to remain satisfied that we have not identified a risk of significant weakness.

We plan to issue the VFM commentary by the end of December 2022 as part of issuing the Auditor's Annual Report. See Section 03 for more details on Value for Money procedures.

## Audit differences

### Unadjusted Audit Differences

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

### Adjusted Audit Differences

- ▶ We identified a limited number of minor audit disclosure differences in the financial statements, which have been adjustment by Management. None are so significant as to merit reporting to you.

The form of our audit report (opinion) will be dependent on the outcome of the matters set out on page 6.



# 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 no 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.

## Control observations

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

## Independence

Please refer to Section 7 for our update on Independence.



# Executive Summary

## Areas of audit focus

In our 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*

- *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.*

*Management Override: Inappropriate capitalisation of revenue expenditure*

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

*Significant Risk: Investment Property Valuations*

- *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.*

*Significant Risk: Valuation of Other Land & Buildings*

- *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.*

*Significant Risk: Change in Payroll System*

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

*Significant Risk: Accounting for Infrastructure Assets*

- *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 Covid-19 related grant funding*

- *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: 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.*



## Executive Summary

### Areas of audit focus (Continued)

#### *Inherent Risk: Council House valuations*

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

#### *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: Bad debt provision and recoverability of Debtors*

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

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.



## 02 Areas of Audit Focus



# Areas of Audit Focus

## Significant risk

### Misstatements due to fraud or error

#### What is the risk?

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

As identified in ISA (UK 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.

Page 132

#### 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 of 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?

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.

To date, 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 and 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.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the financial value of its annual capital programme which is many times out materiality level.

This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

Page 33

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

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

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.
- ▶ Confirmed the REFCUS population is not material.
- ▶ 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

#### Valuation of Investment Properties

##### What is the risk?

The Council's investment property portfolio is a material balance (£161 million at 31 March 2022) disclosed on the Council's balance sheet.

Individual asset markets may react differently to ongoing uncertainties and considerations must be given to ensure sufficient and appropriate market data is used for valuations during the 2021/22 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.

There is also a risk that the incoming valuer will have insufficient knowledge of the asset portfolio in order to reach a true and fair valuation.

Page 134

##### 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 (Bruton Knowles), 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.
- ▶ Reviewed assets not revalued in the year for any indications of potential material movements

##### What are our conclusions?

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.



## Areas of Audit Focus

### Significant risk

#### Valuation of Other Land and Buildings

##### What is the risk?

The Council's Other Land and Buildings portfolio is a material balance (£146 million at 31 March 2022) disclosed on the Council's balance sheet. In addition, the Council holds other assets valued using market information.

In 2021/22, the Council have engaged with a new valuation specialist, Bruton Knowles, to undertake the valuation of Other Land and Buildings. As a result there is an increased risk that the valuer may not have sufficient knowledge of the specifics of the Council's asset base in order to reach a reasonable estimate for the valuation of the asset portfolio.

Page 135

##### 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 (Bruton Knowles), 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.
- ▶ 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.

##### What are our conclusions?

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.



## Areas of Audit Focus

### Significant risk

#### Change in Payroll System

##### What is the risk?

The Council implemented a new payroll system - iTRENT (Zullis in 2020/21) during the financial year.

As with any IT upgrade there is a risk that the relevant financial information has not been appropriately transferred to the new system leading to material misstatement in the 2021/22 financial statements.

Page 136

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

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

- ▶ Understood the controls in place within the new 'iTRENT' system, including the interaction between the system and the General Ledger;
- ▶ Understood the data transfer process from the previous system to the new system to ensure completeness of data transfer;
- ▶ Perform testing procedures in relation to the data transfer process to ensure accuracy of data transfer; and
- ▶ Perform analytical procedures on overall payroll expenditure to ensure that expenditure is not materially overstated or understated.

##### What are our conclusions?

Our work did not identify any issues with the change in payroll system. We have obtained an understanding of the interaction of the new system with the General Ledger and the relevant controls in place, including over the transfer of data.

No issues have been identified in respect of the new payroll system.





## Areas of Audit Focus

# Significant risk

### Accounting for Infrastructure Assets

#### What is the risk?

An issue has been raised via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on infrastructure assets when a major part/component has been replaced or decommissioned.

This matter is currently under consideration by CIPFA and given the Council hold material Infrastructure Assets (£7 million at 31 March 2022) we have raised a significant risk in this area.

Page 137

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

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

- ▶ Discussed the matter with the Council as guidance on accounting for Infrastructure Assets is updated;
- ▶ Understood the Infrastructure Assets balance and the individual assets comprising this balance; and
- ▶ Understood the Council's process for writing out gross cost and accumulated depreciation on the Infrastructure Assets balance to determine whether this is materially correct at the Balance Sheet date.

#### What are our conclusions?

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.

At present we are awaiting a detailed assessment by the Council to demonstrate that the financial statements are compliant with the Code. This has the potential to lead to a significant audit adjustment, or a modification to our final audit opinion, if the Council cannot evidence compliance with the Code of Audit Practice requirements (as they currently stand). CIPFA are still considering other possible solutions to the matter.



## Areas of Audit Focus

# Inherent risk

### Accounting for Covid-19 related grant funding - Inherent Risk

#### 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. We are aware of new Covid-19 grant income in 2021/22 for example the COVID-19 Additional Relief Fund (CARF) where the Council has received £9.8 million.

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

Page 138

#### 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.

#### What are our conclusions?

Our sample testing of Covid 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.



## 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. Given the impact of Covid-19 on businesses seeking reductions in rateable values, there is a risk of material misstatement of the appeals provision due to the nature of the provision and the uncertainty around the full impact of Covid-19.

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

Page 139

##### 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 of the NNDR appeals provision specialist.

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



## Areas of Audit Focus

### Inherent risk

#### Pension Liability valuation and disclosures - Inherent Risk

##### What is the risk?

The Authority makes extensive disclosures within its financial statements regarding its membership of Cambridgeshire Pension Fund Scheme administered by Cambridgeshire County Council. At 31 March 2022 the liability totalled £102 million.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the Cambridgeshire Pension Fund.

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.

##### 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 IAS 19, 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 no matters to report.

The Council have requested a re-run of the IAS19 liability report from the Pension Fund Actuary. We will need to agree the Council's IAS 19 disclosures to the actuaries' report to ensure these are fairly stated in the accounts.



## Areas of Audit Focus

# Inherent risk

### Council Dwellings Valuations

#### What is the risk?

Council dwellings represent a significant balance in the Council's accounts (£726 million at 31 March 2022) 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.

Page 141

#### 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 (Wilkes Head & Eve), 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;
- ▶ 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 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.

##### Update

In our Initial Audit Plan, we communicated that the scope for all Cambridge Investment Partnership entities would be 'Other Procedures', as these amounts were not considered material to the Group financial statements in terms of size relative to the Group and risk. Upon review of the draft financial statements for these entities, CIP (Mill Road Development) LLP has made a significant surplus (£6.478 million) in 2021/22 of which £3.519 million has been included within the Share of the Surplus on the Provision of Services by Joint Ventures within the Group Comprehensive Income and Expenditure Statement. We have therefore amended the scope of work at the joint venture to 'specific scope procedures', and issued group instructions to the component auditor (Peters Elworthy & Moore LLP).

Page 142

##### 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 await response from the component auditor on our issued instructions, following the change in scope set out above. We will provide an update to the Civic Affairs Committee with our findings once the work is finalised.



## Areas of Audit Focus

### Inherent risk

#### Recoverability of Debtors - Inherent Risk

##### What is the risk?

As a result of the long term impact of Covid-19 and other market uncertainties there may be increased uncertainty around the recoverability of receivables. This includes large value debtors with subsidiary companies. 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.

Page 143

##### 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 held.

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.



# 03 Audit Report





**Our proposed opinion on the financial statements - subject to the resolution of outstanding procedures with no issues - specifically Infrastructure Asset Accounting**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGE CITY COUNCIL**

### **Opinion**

We have audited the financial statements of Cambridge City Council 'the Authority' and its subsidiaries (the 'Group') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). 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 30 to the Authority statements,
- ▶ the related notes 1 to 5 to the Group statements,
- ▶ the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 4,
- ▶ the Collection Fund and the related notes 1 to 3.

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 2021/22.

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of Cambridge City Council and the Group as at 31 March 2022 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 2021/22.

### **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. 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 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.



### Our proposed opinion on the financial statements - subject to resolution of the Infrastructure Asset issue

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Head of Finance and Section 151 Officer'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 Group and 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 and Section 151 Officer 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 Group and 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 2022', other than the financial statements and our auditor's report thereon. The Head of Finance and Section 151 Officer is responsible for the other information contained within the 'Statement of Accounts for the year ended 31 March 2022'

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.

**Our proposed opinion on the financial statements****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 Group and the Authority
- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ 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 (as amended)
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we are not satisfied that the Group and the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

**Responsibility of the Head of Finance and Section 151 Officer**

As explained more fully in the 'Statement of Responsibilities' set out on page 12, the Head of Finance and Section 151 Officer 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 2021/22, and for being satisfied that they give a true and fair view and for such internal control as the Head of Finance and Section 151 Officer determines 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 and Section 151 Officer is responsible for assessing the Group and 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 Group and the Authority either intends to cease operations, or has 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.



### Our proposed opinion on the financial statements

#### 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.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group 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 Authority 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 Authority's committee minutes, Authority 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.



### Our proposed opinion on the financial statements

We assessed the susceptibility of the Group and Authority'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.

### 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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 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 2022.

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 (as amended) 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.



### Our proposed opinion on the financial statements

#### 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 (as amended) and the Code of Audit Practice issued by the National Audit Office.

#### Use of our report

This report is made solely to the members of Cambridge City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) 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 Group and the Authority'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 adjusted differences

We highlight misstatements greater than £130,000 which have been corrected by management that were identified during the course of our audit. We have not identified any such differences to date.

There are no adjusted differences to bring to your attention at the date of this report.

### Disclosure Differences

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

## Summary of unadjusted differences

There are no uncorrected material misstatements identified as part of our audit at the time of 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

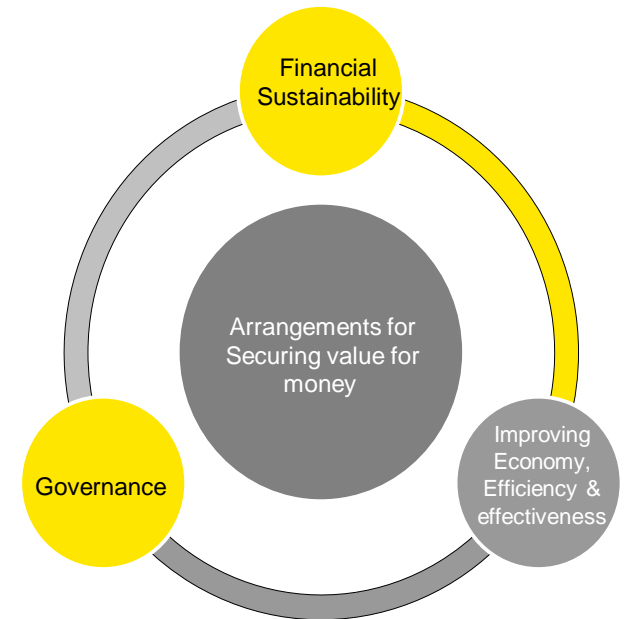
We have completed our Value for Money (VFM) risk assessment and have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

154

## Status of our VFM work

We will need to update our assessment on completion of the audit of the financial statements, including additional queries in relation to the Council's response to challenges during the 2021/22 financial year, in order to remain satisfied that we have not identified a risk of significant weakness.

We plan to issue the VFM commentary by the end of December 2022 as part of issuing the Auditor's Annual Report. See Section 03 for more details on Value for Money procedures.





## 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.

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 must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Page 156

### 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.

## 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.

### 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:

Page 157

- 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 raised the difficulties experienced during the audit process, including delays in respect of going concern & group audit work, on page 5 of this report. We are yet to conclude our work in these two areas. Our work on pensions and property valuations (significant accounting estimates) also remains in progress.



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 1 April 2021 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 2022 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 2021/22 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. We confirm that we have not undertaken any additional non-audit work.

Page 159

## Other communications

### EY Transparency Report 2021

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 2021:

[https://www.ey.com/en\\_uk/about-us/transparency-report-2021](https://www.ey.com/en_uk/about-us/transparency-report-2021)

## Relationships, services and related threats and safeguards

### Services provided by Ernst & Young

	Planned fee 2021/22	Scale fee 2021/22	Proposed Fee 2020/21
	£'s	£'s	£'s
Total Fee - Code work	50,489	50,489	40,024
Baseline increase in Scale Fee from 2019/20 (see Note 1)	TBC		50,025
<b>Revised Proposed Scale Fee</b>	<b>50,489</b>	<b>50,489</b>	<b>90,049</b>
<b>Additional work:</b>			
2020/21 Additional Procedures required to address identified risks (Note 2)	-	-	43,015
2021/22 Additional Procedures required in response to the additional risks and other issues identified in this Audit Results Report	Note 3	-	
<b>Total fees</b>	<b>TBC</b>	<b>50,489</b>	<b>133,064</b>

All fees exclude VAT

**Note 1** - For 2020/21 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 2020/21 Audit Results Report. Our proposed increase has been notified to Management and is with PSAA for determination. For 2021/22 the scale fee will again be re-assessed, taking into account inflationary costs, to reflect the same recurring risk factors as initially raised in 2019/20. This will be subject to approval by PSAA Ltd.

**Note 2** - The 2020/21 Additional Procedures relate to risks raised in our 2020/21 Audit Results Report. The fee has been notified to 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 of associated audit risks, including new risks such as the new Payroll System and work to respond to the change in the Council's valuation expert. 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 Auditor's Annual Report.









# 08 Appendices

## Appendix A

# Required communications with the Civic Affairs Committee

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

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Terms of engagement	Confirmation by the Civic Affairs Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Initial Audit Plan - 22 June 2022	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Planning Report - 22 June 2022  Initial Audit Plan - 22 June 2022	2
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - 21 October 2022	

# 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"> <li>▶ Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The appropriateness of related disclosures in the financial statements</li> </ul>	Audit Results Report - 21 October 2022
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - 21 October 2022
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the Civic Affairs Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Results Report - 21 October 2022

# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Civic Affairs Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ 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"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to the Civic Affairs Committee responsibility.</li> </ul>	Audit Results Report - 21 October 2022
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"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report - 21 October 2022
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"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Initial Audit Plan - 22 June 2022</p> <p>Audit Results Report - 21 October 2022</p>

Page 164

# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Page 165	<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"> <li>▶ Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>▶ 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</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The Civic Affairs Committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit Results Report - 21 October 2022
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ 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</li> <li>▶ Enquiry of the Civic Affairs Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Civic Affairs Committee may be aware of</li> </ul>	Audit Results Report - 21 October 2022




# 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"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report - 21 October 2022
Group Audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ 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</li> <li>▶ 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</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ 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.</li> </ul>	<p>Initial Audit Plan - 22 June 2022</p> <p>Audit Results Report - 21 October 2022</p>
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - 21 October 2022
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - 21 October 2022
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - 21 October 2022

## 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 
Trade Payables	Conclude on the treatment of Central Government creditors on a net or gross basis	Provision of information by Management
Investment Property valuations	Awaiting support for final assumptions used within the valuations, and conclusion of work following this	Provision of information by Management
Pension Liability	Awaiting re-run report from the Council's actuary	Provision of information by Management
Infrastructure Assets	Awaiting Council assessment to demonstrate Code compliance in the treatment of infrastructure assets	Provision of information by Management
Other Land & Building valuations	Awaiting support for final assumptions used within the valuations, and conclusion of work following this	Provision of information by Management
Receipts in Advance	Conclude our sample testing of receipts in advance	Provision of information by Management
Group accounting	Awaiting response to group instructions issued to the component auditor	Provision of information by Management
Value for Money	Awaiting response to queries on specific arrangements during 2021/22	Provision of information by Management
Going Concern	Complete our substantive procedures including a review of the Council's assessment and disclosure	Provision of information by Management
Journal Entry Testing	Complete our substantive procedures including our understanding of key processes interaction with the general ledger	Provision of information by Management
Receipt of management representation letter	Management to prepare and provide us with their representation letter for the 2021/22 audit	Management

## 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 
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

Page 108

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern remain to be finalised and audited. A draft of the current opinion (with outstanding areas highlighted) is included in Section 3.





# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter



Ernst & Young LLP  
One Cambridge Business Park  
Cambridge  
CB4 0WZ  
Tel: + 44 1223 394400  
Fax: + 44 1223 394401  
ey.com



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

21 October 2022

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

Dear Caroline,

### Cambridge City Group and Council – 2021/22 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 2022.

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 2022 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 2021/22.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC30001 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 2SF, the firm's principal place of business and registered office.



2

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 2021/22.
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 2021/22 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 2021/22, 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. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.  
  
That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).
6. That you have disclosed to us any significant changes in our processes, controls, policies and procedures that you have made to address the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on your system of internal controls. That you do not believe that there are any significant changes.



# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter

Page 170



3

### 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.
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, events and conditions 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 and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.



4

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: 3 November 2022.
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.
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 6 (Events after the balance sheet date) to the Group and Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.



# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter



5

### 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 2021-22.
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:
  - 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 2.2 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 Department for Levelling Up, Housing and Communities, 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).



6

### 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.
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 2021/22.
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 2021/22.
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.



# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter

Page 172



7

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 2021/22.
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 2021/22.
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 2021/22.
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 2021/22.
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.



8

### 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.
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 2021/22.
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 2021/22.
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.



# Appendix C - Request for a Management Representation Letter

## Request for a Management Representation Letter



9

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  
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 2024. 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 2024/25 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures
Data collection	Management should: <ul style="list-style-type: none"> <li>▶ 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.</li> <li>▶ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases</li> <li>▶ 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.</li> </ul>
Policy Choices	The council needs to agree on certain policy choices. In particular: <ul style="list-style-type: none"> <li>▶ Whether to adopt a portfolio approach</li> <li>▶ What low value threshold to set and agree with auditors</li> <li>▶ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components</li> <li>▶ What is management's policy in relation to discount rates to be used?</li> </ul>
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.

## EY | Assurance | Tax | Transactions | Advisory

### About EY

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

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

© 2017 EYGM Limited.  
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

This page is intentionally left blank