Fenland CAMBRIDGESHIRE Fenland District Council

Public Document Pack

AGENDA

CORPORATE GOVERNANCE COMMITTEE **TUESDAY, 5 NOVEMBER 2019** **2.30 PM** **COUNCIL CHAMBER, FENLAND HALL, MARCH**	Committee Officer: Izzi Hurst Tel: 01354 622281 e-mail: memberservices@fenland.gov.uk

1 To receive apologies for absence

2 Previous Minutes. (Pages 3 - 6)

To confirm and sign the minutes of 29 July 2019.

3 To report additional items for consideration which the Chairman deems urgent by virtue of special circumstances to be now specified.

4 Members to declare any interests under the Local Code of Conduct in respect of any item to be discussed at the meeting.

5 Appointed Auditor - Audit Results Report (ISA260) (Pages 7 - 50)

To consider the Audit Results Report (ISA260) from the Council's appointed independent external auditor - EY (Ernst and Young).

6 Statement of Accounts 2018/19. (Pages 51 - 174)

The purpose of this report is for members to review and approve the final Statement of Accounts for 2018/19.

7 Letter of Representation (Pages 175 - 182)

To agree the format and content of the Letter of Representation provided to the independent external auditor (EY) at the conclusion of the audit of the 2018/19 Statement of Accounts.

8 Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review 2019/20. (Pages 183 - 194)

The purpose of this report is to review the Council's Treasury Management activity for the first six months of 2019/20 and to provide members with an update on matters pertinent to future updates to the Council's Treasury Management Strategy.

9 Internal Audit Plan 2019-20 Progress Report Q2 (Pages 195 - 204)

To report progress against the Internal Audit Plan 2019-20 for the period 01 April 2019 including planned work until 30 September 2019 and the resulting level of assurance.

10 Data Protection Policies. (Pages 205 - 240)

To provide an update regarding key policies including a revised Data Protection Policy, Information Security Policy and Reporting Data Breaches Policy and Procedure, which collectively and proactively demonstrate the Council's commitment to protecting individuals' privacy whilst also fulfilling our obligations under data protection legislation.

11 Items which the Chairman has under item 3 deemed urgent.

12 Items of Topical Interest

Friday, 25 October 2019

Members: Councillor J Clark (Chairman), Councillor K French (Vice-Chairman), Councillor I Benney, Councillor G Booth, Councillor S Clark, Councillor D Divine, Councillor Mrs J French, Councillor M Purser, Councillor D Topgood, Councillor Wicks and Councillor Wilkes

CORPORATE GOVERNANCE COMMITTEE

Fenland CAMBRIDGESHIRE
Fenland District Council

MONDAY, 29 JULY 2019 - 2.30 PM

PRESENT: Councillor J Clark (Chairman), Councillor K French (Vice-Chairman), Councillor I Benney, Councillor D Divine, Councillor Mrs J French, Councillor M Purser, Councillor D Topgood and Councillor Wicks

APOLOGIES: Councillor G Booth, Councillor S Clark and Councillor Wilkes

OFFICES IN ATTENDANCE: Sam Anthony (Head of HR and OD), Peter Catchpole (Corporate Director and Chief Finance Officer), Izzi Hurst (Member Services & Governance Officer), Neil Krajewski (Deputy Chief Accountant), Carol Pilson (Corporate Director and Monitoring Officer), Mark Saunders (Chief Accountant) and Kathy Woodward (Internal Audit Manager)

CGC11/19 PREVIOUS MINUTES.

The minutes of the meeting of 18 June 2019 were confirmed and signed.

CGC12/19 CORPORATE RISK REGISTER QUARTERLY REVIEW.

Members considered the Corporate Risk Register quarterly review, presented by Sam Anthony.

Sam Anthony drew member's attention to the amendments to the Corporate Risk Register.

The Corporate Governance Committee AGREED the latest Corporate Risk Register.

CGC13/19 INTERNAL AUDIT PLAN 2019-20 PROGRESS REPORT Q1.

Members considered the Internal Audit Plan 2019-20 Progress report Q1, presented by Kathy Woodward.

Kathy Woodward highlighted that amendments had been made to the reporting of recommendations shown in Appendix B of the report (page 15 of the agenda pack), as requested by Councillor Booth at a previous meeting. She informed members that the overdue recommendation (page 15 of the agenda pack) has now been satisfied and is no longer overdue.

Kathy Woodward informed members that following the recent resignation of a member of the Internal Audit Team, the team is now under resourced. She explained that the Council are currently considering options available to them and one of these options is the possibility of purchasing resource from the Borough Council of Kings Lynn & West Norfolk (BCKLWN).

As Shared Internal Audit Manager with BCKLWN, Kathy Woodward explained that a shared resource would benefit the Council as she can ensure the Council get the appropriate qualifications required for the role and the Council would benefit from more productive hours. She informed members that due to this loss in resource, some of the 'low-risk' audits in the Internal Audit Plan may be rescheduled to take place next year. She confirmed that she would update members on the progress of this.

Members asked questions, made comments and received responses as follows;

1. Councillor Wicks asked if consideration could be given to recruiting officers internally to take on the some of the Council's Internal Audit work. Kathy Woodward confirmed that she would consider this option.
2. Kathy Woodward confirmed that consideration had been given to recruiting an apprentice for the role however resource is required immediately to ensure the Internal Audit Plan is delivered.
3. Councillor Mrs French highlighted the importance of the Internal Audit team's work and added that recruitment can be a long process. She agreed with the suggestion of a shared service with BCKLWN as this is a low risk option and the Council cannot afford recruitment delays.
4. Councillor Benney agreed with Councillor Mrs French that resource is required immediately. He asked if the Internal Audit team would experience any issues following the recent news about the delays involving the Council's External Auditor, Ernst & Young (EY). Councillor Clark confirmed that this would be discussed further under agenda item 8 (Items of Topical Interest).
5. Kathy Woodward explained that the Internal Audit team tend to audit the Council's finances towards the end of the year meaning the current delay with EY will have little impact on the team's work.
6. Peter Catchpole reiterated to members the distinction between the work of the Internal Audit team and External Auditors. He confirmed that he believes a shared service with BCKLWN would be of benefit to the Council as it will show a measure of independence and best practice.

Councillor Clark thanked Kathy Woodward for her attendance at today's meeting.

Members of the Corporate Governance Committee considered and noted the activity and performance of the Internal Audit Function.

CGC14/19 REGULATION OF INVESTIGATORY POWERS ACT (RIPA) - POLICY UPDATE.

Members considered the Regulation of Investigatory Powers Act (RIPA) – Policy Update report, presented by Carol Pilson.

Carol Pilson explained that the Council have to adhere to Codes of Practice issued by the Home Office and these have been updated, the Council had to amend their policy accordingly.

She informed members that the Council have not engaged RIPA in the past 12 months.

Members of the Corporate Governance Committee AGREED to recommend to Council the approval of the revised RIPA policy at their meeting in September 2019.

CGC15/19 ITEMS OF TOPICAL INTEREST.

1. Peter Catchpole explained to members that the Council is one of the Local Authorities affected by delays due to resource issues at their External Auditors, EY. The Council's accounts were due to be audited in July 2019 and their findings reported to members at today's Corporate Governance Committee meeting however the Council were made aware at very short notice that this was to be delayed. He highlighted that EY are responsible for auditing many local authorities therefore many other Council's will be affected by these delays.
2. Peter Catchpole informed members that the external audit will now take place on 7 October 2019. He added that a Press Release had been issued this morning at the request of the

Leader of the Council, Councillor Boden. He highlighted that whilst it is frustrating, there is little the Council can do. He added that the Council are considering supporting the Cambridgeshire and Peterborough Combined Authority (CPCA) in writing a letter to EY's regulators expressing their dissatisfaction with the situation.

3. Councillor Benney explained that he had attended the recent CPCA Audit and Governance Committee meeting where this issue was discussed. He agreed that the Council should support the CPCA in writing a letter and EY should provide an explanation and assurance to the Council and other Local Authorities.
4. Peter Catchpole agreed and explained that EY are currently prioritising and focusing their resources on organisations that have the 'highest audit risk'. The Council can take assurance that they are not considered a high risk organisation. He added that the delay will however have an impact on the Council's own Finance team as officers have arranged annual leave and their workload around the earlier audit date.
5. Councillor Clark asked for assurance that the Council have enough resource to accommodate the revised audit date. Mark Saunders confirmed that both he and Neil Krajewski had considered this when arranging the revised dates with EY. He added that officers should be in a position to report EY's audit results to members at the Corporate Governance Committee meeting on 5 November 2019.
6. Councillor Wicks asked if the delay will affect the Council's external audit next year. Peter Catchpole confirmed that it is not yet known whether the delay will continue into next year however officers will continue working to the previous timetable.
7. Mark Saunders explained that EY have provided the Public Sector Audit Appointments (PSAA) with assurance that their audit work will be back on track next year.
8. Councillor Clark informed members that he had attended today's Staff Committee meeting and asked Peter Catchpole to keep the Corporate Governance Committee informed of any changes which may impact the Corporate Risk Register as a result of the management structure review. Peter Catchpole agreed to this.

3.03 pm Chairman

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Agenda Item No:	**5**	Fenland CAMBRIDGESHIRE
Committee:	**Corporate Governance Committee**	
Date:	**05 November 2019**	
Report Title:	**Appointed Auditor – Audit Results Report (ISA260)**	

Cover sheet:

1 Purpose / Summary

To consider the Audit Results Report (ISA260) from the Council's appointed independent external auditor - EY (Ernst and Young).

2 Key issues

- EY will present their Audit Results Report arising from their duties under International Auditing Standard 260, following the completion of their audit of the Council's Statement of Accounts 2018/19.
- The Draft Audit Results Report (ISA260) is attached. EY are currently finalising their work in a number of areas and will provide a verbal update to Members at the meeting.

3 Recommendations

- It is recommended that Members note the content of the report.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder for Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper(s)	

Fenland District Council
Audit Results Report

Year ended 31 March 2019

1 November 2019

Building a better working world

Corporate Governance Committee
Fenland District Council

1 November 2019

Dear Corporate Governance Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Corporate Governance Committee on 5 November 2019. This report summarises our preliminary audit conclusion in relation to the audit of Fenland District Council for 2018/19.

We have substantially completed our audit of Fenland District Council for the year ended 31 March 2019. Subject to concluding the outstanding matters listed in our report, we can confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness on your use of resources.

This report is intended solely for the use of the Corporate Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Corporate Governance Committee meeting on 5 November 2019.

Yours faithfully

MARK HODGSON

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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

01 Executive Summary

Executive Summary

Scope update

In our Audit Plan presented to the 24 January 2019 Corporate Governance Committee, we provided you with an overview of our audit scope and approach for the audit of the statement of accounts. We carried out our audit in accordance with this plan, with the following exception:

- Changes in materiality: We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure in the provision of services, we have updated our overall materiality to £1.1 million (Audit Plan: £1.135 million). This results in updated performance materiality, at 2% of overall materiality, of £825,000, and an updated threshold for reporting misstatements of £55,000.

Status of the audit

We have substantially completed our audit of Fenland's statement of accounts for the year ended 31 March 2019 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise.

The outstanding work at the date of this report is:

- Property, Plant and Equipment valuation testing;
- Debtors and creditors testing;
- NNDR Appeals Provisions testing;
- Capital grants receipts in advance testing;
- Reserves;
- Completion of Income and Expenditure testing;
- Journals testing;
- Leases testing;
- Payroll, officers remuneration and exit packages review and testing;
- Financial instruments review and testing;
- Related Party Transactions testing;

Executive Summary

Status of the audit (continued)

- review of the final version of the financial statements;
- completion of subsequent events review;
- receipt of the signed management representation letter;
- completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission; and
- final Manager and Engagement Partner reviews.

We will update the Committee on progress of these items at the meeting on the 5 November 2019. We expect to issue the audit certificate at the same time as the audit opinion.

In addition to the above, there has been a national issue which has required a late and pervasive change to the accounts and related IAS19 Pensions liability disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft accounts have recognised this matter as a contingent liability in line with the recognised position as at the year-end and industry guidance on the matter.

However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27 June 2019 which rejected the Government's appeal, which suggested that the amounts should in fact be able to be fully calculated and so included within the financial statements. In addition, there has been some movement on the Guaranteed Minimum Pension ruling, which has also had an impact on the pension liability.

In summary, the changes would increase the past service costs and in turn the pensions liability figure by £428,000.

Executive Summary

Audit differences

There is an unadjusted audit difference as a result of the McCloud and GMP issues presented in the above section. This difference would increase the defined benefit pension liability by £428,000 and this would also be reflected in the past service costs. We request that the uncorrected misstatement be corrected or a rationale as to why they are not corrected be considered and approved by the Corporate Governance Committee and provided within the Letter of Representation.

There are no other unadjusted or adjusted audit differences arising from our audit.

We identified some presentational and disclosure issues which have been adjusted by management, and are not detailed in this report. Until our work is complete, further amendments may arise. We will update the Corporate Governance Committee should any further adjustments arise from our remaining work.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Fenland's statement of accounts. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Corporate Governance Committee.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified one significant risks relating to:

- Achievement of savings needed over the medium term

We have included in Section 5 the detailed work we carried out in response to this risk. We are satisfied that the Authority has proper arrangements in place in respect for taking informed decisions and deploying resources in a sustainable manner. We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority.
As a result of this work, we identified that the figure for the savings needed up to 2023/24 needs to be updated to £1.665 million to reflect the latest version of the Medium Term Financial Strategy (approved in July 2019).

We have yet to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. However, as the Council is below the testing threshold set by the NAO for detailed procedures on the consolidation return, we do not expect to have any issues to report.

We have no other matters to report.

Independence

We have no matters relating to our Independence to bring to your attention.

Please refer to Section 8 for our update on Independence.

Correspondence from the Public

We have not received any correspondence from members of the public. We did not receive any formal objections or questions from members of the public.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

Significant Risk

What is the risk?

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

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

We identify and respond to this fraud risk on every audit engagement.

Linking to our risk of fraud we have considered the capitalisation of revenue expenditure on Property, Plant and Equipment. The specific procedures undertaken to address this are set out on the next page. This page details the standard procedures we undertake to respond to the risk of fraud and error on every engagement.

What did we do and judgements are we focused 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; and
- 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?

From our work to date, we have not identified any material weaknesses in controls or evidence of material management override, any instances of inappropriate judgements being applied or any management bias in accounting estimates or any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

We are currently concluding our work in this area.

Significant risk

Incorrect capitalisation of revenue expenditure

Significant Risk

What is the risk?

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

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

What did we do and what judgements are we focused on?

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

- Obtaining an analysis of capital additions in the year, reconciling to the Fixed Assets Register (FAR), and reviewing the descriptions to identify whether there are any potential items that could be revenue in nature;
- Performing sample testing on additions to Property, Plant and Equipment, ensuring that they had been correctly classified as capital and included at the correct value, to identify any revenue items that have been inappropriately capitalised; and
- Testing the appropriateness of journal entries recorded in the general ledger moving expenditure items from revenue codes to capital codes.

What are our conclusions

Our testing to date has not identified any items incorrectly classified as revenue expenditure.

Other Areas of Audit Focus

Valuation of land and buildings – inherent risk

What is the risk?

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

The Council will engage an external expert (valuer) who will apply a number of complex assumptions to these assets. Assets are assessed annually to identify whether there is any indication of impairment.
As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk that these assets may be misstated.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

What did we do and what judgements are we focused on?

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

- We have considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- We have undertaken sample testing key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- We have 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. We also considered whether there were any specific changes to assets and that these had been communicated to the valuer;
- Reviewed assets not subject to valuation in 2018/19 and confirmed that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries had been correctly processed in the financial statements.

What are our conclusions

Following full consideration of their work, we have placed reliance on the Council's valuation expert.

Our testing to date has not identified any material misstatements from inappropriate judgements being applied to the property valuation estimates. We are currently concluding our work in this area and will provide an update at the Corporate Governance Committee on 5 November 2019.

Other Areas of Audit Focus

Pension Liability Valuation – Inherent Risk

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £64.4 million.

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

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

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates

What did we do and what judgements are we focused on?

We have performed the following procedures:

- Liaised with the auditors of Cambridgeshire Pension Fund, and obtained assurances over the information supplied to the actuary in relation to Fenland District 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 National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within Fenland District Council's financial statements in relation to IAS19.

What are our conclusions

We have assessed and are satisfied with the competency and objectivity of the Council's actuary. EY pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries and have deemed the assumptions used to be reasonable. In addition, there is an ongoing national issue in relation to IAS19 pension fund liability disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling.

The draft financial statements had recognised this matter as a contingent liability. However, since the year-end there have been some movement in the understanding and assessment of the likely outcome and in the potential impact of any outcome, which has led to the need for a re-assessment of the scheme liabilities under IAS19, together with supporting disclosure notes. The Guaranteed Minimum Pension ruling has also had an impact on the pension liability.

In summary, the changes would increase the past service costs and in turn the pensions liability figure by approximately £0.428 million. Management have chosen not to adjust the financial statements for this item. We request that the uncorrected misstatement be corrected or a rationale as to why they are not corrected be considered and approved by the Corporate Governance Committee and provided within the Letter of Representation.

Other Areas of Audit Focus

New Accounting Standards – inherent risk

What is the risk?

The CIPFA Code of practice on local authority accounting (the Code) requires the Council to comply with the requirements of two new accounting standards for 2018/19. These standards are:

IFRS 9 financial instruments:

This new accounting standard will change how financial assets are classified and measured, how the impairment of financial assets are calculated; and the disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 Code provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

IFRS 15 Revenue from contracts:

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 Code provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced

What did we do and what judgements are we focused on?

- Assessed the Council's implementation arrangements and impact assessment of the application of the new standard, transitional adjustments and accounting for 2018/19;
- Considered the classification and valuation of financial instrument assets;
- Reviewed the new expected credit loss model impairment calculations for assets;
- Considered the application to the Council's revenue streams, and where relevant tested to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- Checked additional disclosure requirements.

What are our conclusions

We concur with management that the introduction of these standards are not material to the Council's financial statements.

03 Audit Report

Our proposed opinion on the financial statements

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

Opinion

We have audited the financial statements of Fenland District Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, the related notes 1 to 41, the Expenditure and Funding Analysis to the Council Accounts, and Collection Fund and the related notes 1 to 6.

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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Fenland District Council as at 31 March 2019 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 2018/19.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Our proposed opinion on the financial statements

Other information

The other information comprises the information included in the "*Statement of Accounts 2018/2019*", other than the financial statements and our auditor's report thereon. The Corporate Director and Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Fenland District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

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

Our proposed opinion on the financial statements

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Corporate Director and Chief Finance Officer

As explained more fully in the "*Corporate Director and Chief Finance Officer's Responsibilities*" set out on page 19, the Corporate Director and Chief Finance 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 2018/19, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Fenland District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Fenland District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Audit Report - continued

Our proposed opinion on the financial statements

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, Fenland District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

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

Certificate

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

Use of our report

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

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 the following misstatements greater than £55,000 which have been corrected by management that were identified during the course of our audit:

We have not identified any misstatements in the financial statements during the audit above this level.

Disclosure Adjustments:
The level of disclosure adjustments is limited, and we do not deem any to merit being included in this report.

Summary of unadjusted differences

McCloud Judgement

As noted in the Executive Summary, a national issue has resulted in a relatively late change to the Cambridgeshire Pension fund accounts and IAS 19 fund liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft pension fund accounts did recognise this matter as a contingent liability.

However, since the year-end there have been some movement in the understanding and assessment of the likely outcome and in the potential impact of any outcome, which has lead to the need for a re-assessment of the scheme liabilities under IAS19, together with supporting disclosure notes.

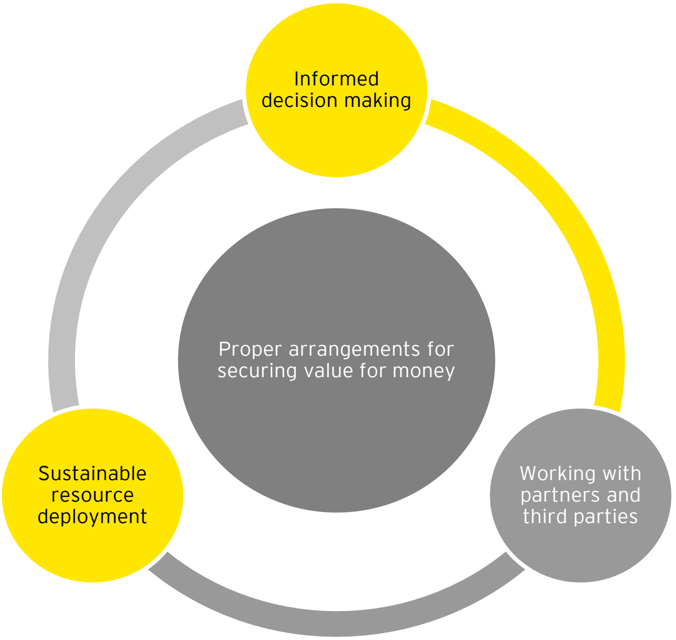
The Guaranteed Minimum Pension (GMP) ruing has also had an impact on the pension liability. This was also uncertain how the equalisation would be carried out. This has now been finalised. Revised actuarial reports provided by the actuary show an increase in the liability of £0.428 million to the Pension Liabilities as a result of the total adjustments, with further associated disclosure added to recognise this as a source of estimation uncertainty and an unadjusted Post Balance sheet event.

As a result of the McCloud and GMP judgements, the Council has requested the actuary that they re-run the IAS19 report, this showed an increase in the past service cost, which would result in an increase in the defined benefit pension liability of £428,000. The Council has not adjusted the accounts for this difference. This is above our threshold for audit differences but below our performance materiality level of £825,000.

We request that the uncorrected misstatement be corrected or a rationale as to why they are not corrected be considered and approved by the Corporate Governance Committee and provided within the Letter of Representation.

05 Value for Money Risks

Value for Money



Background

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

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

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

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Financial Resilience and Assessment of the Authority's Reserve Position

As part of our assessment of your proper arrangements, we considered the Council's financial resilience over the medium term and the impact on the level of General Fund balances as at the 31 March 2019 and as at the 31 March 2022.

Our assessment of this is set out on the next page.

Overall conclusion

We are satisfied that the Authority has appropriate arrangements in place with regard to the identified significant risk. Our full assessment is set out on the next page.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for Money Risks

Our Assessment

In our assessment we considered:

- The Council's level of savings requirement to balance the General Fund budget in each of the next 3 years;
- The Council's planned use of reserves to support the General Fund budget in each of the next 3 years;
- The Council's history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery;
- The Council's history of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves; and
- Any other considerations upon which the Medium Term Financial Plan is reliant.

As a result of our assessment, we are satisfied that the Council's General Fund reserve balance at the 31 March 2022 will remain above the Council's approved minimum level.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement
We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance. Financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements. We have reviewed the Annual Governance Statement (AGS) and noted that the savings figure up to 2023/24 that is referenced under the 'Governance Issues Raised' section needed to be updated for the latest Medium Term Financial Strategy, which shows further savings of £1.665 million up to 2023/24 (draft version presented savings figure of £1.015 million. The AGS has been amended to reflect this. We did not identify any other issues with the AGS and can confirm it is consistent with other information from our audit of the financial statements.

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. As the Council falls below the £500 million threshold for review as per the NAO's group instructions, we are not required to undertake detailed procedures on your consolidation schedule.

Other powers and duties
We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest. We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

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 Council's financial reporting process. They include the following:

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

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of Fenland District Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Suffolk County Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

08 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 24 January 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that the Council and the Corporate Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Corporate Governance Committee on 5 November 2019.

We confirm we have undertaken non-audit work outside the PSAA Code requirements in relation to our work on Port Authority statement of accounts. We have adopted the necessary safeguards in our completion of this work.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors 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 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Independence

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in have been provided on a contingent fee basis. As at the date of this report, with the exception of our Reporting Accountant role, set out below, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm that we have undertaken non-audit work outside the PSAA Code in respect to the work performed on the Port Authority Accounts. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2017.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£'s	£'s	£'s	£'s
Total Audit Fee – Code work	**TBC***	**37,873**	**37,873**	**49,186**
Non-audit work - Grant claims	TBC*	14,960	N/A	14,262
Other– Port Authority Work	TBC*	2,600	2,600	2,600
Total non-audit services	**TBC***	**14,960**	**N/A**	**14,262**

*The final fee for the 2018/19 account audit is still to be quantified as we have not yet completed the audit. However, we do not anticipate any increases in the fee above the scale fee.

As your appointed auditor for the financial statements audit, we are pleased that for 2018/19 the Council has appointed us to act as reporting accountants in relation to the housing benefit subsidy claim. There is therefore no scale fee prescribed by PSAA as it is now no longer within their remit.

The planned fee shown, is based on the level of error within the current claim and the work required to certify that. This may change dependent on the level of error within the claim under review. We will confirm our final fees following the completion of our work and report this within our Annual Audit Letter.

09 Appendices

Appendix A

Required communications with the Corporate Governance Committee

There are certain communications that we must provide to the "Audit" Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

Required communications	What is reported?	Our Reporting to you When and where
Terms of engagement	Confirmation by the Corporate Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan taken to Corporate Governance Committee 24 January 2019
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan taken to Corporate Governance Committee 24 January 2019
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report presented to the Corporate Governance Committee on 5 November 2019

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about Fenland District Council's ability to continue for the 12 months from the date of our report.
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit Results Report presented to the Corporate Governance Committee on 5 November 2019
Subsequent events	▸ Enquiry of the Corporate Governance committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	By Letter of Representation request in Audit Results Report presented to the Corporate Governance Committee on 5 November 2019
Fraud	▸ Enquiries of the Corporate Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Corporate Governance Committee responsibility.	Audit Results Report presented to the Corporate Governance Committee on 5 November 2019

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Authority	Audit Results Report presented to the Corporate Governance Committee on 5 November 2019
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Plan taken to Corporate Governance Committee 24 January 2019 Audit Results Report presented to the Corporate Governance Committee on 5 November 2019

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit Results Report presented to the Corporate Governance Committee on 5 November 2019
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the "audit" committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the "audit" committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit Results Report presented to the Corporate Governance Committee on 5 November 2019

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Written representations we are requesting from management and/or those charged with governance	▶ Written representations we are requesting from management and/or those charged with governance	Audit Results Report presented to the Corporate Governance Committee on 5 November 2019
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report presented to the Corporate Governance Committee on 5 November 2019
Auditors report	▶ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report presented to the Corporate Governance Committee on 5 November 2019
Fee Reporting	▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work	Audit Plan taken to Corporate Governance Committee 24 January 2019 and Audit Results Report presented to the Corporate Governance Committee on 5 November 2019
Certification work	▶ Summary of certification work	Certification Report – February 2020

Appendix B

Request for a Management Representation Letter

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Building a better working world

INVESTOR IN PEOPLE

Peter Catchpole
Corporate Director and S151 Officer
Fenland District Council
Fenland Hall
County Road,
March
Cambridgeshire
PE15 8NQ

1 November 2019

Ref:
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Peter,

Fenland District Council – 2018/19 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 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 Fenland District Council ("the Council") for the year ended 31 March 2019.

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 Council financial position of Fenland District Council as of 31 March 2019 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 2018/19.

Building a better working world

You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent we considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. That you acknowledge as members of management of the Council, your responsibility for the fair presentation of the council's financial statements. We believe the 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 Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. We have approved the council financial statements.
3. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the 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 2018/19, that are free from material misstatement, whether due to fraud or error.
5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, 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).

Appendix B – continued

Request for a Management Representation Letter

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

1. That you acknowledge that you are responsible to determine that the 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 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 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 Council's activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
- Additional information that we have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.

2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements.

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3. That you have made available to us all minutes of the meetings of the 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: 25 July 2019.
4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the 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 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 Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

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 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 financial statements (please specify the Note) all guarantees that you have given to third parties.

E. Subsequent Events

1. That other than described in the relevant note (Note X) to the Council's financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. 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.

Appendix B – continued

Request for a Management Representation Letter

- 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.

G. Expenditure Funding Analysis

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

H. Going Concern

1. That you have made us aware of any issues that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

I. Ownership of Assets

1. That except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet(s).

J. Reserves

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

K. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the values of the Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the 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 2018/19.
3. You confirm that the significant assumptions used in making the valuation of assets 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 council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events.
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.

L. 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 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 consolidated 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 2018/19.
4. You confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

M. 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 2018/2019.
2. You confirm that the content contained within the other information is consistent with the financial statements.

N. Specific Representations

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

Request for a Management Representation Letter

7

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 Audit Committee) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

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ED None

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Agenda Item No:	**6**	
Committee:	**Corporate Governance Committee**	
Date:	**05 November 2019**	
Report Title:	**Statement of Accounts 2018/19**	

1 Purpose / Summary

The purpose of this report is for members to review and approve the final Statement of Accounts for 2018/19.

2 Key issues

- The annual accounts are prepared in accordance with the Code of Practice on Local Authority Accounting (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and based on International Financial Reporting Standards (IFRS).
- The draft Statement of Accounts and Annual Governance Statement were considered by this Committee on 18 June 2019 and have subsequently been the subject of external audit by EY.
- Members will receive the external auditors report on the accounts - 'Audit Results Report' - ISA260, prior to this item.
- The Accounts include all agreed changes with the auditor. The main changes have been either of a presentational nature or amendments to disclosure notes.
- There has been no change to the General Fund Balance, or to any of the Council's usable reserves, as a result of the audit changes.
- The Statement of Accounts requires approval by this Committee following receipt of the external auditors report.
- The current version of the Statement of Accounts is attached for review.
- Following approval by this Committee, and subject to EY having completed all outstanding work, it is anticipated that they will 'sign off' the accounts in the next few days.
- Following the auditors' signature, the accounts will be published on our website and notice will be given by advertisement in the local papers and on our website, that the audit has been concluded.

3 Recommendations

It is recommended:

(i) that the Statement of Accounts and Annual Governance Statement for the financial year ended 31 March 2019 as presented be approved;

(ii) that delegation be given to the Corporate Director and Chief Finance Officer to agree any further amendments to the Statement of Accounts which may arise prior to the final 'sign off' by the external auditors.

Wards Affected	All
Forward Plan Reference	
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder for Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper(s)	Closure of accounts working papers 2018/19

FENLAND DISTRCIT COUNCIL

STATEMENT OF ACCOUNTS

2018-19

FENLAND DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2018/19

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NARRATIVE REPORT

1. INTRODUCTION

This report explains how we've worked with residents, partners and community groups over the past year to achieve the priorities in our Business Plan. Our priorities focus on our communities, our environment and our economy.

2. ABOUT FENLAND

Fenland has strong community spirit and pride in its heritage. Over 100,000 people live in the district, with 75% living in the four market towns of Chatteris, March, Whittlesey and Wisbech. 29 villages are located in its beautiful rural landscape which attracts visitors from around the country.

A growing population
Fenland is an attractive place to live and do business in. It has the lowest house prices in Cambridgeshire and has plentiful commercial land availability. Our population is growing quickly, predicted to be 113,000 (+14%) by 2031. We have plans in place, including our Local Plan and Economic Development Strategy, to maximise the positive opportunities that growth brings.

Challenges
Fenland does face some challenges. It is the 80th (out of 326) most deprived area in the country. We recognise the challenges that deprivation brings, particularly around education and health. By lobbying for extra funding and working together with partners, we continue to deliver projects that improve the quality of life for local people. Further details can be found in our Annual Report at: www.fenland.gov.uk/annualreport

Our future population
Our population is also getting older. 25% of our residents are pensioners; this is expected to rise to 41% by 2024. 1 in 7 pensioners in Fenland live alone and struggle to access services due to rurality and transport provision. It is very important for residents to connect with others and maintain an independent life. We will continue to work with the Cambridgeshire and Peterborough Clinical Commissioning Group, Cambridgeshire County Council and voluntary groups to enable this.

3. ABOUT FENLAND DISTRICT COUNCIL

Fenland District Council has 303 employees (excluding casual staff). We are an innovative, high-performing Council with a distinctive organisational culture. Our '100% people driven', 'can-do' and 'one-team' approach enables members, officers and partners to effectively work together and deliver high-quality services for the community. Our approach is validated externally by continued Customer Service Excellence (CSE) re-accreditations.

The Council continues to be challenged by significant budget cuts. We have managed these through our proactive Comprehensive Spending Review (CSR) programme. Our CSR programme has enabled members to determine which savings projects to pursue and deliver a balanced budget for 2018/19. Since 2010, we have saved over £9m and must deliver an additional £1.665m of savings by 2024. This has led to difficult decisions, including the introduction of our Garden Waste subscription service and transferring responsibility for the management of our leisure centres to Freedom Leisure with effect from December 2018.

We continue to make public sector resources go further and work in partnership to deliver high-quality local services. These include Revenues and Benefits (delivered in partnership with four other local authorities as part of the Anglia Revenue Partnership), Planning (Peterborough City Council), Building Control (CNC), Internal Audit (Kings Lynn and West Norfolk) and Payroll (Bedford Borough Council). As well as delivering savings, this will support the Council to be financially sustainable in the future.

Despite the challenges we face, this narrative report shows just some of the work we do to make the district a happy, safe and prosperous place to live. We will continue to lobby for investment and use our resources to the best of our ability.

Becoming part of the Cambridgeshire and Peterborough Combined Authority (CPCA) has already benefitted Fenland. Work has continued in this financial year to take forward projects approved by the CPCA which include developing proposals for a 'Garden Town' in Wisbech, producing Market Town Masterplans for the four market towns in the District and developing plans to enhance railway connectivity and infrastructure in the District.

4. GOVERNANCE

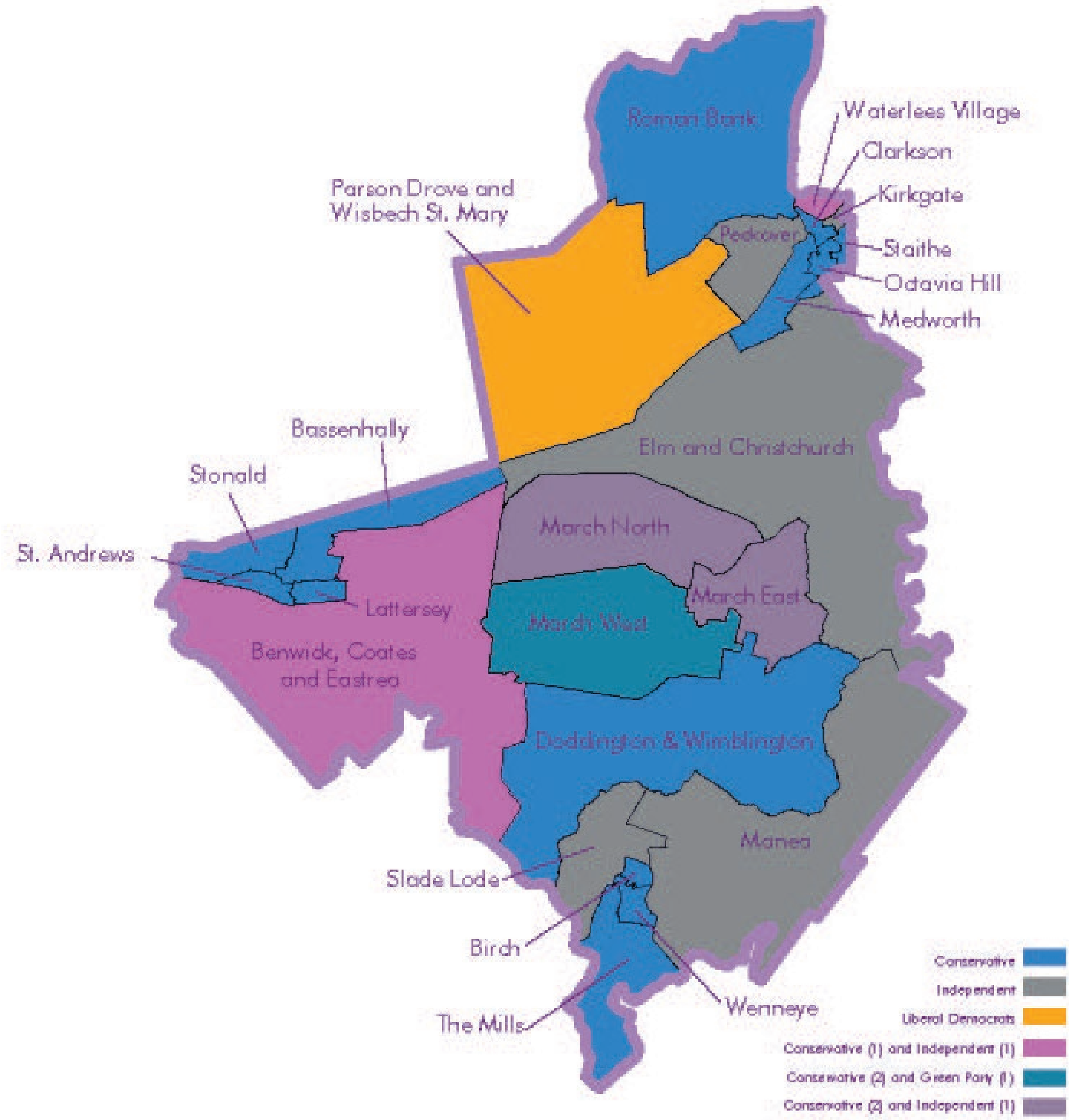
Fenland District Council is made up of 39 Councillors, representing 24 wards.

Councillors are elected every four years by local residents to represent their area, make decisions and set priorities for the district.

We operate a Leader and Cabinet style of governance. This involves a Cabinet of 8 Councillors (10 with effect from May 2019), each with specific responsibilities.

As at 31 March 2019, the Conservative group held the majority with 34 seats. The remaining 5 seats were made up of 2 Truly Independent Councillors, 2 Liberal Democrat Councillors and 1 Independent Councillor.

Following 'all-out' district elections in May 2019, the Conservative group continued to hold the majority with 26 seats. The Independents held 10 seats with 2 Liberal Democrats and 1 Green Party Councillor.



5. OUR PRIORITIES

Our mission as a Council is 'To improve the quality of life for people living in Fenland'

To do this, we have developed a series of priorities to deliver over the next year. These aim to address the social, environmental and economic needs for residents to live happy, fulfilled lives and are summarised in the table below.

Partnership working is at the heart of these priorities. This includes working with the newly formed Combined Authority to seek investment and support for improvements to transport, infrastructure, skills and employment.

The Council’s priorities and sub-priorities for 2018-19 are summarised in the table below.

Summary of Corporate Priorities 2018/19:

Quality Organisation	Communities	• Support vulnerable members of our community • Promote health and wellbeing for all • Work with partners to promote Fenland through culture and heritage
	Environment	• Deliver a high performing refuse, recycling and street cleansing service • Work with partners and the community on projects that improve the environment and our street scene • Work with partners to keep people safe in their neighbourhoods by reducing crime and anti-social behaviour and promoting social cohesion
	Economy	• Attract new businesses, jobs and opportunities whilst supporting our existing businesses in Fenland • Promote and enable housing growth, economic growth and regeneration across Fenland • Promote and lobby for infrastructure improvements across the District

Communities	• Over the last year, we investigated 152 complaints from tenants in private rented accommodation and 216 from HMO tenants (Houses of Multiple Occupation), which resulted in serious health and safety failings being put right. Supported by £196,000 from the Government's 'Controlling Migration' fund, we have been able to build upon our existing enforcement work. By undertaking street-by-street inspections in Wisbech, we have gathered valuable property intelligence and uncovered hidden issues. In just one year, officers inspected 1,746 properties and made 719 interventions. • Supported by new housing legislation, we prevented 315 households from becoming homeless; a 174% increase since 2017/18. Our Migrant Outreach Worker (also financed from Government's 'Controlling Migration' fund) is working with over 30 clients in Wisbech to find a route away from sleeping rough. Successful work continues through the Cambridgeshire and Peterborough 'Trailblazer' project to pilot early approaches to homelessness prevention. Through £900,000 of Government funding, the project has received over 1,130 referrals since inception (August 2017). 463 of these were from Fenland; the highest rate in Cambridgeshire. Our Housing Options team continue to give valuable advice, with nearly 1,800 households asking for advice in 2018/19. • Financed through the 'Better Care Scheme', we adapted 145 homes to help elderly and disabled people remain safe, secure and protected at home. 97% of people asked were satisfied with the works and said it has made their life easier 1 year on. • 310 people attended our Golden Age events. Designed for the over 60's, attendees can get advice from a variety of partner organisations as well as enjoying tea and cake. Most recently in Chatteris (February), attendees received advice about fire safety, avoiding scams, calling 999, getting help in a power cut and joining voluntary groups. Of those asked, 100% (66 people) were satisfied with events. • We held the 12th annual Pride in Fenland awards to honour the district's unsung heroes. Organised in partnership with the Fenland Citizen newspaper, over 200 people attended a celebration evening in Wisbech St Mary to recognise the work of selfless volunteers. Winners and runners-up were chosen in six categories including good neighbour, young citizen and sports volunteer in the community
Economy	• Our Business Premises continue to provide popular 'start up' and conference sites, with 92% occupancy. 100% of customers surveyed were happy with our facilities. Later this year, the Boathouse will also become the new location for our Wisbech One Stop Shop. • Our Wisbech Yacht Harbour remains busy. Our full-time berths are fully occupied and we are exceeding targets for boatlift operations. Alongside Lincolnshire County Council and Kings Lynn Borough Council, we are developing a marketing plan for the leisure ports in the wider Wash area. A bid has also been placed with the Government Coastal and Communities fund to finance extra infrastructure and operational costs

	• We continue to work with skills services and local education providers to support young people to get ready for work. As well as welcoming students for work experience, we created nine new apprentice roles across a variety of teams. The CPCA are also in the process of developing a Skills Strategy. Once complete, it will give valuable intelligence on where skills are needed to address current issues and deliver future growth. • Work continues on developing our four Market Town Masterplans (aka 'Growing Fenland'). Funded by the CPCA (£50,000 per town), public engagement sessions have sought the opinions of residents, businesses and visitors about how we can make our towns vibrant and thriving places. Town teams are working closely with Metro Dynamics, the appointed consultants, to conduct further consultation and develop the final reports. • Work continues on investigating the feasibility of a Wisbech Garden Town which could bring 12,000 new homes, improved infrastructure and better facilities to the area. Royal Haskoning Peterborough are undertaking detailed flood modelling work based on successful Dutch projects. In addition, Cambridgeshire County Council is progressing work on the A47 capacity alongside the CPCA, who are also looking at the feasibility of a Wisbech to March rail link. • Our Planning team processed 759 applications from across the district. We also investigated and closed nearly 296 cases of unauthorised development. In August, we invited an independent 'Peer Challenge Review' to take place. Organised by the Local Government Association (LGA) and the Planning Advisory Service (PAS), senior officers and a Councillor from other UK authorities assessed our planning service to give feedback on our strengths and areas for improvement. Their valuable advice helped inform our future actions and to build upon initiatives already planned. • Following public consultation, and supported by Cross Country, the Hereward CRP (Community Rail Partnership) unveiled their new logo and branding in February. As part of this, members spoke to around 500 people at local railway stations to explain the work they do to improve and promote the local Hereward railway line. In addition, two fully-booked Transport and Access focus groups were held to understand local issues and requirements relating to railways, local highways, buses, walking and cycling. • Supported by CPCA funding, work continues to improve transport connectivity in Fenland and beyond. This has included several major projects being taken forward by both the County Council and the District Council.
Quality Organisation	• A record number of people are choosing to access our services online through www.fenland.gov.uk. We received 607,000 visits in 2018/19 and over 10,000 online form submissions (excluding Garden Waste subscriptions). Positively, we also scored very well and above average in Socitm's Accessibility testing (January 2019). This shows that our website performs well and can be used by everyone. • Our Social Media following continues to grow, with 8,300 Twitter followers and 2,200 Facebook 'likes' (+3% and +34% on last year). We use these channels to advertise council services, local events and partner organisations. During

	September, we took part in a joint emergency planning social media promotion with the Cambridgeshire and Peterborough Communications group. Daily tweets under #30days30ways gave residents and partners useful advice on how to prepare for an emergency. • Due to a massive reduction in footfall (-81% in 15 years) and expiry of the lease, we relocated our March One Stop Shop from Broad Street to our offices in County Road. Similarly, we plan to move our Wisbech shop from Bridge Street to the Boathouse Business Centre later this year. This will save taxpayers around £130,000 a year without compromising on the quality of service. • We undertook our Staff Survey, which showed that 83% of staff are proud to work for us – an increase of 3% since 2016. Undertaken every two years, the survey gathers valuable feedback about how staff feel about working for us and where we can improve. We also continue to provide a comprehensive learning and development programme, which offers a variety of training that supports staff to work confidently within their roles. • Wisbech welcomed Royal visitors in November. The Prince of Wales and Duchess of Cornwall made a day trip to find out about the town and the great work that local people do for the community. The Prince of Wales visited St Peter and St Paul Church to meet with local dignitaries, volunteer bell ringers and around 20 organisations, charities and volunteer groups. The Duchess of Cornwall, Patron of The National Literacy Trust, visited the Wisbech and Fenland Museum to find out how local organisations are supporting families and primary schools to improve children's literacy skills.

6. FINANCIAL PERFORMANCE

The 2018/19 Revenue Budget Process

The Revenue Budget for 2018/19 was prepared against a background of meeting the Council's Corporate Plan objectives whilst continuing to face significant financial pressures from the reductions in core Government funding. A balanced budget was produced that included a deliverable level of savings and income and provided for investment in key services. This was achieved through a budget strategy that resulted in:

- the delivery of savings through the service transformation review process;
- making efficiencies through specific budget reviews and contract renewals;
- maximising new and existing income streams; and
- recognising cost pressures and making decisions on budget changes where necessary.

The budget included savings or additional income of £0.218m. This compared to £0.601m included within the 2017/18 budget. The majority of the savings were based on organisational efficiency changes across a number of service areas together with shared service and partnership arrangements with other local authorities. In addition, higher forecast business rates growth has enabled the Council to retain more business rates in recent years, including 2018/19. However, the government is currently reviewing the current system for allocating money generated from business rates to local authorities. The proposed reforms will potentially impact on the funding available to the Council from business rates from 2020/21 onwards.

Council approved a net revenue budget for 2018/19 of £12.729m at its meeting on 22 February 2018. Council also approved the Fees and Charges proposals that support delivery of the revenue budget, the Treasury Management Strategy and Capital Programme and funding for 2018/19- 2020/21.

Council Tax

Council policy for 2018/19 was to increase Council Tax by 1.97%, to stay within the Government's referendum limit of 3%. The Cambridgeshire Police and Crime Commissioner increased their element of Council Tax by 6.41% and the Fire Authority increased theirs by 2.96%. Cambridgeshire County Council increased their Council Tax by 4.99%. The average increase in Parish Councils was 5.86% for 2018/19.

The calculation of the 2018/19 Tax-Base, resulted in an increase of 582 Band D equivalent properties (as shown in the table below). This produced a net increase in Council Tax income of £152,000 for Fenland District Council. The increase in Band D equivalent properties reflects both an increase in properties built and a reduction in the number of people claiming Council Tax Support.

The comparison of Council Tax levels and Tax Base from 2016/17 to 2018/19 is shown below:

Band D Council Tax by authority	2016/17 £	2017/18 £	2018/19 £
Fenland District Council	250.47	255.42	260.46
Cambs. County Council	1,167.12	1,190.43	1,249.83
Cambs. Police & Crime Commissioner	183.15	186.75	198.72
Cambs. Fire Authority	65.52	66.78	68.76
	1,666.26	**1,699.38**	**1,777.77**
Parish Councils (Average)	42.72	44.37	46.97
Total average Band D Council Tax	**1,708.98**	**1,743.75**	**1,824.74**
Total average increase	37.74 (2.26%)	34.77 (2.03%)	80.99 (4.6%)
Council Tax Base			
Number of Band D equivalent dwellings	27,935	28,397	28,979

Revenue Spending

For 2018/19, the Council agreed an original budget of net spending on services of £12.729m. This sum was to be financed in part by Government Grant together with the Council's share of Business Rates, with the remainder being raised through Council Tax. The Council Tax for 2018/19 was set at £260.46 for Band D properties. The precept on the Collection Fund (£7.548m) is the amount due to the Council net of Parish Precepts (£1.361m). The following table summarises the final figures (outturn) with those budgeted for the year

	Original Budget £000	Revised Budget £000	Actual £000	Actual to Original Difference £000
General Fund Spending	12,729	13,080	12,997	268
Contribution to/(from) Reserves	(73)	0	200	273
Total	12,656	13,080	13,197	541
Financed by:				
Business Rates Funding	4,554	5,081	5,095	(541)
Revenue Support Grant	444	444	444	0
CT Collection Fund Surplus	110	110	110	0
Precept on Collection Fund	7,548	7,548	7,548	0
Total	12,656	13,183	13,197	(541)
Net Surplus	0	(103)	0	0
General Fund Balance	2,422		2,622	0
	31 March 2018		31 March 2019	

The Council under-spent by £0.200m (prior to additional appropriations to reserves) on the original budget due principally to the following reasons:

		£000
	• Net impact of Housing Benefit subsidy claim and ARP contributions	23
	• Net additional bad debts provision	116
	• Additional dry recycling costs	37
	• Provision for potential remediation costs	100
	• Net impact of Business Rates retention system	41
Off-set by	• Lower employee costs	(33)
	• Contingency for Economic Development not required	(43)
	• Lower costs associated with Leisure Contract	(43)
	• Lower supplies, & services costs	(87)
	• Additional income from fees and charges	(105)
	• Higher income from VAT/RTB arrangement	(166)
	• Additional government grants and investment income	(44)
	• Other variances	4
	Net under-spend	(200)
	• Transfer to General Fund Balance	200
		0

Budget Monitoring

Revenue and capital budget monitoring information is reported monthly throughout the year to Corporate Management Team and Heads of Service. Cabinet Portfolio Holders are also provided financial monitoring information regularly throughout the year and provided to Cabinet at specific times during the year. In addition, treasury management performance is reported to Cabinet and Council with reviews undertaken by the Corporate Governance Committee.

Capital Spending and Funding

In 2018/19 the Council spent £2.968m on capital projects, which included Revenue Expenditure Funded from Capital under Statute (grants and loans to private sector home owners and support for community development), compared with the original budget of £3.145m and revised budget of £3.743m.

The main items of capital expenditure in the year were grant aid support to private sector home owners and support for community development (£0.89m), investment in vehicles (£0.438m), investments in infrastructure and boats at the Port of Wisbech and the Port of Sutton Bridge (£0.229m) and investments in parks and play equipment (£0.331m).

This expenditure was financed by capital grants, capital receipts and revenue contributions.

Capital receipts of £0.131m (net of costs) were realised in 2018/19 (2017/18: £0.556m).

Revenue Balances

Set out in notes 26 and 27 to the core financial statements are the Council's reserves. As at 31 March 2019, the Council's uncommitted General Fund Balance stood at £2.622m and the total Earmarked Reserves balance stood at £7.681m.

Reserves are required to cover a number of potential unforeseen eventualities and risks of additional expenditure being required over and above that allowed for within budgets. The target minimum level for the General Fund Balance is £2m.

Provisions and Contingencies

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2018/19 and earlier financial years in their proportionate share. Therefore, a provision of £1.1m (Fenland's share) has been recognised for the best estimate of the amount that businesses are potentially due a refund at 31 March 2019.

Treasury Management

The Local Government Act 2003 gave councils the freedom to determine how much they borrow for investment in new capital projects, subject to a regulation that such borrowing complies with the 'Prudential Code for Capital Finance in Local Authorities'. The Prudential Code looks to ensure affordability, prudence and sustainability in relation to determined borrowing limits. The Council determined the required Prudential Code indicators and Treasury Management Strategy as part of the budget process for 2018/19.

No new borrowing was undertaken in 2018/19 and all investment activities were undertaken in accordance with the approved strategy.

The total loan debt was £7.8m at the year-end, unchanged from the previous year. Short-Term Investments (i.e. between 3-12 months) at the year-end amounted to £12.5m (£13m at 31st March 2018).

Pension Liabilities

At 31 March 2019, the Council's share of the assets and liabilities of the Cambridgeshire LGPS show an estimated net liability of £64.401m. This liability has no impact on the level of the Council's available reserves.

Following the actuarial valuation as at 31 March 2016, the employer's contribution was set as a combination of a percentage of salary plus a lump sum. For the period 2017/18 – 2019/20 the rate has been set at 17.4% together with lump sum payments of £0.785m, in 2017/18, £0.825m in 2018/19 and £0.865m in 2019/20. The Council paid a lump sum of £1.624m in April 2018 as an advanced payment of the 2018/19 and 2019/20 lump sums, generating a discount of £0.066m. This has been accounted for in the accounts for the appropriate years.

Further information relating to the assets, liabilities, income and expenditure of the Council's pension scheme is detailed at note 39 to the financial statements.

Transfer of Management of Council's Leisure Centres to Freedom Leisure

With effect from 4 December 2018, the Council entered into a 15 year contract with Freedom Leisure to manage the Council's four leisure centres. The contract involves the payment to the Council by Freedom of an average annual sum in return for them to manage and operate the leisure centres. The Council retains responsibility for funding major improvements to the centres and the overall impact of this management contract is estimated to be a saving to the Council of around £345,000 per annum.

All leisure centre staff directly involved with the operation of the centres were TUPE transferred to Freedom Leisure on 4 December 2018. Freedom Leisure will become an Admitted Body to the Cambridgeshire Local Government Pension Scheme (LGPS) thereby guaranteeing the pension rights of those transferred staff who were part of the LGPS at the date of transfer. The Council will provide a guarantee to the Pension Fund in relation to the transferred staff. This is included within Contingent Liabilities at Note 40 to the accounts.

Significant Transactions

The actuarial valuation of the Council's Local Government Pension Scheme liabilities and pension reserve shown on the Balance Sheet have increased by £9.203m during the year, from £55.198m at 31 March 2018 to £64.401m at 31 March 2019. This is a result of changes in financial assumptions used by the pension fund Actuary (Hymans-Robertson), mainly lower Corporate Bond yields which serve to increase the value of liabilities, partially off-set by higher investment returns on assets. These assumptions are determined by the Actuary and represent the market conditions at the reporting date. The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation. Further details are given in Note 39 of the core financial statements.

The Council engages Wilks Head and Eve to undertake valuations of the Council's asset base in accordance with the requirements set out in the CIPFA Code of Accounting Practice and the professional standards of the Royal Institute of Chartered Surveyors. All assets are formally re-valued at least every five years and an annual review is undertaken to ensure there has been no significant movement in the value of the Council's assets since they were last subject to formal valuation. Further details are given in Notes 13 and 27 of the core financial statements. Increases in the value of some of the Council's assets led to revaluation gains of £0.708m being recognised in the revaluation reserve. These gains were offset by downward movements in the value of other assets totalling £0.572m leading to a net credit to the revaluation reserve of £0.136m.

7. MEDIUM TERM FINANCIAL STRATEGY 2019/20 – 2023/24

This Council, in common with most other local authorities, faces an ongoing difficult position in the medium term due to a range of pressures including providing statutory services, ongoing pressures caused by maintaining and developing sources of income through fees and charges whilst managing the impact on revenue and capital budget of delivering against the Council's strategic priorities. However, the most significant factor that will impact on the budget will be the level of Government funding including the ongoing uncertainty in respect of changes to financing arrangements such as the proposal for 75% localisation of business rates and changes to the New Homes Bonus.

The Medium Term Financial Strategy (MTFS) shows that the Council faces a continuing budget gap over the five years from April 2019. The following table summarises the position, showing a cumulative gap over the period to 2023/24 of £1.665m.

Summary Medium Term Financial Strategy	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Expenditure					
Net Service Expenditure	13,813	13,787	14,139	14,482	14,949
Corporate Items	-2,902	-1,429	-1,442	-1,275	-1,326
Contribution from Reserves	0	0	0	0	0
Net Budget Requirement	**10,911**	**12,358**	**12,697**	**13,207**	**13,623**
Funding					
Revenue Support Grant	0	0	0	0	0
Retained Business Rates	-3,643	-3,715	-3,790	-3,865	-3,943
Business Rates Collection Fund Deficit	443	0	0	0	0
Council Tax Collection Fund Surplus	-59	-50	-50	-50	-50
Council Tax *(0% increase. Increases shown reflect expected changes in Council tax Base)*	-7,652	-7,730	-7,809	-7,887	-7,965
Total Funding	**-10,911**	**-11,495**	**-11,649**	**-11,802**	**-11,958**
Surplus(-)/Shortfall(+)	**0**	**+863**	**+1,048**	**+1,405**	**+1,665**

The multi-year settlement announced in Autumn 2015 (covering the period 2016/17 – 2019/20), will result in RSG disappearing in 2019/20 with the Business Rates Baseline Funding increasing by CPI inflation. The medium term projections detailed above exemplify this position by reducing the overall Core Funding (Revenue Support Grant plus Business Rates) by 9.1% in 2019/20, with an inflationary increase of 2% in 2020/21 onwards.

Fair Funding Review

Alongside the provisional finance settlement in December 2018, the Government confirmed that it is looking to implement the Fair Funding Review in April 2020 and published a further consultation document on 'the assessment of local authorities' relative needs, relative resources and transitional arrangements'. This consultation paper marked the next step in developing a new distribution methodology and introduced potential approaches for measuring relative resources of authorities as well as proposing the principles regarding transitional arrangements. The outcome of this review is expected to be announced as part of the 2020/21 finance settlement.

Future Changes to the Business Rates Retention System - 2020/21 onwards

The Government announced as part of the provisional settlement, its intention to introduce a 75% Business Rates Retention Scheme from April 2020. The Government has committed to continuing to work with local government to improve the way the finance system works, such as tackling the impact of business rates appeals on local authorities.

The content and character of any new system and its effect on Fenland District Council are unknown at this stage and therefore no adjustments have been made to the business rates funding within the MTFS. Nationally, the implementation of this scheme will be fiscally neutral.

The future changes to the Business Rates Retention system and the outcome of the Fair Funding Review are very significant risk areas for this Council, for district councils in particular and the local authority sector in general, over the medium term.

Fenland District Council – Comprehensive Spending Review (FDC-CSR)

A major part of the strategy for achieving the required savings over the medium term is the FDC-CSR, established by Council in July 2015. Following an extensive consultation with Members, a priority list of options was confirmed in January 2016. This identified potential savings of £1.667m. A number of these projects have been successfully implemented (e.g. Garden Waste Subscription Service starting 1 April 2017 and transfer of management of the leisure centres from December 2018). Further progress has been made during 2018/19 on other projects including the development of a shared service model with Peterborough City Council for the provision of CCTV services across the District.

The forecasts for the years 2020/21 – 2022/23 are particularly volatile and should be treated with caution. Future year funding figures are subject to the implementation of consultations and reforms, and therefore the figures could be better or worse than forecast.

There will, however be a requirement to achieve further savings over the medium term and plans to address the Council's financial challenges will be brought forward by the new administration following 'all-out' local elections held in May 2019.

Combined Authority
This Council is a constituent authority of the Cambridgeshire and Peterborough Combined Authority (CPCA) which was formally established following the Mayoral election in May 2017. The devolution deal for the CPCA includes a new £20m fund for the next 30 years (£600m) to support economic growth, development of local infrastructure and jobs. In addition, a new £100m housing fund is to be invested over the next five years to build more homes in Cambridgeshire and Peterborough including affordable, rent and shared ownership.

The Council has continued to work closely with Combined Authority to secure investment in the District. In particular, masterplans for growth covering each of the four market towns in the District are nearing completion and the cost of producing these has been funded by the Combined Authority. In November 2018 the Council submitted its proposals for the development of a garden town in Wisbech to the Ministry of Housing, Communities and Local, a project financially supported by the Combined Authority. More recently, in March 2019 the Council submitted a bid to the government's Future High Streets Fund focussing on opportunities to develop March Town Centre. The Council also continues to liaise closely with the Combined Authority who is funding a Stations Regeneration Programme aimed at enhancing transport infrastructure across the District.

8. EXPLANATION OF THE FINANCIAL STATEMENTS

The Council's financial statements for the year 2018/19 are set out on pages 20 to 99. They consist of:

- the **Movement in Reserves Statement** – shows how the movement in reserves in the Balance Sheet is reconciled to the Comprehensive Income and Expenditure Account Deficit and what adjustments are required to be charged to the General Fund Balance for Council Tax setting purposes;

- the **Comprehensive Income and Expenditure Statement** (CIES)– a summary of the resources generated and consumed by the Council;

- the **Balance Sheet** - setting out the Council's financial position as at 31 March 2019;

- the **Cash Flow Statement** - which summarises the Council's inflows and outflows of cash for revenue and capital transactions for the year with third parties;

- the **Expenditure and Funding Analysis** – a summary of annual expenditure used and funded by the Council together with the adjustments required between funding and accounting basis to reconcile with the CIES;

- the **Collection Fund** – is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non – Domestic Rates (NNDR) and its distribution to precepting bodies.

The accounts referred to above are supported by **Accounting Policies**, which are in note 1 to the financial statements.

10. DATE THE STATEMENT OF ACCOUNTS WERE AUTHORISED FOR ISSUE

The Statement of Accounts was authorised for issue by the Corporate Director and Chief Finance Officer on x November 2019. This is the date up to which events after the Balance Sheet date have currently been considered. As part of its considerations management has assessed whether any events have occurred subsequent to the Balance Sheet date which might need to be disclosed as non-adjusting events within the notes to the financial statements. No such events have been identified.

11. FURTHER INFORMATION

Further information about these accounts is available from the Chief Accountant, Fenland Hall, County Road, March, Cambridgeshire, PE15 8NQ, (☎ 01354 622486).

This document forms part of the Council's policy of providing full information about the Council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts.

12. CORPORATE DIRECTOR AND CHIEF FINANCE OFFICER'S CERTIFICATE

I certify that the financial statements set out on pages 20 to 94 present a true and fair view of the financial position of Fenland District Council at 31 March 2019 and its income and expenditure for the year then ended.

Signed: ………………………………………….

x November 2019

Peter Catchpole

Corporate Director and Chief Finance Officer

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director and Chief Finance Officer.

- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- to approve the statement of accounts.

The Corporate Director and Chief Finance Officer's Responsibilities

The Corporate Director and Chief Finance 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).

In preparing this Statement of Accounts, the Corporate Director and Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently.

- made judgements and estimates that were reasonable and prudent.

- complied with the Local Authority Code.

The Corporate Director and Chief Finance Officer has also:

- kept proper accounting records which were up to date.

- taken reasonably steps for the prevention and detection of fraud and other irregularities.

Signed: …………………………………………

x November 2019

Peter Catchpole
Corporate Director and Chief Finance Officer

MOVEMENT IN RESERVES STATEMENT

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

2017/18	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Council Reserves £000**
Balance at 31 March 2017	**2,422**	**5,854**	**38**	**108**	**8,422**	**(3,448)**	**4,974**
Movement in reserves during 2017/18							
Deficit on Provision of Services	(1,696)	0	0	0	(1,696)	0	(1,696)
Other Comprehensive Expenditure and Income	0	0	0	0	0	1,066	1,066
Total Comprehensive Expenditure and Income	**(1,696)**	**0**	**0**	**0**	**(1,696)**	**1,066**	**(630)**
Adjustments between accounting basis and funding basis under regulation (note 8)	3,163	0	(32)	50	3,181	(3,181)	0
Net Increase/(Decrease) before Transfers (to)/from Earmarked Reserves	**1,467**	**0**	**(32)**	**50**	**1,485**	**(2,115)**	**(630)**
Transfers (to)/from Earmarked Reserves (note 9)	(1,467)	1,467	0	0	0	0	0
Increase/(Decrease) in 2017/18	**0**	**1,467**	**(32)**	**50**	**1,485**	**(2,115)**	**(630)**
Balance at 31 March 2018 carried forward	**2,422**	**7,321**	**6**	**158**	**9,907**	**(5,563)**	**4,344**

2018/19	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Council Reserves £000**
Balance at 31 March 2018	**2,422**	**7,321**	**6**	**158**	**9,907**	**(5,563)**	**4,344**
Movement in reserves during 2018/19							
Deficit on Provision of Services	(1,835)	0	0	0	(1,835)	0	(1,835)
Other Comprehensive Expenditure and Income	0	0	0	0	0	(8,151)	(8.151)
Total Comprehensive Expenditure and Income	**(1,835)**	**0**	**0**	**0**	**(1,835)**	**(8,151)**	**(9,986)**
Adjustments between accounting basis and funding basis under regulation (note 8)	2,395	0	(6)	267	2,656	(2,656)	0
Net Increase/(Decrease) before Transfers (to)/from Earmarked Reserves	**560**	**0**	**(6)**	**267**	**821**	**(10,807)**	**(9,986)**
Transfers to / (from) Earmarked Reserves (note 9)	(360)	360	0	0	0	0	0
Increase/(Decrease) in 2018/19	**200**	**360**	**(6)**	**267**	**821**	**(10,807)**	**(9,986)**
Balance at 31 March 2019 carried forward	**2,622**	**7,681**	**0**	**425**	**10,728**	**(16,370)**	**(5,642)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure 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. Councils raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2017/18				2018/19		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
2,142	(1,086)	1,056	Growth and Infrastructure	**2,262**	**(772)**	**1,490**
13,695	(7,405)	6,290	Housing, Environment, Leisure and Community	**13,957**	**(7,708)**	**6,249**
32,922	(29,391)	3,531	Resources and Customer Services	**30,765**	**(27,935)**	**2,830**
3,331	(1,529)	1,802	Planning, Policy and Governance	**3,196**	**(1,030)**	**2,166**
52,090	**(39,411)**	**12,679**	**Cost of Services**	**50,180**	**(37,445)**	**12,735**
		2,475	Other operating expenditure (note 10)			**2,731**
		2,544	Financing and investment income and expenditure (note 11)			**2,180**
		(16,002)	Taxation and non-specific grant income (note 12)			**(15,811)**
		1,696	**Deficit on Provision of Services**			**1,835**
		1,273	(Surplus)/Deficit on revaluation of property, plant and equipment assets (note 27)			**(136)**
		(2,339)	Re-measurement of net defined benefit liability/ (asset) (note 39)			**8,287**
		(1,066)	**Other Comprehensive Income and Expenditure**			**8,151**
		630	**Total Comprehensive Income and Expenditure**			**9,986**

BALANCE SHEET

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 that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2018 £000		Note	31 March 2019 £000
48,868	Property, Plant and Equipment	13	**49,120**
1,302	Investment Property	14	**1,306**
75	Intangible Assets	15	**45**
464	Long Term Debtors	16	**428**
50,709	**Long Term Assets**		**50,899**
13,013	Short Term Investments	17	**12,520**
94	Inventories	20	**76**
5,586	Short Term Debtors	21	**4,012**
7,148	Cash and Cash Equivalents	22	**8,114**
23	Assets held for sale		**20**
25,864	**Current Assets**		**24,742**
(36)	Short Term Borrowing	17	**(36)**
(152)	Short Term Finance Lease Liability	38	**(157)**
(6,609)	Short Term Creditors	23	**(6,273)**
(1,178)	Receipts in Advance	24	**(1,109)**
(693)	Provisions	25	**(1,101)**
(8,668)	**Current Liabilities**		**(8,676)**
(7,800)	Long Term Borrowing	19	**(7,800)**
(563)	Finance Lease Liability	38	**(406)**
(55,198)	Defined Benefit Pension Liability	39	**(64,401)**
(63,561)	**Long Term Liabilities**		**(72,607)**
4,344	**Net Assets/(Liabilities)**		**(5,642)**
9,907	Usable Reserves	26	**10,728**
(5,563)	Unusable Reserves	27	**(16,370)**
4,344	**Total Reserves**		**(5,642)**

The notes on page 27 to 94 form part of the financial statements.

Signed: ………………………………………. **Peter Catchpole** x November 2019

THE CASH FLOW STATEMENT

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

2017/18 £000		2018/19 £000
(1,696)	**Net deficit on the provision of services**	**(1,835)**
1,886	Adjust net Deficit on the provision of services for non-cash movements (note 28)	**5,873**
(1,389)	Adjust for items included in the net Deficit on the provision of services that are investing and financing activities (note 28)	**(1,405)**
(1,199)	**Net cash flows from Operating Activities**	**2,633**
6,050	Investing Activities (note 29)	**277**
(852)	Financing Activities (note 30)	**(1,944)**
3,999	**Net increase/(decrease) in cash and cash equivalents**	**966**
3,149	Cash and cash equivalents at the beginning of the reporting period (note 22)	**7,148**
7,148	**Cash and cash equivalents at the end of the reporting period (note 22)**	**8,114**

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis (EFA) is a note to the Financial Statements, however, it is positioned here as it provides a link from the figures reported in the Council's Outturn Report to the CIES. The EFA shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by Local Council's in comparison with those resources consumed or earned by Council's in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18				2018/19		
Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting Basis (Note 6)	Net Expenditure in the CIES		Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting Basis (Note 6)	Net Expenditure in the CIES
£000	**£000**	**£000**		**£000**	**£000**	**£000**
1,104	(48)	1,056	Growth and Infrastructure	1,342	148	1,490
3,582	2,708	6,290	Housing, Environment, Leisure and Community	3,465	2,784	6,249
6,056	(2,525)	3,531	Resources and Customer Services	6,206	(3,376)	2,830
1,541	261	1,802	Planning, Policy and Governance	1,672	494	2,166
12,283	**396**	**12,679**	**Net Cost of Services**	12,685	50	12,735
(12,283)	**1,300**	**(10,983)**	Other Income and Expenditure	**(12,885)**	**1,985**	**(10,900)**
0	**1,696**	**1,696**	**(Surplus) or Deficit**	**(200)**	**2,035**	**1,835**
2,422			**Opening General Fund Balance**	**2,422**		
0			**Plus Surplus on General Fund in Year**	**200**		
2,422			**Closing General Fund Balance at 31st March**	**2,622**		

INDEX TO THE NOTES TO THE CORE FINANCIAL STATEMENTS

Note		Page Number

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

i. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS). Policies have been consistently applied except for the policy in relation to heritage assets where some of the measurement rules are relaxed (details are provided in paragraph xi below).

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

ii. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplied, received and their consumption, they are carried as inventories on the Balance Sheet. Exceptions to this principle include utility bills, maintenance contracts and other similar quarterly payments, which are charged at the date of billing rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.

- Interest payable on borrowings and receivable on investments are accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 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.

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

iv. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

v. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation/amortisation attributable to the assets used by the relevant service.

- Revaluation and Impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written-off.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. COUNCIL TAX AND NON – DOMESTIC RATES

The Council as billing authority, act as an agent, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principal, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

vii. EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave, paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of these benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or the pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

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

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

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

- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (based on the yields of the constituents of the IBoxx £ Corporates AA index and the Council's weighted average duration).

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

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

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

  Service cost comprising:

  current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount

rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

the return on plan assets – excluding amounts included in net interest on the net defined liability (asset) – charged to the Pensions Reserve as other Comprehensive Income and Expenditure.
actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserves as Other Comprehensive Income and expenditure.

Contributions paid to the Cambridgeshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

viii. FAIR VALUE MEASUREMENT

The Council measures some of its non- financial assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities 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 or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

ix. FINANCIAL INSTRUMENTS

A financial asset or liability is recognised on the Balance Sheet when the Council becomes party to the contractual provisions of the instrument. This will normally be the date that a contract is entered into but may be later if there are conditions that need to be satisfied.

Financial assets are recognised by the Council on the Balance Sheet only when goods or services have been provided or rendered to a third party. Financial liabilities are recognised when the goods or services ordered from a third party have been received by the Council and the third party has performed its contractual obligations.

Financial Liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost

Financial Assets Measured at Amortised Cost

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

However, the Council has made a number of loans to private individuals at nil interest and the loans form a charge on the individual's properties. This means that market rates of interest have not been charged and these loans are classed as “soft loans”. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at the real effective rate of interest with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains or losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

x. GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that future economic benefits or service potential embodied in the asset received in the form of the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

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

xi. HERITAGE ASSETS

Heritage assets are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by this Council are monuments, war memorials, public clocks, civic regalia and operational historic buildings in cemeteries.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council’s accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.
The historical cemetery buildings are operational assets accounted for at depreciated replacement cost within Property, Plant and Equipment in the Balance Sheet.

The remaining heritage assets are not recognised in the financial statements as no information is available on the cost.

The Council is of the view that obtaining valuations for these assets would involve a disproportionate cost in comparison to the benefits that would be provided to the users of the Council’s financial statement.

These assets are recorded in the asset register of the Council and detailed records are kept on each asset.

xii. INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council’s goods or services.

Intangible assets are initially measured at cost. Amounts are only revalued where the current value of the assets held by the Council can be determined by reference to an active market. In practice no intangible assets held by the Council meet this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired; any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xiii. INVENTORIES

Inventories are valued at latest price, with an allowance made for obsolete and slow moving items. While this is a departure from the requirements of the Code of Practice on Local Authority Accounting and IAS 2, which require inventories to be shown at the lower of cost and net realisable value, the effect of the different treatment is not material.

xiv. INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xv. LEASES

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

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

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

<u>The Council as Lessee</u>

Finance Leases

Property, plant and equipment held under a finance lease are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to the lessor. Indirect costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and

- a finance charge (debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation, revaluation or impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, generally meaning that rentals are charged when they become payable.

The Council as Lessor

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvi. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

xvii. PROPERTY, PLANT AND EQUIPMENT

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred. Assets valued at less than £10,000 are not normally recognised in the Balance Sheet. The exception to this principal relates to land holdings which may have a current value of less than £10,000 but where they meet the Assets Held for Sale criteria. The total value of such assets does not materially affect the Property, Plant and Equipment disclosure note.

Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Surplus assets – the current value measurement basis is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialised nature of an asset, depreciated replacement cost is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year- end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, the loss is accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

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

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

Depreciation

Depreciation is provided on Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction).

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer.

- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the balance sheet, as advised by a suitably qualified officer.

- Infrastructure – straight – line allocation up to 40 years.

Where an item of Property, Plant and Equipment has major components with different estimated useful lives and whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been charged on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Disposal proceeds in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xviii. PROVISIONS

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

xix. CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognized in the Balance Sheet but disclosed in a note to the accounts.

xx. CONTINGENT ASSETS

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxi. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and they do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

xxii. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset (e.g. renovation grants) has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of Council Tax.

xxiii. VALUE ADDED TAX (VAT)

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

The Council has complied with the Code of Practice on Local Authority Accounting, with the exception of its inventory policy as stated above. Despite this departure from the code, management has concluded that the accounts present a true and fair view of the Council's financial position, financial performance and cash flows.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

Under the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) the Council is required to disclose information setting out the expected impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019/20 Code:

- Amendments to IAS 40 Investment Property: *Transfers of Investment Property*
- *Annual Improvements to IFRS Standards 2014-2016 Cycle*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 *Financial Instruments*: Prepayment Features with Negative Compensation.

The amendment to IAS 40 *Investment Property* provides clarification on transfers to or from the investment property classification.

The amendments to IFRS 9 allow financial assets with negative compensation prepayment features to be measured at amortised cost or fair value through other comprehensive income, and confirms that most modifications of financial liabilities will result in immediate recognition of a gain or loss.

None of these amendments or annual improvements is considered to have a material impact on the financial statements.

IFRS 16 Leases (to be adopted in the 2020/21 Code) removes the existing classification of operating and finance leases under *IAS 17 Leases for lessees*. This will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is an exemption for low-value and short-term leases of 12 months or less). The Council currently has a number of operating and finance leases as reported at Note 38.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 1 to the financial statements, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the financial statements are:

Funding

There is a high degree of uncertainty about future levels of funding for local Government. However, the Council has determined that the uncertainty is such that it is not possible to determine whether or not there may be an impairment of assets as a result of a need to close facilities and reduce levels of service provision.

Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1st April 2013, the Council is liable for successful appeals against business rates charged to businesses in 2018/19 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31st March 2019. The estimate has been calculated using the latest Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31st March 2019. The Council's share of the balance of business rate appeals provisions held at this date amounted to £1.1m this has increased by £0.408m from the previous year.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The following items in the Council's Balance Sheet as at 31 March 2019 for which there is a significant risk of material adjustments in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Depreciation and amortisation are provided for Property, Plant and Equipment and Intangible assets respectively. This enables the assets to be written down to their residual value over their estimated useful lives and show an appropriate cost of the use of the asset in the Comprehensive Income and Expenditure Statement.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.

	Management judgement is used to determine the useful economic lives of the Plant and Equipment. The Council's valuers provide estimates for the useful life of property assets. The methodology for valuing properties at Depreciated Replacement Cost (DRC), e.g. Leisure Centres, includes an adjustment for obsolescence as deemed reasonable by the Council's valuers and management	It is estimated that the annual depreciation charge for buildings would increase by £15k for every year that useful life is reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For example: (i) a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £15.506m (ii) a 0.5% increase in the salary increase rate would result in an increase in the pension liability of £2.304m. (iii) a 0.5% increase in the pension increase rate would result in an increase in the pension liability of £12.939m. However, the assumptions interact in complex ways, so care should be taken when looking at changes in one variable in isolation.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

There are no material items of income and expenditure which are not otherwise disclosed on the face of the Core Financial Statements or accompanying notes.

6. EXPENDITURE AND FUNDING ADJUSTMENTS ANALYSIS

Adjustments between Funding and Accounting Basis 2018/19	Adjustments for Capital Purposes (Note i)	Net Change for the Pensions Adjustment (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts				
Growth and Infrastructure	202	34	(89)	147
Housing, Environment, Leisure and Community	1,060	607	1,117	2,784
Resources and Customer Services	67	(622)	(2,820)	(3,375)
Planning, Policy and Governance	188	146	160	494
Net Cost of Services	**1,517**	**165**	**(1,630)**	**50**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(161)**	**96**	**2,050**	**1,985**
Difference between General Fund Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**753**	**261**	**1,021**	**2,035**

Adjustments between Funding and Accounting Basis 2017/18	Adjustments for Capital Purposes (Note i) £000	Net Change for the Pensions Adjustment (Note ii) £000	Other Differences (Note iii) £000	Total Adjustments £000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts				
Growth and Infrastructure	191	34	(273)	(48)
Housing, Environment, Leisure and Community	970	654	1,084	2,708
Resources and Customer Services	90	107	(2,722)	(2,525)
Planning, Policy and Governance	41	146	74	261
Net Cost of Services	**1,292**	**941**	**(1,837)**	**396**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(572)**	**1,545**	**327**	**1,300**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**720**	**2,486**	**(1,510)**	**1,696**

Note (i): Adjustments for Capital Purposes
This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other Operating Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and Investment Income and Expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and Non-Specific Grant Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions of for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or where conditions attached to the grant were satisfied in the year.

Note (ii): Net Change for the Pensions Adjustments

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

For Services – this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Note (iii): Other Differences

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

The charge under **Taxation and Non-Specific Grant Income and Expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

Segmental Income

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

Services	**2018/19 Income from Services £000**	**2017/18 Income from Services (Restated) £000**
Growth and Infrastructure	(232)	(162)
Housing, Environment, Leisure and Community	(5,314)	(5,911)
Resources and Customer Services	(196)	(21)
Planning, Policy and Governance	(986)	(1,422)
Financing and Investment Income	(2,324)	(2,191)
Total Fees, charges and other service income	**(9,052)**	**(9,707)**

7. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

Expenditure/Income	2018/19 £000	2017/18 £000
Expenditure		
Employee Benefits Expenses	14,989	16,077
Other Service Expenses	38,513	39,377
Depreciation, Amortisation, Impairment	1,569	1,803
Interest Payments	507	512
Precepts and Levies	3,266	3,600
(Gain) on the Disposal of Assets	(95)	(256)
Total Expenditure	**58,748**	**61,113**
Fees, Charges and Other Service Income	(9,052)	(9,707)
Interest and Investment Income	(190)	(130)
Income from Council Tax and Non-Domestic Rates	(12,631)	(12,942)
Government Grants and Other Contributions	(35,040)	(36,638)
Total Income	**(56,913)**	**(59,417)**
Deficit on Provision of Services	**1,835**	**1,696**

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied Account

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

2018/19	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,655	0	0	(1,514)
Revaluation Surplus on Property, Plant and Equipment	(123)	0	0	(18)
Movements in the market value of Investment Properties	(4)	0	0	4
Amortisation of intangible assets	42	0	0	(42)
Capital grants and contributions that have been applied to capital financing	(1,113)	0	0	1,113
Revenue expenditure funded from capital under statute	1,194	0	0	(1,194)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	15	0	0	(15)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(151)	0	0	151
Capital expenditure charged against General Fund Balance	(1,091)	0	0	1,091
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(110)	110	0	0
Use of Capital Receipts Reserve to finance new Capital expenditure	0	(138)	0	138
Miscellaneous Capital receipt	0	4	0	(4)
Transfer of deferred capital receipts to useable capital receipts reserve on receipt of cash	0	18	0	(18)

2018/19	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(297)	0	297	0
Capital Grants Unapplied applied to Financing of Capital Expenditure	0	0	(30)	30
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are Different from finance costs chargeable in the year in accordance with statutory requirements	46	0	0	(46)
Adjustments primarily involving the LGPS Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,087	0	0	(4,087)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,340)	0	0	2,340
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which Council Tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax and non-domestic rating income calculated for the year in accordance with statutory requirements	667	0	0	(667)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on An accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(82)	0	0	82
Total Adjustments	**2,395**	**(6)**	**267**	**(2,656)**

2017/18	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,640	0	0	(1,640)
Revaluation Surplus on Property, Plant and Equipment	31	0	0	(31)
Movements in the market value of Investment Properties	80	0	0	(80)
Amortisation of intangible assets	54	0	0	(54)
Capital grants and contributions that have been applied to capital financing	(1,067)	0	0	1,067
Revenue expenditure funded from capital under statute	1,017	0	0	(1,017)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	52	0	0	(52)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(215)	0	0	215
Capital expenditure charged against General Fund Balance	(224)	0	0	224
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	(311)	311	0	0
Use of Capital Receipts Reserve to finance new Capital expenditure	0	(584)	0	584
Miscellaneous Capital receipts	(13)	13	0	0
Transfer of deferred capital receipts to useable capital receipts reserve on receipt of cash	0	228	0	(228)

2017/18	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(50)	0	50	0
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(7)	0	0	7
Adjustments primarily involving the LGPS Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,845	0	0	(4,845)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,357)	0	0	2,357
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which Council Tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(360)	0	0	360
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	48	0	0	(48)
Total Adjustments	**3,163**	**(32)**	**50**	**(3,181)**

9. TRANSFERS (TO)/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund Balance in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2018/19.

	Note	Balance at 1 April 2017	Movements in year Receipts	Movements in year Applied	Balance at 31 March 2018	Movements in year Receipts	Movements in year Applied	Balance at 31 March 2019
		£000	£000	£000	£000	£000	£000	£000
Travellers Sites	1	**256**	28	(2)	**282**	23	0	**305**
Maintenance - Station Road, Whittlesey	2	**6**	3	0	**9**	3	0	**12**
CCTV	3	**99**	10	(4)	**105**	0	(4)	**101**
Invest to Save	4	**120**	0	0	**120**	0	0	**120**
Conservation	5	**54**	0	0	**54**	0	(50)	**4**
Management of Change Reserve	6	**1,198**	335	(212)	**1,321**	0	(118)	**1,203**
Neighbourhood Planning Reserve	7	**195**	0	(10)	**185**	0	0	**185**
Specific Grants Reserve	8	**642**	526	(129)	**1,039**	723	(125)	**1,637**
Personal Search Fees	9	**115**	0	0	**115**	0	0	**115**
Community Projects	10	**12**	0	0	**12**	0	0	**12**
Local Government Resource Review	11	**500**	0	0	**500**	556	0	**1,056**
Capital Contribution Reserve	12	**657**	600	(10)	**1,247**	96	(923)	**420**
Port – Buoy Maintenance	13	**149**	0	(2)	**147**	0	0	**147**
Pilots' National Pension Fund	14	**451**	0	0	**451**	0	(451)	**0**
Repairs & Maintenance Reserve	15	**400**	143	0	**543**	100	0	**643**
Development Fund	16	**1,000**	0	0	**1,000**	0	0	**1,000**
Wisbech High St HLF Reserve	17	**0**	191	0	**191**	0	(39)	**152**
Local Plan Reserve	18	**0**	0	0	**0**	451	0	**451**
Solid Wall Remediation	19	**0**	0	0	**0**	100	0	**100**
Street Lighting	20	**0**	0	0	**0**	18	0	**18**
Total		**5,854**	**1,836**	**(369)**	**7,321**	**2,070**	**(1,710)**	**7,681**

Notes

1. The Travellers Sites Reserve is used to fund future maintenance programmes.

2. The Station Road, Whittlesey Reserve was set up in 2004/05, to finance future maintenance costs in relation to the un-adopted estate road. Contributions are received annually from the Companies who have purchased the freehold of individual sites.

3. CCTV Reserve is to provide for future plant and equipment requirements.

4. The Invest to Save Reserve was set up for services to “borrow” from in order to finance ways of producing savings. The reserve will be used to fund schemes in the Council’s ‘Keen to be Green’ strategy for carbon reduction.

5. The Conservation Reserve was set up to purchase, renovate and subsequently re-sell difficult properties of local importance where intervention by this Council is seen as the only solution.

6. The Management of Change Reserve was established for the effective management of any organisational changes required to meet the Council’s future priorities.

7. The Neighbourhood Planning Reserve was created to assist the Council with delivering the ‘Neighbourhood Planning’ objective and delivery of the new Development Plan.

8. Specific grants received in year but not spent. Balance available to fund specific spending commitments in future years.

9. Available to off-set potential restitution claims associated with the revocation of the personal search fees of the local land charges register.

10. Available to assist local community projects.

11. The Local Government Resource Review Reserve was established to assist the Council in delivering the localisation of council tax support and business rates retention from 2013/14.

12. The Capital Contributions Reserve was set-up to provide funding for future capital schemes.

13. The Port Buoy Maintenance Reserve was established to provide funding for future buoy maintenance to windfarms.

14. The Pilots’ National Pension Fund Reserve was established to provide funding for future liabilities that might arise resulting from Pilots membership of the scheme.

15. The Repairs and Maintenance Reserve was established in 2016/17 to provide funding for one-off schemes, not covered by the normal Repairs and Maintenance revenue budgets.

16. A Development Fund was established in 2016/17 to enable progression of future development and property schemes.

17. The Wisbech High Street Heritage Lottery Fund Reserve was established in 2017/18 to facilitate work on grant-funded projects on buildings located in Wisbech High Street.

18. The Local Plan Reserve has been established in 2018/19 to fund the costs of preparing an updated local plan.

19. The Solid Wall Remediation Reserve has been established in 2018/19 to fund potential costs linked to solid wall installations in the District.

20. The Street Lighting Reserve has been established in 2018/9 to fund future repairs and maintenance relating to street lighting.

10. OTHER OPERATING EXPENDITURE

	2018/19 £000	2017/18 £000
Parish Council Precepts	1,361	1,260
Council Tax Support Grant – Payments to Parish Councils	30	59
Drainage Board Levies	1,435	1,412
Gain on the Disposal of Non-Current Assets	(95)	(256)
Total	**2,731**	**2,475**

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2018/19 £000	2017/18 £000
Deficit on Trading Accounts	464	729
Interest payable and similar charges	507	512
Interest on the net defined pension liability	1,487	1,445
Interest receivable and similar income	(190)	(130)
Income and expenditure in relation to investment properties and changes in their fair value	(88)	(12)
Total	**2,180**	**2,544**

12. TAXATION AND NON-SPECIFIC GRANT INCOME

	2018/19 £000	2017/18 £000
Council Tax income	(8,934)	(8,647)
Net share of business rate income	(3,269)	(3,620)
Non-ring-fenced Government grants	(3,114)	(3,655)
Capital grants and contributions	(494)	(80)
Total	**(15,811)**	**(16,002)**

13. PROPERTY, PLANT AND EQUIPMENT

Movements in 2018/19:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Asset Under Construction	Infrastructure Assets	Community Assets	Surplus Assets	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation							
At 1 April 2018	**34,271**	**15,108**	**41**	**7,751**	**1,492**	**5,097**	**63,760**
Additions	528	870	83	166	0	0	1,647
Revaluation Surplus/(Deficit) recognised in the Revaluation Reserve	(728)	0	0	0	0	0	(728)
Revaluation Surplus/(Deficit) recognised in the Deficit on the Provision of Services	77	0	0	0	0	0	77
At 31 March 2019	**34,148**	**15,978**	**124**	**7,917**	**1,492**	**5,097**	**64,756**
Accumulated Depreciation and Impairment							
At 1 April 2018	(638)	(11,507)	0	(2,659)	(88)	0	(14,892)
Depreciation charge	(365)	(707)	0	(293)	0	0	(1,365)
Impairment (losses)/reversals recognised in the Surplus/(Deficit) on Provision of Services	(141)	0	0	0	0	0	(141)
Depreciation charge to the Revaluation Reserve	(149)	0	0	0	0	0	(149)
Depreciation written out to the Surplus/Deficit on Provision of Services	47	0	0	0	0	0	47
Depreciation charge written out to the Revaluation Reserve	864	0	0	0	0	0	864
At 31 March 2019	**(382)**	**(12,214)**	**0**	**(2,952)**	**(88)**	**0**	**(15,636)**
Net Book Value							
At 31 March 2019	**33,766**	**3,764**	**124**	**4,965**	**1,404**	**5,097**	**49,120**
At 31 March 2018	**33,633**	**3,601**	**41**	**5,092**	**1,404**	**5,097**	**48,868**

Comparative Movements in 2017/18:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Asset Under Construction	Infrastructure Assets	Community Assets	Surplus Assets	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation							
At 1 April 2017	**36,054**	**14,480**	**0**	**7,677**	**1,532**	**5,097**	**64,840**
Additions	92	628	41	74	9	0	844
Revaluation Surplus/(Deficit) recognised in the Revaluation Reserve	(1,530)	0	0	0	0	0	(1,530)
Revaluation Surplus/(Deficit) recognised in the Deficit on the Provision of Services	(345)	0	0	0	(49)	0	(394)
At 31 March 2018	**34,271**	**15,108**	**41**	**7,751**	**1,492**	**5,097**	**63,760**
Accumulated Depreciation and Impairment							
At 1 April 2018	(650)	(10,767)	0	(2,367)	(88)	0	(13,872)
Depreciation charge	(392)	(740)	0	(292)	0	0	(1,424)
Impairment Losses/(reversals) recognised in the Surplus/(Deficit) on Provision of Services	0	0	0	0	0	0	0
Depreciation charge to the Revaluation Reserve	(216)	0	0	0	0	0	(216)
Depreciation written out to the Surplus/Deficit on Provision of Services	363	0	0	0	0	0	363
Depreciation charge written out to the Revaluation Reserve	257	0	0	0	0	0	257
At 31 March 2018	**(638)**	**(11,507)**	**0**	**(2,659)**	**(88)**	**0**	**(14,892)**
Net Book Value							
At 31 March 2018	**33,633**	**3,601**	**41**	**5,092**	**1,404**	**5,097**	**48,868**
At 31 March 2017	**35,404**	**3,713**	**0**	**5,310**	**1,444**	**5,097**	**50,968**

Fair Value Hierarchy

All the Council's surplus assets and investment properties have been assessed as Level 2 on the fair value hierarchy for valuation purposes (see accounting policy note 1 viii for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Surplus Assets and Investment Properties

The fair value of surplus assets and investment properties have been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year for surplus assets or investment properties

Highest and Best Use

In ascertaining the fair value of the Council's surplus assets and investment properties the ultimate aim is to arrive at the notional 'Highest and Best use value' for the asset either as a stand-alone asset or in combination with other assets within the principal market whilst ensuring that any alternative use is physically, legally and financially possible.

This has been achieved, for these purposes, by comparing the 'current use' of the asset to the notional 'alternative use' based on potential redevelopment on a land value basis for the site(s).

Valuation Process for Investment Properties

The Council's investment properties have been valued as at 31 March 2019 by Wilks Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings – Up to 50 years
- Vehicles, Plant, Furniture & Equipment – 5-20 years
- Infrastructure – Up to 40 years

Capital Commitments

At 31 March 2019, the Council had contractual capital commitments of £0.246m (2017/18 £0.214m).

Revaluations

A full re-valuation of all assets valued at fair value was undertaken at 1 April 2015. Valuations of high value assets are updated by way of an annual review. All assets required to be valued at current value are re-valued at least every 5 years.

In addition, the Council instructs its valuers annually to undertake a market review of all land and property assets, to ensure that the carrying value of those assets is not materially different from their fair value at the end of the reporting period.

The review undertaken this year concluded that the value of the Council's Leisure Centres which are valued at Depreciated Replacement Cost (DRC) was likely to have changed to a material extent since the previous valuation due to changes in building costs. As a result of this review, desktop valuations were conducted for all the leisure centres. These valuations are reflected in the Balance Sheet.

All valuations were carried out externally by Wilks Head & Eve in accordance with the professional standards of the Royal Institution of Chartered Surveyors. The basis for valuations is set out in the accounting policies, Note 1 of the financial statements.

The following table analyses the Council's Property, Plant and Equipment according to when it was last revalued. It includes those assets held at historical cost valuation in accordance with the requirements of the CIPFA Code of Accounting Practice. All other assets have been revalued in accordance with the process explained above

	Land & Buildings £000	Infrastructure Assets £000	Community Assets £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Total £000
Valued at historical cost	0	4,965	1,404	3,764	0	10,133
Valued at current/fair value as at:						
31 March 2016	2,410	0	0	0	33	2,443
31 March 2019	31,356	0	0	0	5,064	36,420
Total	33,766	4,965	1,404	3,764	5,097	48,996

14. INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2018/19 £000	2017/18 £000
Rental income from investment property	(84)	(91)
Loss/(Gain) on revaluation of investment property	(4)	79
Net (Gain)/Loss	**(88)**	**(12)**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or carry out repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2018/19 £000	2017/18 £000
Balance at start of the year	1,302	1,381
Net gain/(loss) from fair value adjustments	4	(79)
Balance at end of the year	**1,306**	**1,302**

Fair Value Hierarchy

All the Council's investment properties have been assessed as Level 2 on the fair value hierarchy for valuation purposes (see accounting policy note 1 viii and note 13 to the core financial statements for an explanation of the fair value levels).

15. INTANGIBLE ASSETS

Purchased software licences are held for a variety of IT systems. All software is given a 5 year finite useful life, based on assessments of the period that the software is expected to be used by the Council and to be consistent with the general policy for all capitalised IT purchases.

The carrying amount of intangible assets is amortised on a straight line basis in line with the Council's general depreciation/amortisation policy. The amortisation of £42,000 charged to revenue in 2018/19 is charged to the IT cost centre and then absorbed as an overhead across all service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2018/19 £000	2017/18 £000
Balance at start of year		
Gross Carrying amount	**1,486**	1,479
Accumulated amortisation	(1,411)	(1,357)
Net carrying amount at start of year	**75**	**122**
Additions	12	7
Amortisation for the year	(42)	(54)
Net carrying amount at end of year	**45**	**75**
Comprising:		
Gross carrying amounts	1,498	1,486
Accumulated amortisation	**(1,453)**	**(1,411)**

16. LONG TERM DEBTORS

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

	31 March 2019 £000	31 March 2018 £000
Mortgages	52	53
Private sector housing improvement loans	190	129
Deferred land sale proceeds	0	30
Employee car loans	186	219
Other	0	33
Total	**428**	**464**

17. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	Carrying amount	
	31 March 2019 £000	31 March 2018 £000 (Restated)
Financial liabilities (Measured at Amortised Cost)		
Long Term Liabilities	(7,800)	(7,800)
Short Term Borrowings	(36)	(36)
Creditors	(3,589)	(3,185)
	(11,425)	**(11,021)**

Financial Assets		
(Measured at Amortised Cost)		
Debtors	2,521	2,402
Cash & Cash Equivalents	8,114	7,148
Investments	12,520	13,013
	23,155	**22,563**

Prior year disclosures in respect of the carrying amount of Debtor Balances and the associated totals and sub-totals have been restated to correct a minor discrepancy in the prior year accounts which came to light as part of work to implement IFRS 9. No changes in the classification of financial instruments were required as part of the implementation of IFRS 9.

Income, expense, gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial Liabilities	**Financial Assets**	**Total**
	31 March 2019	**31 March 2019**	**31 March 2019**
	£000	**£000**	**£000**
Interest Income – soft loans	0	(9)	**(9)**
Interest and Investment Income	0	(181)	**(181)**
Increase in allowance for expected credit losses	0	394	**394**
Interest payable and similar charges	571	0	**571**
Net loss for year	571	204	**775**

	Financial Liabilities	**Financial Assets**	**Total**
	31 March 2018	**31 March 2018**	**31 March 2018**
	£000	**£000**	**£000**
Interest Income – soft loans	0	(3)	**(3)**
Interest and Investment Income	0	(121)	**(121)**
Increase in allowance for expected credit losses	0	270	**270**
Interest payable and similar charges	516	0	**516**
Net loss for year	516	146	**662**

Realised and unrealised gains and losses, interest and other items of income and expense are accounted for in the financial year to which they relate and are shown at actual value paid or received.

The increase in the allowance for expected credit losses reflects the additional amount required in the year which is chargeable to the Comprehensive Income and Expenditure Statement

18. FAIR VALUE OF ASSETS AND LIABILITIES

Financial liabilities and financial assets (loans and receivables) are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (level 2 on the fair value hierarchy, see accounting policy note 1 viii), using the following assumptions:

- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to the fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- For loans from the Public Works Loan Board (PWLB), new borrowing rates have been applied from the PWLB to provide fair value disclosures at the balance sheet date. As an alternative, the Debt Management Office provides a fair value valuation under PWLB debt redemption procedures calculated without undertaking a repayment or transfer.
- For other market debt, PWLB (new certainty) prevailing market rates have been applied to provide the fair value disclosures at the balance sheet date.

As at 31 March 2019 the Council held £23.15m financial assets and £11.43m liabilities for which level 3 valuations will not apply. All the financial assets are classed as loans and receivables and held within Notice Accounts. The financial liabilities are held with PWLB and market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, for all long-term liabilities we have used a financial model valuation provided by Link Asset Services. This valuation applies the net present value approach, which provides an estimate of the value of payments in the future in todays terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses new borrowing rates to discount the future cash flows.

In accordance with advice received from Link Asset Services the fair value of all financial instruments classified as being short-term in the balance sheet has been assumed to be the same as the book value.

	Carrying Amount 31 March 2019	Fair Value 31 March 2019	Carrying Amount 31 March 2018 (Restated)	Fair Value 31 March 2018 (Restated)
	£000	£000	£000	£000
Financial liabilities				
Long Term Liabilities	(7,800)	(12,183)	(7,800)	(11,997)
Short Term Borrowing	(36)	(36)	(36)	(36)
Creditors	(3,589)	(3,589)	(3,185)	(3,185)
	(11,425)	(15,808)	(11,021)	(15,218)
Loans & Receivables				
Total Debtors	2,521	2,521	2,402	2,402
Cash & Cash Equivalents	8,114	8,114	7,148	7,148
Investments	12,520	12,520	13,013	13,013
	23,155	23,155	22,563	22,563
Total	11,730	7,347	11,542	7,345

Prior year disclosures in respect of the carrying amount and fair value amount of Debtor Balances and the associated totals and sub-totals have been restated to correct a minor discrepancy in the prior year accounts which came to light as part of work to implement IFRS 9.

The fair value of long term liabilities are greater than the carrying amount due to the Council's portfolio of loans consisting of a number of fixed rate loans, where the interest payable is higher than the rates available for similar loans at the Balance Sheet date. The fair value of creditors is taken to be the invoiced amount.

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. As a result of its PWLB commitments for fixed rate loans a comparison of the terms of these loans with the new borrowing rates available from the PWLB has been used to calculate the fair value. If a value is calculated on this basis, the carrying amount of £4.532m would be valued at £7.010m. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £3.087m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £7.618m

This redemption charge is a supplementary measure of the fair value of the PWLB loans of £7.618m. It measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount and the fair value, measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

19. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

How the Council Manages These Risks

The Council's overall risk management programme focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

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

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. In addition, the Investment strategy also limits maximum amounts and time limits to be deposited in respect of each financial institution. Additional selection criteria are also applied after this initial criteria is applied. Full details of the Investment Strategy can be found on the Council's website.

Deposits are not made with banks and financial institutions unless they meet the minimum criteria laid out within the creditworthiness service provided by Capita Asset Services (see Annual Investment Strategy). A maximum of £5m is allowed to be invested (£10m with the Council's approved bank) within any one approved institution for up to 5 years. Unlimited overnight investments levels are allowed with the Council's approved bank.

At 31 March 2019 there was a maximum of £5m with approved counterparties and a maximum of 2 times this limit may be invested in total with counterparties belonging to the same group.

In light of the above investment strategy, the Council considers that it has taken all reasonable steps to reduce to a minimum any exposure to credit risks in relation to investments at 31 March 2019 and that any residual risk cannot be quantified.

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

31 March 2019	Less than 3 Months	Maturity Bands 3 Months to 6 Months	6 Months to 1 year	Total
	£000	£000	£000	£000
Banks	4,700	5,000	0	9,700
Building Societies	3,500	0	0	3,500
Local Authorities	7,000	0	0	7,000
	15,200	**5,000**	**0**	**20,200**

31 March 2018	Less than 3 Months	Maturity Bands 3 Months to 6 Months	6 Months to 1 year	Total
	£000	£000	£000	£000
Banks	5,000	10,000	0	15,000
Building Societies	1,500	3,000	0	4,500
	6,500	**13,000**	**0**	**19,500**

The simplified approach is used to determine the provision for expected credit losses for trade debtors. A matrix is used to determine the appropriate level of provision. The likelihood of a debtor not fulfilling their obligations is assessed based on the Council's experience of securing payment in previous financial years for debt where the credit period had been exceeded adjusted to reflect the Council's understanding of how economic trends expected to prevail over the medium-term may impact on the prospect of the Council securing the payments due.

For financial assets not classified as a trade debtor, the provision for expected credit losses is based upon an assessment of the extent to which credit risk associated with individual assets has increased since initial recognition. The following factors are taken into account:

- the Council normally only allows counterparties credit of 14 days. If this period has been exceeded without contact from the counterparty this is likely to be indicative of an increase in the credit risk associated with the financial asset;
- the Council permits some customers to pay off their outstanding balance in instalments. If two or more instalments have been missed this is likely to be indicative of an increase in the credit risk associated with the financial asset
- the Council regularly reviews outstanding balances to determine if circumstances have arisen which make the debt eligible for write-off in accordance with the Council's policy on write-offs. Write-offs are approved promptly and arrangements are in place to ensure outstanding proposals for write-off are actioned prior to each Balance Sheet date

The changes in the loss allowance during the year analysed according to the method using to calculate the expected credit loss is shown in the table below:

	12-Month Expected Credit Losses £000	Lifetime Expected Credit Losses – Not Credit Impaired £000	Lifetime Expected Credit Losses – Simplified Approach £000	Total £000
Opening Balance at 1 April 2018	0	386	44	430
New Financial Assets Originated or Purchased	0	0	0	0
Amounts Written Off	0	0	(8)	(8)
Changes in Model/ Risk Parameters	0	(87)	26	(61)
As at 31 March 2019	0	299	62	361

	12-Month Expected Credit Losses £000	Lifetime Expected Credit Losses – Not Credit Impaired £000	Lifetime Expected Credit Losses – Simplified Approach £000	Total £000
Opening Balance at 1 April 2017	0	385	57	442
New Financial Assets Originated or Purchased	0	0	0	0
Amounts Written Off	0	0	(36)	(36)
Changes in Model/ Risk Parameters	0	1	23	24
As at 31 March 2018	0	386	44	430

The Council has the following exposure to credit risk at 31 March 2019

Basis for Calculation of Expected Credit Loss	Gross Carrying Amount 31 March 2019 £000	Gross Carrying Amount 31 March 2018 £000
12-Month Expected Credit Losses	594	766
Lifetime Expected Credit Losses – Not Credit Impaired	299	386
Lifetime Expected Credit Losses – Simplified Approach	1,628	1,250

Liquidity Risk
As the Council has ready access to borrowings from the PWLB, it does not face any significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All financial liabilities as at 31 March 2019 are due within one year, apart from long term borrowings and finance lease liabilities. The maturity analysis of long term borrowing is as follows:

	31 March 2019 £000	31 March 2018 £000
Between 5 and 10 years	**2,000**	0
Between 10 and 15 years	**2,500**	4,500
Between 30 and 35 years	**3,300**	0
Between 35 and 40 years	**0**	3,300
Total	**7,800**	**7,800**

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

Market Risk – Interest Rate Risk
The Council is exposed to minimal risk in respect of adverse interest rate movements in its investments. This is because fixed rate investments are of less than one year in duration and the changes to fair value will be minimal. The Council does, however, utilise "call accounts" for short term deposits and the interest rate on these accounts move in line with the bank base rate. In general terms, a rise in interest rates would have the following effects:

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

The Council's treasury management officers play a pro-active role in assessing interest rate exposure that feeds into the Council's annual budget setting process and which is used to revise budget projections as necessary during the financial year. The assessment procedures indicate that if interest rates were one percentage point higher, with all other variables held constant, the effect in 2018/19 would have been a reduction in income of £54,000 (£80,000 reduction in 2017/18).

The impact of a one percentage point fall in interest rates would be the reverse of the net effect identified in the table above. The Code of Practice on Local Authority Accounting 2017/18 suggests a sensitivity analysis of one percentage point.

20. INVENTORIES

	Total (General &Vehicle) 2018/19 £000	Total (General &Vehicle) 2017/18 £000
Balance outstanding at start of year	94	64
Purchases	340	352
Recognised as an expense in the year	(358)	(322)
Balance outstanding at year-end	**76**	**94**

21. SHORT TERM DEBTORS

	31 March 2019 £000	31 March 2018 £000
Central Government bodies	510	1,734
Trade Receivables	1,245	1,057
Other	2,257	2,795
Total	**4,012**	**5,586**

Each line item is presented net of a provision for expected credit losses. Details of the Council's approach to determining the level of provision required is explained in Note 19 to the financial statements.

22. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2019 £000	31 March 2018 £000
Cash held by the Council	7,711	6,505
Bank Current Accounts	403	643
Total Cash and Cash Equivalents	**8,114**	**7,148**

23. SHORT TERM CREDITORS

	31 March 2019 £000	31 March 2018 £000
Central Government bodies	1,725	2,333
Trade	1,551	1,548
Other entities and individuals	2,997	2,728
Total	**6,273**	**6,609**

24. RECEIPTS IN ADVANCE

	31 March 2019 £000	31 March 2018 £000
Council Tax receipts in advance	258	243
Business Rates receipts in advance	165	193
Trade	26	119
Garden Waste receipts in advance	613	551
Other	47	72
Total	**1,109**	**1,178**

25. PROVISIONS

	31 March 2019 £000	31 March 2018 £000
Balance at 1 April	693	3,000
Additional Provision	408	0
Utilised in Year	0	(2,307)
Balance at 31 March	**1,101**	**693**

Included within Provisions are amounts set aside to meet potential future liabilities for Business Rates Appeals. The opening Balance at 1 April 2018 included, as well as amounts relating to business rates appeals, amounts provided in relation to redundancy payments approved before 31st March 2017 and the Pilots National Pension Fund.

26. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 8 and 9 of the financial statements.

27. UNUSABLE RESERVES

	31 March 2019 £000	31 March 2018 £000
Revaluation Reserve	17,894	17,907
Capital Adjustment Account	31,732	31,831
Financial Instruments Adjustment Account	(303)	(257)
Pensions Reserve LGPS	(65,232)	(55,198)
Deferred Capital Receipts Reserve	0	30
Collection Fund Adjustment Account	(264)	403
Accumulated Absences Account	(197)	(279)
Total	**(16,370)**	**(5,563)**

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2018/19 £000	2017/18 £000
Balance at 1 April	**17,907**	**19,442**
Upward revaluation of assets	708	561
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	(572)	(1,834)
Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services	136	**(1,273)**
Difference between fair value depreciation and historical cost depreciation	(149)	(216)
Accumulated gains on assets sold or scrapped	0	(46)
Amount written off to the Capital Adjustment Account	(149)	**(262)**
Balance at 31 March	**17,894**	**17,907**

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 of the financial statements provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2018/19 £000	2017/18 £000
Balance at 1 April	**31,831**	**32,353**
Charges for depreciation and impairment of non-current assets	(1,655)	(1,640)
Revaluation Surplus/(Deficit) on Property, Plant and Equipment	123	(31)
Amortisation of intangible assets	(42)	(54)
Revenue expenditure funded from capital under statute	(1,194)	(1,017)
Private Sector Housing Loans	(4)	(5)
Amounts of non-current assets written off on disposal or sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	(15)	(52)
Write Down of Deferred Capital Receipt	12	0
Adjusting amounts written out of the Revaluation Reserve	149	262
Use of the Capital Receipts Reserve to finance new capital expenditure	138	589
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,113	1,067
Application of grants to capital financing from the Capital Grants Unapplied Account	30	0
Statutory provision for the financing of capital investment charged against the General Fund Balance	151	215
Capital expenditure charged against the General Fund Balance	1,091	224
Movements in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement	4	(80)
Balance at 31 March	**31,732**	**31,831**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2018/19 £000	2017/18 £000
Balance at 1 April	**(257)**	**(264)**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	**4**	4
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**(50)**	3
Balance at 31 March	**(303)**	**(257)**

Pension Reserve – Local Government Pension Scheme

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require a benefit earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2018/19 £000	2017/18 £000
Balance at 1 April	**(55,198)**	**(55,049)**
Re-measurements of the net defined benefit liability	(8,287)	2,339
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,087)	(4,845)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,340	2,357
Balance at 31 March	**(65,232)**	**(55,198)**

Deferred Capital Receipts Reserve

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

	2018/19 £000	2017/18 £000
Balance at 1 April	**30**	**258**
Write Down on Receipt of Cash Proceeds	(12)	0
Transfer to the Capital Receipts Reserve upon receipt of cash	(18)	(228)
Balance at 31 March	**0**	**30**

Collection Fund Adjustment Account

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

	2018/19 £000	2017/18 £000
Balance at 1 April	**403**	**43**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(667)	360
Balance at 31 March	**(264)**	**403**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2018/19 £000	£000	2017/18 £000	£000
Balance at 1 April		**(279)**		**(231)**
Settlement or cancellation of accrual made at the end of the preceding year	279		231	
Amounts accrued at the end of the current year	(197)		(279)	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		82		**(48)**
Balance at 31 March		**(197)**		**(279)**

28. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

a) Adjust net deficit on the provision of services for non-cash movements.

	2018/19 £000	2017/18 £000
Depreciation	1,514	1,640
Impairment & downward/upward revaluations	18	31
Amortisation	42	54
Increase in impairment for bad debts	499	312
Increase/(decrease) in Creditors	258	619
(Increase)/decrease in Debtors	1,282	(1,055)
Decrease/(Increase) in inventories	18	(30)
Movement in pension liability	1,747	2,488
Contribution to/(from) provisions	408	(2,307)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	3	55
Movement in fair value of investment properties	(4)	79
Other non-cash transactions	88	0
	5,873	**1,886**

b) Adjust for items included in the net deficit on the provision of services that are investing and financing activities.

	2018/19 £000	2017/18 £000
Miscellaneous capital receipts	(19)	0
Capital grants credited to the deficit on the provisions of services	(1,295)	(1,066)
Proceeds from the sale of property, plant and equipment	(91)	(323)
	(1,405)	**(1,389)**

c) Interest received and interest paid.

	2018/19 £000	2017/18 £000
Interest received	179	130
Interest paid	(507)	(512)
	328	**(382)**

29. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2018/19 £000	2017/18 £000
Purchase of property, plant and equipment, investment property and intangible assets	(1,546)	(1,218)
Purchase of short-term investments	(34,000)	(37,000)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	91	551
Proceeds from short-term investments	34,500	42,500
Other payments for investing activities	(115)	0
Other receipts from investing activities	1,347	1,217
Net cash flows from investing activities	**277**	**6,050**

30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2018/19 £000	2017/18 £000
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(152)	(215)
Other payments for financing activities	(1,792)	(637)
Net cash flows from financing activities	**(1,944)**	**(852)**

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 April 2018 £000	Financing Cash Flows £000	31 March 2019 £000
Long Term Borrowing	7,800	0	7,800
Lease Liabilities	715	(152)	563
Total Liabilities from financing activities	**8,515**	**(152)**	**8,363**

31. TRADING OPERATIONS

Included within the expenditure figures below are capital charges (depreciation, revaluation and impairment) which are reversed out of the General Fund Balance through the Movement in Reverses Statement to ensure there is no impact on the Council's Taxpayer.

Market Undertaking
The Council operates outdoor markets in March, Chatteris and Whittlesey.

	2018/19 £000	2017/18 £000
Expenditure	88	104
Income	(22)	(24)
Deficit Before Capital Charges	66	80
Capital Charges	4	4
Deficit Taken to General Fund	70	84

Port Undertaking

The Council is the statutory Port Authority for the Port of Wisbech. Financial results were as follows:

	2018/19 £000	2017/18 £000
Expenditure	1,126	1,206
Income	(1,097)	(1,075)
Deficit Before Capital Charges	29	131
Capital Charges	271	295
Deficit Taken to General Fund	300	426

Mini-factories, Estates and Office Units

The Council operates 69 mini-factory units located in March, Chatteris and Wisbech. South Fens Business Centre, Chatteris offers 45 office and 8 workspace units. The Boathouse, Wisbech offers 37 office units. Estate areas amounting to 44.5 acres are operated by the Council. Financial results were as follows:

	2018/19 £000	2017/18 £000
Expenditure	1,001	1,021
Income	(824)	(795)
Deficit Before Capital Charges	177	226
Capital Charges	46	112
Deficit Taken to General Fund	223	338

Trade Waste

The financial results for Trade Waste were as follows:

	2018/19 £000	2017/18 £000
Expenditure	250	246
Income	(379)	(365)
(Surplus) taken to General Fund	(129)	(119)

There are currently no capital charges in relation to Trade Waste.

32. MEMBERS' ALLOWANCES

The Council paid the following amounts to members of the Council during the year. Full details can be found on the Council's website. Details of payments to individual members are published annually in a local newspaper.

	2018/19 £000	2017/18 £000
Allowances	311	310
Expenses	19	12
Total	**330**	**322**

33. EMPLOYEES' REMUNERATION

The following table sets out the remuneration disclosures for senior officers who received more than £50,000 per year.

Senior Officers Remuneration

Name	Note	Year	Gross Salary	Benefits in Kind (e.g. car allowance)	Total Remuneration (excl. Pension contributions)	Employers Pension Contributions	Total Remuneration (incl. pension contributions)
			£	£	£	£	£
Chief Executive		**2018/19**	**143,173**	**2,000**	**145,173**	**24,912**	**170,085**
		2017/18	140,366	2,000	142,366	24,424	166,790
Corporate Director and Chief Finance Officer	1	**2018/19**	**42,150**	**4,223**	**46,373**	**3,782**	**50,155**
		2017/18	78,948	7,863	86,811	13,737	100,548
Corporate Director and Chief Finance Officer	2	**2018/19**	**9,729**	**950**	**10,679**	**1,693**	**12,372**
		2017/18	0	0	0	0	0
Corporate Director and Chief Finance Officer		**2018/19**	**0**	**0**	**0**	**0**	**0**
	3	2017/18	10,941	1,073	12,014	1,904	13,918
Corporate Director and Monitoring Officer	4	**2018/19**	**59,306**	**8,400**	**67,706**	**15,082**	**82,788**
		2017/18	83,673	8,293	91,966	14,559	106,525
Corporate Director	5	**2018/19**	**86,023**	**8,400**	**94,423**	**14,968**	**109,391**
		2017/18	84,336	8,400	92,736	14,674	107,410
Corporate Director	5	**2018/19**	**86,023**	**8,400**	**94,423**	**14,968**	**109,391**
		2017/18	84,336	8,400	92,736	14,674	107,410

Note 1: The Corporate Director and Chief Finance Officer left the Council on 1st July 2018. The annualised salary was £86,023. For the period 2nd July – 12th August 2018, the Council engaged an officer employed by Peterborough City Council to act as its Chief Finance Officer. The Council paid Peterborough City Council £9,000 for this officer's service. For the period 13th August 2018 – 28th February 2019, the Council appointed, through a contract with Penna Plc, an interim Corporate Director and Chief Finance Officer. The cost of this contract was £106,296.

Note 2: A new Corporate Director and Chief Finance Officer started with the Council on 19th February 2019. The annualised salary was £86,023.

Note 3: The Corporate Director and Chief Finance Officer left the Council on 7th May 2017. The annualised salary was £107,110.

Note 4: The Corporate Director and Monitoring Officer began a period of maternity leave from 1st September 2018. The annualised salary was £86,023. Whilst the post-holder was on maternity leave the Council engaged an officer employed by Peterborough City Council to act as Monitoring Officer for the period 1st September to 31st March 2019. The Council paid Peterborough City Council £43,182 for this officer's service.

Note 5: The two Corporate Directors shown above are both members of the Council's Corporate Management Team.

The numbers of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 are shown in the table below.

Remuneration Band	Number of Employees 2018/19 Total	2017/18 Total
£50,000 - £54,999	9	8
£55,000 - £59,999	6	10
£60,000 - £64,999	6	2
£65,000 - £69,999	1	0
£75,000 - £79,999	1	0
£85,000 - £89,999	0	1
£90,000 - £94,999	2	3
£140,000 - £144,999	0	1
£145,000 - £149,999	1	0

The band changes from 2017/18 to 2018/19 are due to pay progression within individual's terms and conditions, the nationally agreed cost of living increases and a severance payment to one post made redundant during 2018/19.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. The exit packages arose from a programme of service staffing reviews.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	**2018/19**	2017/18	**2018/19**	2017/18	**2018/19**	2017/18 £000	**2018/19 £000**
£0 - £20,000	0	**0**	2	**7**	2	**7**	32	**47**
£20,001-£40,000	0	**0**	0	**1**	0	**1**	0	**37**
£40,001-£60,000	0	**0**	0	**0**	0	**0**	0	**0**
Total	0	**0**	2	**8**	2	**8**	32	**84**
Total cost included in Comprehensive Income and Expenditure							32	**84**

34. EXTERNAL AUDIT COSTS

In 2018/19 Fenland District Council incurred the following fees relating to external audit and inspection:

	2018/19 £000	2017/18 £000
Fees payable with regard to external audit services carried out by the appointed auditor	39	50
Fees payable for the certification of grant claims and returns	15	14
Total Audit Costs	**54**	**64**

35. GRANT INCOME

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19:

	2018/19 £000	2017/18 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	444	925
Net Share of Business Rate Income	3,269	3,620
New Homes Bonus Grant	1,426	1,657
Capital Grants and Contributions	494	80
Business Rate Reliefs Funded by Government	1,244	1,072
Other Central Government Grants	0	1
Total	**6,877**	**7,355**
Credited to Services		
Housing Benefit Subsidy	26,651	28,154
Capital Grants and Contributions	900	1,028
Housing Benefits/Local Council Tax Support Admin	449	485
NNDR Cost of Collection	123	124
Care and Repair Grant	0	38
Homelessness Prevention	565	523
Controlling Migration	1,113	296
New Burdens Grant	154	171
Other	162	167
Total	**30,117**	**30,986**

The Council has received a number of developer's contributions that have yet to be recognised as income as they have conditions attached to them that require the monies to be returned to the giver if not used as prescribed. This liability is recognised in the Balance Sheet at £2,210,772 (2017/18: £1,801,910).

36. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. No material related party transaction balances remain outstanding at year end.

Central Government
Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from Government departments are set out in note7 Expenditure and Income Analysed by Nature, to the core financial statements.

Members
A number of elected members are also members of Cambridgeshire County Council, Town and Parish Councils and have an interest in voluntary organisations that are grant aided by the Council.

Entities Controlled or Significantly Influenced by the Council
The Anglia Revenue Partnership (ARP) Joint Committee was set up to deliver the Housing Benefit, Council Tax and Business Rates service for Breckland Council and Forest Heath District Council. East Cambridgeshire District Council joined the partnership on 1 April 2007 and formally joined the Joint Committee in October 2010. St Edmundsbury Council joined the new Joint Committee on 1 April 2011. Waveney District Council, Fenland District Council and Suffolk Coastal joined the partnership on 1 April 2014. The seven authorities hold equal voting rights but shares in costs and surpluses arising from the arrangement are based on an agreed share which is reviewed annually.

This Council's share for 2018/19 was 13.53%.

This Council's share of partnership transactions and balances are included within the relevant lines within the accounts.

With effect from 1st April 2019, following the mergers of Forest Heath and St Edmundsbury Councils (to form West Suffolk) and Waveney and Suffolk Coastal Councils (East Suffolk), ARP now consists of 5 partner authorities.

37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2018/19 £000	2017/18 £000
Opening Capital Financing Requirement	**766**	**981**
Capital investment (as reported in notes 13-15)		
Property, Plant and Equipment	1,647	844
Intangible Assets	12	7
Capital expenditure charged to Comprehensive Income and Expenditure Statement		
Revenue Expenditure Funded from Capital under Statute	1,194	1,029
Private Sector Housing Loans	114	0
Sources of finance		
Capital receipts	(138)	(589)
Government grants and other contributions	(1,142)	(1,067)
Sums set aside from revenue:		
Direct revenue contributions	(1,091)	(224)
Minimum Revenue Provision (MRP)	(151)	(215)
Closing Capital Financing Requirement	**1,212**	**766**
Explanation of movements in year		
Capital Expenditure Funded from Internal Borrowing	**597**	0
MRP charge to Revenue	**(151)**	(215)
Increase/(decrease) in Capital Financing Requirement	**446**	**(215)**

38. LEASES

Council as Lessee

Finance Leases

The Council leases a number of vehicles and leisure equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment (Vehicles, Plant, Furniture and Equipment) in the Balance Sheet at £591,480 (2017/18: £750,679).

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding.

The minimum lease payments are made up of the following amounts:

	2018/19 £000	2017/18 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	157	152
• non –current	406	563
Finance costs payable in future years	44	68
Minimum lease payments	**607**	**783**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Not later than one year	176	176	157	152
Later than one year and not later than five years	431	583	406	540
Later Than 5 Years	0	24	0	23
	607	**783**	**563**	**715**

Operating Leases - Vehicles, Plant and Equipment

The Council leases fitness equipment by entering into operating leases, with typical lives of three to five years.

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

	31 March 2019 £000	31 March 2018 £000
Not later than one year	12	87
Later than one year and not later than five years	5	17
	17	104

Lease payments for 2018/19 amounted to £86,974 (2017/18: £86,974)

Operating Leases - Land and Buildings

The Council leases Wisbech and March Fenland @ Your Service shops (on leases ranging from 5 to 15 years with review dates every 5 years). The Council leases nine properties for homeless families.

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

	31 March 2019 £000	31 March 2018 £000
Not later than one year	74	62
Later than one year and not later than five years	50	24
	124	**86**

Lease payments for 2018/19 amounted to £105,054 (2017/18: £102,004).

Council as Lessor

Operating Leases

The Council leases out land and property under operating leases for the purposes of provision of community (sports facilities) and economic development services.

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

	31 March 2019 £000	31 March 2018 £000
Not later than one year	82	103
Later than one year and not later than five years	60	77
Later than five years	427	441
	569	**621**

39. DEFINED BENEFIT PENSION SCHEMES
(i) The Local Government Pension Scheme

Participation in pension scheme

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the following pension scheme:

- The Local Government Pension Scheme for civilian employees, administered by Cambridgeshire County Council – this is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Post-Employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions are charged across all service headings in the Net Cost of Services in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme	
Comprehensive Income and Expenditure Statement	**2018/19 £000**	**2017/18 £000**
Cost of Services:		
• Current service cost	**3,296**	3,344
• Past Service Cost (including curtailments)	**0**	56
• Effect of settlements	**(696)**	0
Financing and Investment Income and Expenditure		
• Interest income on scheme assets	**(2,010)**	(1,906)
• Interest cost on defined benefit obligation	**3,497**	3,351
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**4,087**	**4,845**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising;		
• Return on plan assets (excluding the amount included in the net interest expense)	**(2,931)**	291
• Actuarial gains and losses arising on changes in demographic assumptions	**0**	0
• Actuarial gains and losses arising on changes in financial assumptions	**11,166**	(2,638)
• Other	**52**	8
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**12,374**	**2,506**
Movement in Reserves Statement:		
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	**(1,747)**	(2,488)
Actual amount charged against General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	**3,171**	**2,357**

Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme	
	2018/19	**2017/18**
	£000	**£000**
Present value of funded liabilities	**(141,300)**	(129,024)
Present value of unfunded liabilities	**(1,221)**	(1,194)
Fair value of plan assets	**78,120**	75,020
Net liability arising from defined benefit obligation	**(64,401)**	**(55,198)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme	
	2018/19	**2017/18**
	£000	**£000**
Opening fair value of scheme assets	**75,020**	73,423
Effect of Settlements	**(2,510)**	0
Interest income	**2,010**	1,906
Remeasurement gain/(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	**2,931**	(291)
Contributions from employer	**3,171**	2,357
Contributions from employees into the scheme	**563**	556
Benefits paid	**(3,065)**	(2,931)
Closing fair value of scheme assets	**78,120**	**75,020**

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2018/19	**2017/18**
	£000	**£000**
Opening balance at 1 April	**(130,218)**	(128,472)
Current service cost	**(3,296)**	(3,344)
Past service cost (including curtailments)	**0**	(56)
Effect of Settlements	**3,206**	0
Interest cost	**(3,497)**	(3,351)
Contributions from scheme participants	**(563)**	(556)
Re-measurement gains and (losses):		
• Actuarial gains/losses arising from changes In demographic assumptions	**0**	0
• Actuarial gains/losses arising from changes in financial assumptions	**(11,166)**	2,638
• Other	**(52)**	(8)
Benefits paid	**3,065**	2,931
Closing balance at 31 March	**(142,521)**	**(130,218)**

Local Government Pension Scheme assets comprised:

Asset Category	Fair Value of Scheme Assets 2018/19 Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of Total Assets	2017/18 Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of Total Assets
Equity Securities:								
Consumer	**2,309**	**0**	**2,309**	**3%**	2,082	0	2,082	3%
Manufacturing	**1,475**	**0**	**1,475**	**2%**	1,346	0	1,346	2%
Energy and Utilities	**1,806**	**0**	**1,806**	**2%**	1,614	0	1,614	2%
Financial Institutions	**2,992**	**0**	**2,992**	**4%**	3,231	0	3,231	4%
Health and Care	**470**	**0**	**470**	**1%**	795	0	795	1%
Information and Technology	**468**	**0**	**468**	**1%**	354	0	354	1%
Debt Securities:								
UK Government	**0**	**1,941**	**1,941**	**2%**	0	1,890	1,890	3%
Private Equity:								
All	**0**	**6,373**	**6,373**	**8%**	0	6,954	6,954	9%
Investment Funds and Unit Trusts:								
Equities	**0**	**42,510**	**42,510**	**54%**	0	41,519	41,519	55%
Bonds	**0**	**7,484**	**7,484**	**9%**	0	7,535	7,535	10%
Infrastructure	**0**	**2,922**	**2,922**	**4%**	0	0	0	0%
Other	**0**	**6,136**	**6,136**	**8%**	0	5,237	5,237	7%
Cash and Cash Equivalents:								
All	**1,188**	**0**	**1,188**	**2%**	2,414		2,414	3%
TOTALS	**10,708**	**67,366**	**78,074**	**100%**	**11,836**	**63,135**	**74,971**	**100%**

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme 2018/19	2017/18
Longevity at 65 for current pensioners		
Men	**22.4 years**	22.4 years
Women	**24.4 years**	24.4 years
Longevity at 65 for future pensioners		
Men	**24.0 years**	24.0 years
Women	**26.3 years**	26.3 years

Rate of increase in pensions	**2.5%**	2.4%
Rate of increase in salaries	**2.8%**	2.7%
Rate for discounting scheme liabilities	**2.4%**	2.7%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2017/18.

Change in assumptions at 31 March 2019	**Approximate % increase to Employer Liability**	**Approximate Monetary Amount £000**
0.5% decrease in real discount rate	11%	15,506
0.5% increase in the salary increase rate	2%	2,304
0.5% increase in the pension increase rate	9%	12,939

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has arranged a strategy with the scheme's actuary to achieve an appropriate funding level over the period until 31 March 2020.

The latest triennial valuation has been completed as at 31 March 2016. The next triennial valuation is due as at 31 March 2019 and will be reported in the autumn of 2019.

The scheme has taken into account the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £64.401m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The Council anticipates paying £1.605m contributions to the scheme in 2019/20. This figure takes account of an up-front payment of £831,000 made in April 2018 in respect of lump sums due for the 2019/20 financial year. This is reflected in the pension liability in the Balance Sheet which has been reduced to take account of the up-front payment. The weighted average duration of the defined benefit obligation for scheme members is 19.0 years.

At time of finalising the Statement of Accounts the Council was aware of the outcome of legal proceedings relating to the ‘McCloud case’ and a High Court ruling relation to the application of guaranteed minimum pensions. Details of the impact of these two cases are set out below:

McCloud

In June 2019 the Supreme Court upheld an earlier court judgment that the application of transitional provisions to two public sector schemes in 2015 was unlawful on the basis of age discrimination. Whilst the case did not relate specifically to the local government pension scheme, similar transitional provisions to those challenged in the McCloud case are in place for the local government pension scheme.

Guaranteed Minimum Pensions (‘GMP’)

GMP requirements relate to (in summary) where a pension scheme was 'contracted out' of additional state pension arrangements. If the contracted out pension benefits are less than the pensioner would have received if the contracting out had not applied the pension scheme would be required to increase pension paid to reach the GMP.

The UK Government website states that: Defined benefit pensions schemes that were Contracted-out Salary Related (COSR) schemes before contracting-out ended on 6 April 2016 need to provide a guaranteed minimum pension (GMP) to members for contracted-out service between 6 April 1978 and 5 April 1997. The GMP is payable at age 60 for a woman and at age 65 for a man.

The Council engaged its actuary to assess the expected impact of the outcome of the McCloud and the Guaranteed Minimum Pensions ruling on the Council’s underlying pension liability and the other information disclosed as part of this note to the accounts.

Having reviewed the information provided by the actuary the Council determined that the impact of updating the assessment to take account of McCloud and the Guaranteed Minimum Pension’s ruling is not material to the Council. On this basis the accounting entries relating to the Council’s pension liability, as recognised and disclosed in accordance with relevant accounting standards, have not been revised to take account of these cases.

It is important to note that the agreed remedy to the public sector pension schemes impacted by the McCloud case and the GMP ruling is yet to be determined. Future actuarial assessments will take account of the latest position as regards the development and application of a suitable remedy by government.

Further information relating to the Cambridgeshire County Council Pension Fund can be found in Cambridgeshire County Council’s Pensions Fund Annual Report, which is available from the Chief Finance Officer, Local Government Shared Services, Shire Hall, Castle Hill, Cambridge, CB3 0AP.

40. CONTINGENT LIABILITIES

Material contingent liabilities are not recognised within the accounts as an item of expenditure or income, but are required to be disclosed in a note to the financial statements.

Stock Transfer

As part of the stock transfer agreement completed on 5 November 2007, the Council gave Roddons HA (now Clarion) certain warranties in relation to transferring staff, property and environmental pollution. This is to ensure that there are no matters in connection with the land or property transferring that could cause the housing association financial or other loss. The Council has given warranties both to the association and separately to the association’s funders. This is standard practice for all stock transfers. The duration of the various warranties in the contract are up to 30 years from completion.

The potential amounts the Council could be liable for under these warranties are unquantifiable. However, the risks associated with the warranties are considered low and therefore are not expected to have a material impact on the Council’s accounts.

Pilots’ National Pension Fund (PNPF)

In February 2018, the Council paid to the PNPF the amount due as a result of the Council triggering a Section 75 (of the Pensions Act 1995) debt whereby the Council ceased to employ any active members of the PNPF. Provision for this payment was made in the 2016/17 accounts. Following payment of this liability, the Council is not required to make any further annual deficit payments to the PNPF and the Council no longer needs to recognise any liability to the PNPF in its Balance Sheet (the deficit was written out of the balance sheet in the 2016/17 accounts).

Although the Council has repaid its’ S75 debt liability, it will not be released as a Participating Body under PNPF rules. The PNPF has confirmed, however, that they have no present intention of making any additional contribution demands on the Council under PNPF rules.

The potential amounts the Council could be liable for in the future are unquantifiable and the risks associated with this obligation are considered low and therefore are not expected to have a material impact on the Council’s accounts.

Pension Contingent Liabilities

Leisure Centres Management Contract

The Council has entered into a 15 year management contract for its leisure centres with Freedom Leisure Ltd. The contract began on 4 December 2018 and all staff involved in the operation of the centres have been TUPE transferred to Freedom Leisure. The Council has given certain guarantees in relation to the pension rights of the transferred staff for the duration of the contract.

The potential amounts the Council could be liable for under these guarantees are unquantifiable. However, the risks associated with the guarantees are considered low and therefore are not expected to have a material impact on the Council’s accounts.

THE COLLECTION FUND

Total 2017/18 £000		Note	Council Tax 2018/19 £000	NNDR 2018/19 £000	Total 2018/19 £000
	INCOME				
50,893	Council Tax Receivable	2	53,937	0	**53,937**
25,338	Business Rates Receivable	3	0	25,781	**25,781**
76,231	**Total Income**		**53,937**	**25,781**	**79,718**
	EXPENDITURE				
	Precepts, Demands and Shares:				
12,043	Central Government		0	12,576	**12,576**
18,148	Fenland District Council		8,909	10,061	**18,970**
35,973	Cambridgeshire County Council		36,219	2,264	**38,483**
5,303	Cambs. Police & Crime Commissioner		5,759	0	**5,759**
2,137	Cambridgeshire Fire Authority		1,992	251	**2,243**
73,604			**52,879**	**25,152**	**78,031**
	Apportionment of Previous Year Surplus / (Deficit):				
(126)	Central Government		0	(211)	**(211)**
40	Fenland District Council		110	(169)	**(59)**
538	Cambridgeshire County Council		437	(38)	**399**
84	Cambs. Police & Crime Commissioner		69	0	**69**
29	Cambridgeshire Fire Authority		24	(4)	**20**
565			**640**	**(422)**	**218**
	Charges to Collection Fund:				
124	Cost of Collection Allowance		0	123	**123**
1,003	Increase in Bad Debts Provision	4	903	247	**1,150**
(300)	Increase/(Reduction) in Provision for Appeals	5	0	2,129	**2,129**
222	Reconciliation Adjustment		0	302	**302**
1,049			**903**	**2,801**	**3,704**
75,218	**Total Expenditure**		**54,422**	**27,531**	**81,953**
(1,013)	**(Surplus)/Deficit for the Year**		**485**	**1,750**	**2,235**
	COLLECTION FUND BALANCE				
(636)	(Surplus)/Deficit b/fwd at 1 April		(985)	(664)	**(1,649)**
(1,013)	(Surplus)/Deficit for the year (as above)		485	1,750	**2,235**
(1,649)	**(Surplus)/Deficit c/fwd at 31 March**	6	**(500)**	**1,086**	**586**

NOTES TO THE COLLECTION FUND ACCOUNTS

1. GENERAL

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

2. COUNCIL TAXPAYERS

Council Tax income is derived from charges raised according to the value of residential properties, which have been classified into 8 valuation bands using estimated valuations as at 1 April 1991. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cambridgeshire County Council, Cambridgeshire Police Authority, Cambridgeshire Fire Authority and the Council for the forthcoming year and dividing this figure by the Council Tax base of 28,979 in 2018/19 (2017/18: 28,397). The increase in Council Tax base in 2018/19 is a result of a combination of new builds and changes to the Council Tax Reduction Scheme approved by Council at its meeting on 14 December 2017.

The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent adjusted for discounts etc. This basic amount of tax for a Band D property (average of £1,824.74 for 2018/19 compared to £1,743.75 for 2017/18) is then multiplied by the proportion specified for the particular Band (after adjusting for individual Parish Council precepts) to give an individual amount due.

Council Tax bills were based on the following proportions for Bands A to H:

	Proportion of Band D Charge (ninths)	Equated no of Chargeable Dwellings
Band A	6	7,490
Band B	7	7,505
Band C	8	6,502
Band D	9	4,033
Band E	11	2,408
Band F	13	780
Band G	15	235
Band H	18	26
		28,979

Income receivable from Council Tax payers in 2018/19 was £53.937m (£50.893m in 2017/18)

3. NATIONAL NON-DOMESTIC RATES (NNDR)

The Council collects NNDR for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme, which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Fenland, the local share is 40%. The remainder is distributed to Central Government (50%), Cambridgeshire County Council (9%) and Cambridgeshire Fire Authority (1%).

The business rates shares payable for 2018/19 were estimated before the start of the financial year as £12.576m to Central Government, £2.264m to Cambridgeshire County Council, £0.251m to Cambridgeshire Fire Authority and £10.061m to Fenland Council. These sums have been paid in 2018/19 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority, identifying the expected level of retained business rates and a top-up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities and payable to Central Government are used to finance the top-ups to those authorities who do not achieve their targeted baseline funding. In this respect, Fenland paid a tariff to the government of £5.798m in 2018/19 (£5.629m in 2017/18) which is charged to the General Fund.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates appeals outstanding as at 31 March 2018. As such, authorities are required to make a provision for these amounts. The total provision charged to the Collection Fund for 2018/19 has been calculated at £2.129m.

The total NNDR income due (including transitional protection) from business ratepayers for 2018/19 was £25.781m (2017/18 £25.338m). The local non-domestic rateable value at 31 March 2019 was £66,747,143 (£66,741,145 at 31 March 2018). The national multipliers for 2018/19 were 48.0p for qualifying Small Businesses and a standard multiplier of 49.4p for all other businesses (46.6p and 47.9p respectively in 2017/18).

In addition to the tariff payment, a ‘levy’ payment is due to Central Government on business rate income achieved over the baseline amount. The comparison of business rate income for levy purposes, uses the total income collected from business ratepayers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief and other reliefs (announced in the Autumn Statements 2013 - 2017), not allowed for when the scheme was set. The levy is set at 50% of the growth above the baseline level and for 2018/19, a levy payment of £468,268 (£943,717 in 2017/18) is due to Central Government and this has been charged to the General Fund.

4. PROVISION FOR NON-PAYMENT OF COUNCIL TAX AND NNDR

The Collection Fund account provides for bad debts on arrears on the basis of prior years' experience and current years collection rates.

Council Tax Bad Debts Provision

2017/18 £000		2018/19 £000
1,271	**Balance at 1 April**	**1,781**
(85)	Write-offs during year for previous years	(181)
595	Increase in provision during year	903
1,781	**Balance at 31 March**	**2,503**

The Council's proportion of this provision at 31 March 2019 is £401,703 (£300,043 at 31 March 2018).

Non- Domestic Rates Bad Debts Provision

2017/18 £000		2018/19 £000
726	**Balance at 1 April**	**965**
(169)	Write-offs during year for previous years	(71)
408	Increase in provision during year	247
965	**Balance at 31 March**	**1,141**

The Council's proportion of this provision at 31 March 2019 is £456,282 (£385,984 at 31 March 2018).

5. PROVISION FOR APPEALS – NON-DOMESTIC RATES

The Collection Fund account also provides for provision for appeals against rateable values set by the Valuation Office Agency (VOA) which has not been settled as at 31 March 2019.

2017/18 £000		2018/19 £000
2,603	**Balance at 1 April**	**1,732**
(571)	Write-offs during year for previous years	(1,109)
(300)	Increase/(Reduction) in provision during year	2,129
1,732	**Balance at 31 March**	**2,752**

The Council's proportion of this provision at 31 March 2019 is £1,100,644 (£692,647 at 31 March 2018).

6. DEFICIT/ (SURPLUS) ON COLLECTION FUND

Council Tax Collection Fund

The surplus of £500,124 at 31 March 2019 (£984,926 surplus at 31 March 2018), which related to Council Tax, will be reimbursed in subsequent financial years to Cambridgeshire County Council, Cambridgeshire Police and Fire Authorities and the Council in proportion to their shares of the total Council Tax raised.

This Council's share of the surplus (£83,074) is reported within the Collection Fund Adjustment Account.

The total Council Tax Collection Fund surplus is therefore shared as follows:

	31 March 2019 £000	31 March 2018 £000
Fenland District Council	**(83)**	(168)
Cambridgeshire County Council	**(343)**	(673)
Cambridgeshire Police & Crime Commissioner	**(55)**	(106)
Cambridgeshire Fire Authority	**(19)**	(38)
Total (Surplus) /Deficit	**(500)**	**(985)**

Non-Domestic Rates Collection Fund

The deficit of £1,086,132 at 31 March 2019 (surplus of £663,754 at 31 March 2018), which related to Business Rates, will be reimbursed in subsequent financial years by Cambridgeshire County Council, Cambridgeshire Fire Authority, Central Government and the Council in proportion to their shares of business rates income.

This Council's share of the deficit (£434,453) is reported within the Collection Fund Adjustment Account.

The total Non-Domestic Rates Collection Fund (surplus)/deficit are therefore shared as follows:

	31 March 2019 £000	31 March 2018 £000
Fenland District Council	**434**	(265)
Cambridgeshire County Council	**98**	(60)
Cambridgeshire Fire Authority	**11**	(7)
Central Government	**543**	(332)
Total (Surplus)/Deficit	**1,086**	**(664)**

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

TO BE ADDED IN FINAL AUDITED AND PUBLISHED VERSION OF THE STATEMENTS

GLOSSARY OF TERMS

ACCOUNTING PERIOD
The period of time covered by the accounts, normally 12 months commencing on 1 April for local authorities.

ACCOUNTING POLICIES
Define the process whereby transactions and other events are reflected in financial statements.

ACCRUALS
Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the Balance Sheet date.

AMORTISATION
A measure of the consumption of the value of intangible assets, based on the remaining economic life.

BAD DEBT
Debts whose repayment is known to be impossible or unlikely.

BUDGET
A statement defining the Council's policies over a specified period of time in terms of finance.

BILLING AUTHORITY
A local authority responsible for collecting the Council Tax and non-domestic rates i.e. District Councils, Metropolitan Districts, London Boroughs, the City of London and Unitary Councils.

CAPITAL CHARGES
Charges made to service revenue accounts based on the value of the assets they use and comprises depreciation over the useful life of the asset.

CAPITAL EXPENDITURE
Expenditure on new assets such as land and buildings, or on enhancements to existing assets which significantly prolong their useful life or increase their value.

CAPITAL FINANCING COSTS
The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

CAPITAL RECEIPTS
The proceeds from the disposal of land or other assets.

COLLECTION FUND
Accounts required to be kept by the Council to record all income collected from local taxpayers, showing how this is passed on to other local authorities and Government organisations.

COMMUNITY ASSETS
Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples are parks and historic buildings.

CONTINGENT LIABILITIES
Potential liabilities which are either dependant on a future event or cannot be readily estimated.

CREDITORS
Amounts owed by the Council at 31 March for goods received or services rendered but not yet paid for.

CURRENT ASSETS
Assets which can be expected to be consumed or realised during the next accounting period.

CURRENT LIABILITIES
Amounts which will become due or could be called upon during the next accounting period.

DEBT MANAGEMENT OFFICE
An Executive Agency of Her Majesty's Treasury responsible for debt and cash management for the UK Government including lending to local authorities.

DEBTORS
Amounts owed by the Council which are collectable or outstanding at 31 March.

DEPRECIATION
A notional charge representing the extent to which an asset has been worn out or used up during the year.

DERECOGNITION
The term used for the removal of an asset or liability from the Balance Sheet.

EFFECTIVE RATE OF INTEREST
The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the Balance Sheet at initial measurement.

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

FINANCE LEASE
A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

FINANCIAL ASSET
A right to future economic benefits controlled by the Council. Examples include bank deposits, investments, trade debtors and loans receivable.

FINANCIAL LIABILITY
An obligation to transfer economic benefits controlled by the Council. Examples include borrowings, financial guarantees and amounts owed to trade creditors.

FINANCIAL INSTRUMENT
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

GENERAL FUND
The main revenue fund of the Council. Day to day spending on services is met from the fund.

HERITAGE ASSETS
Heritage Assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.

GOVERNMENT GRANTS
Payments by central Government towards Council expenditure. They may be specific, for example Housing Benefit subsidy, or general such as Revenue Support Grant.

IMPAIRMENT
The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the Balance Sheet.

INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)
A reference to the accounting treatments that companies globally would generally be expected to apply in the preparation of their financial statements.

MINIMUM REVENUE PROVISION
The minimum amount which must be charged to the Council's revenue account each year and set aside for debt repayment as required by the Local Government and Housing Act 1989.

NON-CURRENT ASSETS
Assets which can be expected to be of use or benefit the Council in providing service for more than one accounting period.

OPERATING LEASES
A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

OUTTURN
Refers to actual income and expenditure or balances as opposed to budget amounts.

PRECEPT
The levy made on a billing authority by a Precepting Authority, requiring collection of income from Council's Taxpayers on their behalf.

PRECEPTING AUTHORITIES
Those authorities which are not Billing Authorities i.e. do not collect Council Tax and non-domestic rate. County Council are “major precepting authorities” and parish, community and Town Councils are “local precepting authorities”.

PROVISIONS AND RESERVES
Amounts set aside in one year to cover expenditure in the future. Provisions are for liabilities or losses which are likely or certain to be incurred but the amounts or the dates on which they arise are uncertain. Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or “balances”) which every authority must maintain as a matter of prudence.

PUBLIC WORKS LOAN BOARD
A central Government agency which provides long and short term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow.

REVENUE EXPENDITURE
Spending on day to day items including employees’ pay, premises costs and supplies and services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE
Expenditure which legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year’s Council Tax.

REVENUE SUPPORT GRANT
A grant paid by central Government in aid of Council’s services.

THE CODE
The Code of Practice on Local Authority Accounting in the United Kingdom. This specifies the principals and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of a local authority.

ABBREVIATIONS USED IN THE ACCOUNTS

ARP	Anglia Revenue Partnerships
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CSE	Customer Service Excellence
DWP	Department for Work and Pensions
FDC-CSR	Fenland District Council Comprehensive Spending Review
HMOs	Houses in Multiple Occupations
IFRS	International Financial Reporting Standard
IiP	Investors in People
IMD	Index of Multiple Deprivations
LEP	Local Enterprise Partnership
MRP	Minimum Revenue Provision
MTFF	Medium Term Financial Forecast
NNDR	National Non-domestic Rates
PNPF	Pilots' National Pension Fund
PWLB	Public Works Loan Board
LGA	Local Government Association
LGPS	Local Government Pension Scheme
IAS	International Accounting Standards

FENLAND DISTRICT COUNCIL

2018-19 ANNUAL GOVERNANCE STATEMENT

1. Scope of responsibility

Fenland District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. 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.

In discharging this overall responsibility, Fenland District Council is responsible for putting in place proper arrangements for the governance of its affairs, and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions, and which includes arrangements for the management of risk.

Fenland District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at www.fenland.gov.uk or can be obtained from the Chief Finance Officer. This statement explains how Fenland District Council has complied with the code and also meets the requirements of regulation 6 (1) of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

2. The purpose of the governance framework

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Fenland District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
The governance framework has been in place at Fenland District Council for the year ended 31 March 2019 and up to the date of approval of the annual performance report and statement of accounts.

3. The governance framework

Fenland District Council has a responsibility for ensuring a sound system of governance to meet statutory requirements requiring public authorities to adhere to proper practices in reviewing the effectiveness of their system of internal control and preparing an annual governance statement. This governance statement meets that requirement and sets out brief details of the arrangements that the Council has in place regarding the key systems and processes comprising the Council's governance framework, which incorporates the Local Code of Governance adopted by the Council covering six core principles and the accompanying supporting principles contained within the "CIPFA/SOLACE Framework for delivering good governance in Local Government (2016 Edition)".

Elements of the framework

The key elements of the systems and processes that comprise the authority's governance arrangements are as follows:

Communicating vision

The Corporate Planning Framework of the Council ensures the delivery of services and projects to improve quality of life for Fenland residents. Partners, through the Fenland Strategic Partnership, meet and establish priorities for delivery to address the statutory duty of promoting the well-being of the district.

The Council, through its Business Plan establishes its objectives by consultation with its key partners and the public as well as with reference to statutory duties, local needs and national priorities. The Business Plan communicates the Council's vision of its purpose and intended outcomes for citizens and service users.

Reviewing the vision

The Council's capacity to deliver its vision is reviewed within service and project plans that support the Business Plan each year. Service quality is measured via customer communication channels and by measurement of performance indicators. Testament to the high quality service the Council provides is the achievement of corporate Customer Service Excellence. CMT and managers, as well as the Council's Policy and Communications Team and Overview and Scrutiny Committee review processes for efficient and effective use of resources.

Translating the vision into objectives

The Business Plan has corporate priorities which are then cascaded down to team priorities. Achievement of corporate priorities is monitored regularly via the performance monitoring framework and monitoring reports to Portfolio Holders, the Overview and Scrutiny Committee and Full Council. Progress against intended outcomes is reported in the Council's Annual Report.

Measuring quality of services for users and value for money

The Council's Business Plan drives the medium term financial strategy and resource allocation. Measures of service delivery against the corporate priorities are determined, which measure factors such as quality and efficiency and effective use of resources. These measures are jointly monitored on a monthly basis through Cabinet/CMT Portfolio Holder briefings and scrutinised by the Overview and Scrutiny Committee and Council. The key performance information of the Council, plus summary financial information, is captured in the Annual Report.

A commitment to continuous improvement is achieved through training, consultation, performance measurement, complaints and comments.

The Council utilises internal and external inspections to inform the performance standards and methods of operation for its key services. Customer Service Excellence accreditation has in particular helped to ensure high standards of customer care and staff development.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers in accordance with prescribed and best practice guidelines from professional bodies and institutions. Examples include:

- Comprehensive budget setting systems.
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts.
- Setting targets to measure financial and other performance.
- A Medium Term Financial Strategy.
- Clearly defined capital expenditure guidelines, authorisation and monitoring.
- Where appropriate, formal project and risk management disciplines.

Defining roles and responsibilities

The Council has adopted a Constitution, which sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Constitution details Member structures and roles, including relationships to Senior Officers. It enables determination of delegated and reserved powers and details those matters reserved for collective decision of the Council. Committee Rules of Procedure enable Committee Members to have access to relevant information and officers to support decision-making. The Overview and Scrutiny Committee has the power of call-in, entitling it to recommend re-consideration of decisions made, but not implemented. The Corporate Governance Committee has responsibility for reviewing governance arrangements.

Developing standards & codes of conduct

The Council has in place the Code of Conduct for Council Members. All Council Members are required to sign a registration of interests within 28 days of their acceptance of office. A standing item of all Council meeting agendas is the item requiring declaration of interests.

The Council has in place a Conduct Committee and a Monitoring Officer to promote and maintain high standards of conduct by members.

There is a staff Code of Conduct, Capability and Disciplinary procedure, Anti-fraud and corruption policy, Whistle blowing policy, Values statement and Competency framework. The Human Resource Services of the Council monitor effectiveness of staff codes for conduct.

Reviewing effectiveness of decision making

The Council has a robust and comprehensive performance management framework in place that ensures monitoring on performance, finance and risks in relation to achievement of service and corporate priorities. The process ensures inclusion of Corporate Management Team and Cabinet Members. The Council has a Policy and Communications team to enhance the control environment by ensuring the accurate and timely measurement and management of key performance indicators and data quality in performance information.

The Council identifies its key systems and ensures that robust continuity and risk management arrangements exist, to maintain delivery of key services and financial systems.

Reviewing effectiveness of managing risks

The Council has a Risk Management Strategy and Standard that has enabled the monitoring of risk within projects, Service Plans, performance management, financial planning, policy setting and decision making. The Council has a balanced risk appetite that allows new ideas to be explored and encourages innovation. The Risk Management Framework enables risks to be escalated to an appropriate authority in the organisation to be managed. The Risk Management Strategy is reviewed annually by Corporate Governance Committee. The Council has a Risk Management Group who are responsible for highlighting, assessing risks and applying a Red, Amber, Green (RAG) status to risks for consideration by the Corporate Management Team and ultimately by the Corporate Governance Committee.

The Council has a Port Marine Safety Code to manage potential major risks related to Marine Services. It is linked to the Council's Business Continuity Plan and is regularly updated. A Port Management Group is responsible for monitoring and managing safety issues and a Duty Holder and Designated Person is appointed to review the safety management system and associated risks.

Effective counter fraud and corruption

The Council has an Anti-fraud & corruption strategy and policy to ensure effective counter-fraud and anti-corruption arrangements are developed and maintained. Arrangements are evaluated against best practice guidance from professional bodies such as CIPFA Counter Fraud Centre, the National Audit Office and the National Crime Agency. The policy is reviewed for effectiveness annually by the Corporate Governance Committee.

Effective management of change and transformation

The Corporate Management Team is responsible for managing risks from imposed legislative and economic change, and identifying opportunities to improve service delivery.

The Council has developed a number of successful partnerships and shared service arrangements, and continues to seek innovative opportunities to be efficient through Service Transformation, modernising our business processes with the effective use of technology and the Council's internal Comprehensive Spending Review. The strategic approach to modernisation and transformation is based on maintaining or improving services by reviewing processes and changing the way they are delivered. Existing change management arrangements will be reviewed and refined, where necessary, as the Council moves forward with its current programme of organisational change known as ‘Council for the Future’.

Where appropriate these are managed by the Council’s performance management framework and corporate risk management framework.

CIPFA Statement on the Role of the Chief Financial Officer in Local Government

Fenland District Council operates arrangements that conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

CIPFA Statement on the Role of the Head of Internal Audit

Fenland District Council operates arrangements that conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

The Internal Audit Team operates to the standards set out in the CIPFA ‘Application note for Local Government’ which is based on the IIA ‘Public Sector Internal Audit Standards’.

Undertaking core functions of Audit Committee

The Council has a Corporate Governance Committee that reports annually to Council. Its purpose is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority’s financial and non-financial performance to the extent that it effects the authority’s exposure to risk and weakens the control environment, and to oversee the financial reporting process.

The Committee meets at least four times a year to deliver its core functions. This includes key duties, set out within the Council’s constitution, which enables it to act as the principle non-executive advisor to the Council. The Committee follows best practice established by CIPFA, and demonstrates delivery of its core functions, its effectiveness and independence by reporting annually to Council.

Arrangement to discharge the Monitoring Officer Function and Head of Paid Service

The Council’s statutory officers are the Head of Paid Service – the Chief Executive, the Corporate Director & Chief Finance Officer and the Corporate Director & Monitoring Officer. They are responsible for ensuring that the Council operates within the law and in accordance with established policy and procedure.

Compliance with relevant laws and regulations, policies and procedures

The Monitoring Officer will report to the full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration. The Chief Finance Officer is specifically responsible for the proper discharge of the Council’s financial arrangements and must advise Members where any proposal is unlawful, or where expenditure is likely to exceed resources.

The Corporate Management Team has responsibility for ensuring that legislation is implemented and complied with within service areas. Assurance that this is achieved is obtained from Internal Audit reviews, the work of the Council’s Legal Service provision, external inspector’s reports, review of complaints and ombudsman’s reports and self-assessments completed by the Corporate Directors of the Council.

The new General Data Protection Regulation (GDPR) requirements came into force in May 2018. The Council has systems and processes in place to ensure all staff understand their responsibilities in relation to holding personal data and that the Council can demonstrate compliance with the regulation.

Whistleblowing & customer complaints

The Council maintains and promotes a corporate whistleblowing policy that is regularly reviewed against best practice such as British Standards Institution PAS (Publically Available Specification 1998:2008 Whistle Blowing Arrangements – Code of Practice) and guidance from Public Concern at Work.

The Council operates a '3Cs' process which monitors the number of Compliments, Correspondence and Complaints received and the time taken to respond. Monitoring this information helps identify trends and enables the Council to provide an efficient service by adapting our service to the customer's needs.

Member and senior officer strategic training needs

The development of member and officers skills in relation to their roles is monitored and ensured via training and awareness sessions throughout the year identified from induction and through the staff annual appraisal system, which is linked to Corporate and Service Planning.

The Council promotes and provides regular training in respect of its Financial Regulations and Code of Procurement to aid financial control and effective expenditure.

The Council is committed to continued development of its employees and training and development forms an intrinsic aspect of the annual appraisal process.

Consulting with community & stakeholders

The Council completes both statutory and non-statutory consultation. It ensures that there are channels for communication, consultation and feedback, with all sections of the community and stakeholders. Additionally they can feedback on the Council's decisions and performance, in line with Customer Service Excellence standards which are regularly assessed.

The Council uses these channels, such as the website, community hubs, to consult on activities relevant to the community including planning, licensing, policy development. A revised and updated Corporate Consultation Strategy was considered by the Overview and Scrutiny Committee following which amendments were made prior to agreement by Cabinet.

Enhancing accountability and effectiveness of other providers

The Council works in partnership with other public sector bodies to share experience and bring local perspective to cross cutting work in Cambridgeshire. This helps to enhance the accountability for service delivery and effectiveness of other public service providers.

Good governance in partnership working

The Council has developed a number of successful partnerships and shared service arrangements. Examples include efficient delivery of services through the Anglia Revenues Partnership, Home Improvement Agency, CNC Building Control, shared planning and development and legal services with Peterborough, Bedford Borough Council Payroll Service, a Shared Audit Manager with Kings Lynn and West Norfolk District Council; and effective use of assets by sharing accommodation with other Public Sector Organisations through Community Hubs and Fenland Hall. In December 2018 the

Council transferred responsibility for the management of its leisure centres to Freedom Leisure.

The Governance Framework extends into the Council's relationships with its key partners and provides assurance as to the performance and achievement of shared objectives and intended outcomes. Performance is published in the Council's annual report, Overview and Scrutiny reports and Full Council reports.

4. Review of effectiveness

Fenland District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Management Team and Management within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

As well as the annual review, the governance and control frameworks are maintained and reviewed by a series of comprehensive processes throughout the year. The following actions and processes have been applied in maintaining and reviewing the effectiveness of the system of internal control over the last twelve months:

Council

The Council has agreed a number of policies and corporate documents that help deliver its vision and priorities in 2018/19:

- consideration and adoption of a revised and updated Corporate Enforcement Policy to ensure the Council adopts a consistent approach to enforcement which is consistent with best practice and acknowledges the Council’s preference to seek informal resolution to compliance issues prior to taking enforcement action;
- the Medium Term Financial Strategy has been reviewed and updated and is embedded in the business planning process. Additionally, the Council has approved treasury and investment strategies, the General Fund budget and Council Tax levels as well as the Treasury Management Annual Report;
- the Council Tax Support Scheme was reviewed and approved following review by Overview and Scrutiny;
- Council received and approved annual reports from Overview and Scrutiny and Corporate Governance Committee in line with their terms of reference outlining achievements from the previous year;
- Council agreed changes to polling districts and polling places which were implemented prior to the District and Town and Parish Council elections held in May 2019; and
- Council approved the establishment of a shared service with Peterborough City Council to provide CCTV in Fenland and Peterborough. The service will be established in 2019/20 and enhance the technological and operational resilience of the function whilst providing revenue and capital savings to the Council.

The Council has maintained its capacity and capability to be effective through ongoing reviews of governance arrangements:

- The membership of Committees and panels and outside bodies, and positions of Chairman and Vice Chairman, was approved for the municipal year in accordance with political proportionality rules. Council also approved membership of positions on the Combined Authority to ensure effective representation on this body.

Cabinet and Corporate Management Team

Ongoing delivery of the Comprehensive Spending Review throughout 2018/19 has placed the Council in a healthy financial position. Effective financial control resulted in the Council responding to budgetary changes, and achieved an under-spend in the revised General Fund budget. This was reported to Cabinet at its meeting on 27 June 2019. The Council's provisional General Fund services net under-spend was £200,000 for the financial year 2018/19.

The Council has benefited from the growth in business rates and through sharing services with a number of partners including Anglia Revenues Partnership. Significant planned efficiencies have been delivered, plus continuous improvement is being considered through Service Transformation and the Comprehensive Spending Review.

The Corporate Management Team has ensured a robust and resilient budget for the following year. Within the year the Portfolio Holder for Finance, and the Cabinet, have received regular budget monitoring reports showing the Council's financial performance.

The Cabinet and Corporate Management Team have ensured maintenance of acceptable standards in financial reporting, standing and control as reported upon by the Council's external auditors.

Appropriate arrangements are in place for delivering member training. The staff and councillor induction process continues to encompass statutory obligations and identification of further induction training specific to individual services and roles.

The Corporate Management Team has ensured data management and security standards, and has committed to sharing data lawfully with other public sector bodies to improve outcomes for Fenland's residents through the Cambridgeshire and Peterborough Information Sharing Framework. Extensive work has been undertaken to evidence the organisations compliance with General Data Protection Regulation.

A number of key decisions were made that both communicated and reviewed the Council's vision and translated these into priorities for the Council and its Partnerships. This demonstrated a commitment to good governance, and included approving and reviewing policies and reports:

- Business Plan 2018-19;
- Annual report;
- Council Tax Support Scheme;
- Fees and charges 2018-19;
- Approach to the Review of the Fenland Local Plan;
- County-wide Housing Adaptations and Repairs Policy;
- Re-location of the Council's One-Stop Shops; and
- Capital Programme Update

Corporate Governance

The Corporate Governance Committee has completed a work plan that helps monitor effective governance throughout. The Committee:

- approved and monitored the actions for improvement as required in the previous Annual Governance Statement;

- approved and monitored the Risk Management framework and corporate risk register;
- monitored performance of Internal Audit and approved the risk based internal audit plan and Charter including requesting quarterly update reports in relation to audit;
- noted the reports of External Audit, such as the Annual Governance Report, Annual Audit Letter, Annual Certification report and the External Audit Plan;
- noted the Regulations of Investigatory Powers Act (RIPA) – Update Report;
- approved the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and the Annual Investment Strategy;
- approved the Statement of Accounts 2017/18; and
- oversaw the maintenance of standards in financial reporting, standing and internal control.

Standards, conduct and ethical behaviour

The Council has a Monitoring Officer, and a Conduct Committee, to promote and maintain high standards of conduct by members. The Committee and the Monitoring Officer have:

- dealt with informal and formal complaints against Councillors as per the Council approved conduct process;
- ensured compliance with requirements for declarations of interest;
- provided advice on conduct matters; and
- maintained a framework for identifying and implementing new legislative requirements upon the Council.

Overview and Scrutiny

The Overview and Scrutiny Panel have:-

- completed reviews of Council activity, in order to ensure effective and efficient service delivery and policy design, such as the Local Council Tax Support Scheme, Draft Business Plan, Health and Wellbeing Strategy, Community Corporate Objectives, Medium Term Financial Strategy and Fees & Charges;
- established a member-led review of the Economic Development function which reported back to the Committee in March 2019;
- regularly reviewed the progress in delivering performance objectives of the Corporate Plan;
- considered the Local Government Ombudsman's Annual Letter; and
- scrutinised external partners including Fenland Community Safety Partnership, the Police, Clarion Housing Association in addition to the Anglia Revenues Partnership.

Staff Committee

The Council has considered organisational policies and management through the Staff Committee including:

- approved changes to the establishment arising from the appointment of Freedom Leisure to manage the Council's leisure services and the decision to establish a shared service with Peterborough City Council for the provision of CCTV;
- approved the adoption of a new Alcohol and Drugs at Work Policy; and
- approved the implementation of changes to the pay spine arising from changes to the national pay spine .

Internal control

The Corporate Director & Chief Finance Officer has:

- ensured provision of timely, accurate and impartial financial advice and information to assist in decision making;
- maintained and reported to Council the Treasury Management Strategy and legislative changes;
- ensured arrangements are maintained for keeping under review appropriate management accounting systems, functions and controls;
- reviewed, in conjunction with line management, the effectiveness of Internal Audit against the standards set out in the CIPFA 'Application note for Local Government' which is based on the IIA 'Public Sector Internal Audit Standards';
- reported the Medium Term Financial Strategy, Revenue Budget and Capital Programme;
- prepared and reported the Statement of Accounts 2018/19.

Internal Audit has:

- performed reviews of key services and financial procedures of the Council and reported to the Corporate Governance Committee, advising as to the level of assurance that can be applied to the Council's control framework;
- investigated allegations or suggestions of fraud or corruption and suggested revisions to improve systems for prevention and detection of such activity;
- provided risk management and business continuity training to staff; and
- promoted good standards of information governance, and supported the Countywide Information Sharing Framework.

The Internal Audit Manager presented her 2018/19 opinion on internal control to the Corporate Governance Committee at its meeting be held on 18h June 2019 as part of the Internal Audit outturn. The opinion confirmed 'adequate assurance' in respect of the adequacy and effectiveness of internal controls, the risk management and governance arrangements.

Reviews by external inspectors:

The externally appointed auditors, Ernst & Young, issued their annual governance report in July 2018 which provided an unqualified opinion on the 2017/18 statement of accounts and the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The report praised the management and staff of the Council, and reflected positively on the co-operation, quality of working papers and timeliness of provision of information.

The Council continues to demonstrate compliance against the Customer Service Excellence standard, the UK Government's national standard for excellence in customer service. The standard demonstrates our culture and behaviours, and that we engage with customers and partners, and deliver effective use of resources.

5. Governance issues and action plan

The Council has considered the governance issues identified in the previous year's Annual Governance Statement which the Corporate Governance Committee approved at its meeting held on 27 July 2018. One issue has been closed as detailed in the table below:

Issue raised in previous year's Annual Governance Statement	Summary of action
The Accounts and Audit regulations 2015 replace existing legislation and apply from the financial year beginning April 2015. A key element of the regulations is that the accounts preparation timetable is reduced from 2017/18. Accounts will need to be completed and approved a month earlier, draft accounts published by 31 May and Audited Accounts approved by 31 July. Consequently both Councils and audit firms will need to change their processes and business models accordingly. The change has the potential to reduce the burden of the closure process and enable more resources to be focussed on in-year financial management. However resources will need to be committed to redesigning established processes to achieve this.	Following announcement of the changes the Council reviewed its systems and processes to streamline the process of preparing the accounts so that it could comply with the new deadline. The Council also worked closely with the auditors to support the changes they intended to make to adhere to the new timetable for completing the audit. The Council published its unaudited 2017/18 financial statements on 25 May 2018. The Council's external auditors undertook their audit in line with the revised timetable and the audited statements were published on 30 July 2018. The unaudited 2018/19 financial statements were published on 31 May 2019. Corporate Governance Committee considered the external auditor's 2018/19 annual governance report at its meeting on 5 November 2019 prior to approving the audited statement of accounts.

The following areas were all identified in the previous year's annual governance statement and having completed the review of effectiveness explained above are considered to be continuing issues which the Council will work to address during the 2019/20 financial year.

	Issue Raised	Summary of action
1	Although in a healthy financial position, the Council still faces continuing financial challenges over the medium term, resulting from changes to central government funding. The Medium Term Financial Plan presented to Council in February 2019 highlighted the need for further savings of £1.665m up to 2023/24. Central government is also undertaking a Fairer Funding Review which will result in changes to Local Government Funding.	The Chief Finance Officer, with the Chief Executive will review the impact of change upon the Council in conjunction with the Leader and Finance Portfolio Holder and the Cabinet. The Corporate Management Team has put in place heightened monitoring and response arrangements to provide the Cabinet with information regarding the impact of Central Government funding changes. The Council's CSR process has placed the Council in a good position financially however, we will continue to look for more ways to become efficient and effective through looking at different service delivery models. The Corporate Management Team will monitor the available funding, balances and reserves, using robust financial controls to respond to any financial changes and identify joint opportunities for efficiency. The Corporate Management Team will monitor governance arrangements, and communicate shared risks, opportunities and assurance. The Corporate Management Team will respond to any consultations from Central Government on future funding.

2	The Council must be prepared to address any impacts that may arise as a result of changes in regulation, legislative powers and national policy. Examples that could affect governance arrangements with the 2019/20 financial year include: • Reforms to the New Homes Bonus, Business Rates and the Fairer Funding Review. • The UK's negotiations and exit from the EU following the referendum on the 23rd June 2016. • The Comprehensive Spending Review scheduled for Autumn 2019 • The Department for Environment, Food and Rural Affairs' consultation on Consistency in Household and Business Recycling Collections • Continuing discussion and an ongoing review by the National Audit Office of local authority's investment activity including investment in property	The Corporate Management Team will respond to changes and will continue, using heightened monitoring and response arrangements, to provide the Cabinet with information regarding the impact of Central Government Policy changes including responding to government consultations. Plans will be put in place to implement any new legislation.

6. Conclusion

Having completed the processes set out above to review the effectiveness of the Council's governance framework, we are satisfied that we have sufficient assurance regarding the effectiveness of the framework in place and the governance issues identified are as set out above. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: …………………………………………………………

Peter Catchpole
Corporate Director and Chief Finance Officer

Signed: …………………………………………………………

Paul Medd
Chief Executive

Signed: …………………………………………………………

Councillor Chris Boden
Leader, Fenland District Council

Fenland District Council

Fenland District Council, Fenland Hall, County Road, March, Cambridgeshire, PE15 8NQ
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Please ask us if you would like any of our documents in community languages, in large print, in Moon, in Braille, in audio cassette or in electronic format.

Agenda Item No:	**7**	Fenland CAMBRIDGESHIRE
Committee:	**Corporate Governance Committee**	
Date:	**05 November 2019**	
Report Title:	**Letter of Representation**	

Cover sheet:

1 Purpose / Summary

To agree the format and content of the Letter of Representation provided to the independent external auditor (EY) at the conclusion of the audit of the 2018/19 Statement of Accounts.

2 Key issues

- Written representation provides an acknowledgement of our responsibilities in relation to the Statement of Accounts.
- The letter includes details of the reasons for not correcting a misstatement, detailed in the Audit Results Report, which is considered immaterial to the financial statements as a whole.
- The letter required by the independent external auditor is attached.
- The letter requires signing by the Chairman of this Committee and the Council's Chief Finance Officer.

3 Recommendations

- It is recommended that members approve the content and form of the Letter of Representation to be signed by the Chairman of this Committee and the Council's Chief Finance Officer.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder for Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper(s)	

Mark Hodgson
Associate Partner
Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

Peter Catchpole
Tel 01354 622201
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5 November 2019

Dear Mark,

Fenland District Council – 2018/19 Financial Year
Letter of Representation

This letter of representations is provided in connection with your audit of the financial statements of Fenland District Council ("the Council") for the year ended 31 March 2019.

We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Fenland District Council as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with the CIPFA /LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19*.*

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing yourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the Council's financial statements. We believe the 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 Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. We have approved the Council financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Council, we believe that the 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 2018/19, that are free from material misstatement, whether due to fraud or error.

5. We 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 aggregate, to the financial statements taken as a whole.

   The unadjusted audit difference relates to the impact of the McCloud and GMP issues on the defined benefit pension liability. These would increase the pension liability by approximately £428,000 and we consider this to be immaterial individually as it represents an increase of only 0.66% of the disclosed liability in the Council's balance sheet. We also consider this to be immaterial to the financial statements as whole as it falls below the audit performance materiality limit. Consequently, for these reasons we have not corrected this difference.

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of your assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the 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 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 Council's activities, its ability to continue to operate, or to avoid material penalties;

- involving management, or employees who have significant roles in internal controls, or others; or

- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement ;
    - Additional information that you have requested from us for the purpose of the audit; and
    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the 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: 5 November 2019.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements (at Note 41) all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

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

G. Expenditure Funding Analysis

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

H. Going Concern

1. We have made you aware of any issues that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

I. Ownership of Assets

1. That except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

J. Reserves

1. We have properly recorded or disclosed in the council financial statements the useable and unusable reserves.

K. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the values of the Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the 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. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

3. We confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

5. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events.

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

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

L. Retirement benefits

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

2. We agree with the findings of the specialists that we engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

3. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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

5. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

M. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2018/2019.

2. We confirm that the content contained within the other information is consistent with the financial statements.

N. Specific Representations
You do not require any specific representations in addition to those above.

As approved by the Corporate Governance Committee at its meeting on 5 November 2019.

Signed on behalf of Fenland District Council:

Peter Catchpole

(Corporate Director and Chief Finance Officer)

………………………………………….. **Date:**

Councillor John Clark

(Chairman of Corporate Governance Committee)

.... **Date:**

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Agenda Item No:	**8**	
Committee:	**Corporate Governance Committee**	
Date:	**5 November 2019**	
Report Title:	**Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review 2019/20**	

Cover sheet:

1 Purpose / Summary

The purpose of this report is to review the Council's Treasury Management activity for the first six months of 2019/20 and to provide members with an update on matters pertinent to future updates to the Council's Treasury Management Strategy.

2 Key issues

- The Council has operated within its Treasury Management Strategy Statement (TMSS), Annual Investment Strategy, treasury limits and prudential indicators set by Council for the first six months of 2019/20.
- Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit.
- In the six months to 30 September 2019 PWLB rates fell to unprecedented historic low levels. On 9 October 2019 HM Treasury responded to the change in market rates by increasing, with immediate effect, the margin on gilt yields used to determine the interest rate for new PWLB borrowing by 100bps (1%). The wider market is still evaluating the impact of HM Treasury's decision so it is too early to confirm the impact on the cost of borrowing. HM Treasury has signalled that it will keep the impact of the change under review. This is pertinent since some commentators believe that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields.
- Prudential indicators for the Capital Financing Requirement (CFR) and the capital position have been revised. Due to the Council's long term debt portfolio (£7.8m at 31/03/19) currently attracting excessive premiums for early redemption of debt, as has been the case since 2007, it is not financially advantageous for the Council to comply with the Gross Borrowing and Capital Financing Prudential Indicator in 2019/20.
- Investment income received for the first six months of 2019/20 is £107k which is an improvement on the original estimate for this period. Consequently, the budgeted outturn for the year has been revised upwards from £180k to £190k. Nevertheless market rates remain low and are expected to continue to remain so based on current medium-term forecasts.
- Overall interest rate achieved from investments for the first six months of 2019/20 was 0.89% (7 day LIBID uncompounded rate 0.57%).

- Property Funds formed part of the Council's Annual Investment Strategy approved in February 2019 and the Council is now considering their use to increase investment returns from surplus cash balances. The use of Property Funds, as opposed to bank deposits, increases the level of risks and reward associated with the Council's treasury management activity.

3 Recommendations

It is recommended that Members note the report.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Chief Finance Officer and Corporate Director Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Chief Finance Officer and Corporate Director Mark Saunders, Chief Accountant
Background Paper (s)	Link Asset Services template Council Report - 21 February 2019 - General Fund Budget 2019/20 and Capital Programme 2019-22 Cabinet Report – 27 June 2019 - Capital Programme Update

Report:

1 Context

1.1 The Council's responsibilities in relation to Treasury Management are defined as part of the Local Government Act 2003 ('the Act'). The Act requires the Council to have regard to the Treasury Management Code published by the Chartered Institute of Public Finance and Accountancy, (CIPFA). CIPFA updated the Treasury Management Code in December 2017 and this report has been prepared with reference to the requirements set out in the updated Code.

1.2 Additionally, there is a statutory requirement for the Council to comply with the Prudential Code which is also published by CIPFA and was also updated in December 2017. There is a close interaction between the Treasury Management Code and the Prudential Code. The Prudential Code establishes a framework for the Council to self-regulate the affordability, prudence and sustainability of its capital expenditure and borrowing plans whilst the Treasury Management Code is concerned with how the Council uses its Treasury Management function to progress the future plans developed with reference to the Prudential Code.

1.3 Reductions in central government funding for local government and declining returns on deposits invested with financial institutions has led some local authorities to explore other avenues for generating investment returns, including investment in non-financial assets. The updates to the Treasury Management Code and the Prudential Code reflect these trends and this has been further underlined by statutory guidance on Local Government Investments published by the Ministry of Housing and Local Government in February 2018. In particular, there is a recognition that all authorities need to ensure they can clearly identify the strategic considerations underpinning their investment strategies and effective governance frameworks are in place to protect and preserve each authority's long-term financial sustainability. Specifically, from 2019/20, all local authorities are required to approve a Capital Strategy which is intended to provide the following:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

The Council's Capital Strategy for 2019/20 was approved by Full Council on the 21 February 2019. The strategy will be reviewed later this year and the updated strategy for 2020/21 will be presented to Full Council in February 2020.

1.4 Following discussion at the meeting of Cabinet held on 18 September 2019 and Council's consideration of the proposed Commercial and Investment Strategy on 4 November 2019, Cabinet and Council will consider more detailed proposals at their meetings on 13 December 2019. The updated Capital Strategy will take account of these proposals and projections and estimates relating to treasury management will be revised where necessary.

Treasury Management

1.5 Treasury management is defined as "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks."

1.6 The Council complies with the requirements of CIPFA's Code of Practice on Treasury Management (revised 2017).

1.7 The primary requirements of the Code applicable to the 2019/20 financial year are as follows:

- Creation and maintenance of a Treasury Management Policy Statement, which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices, which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by Full Council of an annual Treasury Management Strategy Statement, including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-year Review Report and an Annual Report covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies (including Mid-year Review Report) to a specific named body. For this Council the delegated body is Corporate Governance Committee.

1.8 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management and covers the following:

- an economic update for the first six months of 2019/20 taking account of expert analysis provided by the Council's Treasury Management Advisors, Link Asset Services;
- a review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- the Council's capital plans;
- a review of the Council's investment portfolio for 2019/20;
- a report of the Council's borrowing strategy for 2019/20;
- a report of debt rescheduling during 2019/20;
- a review of compliance with Treasury and Prudential Limits for 2019/20.

2 Economic Update

2.1 **UK.** This first half year has been a time of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on or before 31 October, with or without a deal. However, in September, his proroguing of Parliament was overturned by the Supreme Court and Parliament carried a bill to delay Brexit until 31 January 2020 if there is no deal by 31 October. MPs also voted down holding a general election before 31 October, though one is likely before the end of 2019. So far, there has been no majority of MPs for any one option to move forward on enabling Brexit to be implemented. At the time of writing, (first week in October), the whole Brexit situation is highly fluid and could change radically by the day. Given these circumstances and the likelihood of an imminent general election, any interest rate forecasts are subject to material change as the situation evolves. If the UK does soon achieve a deal on Brexit agreed with the EU, including some additional clarification wording on the Irish border backstop, then it is possible that growth could recover relatively quickly. The Monetary Policy Committee (MPC) could then need to address the issue of whether to raise Bank Rate when there is very little slack left in the labour market; this could cause wage inflation to accelerate which would then feed through into general inflation. On the other hand, if there was a no deal Brexit and there was a significant level of disruption to the economy, then growth could weaken even further than currently and the MPC would be likely to cut Bank Rate in order to support growth. However, with Bank Rate still only at 0.75%, it has relatively little room to make a big impact and the MPC would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in government departments and services annual expenditure budgets and expenditure on infrastructure projects, to boost the economy.

2.2 The first half of 2019/20 has seen UK economic growth fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. The MPC meeting of 19 September reemphasised their concern about the downturn in world growth and also expressed concern that the prolonged Brexit uncertainty would contribute to a build-up of spare capacity in the UK economy, especially in the context of a downturn in world growth. This mirrored investor concerns around the world which are now expecting a significant downturn or possibly even a recession in some major developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit. However, it is also worth noting that the new Prime Minister is making some significant promises on various spending commitments and a relaxation in the austerity programme. This will provide some support to the economy and, conversely, take some pressure off the MPC to cut Bank Rate to support growth.

2.3 As for inflation itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell to 1.7% in August. It is likely to remain close to 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

2.4 With regard to the labour market, despite the contraction in quarterly GDP growth of -0.2%q/q, (+1.3% y/y), in quarter 2, employment continued to rise, but at only a muted rate of 31,000 in the three months to July after having risen by no less than 115,000 in quarter 2 itself: the latter figure, in particular, suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Unemployment continued at a 44 year low of 3.8% on the Independent Labour Organisation measure in July and the participation rate of 76.1% achieved a new all-time high. Job vacancies fell for a seventh consecutive month after having previously hit record levels. However, with unemployment continuing to fall, this month by 11,000, employers will still be having difficulty filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9% in June before easing back slightly to 3.8% in July, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.1%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The latest GDP statistics also included a revision of the savings ratio from 4.1% to 6.4% which provides reassurance that consumers' balance sheets are not over stretched and so will be able to support growth going forward. This would then mean that the MPC will need to consider carefully at what point to take action to raise Bank Rate if there is an agreed Brexit deal, as the recent pick-up in wage costs is consistent with a rise in core services inflation to more than 4% in 2020.

2.5 In the political arena, if there is a general election soon, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

2.6 **USA.** President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of strong growth to 2.9% y/y. Growth in 2019 has been falling back after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2. Quarter 3 is expected to fall further. The strong growth in employment numbers during 2018 has reversed into a falling trend during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates again in September to 1.75% - 2.00% and is thought likely to cut another 25 bps in December. Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

2.7 **EUROZONE.** Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1 and then fell to +0.2% q/q (+1.0% y/y) in quarter 2; there appears to be little upside potential to the growth rate in the rest of 2019. German GDP growth fell to -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a third round of targeted longer-term refinancing operations (TLTROs); this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy. On the political front, Austria, Spain and Italy are in the throes of forming coalition governments with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The recent results of two German state elections will put further pressure on the frail German CDU/SDP coalition government.

2.8 **CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress also still needs to be made to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. The trade war with the US does not appear currently to have had a significant effect on GDP growth as some of the impact of tariffs has been offset by falls in the exchange rate and by transhipping exports through other countries, rather than directly to the US.

2.9 **JAPAN** - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

2.10 **WORLD GROWTH**. The trade war between the US and China is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been sub 50 which gives a forward indication of a downturn in growth; this confirms investor sentiment that the outlook for growth during the rest of this financial year is weak

2.11 Prospects for interest rates and borrowings over the medium term are shown below.

Link Asset Services Interest Rate View	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	2.30	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.60	2.80	2.90	3.00	3.00	3.10	3.20	3.30	3.30	3.40
25yr PWLB Rate	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00
50yr PWLB Rate	3.20	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90

2.12 The above forecasts have been based on an assumption that there is some sort of muddle through to an agreed deal on Brexit at some point in time. Given the current level of uncertainties, this is a huge assumption and so forecasts may need to be materially reassessed in the light of events over the next few weeks or months.

2.13 Bond yields / PWLB rates. There has been much speculation recently that we are currently in a bond market bubble. However, given the context that there are heightened expectations that the US could be heading for a recession, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers:

this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

2.14 In the six months to 30 September 2019 PWLB rates fell to unprecedented historic low levels. On 9 October 2019 HM Treasury responded to the change in market rates by increasing, with immediate effect, the margin on gilt yields used to determine the interest rate for new PWLB borrowing by 100bps (1%). There was no prior warning that this would happen and it now means that every local authority has to fundamentally reassess how to finance their external borrowing needs and the financial viability of capital projects in their capital programme due to this unexpected increase in the cost of borrowing. Representations are going to be made to HM Treasury to suggest that areas of capital expenditure that the Government are keen to move forward e.g. Housing, should not be subject to such a large increase in borrowing.

2.15 The wider market is still evaluating the impact of HM Treasury's decision so it is too early to confirm the impact on the cost of borrowing. It is anticipated that various financial institutions will enter the market or make products available to local authorities. Members will be updated as this area evolves and any changes to the sources and types of borrowing currently authorised will be included in the upcoming review of the Treasury Management Strategy Statement for 2020/21.

2.16 Some commentators believe that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but due to a correlation between US treasuries and UK gilts, which at various times has been strong but at other times weaker, in the UK. However, forecasting the timing of this and how strong the correlation is likely to be is very difficult to forecast with any degree of confidence. HM Treasury has signalled that it will keep the impact of the change in the method of determining interest rates on new PWLB borrowing under review.

3 Treasury Management Strategy Statement and Annual Investment Strategy Update

3.1 The Treasury Management Strategy Statement (TMSS) for 2019/20 was approved by Council on 21 February 2019. There are no policy changes to the TMSS.

3.2 Property Funds formed part of the Council's Annual Investment Strategy approved in February 2019 and the Council is now considering their use to increase investment returns from surplus cash balances. The use of Property Funds, as opposed to bank deposits, increases the level of risks and reward associated with the Council's treasury management activity. (see paragraph 5 below).

3.3 Prudential indicators for the Capital Financing Requirement (CFR) and the capital position have been revised.

4 The Council's Capital Position

4.1 This part of the report is structured to update:

- the Council's capital expenditure plans;
- how these plans are being financed;
- the impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and compliance with limits in place for borrowing activity.

4.2 At its meeting on 27 June 2019 the Cabinet approved revised estimates for the 2019/20 capital programme and the financing of that programme. The increase in the capital programme in 2019/20 is mainly a result of re-profiling of schemes and associated financing from 2018/19. The table below compares he revised estimates with the original capital programme which was incorporated into the 2019/20 Treasury Management Strategy Statement (TMSS).

Capital Programme	**2019/20 Original Estimate £000**	**2019/20 Revised Estimate £000**
Forecast Capital Expenditure	**5,909**	**6,623**
Financed by :		
Capital Grants	1,018	1,371
Section 106's & Contributions	150	285
Capital Receipts	467	467
Capital Reserves	470	726
Total Financing	**2,105**	**2,849**
Borrowing Requirement	**3,804**	**3,774**

4.3 The table below shows the anticipated CFR at 31 March 2020, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period; this is termed the Operational Boundary.

Prudential Indicators	**2019/20 Original Estimate £000**	**2019/20 Revised Estimate £000**
Capital Financing Requirement as at 31 March 2020	**5,144**	**4,056**
External Debt / Operational Boundary		
Borrowing	12,000	12,000
Other Long Term Liabilities Finance Leases	1,000	1,000
Total Debt 31 March	**13,000**	**13,000**

4.4 The Council's revised estimate for CFR is £1.088m lower than the original estimate. This results principally from increases in financing of the capital programme from internal resources (grants, reserves and contributions) and re-profiling of capital expenditure between years.

4.5 The Council has made provision to repay all 'borrowing' liabilities through increased Minimum Revenue Provision (MRP) in the General Fund revenue budget.

4.6 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within defined limits. One of these is that the Council needs to ensure that its gross debt, does not, except in the short term, exceed the total CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent. Members should note that the current limits and estimates set out below have been determined with reference to the existing capital programme. Should the Council decide to expand its capital programme as part of the proposed Commercial and Investment Strategy and/or decide to invest in Property Funds the limits and estimates set out below will need to be subject to review.

Limits to Borrowing Activity	**2019/20 Original Estimate £000**	**2019/20 Revised Estimate £000**
Gross Borrowing	10,536	7,800
Plus Other Long Term Liabilities Finance Leases	406	406
Anticipated Gross Borrowing as at 31 March 2020	**10,942**	**8,206**
Anticipated Capital Financing Requirement as at 31 March 2020	**5,144**	**4,056**

4.7 As a result of the Council's long term Public Works Loan Board (PWLB) debt portfolio of £4.5m (31/03/2019) currently attracting excessive premiums (£3.267m at the time of writing this report) if it were prematurely repaid, it is not financially advantageous for the Council to fully comply with this prudential indicator. This position has not changed following the change in the pricing of new PWLB borrowing explained in paragraph 2.14 above. A similar issue applies to the fixed rate loan of £3.3m which the Council has with Barclays. This has been the case since the housing stock transfer in 2007 and has been acknowledged and approved by Council since then. In addition, the Council's external auditors have also acknowledged this situation and have not raised any issues with our strategy.

4.8 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit, which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level for borrowing which, while not desired could be afforded in the short term but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised Limit For External Debt	2019/20 Original Estimate £000	2019/20 Revised Estimate £000
Borrowing	17,000	17,000
Plus Other Long Term Liabilities Finance Leases	1,000	1,000
Total Borrowing	**18,000**	**18,000**

4.9 The Corporate Director & Chief Finance Officer reports that no difficulties are envisaged for the current year in complying with the above prudential indicators.

5 Investment Portfolio

5.1 In accordance with the Treasury Management Code, it is the Council's priority to ensure security of capital and liquidity and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in section 2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis and its impact on banks, prompts a low risk and short term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual, investment returns are likely to remain low.

5.2 The Council held investments of £24.65m as at 30th September 2019 (£20.2m at 31st March 2019). The investment portfolio yield for the first 6 months of the year is 0.89% (7 day LIBID uncompounded rate 0.57%).

5.3 The Corporate Director and Chief Finance Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2019/20. The Council has achieved investment income of £107k to 30th September 2019.The 2019/20 projected outturn of £180k has been revised upwards to £190k.

5.4 Property Funds formed part of the Council's Annual Investment Strategy approved in February 2019 and the Council is now considering there use to increase investment returns from surplus cash balances.

5.5 The Council has engaged Link Asset Services (the council's treasury management advisors), to help with due diligence and the property fund selection process.

5.6 In line with the 2017 CIPFA Codes and guidance notes greater emphasis is placed on the enhanced importance of risk management. Should the Council decide to invest in a Property Fund(s) this increases the level of risk associated with the Council's treasury management activity as the value of investments can go down as well as up and the Council may get back less than they originally invested. During the previous five years property funds have generally generated better investment returns (through capital appreciation and income) than bank deposits, though past performance or future projections are not indicative of future returns. One of the main characteristics of investment in Property Funds, compared to bank deposits, is that the Council will need to be prepared to hold on to its investment for a longer period – typically at least five years – to benefit from capital appreciation in the underlying value of the investment. Officers are working with Link Asset Services to examine the opportunities and evaluate the risks associated with investing in this way.

6 Borrowing Strategy

6.1 The Council's estimated CFR for 2019/20 is £4.056m (including finance lease borrowing facilities). The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

6.2 Full Council has approved the use of £3.8m of borrowing to support capital investment. The decision whether to undertake internal or external borrowing to meet the Council's financing requirements will be undertaken as and when the financing is required based on an assessment of market conditions and the Council's overall financial position at that time.

6.3 At this point in time, it is not anticipated there will be any further borrowing undertaken during this financial year.

7 Debt Rescheduling

7.1 Debt rescheduling opportunities have been limited in the current economic climate and consequent structure of interest rates and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling was undertaken during the first six months of 2019/20.

7.2 The 100bps(1%) increase in PWLB rates from 9.10.19 only applied to new borrowing rates, not to premature repayment rates.

Agenda Item No:	**9**	
Committee:	**Corporate Governance**	
Date:	**5 November 2019**	
Report Title:	**Internal Audit Plan 2019-20 Progress Report Q2**	

1 Purpose / Summary

To report progress against the Internal Audit Plan 2019-20 for the period 01 April 2019 including planned work until 30 September 2019 and the resulting level of assurance.

2 Key issues

- The Council's Internal Audit plan is produced on an annual basis. It is an estimate of the work that can be performed over the financial year. Potential areas of the Council for audit are prioritised based on a risk assessment, enabling the use of Internal Audit resources to be targeted at areas of emerging corporate importance and risk.

- The format of the plan reflects the Public Sector Internal Audit Standards (PSIAS) which were introduced in April 2016 and applicable from April 2017. It also incorporates the governance and strategic management arrangements of Internal Audit resources.

- Performance Standard 2060 of the PSIAS requires the Audit Manager to report to the Committee on the internal audit activity and performance relative to this plan.

- Corporate Governance Committee approved the Internal Audit Plan 2019-20 on 19th March 2019. Members of the Corporate Governance Committee are keen to receive proactive performance reporting in relation to progress against the Internal Audit plan on a quarterly basis.

- Proactive quarterly monitoring of the Internal Audit plan will enable the Committee to understand the audit activity which has successfully taken place and the associated assurance level.

- The plan is risk based and covers the organisation's existing operations, while adding value by responding to emerging risks and promoting good governance. Proactive monitoring of the Internal Audit plan will therefore enable the Corporate Governance Committee to understand any in year changes to the plan and the associated risk based rationale for any proposed changes.

3 Recommendations

- For Members of Corporate Governance Committee to consider and note the activity and performance of the internal audit function.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Councillor John Clark-Corporate Governance Committee Chairman
Report Originator(s)	Kathy Woodward – Shared Internal Audit Manager
Contact Officer(s)	Kathy Woodward - Shared Internal Audit Manager kwoodward@fenland.gov.uk 01354 622230 Peter Catchpole - Corporate Director & CFO pcatchpole@fenland.gov.uk 01354 622201
Background Paper(s)	Annual Risk Based Internal Audit Plan 2018-19 Internal Audit Outturn and Quality Assurance Review 2017-18

1 Background / introduction

1.1 This report includes details of the audit activity undertaken for the period 01 April 2019 to 30 September 2019, as well as the resulting opinion regarding the associated levels of assurance.

1.2 The annual internal audit plan is formulated in advance, following an assessment of risks inherent to services and systems of the Council based on internal audit and management knowledge at that time. During the period that follows, changes in the control environment may occur due to, for example: -

- introduction of new legislation/regulations,
- changes of staff,
- changes in software,
- changes in procedures and processes,
- changes in service demand,

1.3 Following the resignation of the full time Internal Auditor in July temporary arrangements have been in place to provide support for delivery of the internal audit plan. The temporary resource has been sourced from the Borough Council of King's Lynn and West Norfolk (BCKLWN) who are providing approximately 15 hours of cover each week.

1.4 There is currently a recruitment exercise underway to recruit an additional auditor to the King's Lynn team. This will enable a Service Level Agreement (SLA) between the two organisations to be developed to provide FDC with approximately 31 hours per week of internal audit support. This will provide revenue savings each year of between £3,000 to £5,000.

1.5 By using an SLA we can access a greater pool of auditors to complete the internal audit plan, which will provide a greater level of independence to the service. This will also strengthen the current shared arrangements we have with the Internal Audit Manager role, by generating efficient ways of working across similar audit plans.

1.6 In addition to the benefits described above, by using an SLA, we can review the success of the arrangements without affecting either organisation staffing conditions to determine if a permanent Shared Internal Audit function is something that could be of benefit in the future.

1.7 The resourcing issues have meant that in order to achieve a balanced Internal Audit plan that covers operational and governance type audits and an appropriate mix of fundamental and high risk areas, a revised internal audit plan for 19/20 has been attached to this report as **Appendix B**. Some low risk audits have been removed, some audits have been incorporated into others and some have been rescheduled based on availability of government guidance.

1.8 There has also been an addition of two audits to the plan. One will be delivered by one of our ARP partners (West Suffolk Audit) on ARP Performance and the other will be to review the Councils Income and Debt Management Policies.

1.9 To date the Internal Audit team have achieved a satisfactory level of planned audits, that will enable the Internal Audit Manager to provide an informed opinion by the end of the year on the adequacy of the system of internal control, risk management and governance arrangements of the Council.

1.5 Audit work includes testing of system controls and management action plans that have been agreed with the system owners including timescales for improvement appropriate to the level of risk. These action plans will be followed up by Internal Audit with the appropriate service manager. The table outlined in **Appendix A** provides a generalised indication of the corporate themes identified as a result of the internal audit projects. To date all of the resulting recommendations identified fall outside the 'High' priority rating indicating that control measures across the organisation are effective.

1.6 A key performance objective of the team is to complete ‘fundamental’ audits, which are considered key financial systems. For 2019-20 there were 7 fundamental audits included in the plan. The internal audit team at Fenland has 4 ‘fundamental’ audits to be reviewed as part of this year’s cycle. Following the introduction of the new auditing arrangements with ARP we will also receive completed audit reviews on Housing Benefits, Council Tax, Business rates and Overpayments that have been completed by other partners in the ARP group. Housing Benefits, Council Tax and Business rates are ‘fundamental’ audits.

2 Monitoring

2.1 On completion of each audit a formal report is issued to the relevant Service Manager and Corporate Director. A copy is also sent to the Corporate Director – Finance (S151 Officer). Each report contains a management action plan, with target dates, that have been agreed with managers to address any observations and recommendations raised by the Internal Auditor. Progress on recommendations is monitored on a quarterly basis.

2.2 The following audits have been completed during the first half of 2019-20.

- Customer Services – Contact Centre
- Transport – Commercial Fleet Management
- Licensing – Animal Welfare
- Cash Collection – Web Payments
- GIS / LLPG
- Budgetary Control
- Licences - Other
- Cemetery Income
- Property – Building Security
- Contract Monitoring - Freedom Leisure
- ICT – Cloud Storage
- ICT – Security and Network Controls
- ICT – Disaster Recovery
- Corporate Assurance – Risk Management

2.3 The following audits are currently ongoing and will be reported to the committee in the next progress report:

- Combined Authority Commissioned Work Projects
- Corporate Assurance – Information and Data Management
- Travellers Sites Rents and Repairs
- Trading Operations – Estates
- Income / Debt Management Review
- ARP Enforcement

2.5 Follow up work would normally be completed on a quarterly basis, in relation to recommendations made from the 2018-19 and 2019-20 internal audit plans. However due to the reduction in resources over the second quarter of this year progress on these recommendations will be reported to the committee in the Q3 progress report.

APPENDIX A - Audit Activity Successfully Completed between 01 April 2019 - to 30 June 2019

Audit	Overall opinion	Recommendation	Recommendation category	Recommendation theme	Fundamental
Customer Services – Contact Centre	Substantial	0	N/A		
Transport Commercial and Fleet Management	Substantial	0	N/A		
Licensing – Animal Welfare	Adequate	4	1 Low, 3 Medium	Procedural, Financial, Reputational	
Cash Collection – Web Payments	Substantial	0	N/A		
GIS / LLPG	Substantial	1	1 Medium,	Business Continuity	
Corporate Finance – Budgetary Control	Substantial	1	1 Medium	Reporting	
Licences – Other	Limited	3	2 High, 1 Medium	Procedural – Registration and Communication	
Cemetery Income	Adequate	4	1 High, 2 Medium, 1 Low	Financial Procedures, Business Continuity	
Property – Building Security	Substantial	1	1 Medium	Building Access	
Contract Monitoring – Freedom Leisure	Adequate	6	4 Medium, 2 Low	Procedural, Reporting	

Audit	Overall opinion	Recommendation	Recommendation category	Recommendation theme	Fundamental
ICT – Cloud Storage	Substantial	0			
ICT - Security and Network Controls	Substantial	0			
ICT – Disaster Recovery	Substantial	0			
Corporate Assurance – Risk Management	Substantial	16	7 Medium, 9 Low	Policy, Communication and Training	

An assurance rating is applied, when a system or process is reviewed, which reflects the effectiveness of the control environment. The text below is an indication of the different assurance ratings used:

Assurance	Description
Full	There is a sound system of control designed to proactively manage risks to objectives.
Substantial	There is a sound system of control, with further opportunity to improve controls which mitigate minor risks.
Adequate	There is a sound system of control, with further opportunity to improve controls which mitigate moderate risks.
Limited	There are risks without effective controls, which put the objectives at risk.
None	There are significant risks without effective controls, which put the objectives at risk. Fraud and/or error are likely to exist.

Recommendations

- The report is completed with the action plan agreed with management. The observations and recommendations are allocated a grading of High, Medium or Low as defined below:

High	A fundamental control process, or statutory obligation, creating the risk that significant fraud, error or malpractice could go undetected. It is expected that correction action to resolve these will be commenced immediately.
Medium	A control process that contributes towards providing an adequate system of internal control. It is expected that correct action to resolve these will be implemented within three to six months.
Low	These issues would contribute towards improving the system under review. Action should be taken as resources permit.

Revised Internal Audit Plan 2019-20 **Appendix B**

Audit Title	Risk Rating	2019/20 Days	Current Status	Comments
Communities				
Sport Development	Low	~~6~~	Remove	Low risk
Travellers Sites Rents and Repairs	Medium	12	In progress	
Housing Options	Medium	8	Q4	
Contract Monitoring – Freedom Leisure	Medium	6	Complete	
Economy				
Development – Delivery Performance	Medium	8	Outstanding	
Trading Operations – Estates	Medium	8	In progress	
Economic Development – Business	Medium	6	Q3	
Trading Operations – Partner Leases	Medium	6	Q4	
Environment				
Trading Operations – Markets	Medium	8	Outstanding	
Trading Operations – Cemetery Income	Medium	6	Complete	
Trading Operations – Trade Waste	Medium	8	Q3	
Licences – Environmental	Medium	8	Q4	
Energy Efficiency Guarantee	Medium	~~6~~	Remove	To be included in the follow up of Freedom Leisure Contract
Environmental Support Team – New Procedures	Medium	8	Q4	
Quality Organisation				
Partnership Governance - ARP	Low	~~6~~	Remove	Low risk
Partnership Governance – BBC (Payroll)	Low	~~5~~	Remove	Low risk
Partnership Governance – CNC Building Control	Low	~~6~~	Remove	Low risk
ARP – Anti Fraud and Error	Medium	~~6~~	Remove	New guidance on Fighting Fraud and Corruption Locally will be available in March 2020
ARP Enforcement	Medium	12	In progress	
Council Tax (Fundamental)	Medium	1*	In progress	Work undertaken by our ARP partner authorities
Housing Benefits (Fundamental)	Medium	*	In progress	Work undertaken by our ARP partner authorities
Housing Benefits – Overpayments	Medium	*	In progress	Work undertaken by our ARP partner authorities
Business Rates (Fundamental)	Medium	*	In progress	Work undertaken by our ARP partner authorities
Corporate Assurance – Risk Management	Low	6	Complete	
Corporate Assurance – Anti Fraud and Corruption	Medium	~~5~~	Remove	New guidance on Fighting Fraud and Corruption

				Locally will be available in March 2020
Corporate Assurance – Health & Safety	Low	~~6~~	Remove	Low risk
Property – Building Security	Medium	6	Complete	
Post, Print and Scanning	Medium	6	Q3	
GIS & LLPG System Maintenance	Medium	6	Complete	
Land Charges	Medium	6	Outstanding	
Legal Services	Medium	6	Outstanding	
Corporate Projects		10		To cover outstanding audits
Payroll (Fundamental)	High	10	Q4	
Customer Services – Fenland@yourservice	Medium	10	Outstanding	
Customer Services – Service requests	Medium	~~10~~	Remove	This area will be amalgamated in the Contact Centre audit to avoid duplication of work.
ICT Cloud Storage	Medium	6	Complete	
ICT Security & Network Controls	Medium	6	Complete	
ICT Disaster Recovery	Medium	6	Complete	
Cash Collection – Web Payments	Medium	6	Complete	
Cash & Treasury Management (Fundamental)	Medium	11	Q4	
Corporate Finance – Budgetary Control (Fundamental)	Medium	8	Complete	
Corporate Finance – Management Accounting System (Fundamental)	Medium	10	Q4	
Emergency Planning	Medium	8	Q4	
ARP Performance Management	**New**	*	**New**	**Work undertaken by our ARP partner authorities**
Income / Debt Management Policy Review	**New**	**8**	**New**	**Additional work requested by CMT**
Total Risk Based Audits		**~~288~~ 240**		
External Audits and Other Work				
FACT – Validation of Process	High	5	Ongoing	
Fraud Work – Investigations and NFI		14	Ongoing	
Follow ups		11	Ongoing	
Contingency		19		To cover outstanding audits
Subtotal External and Other Work		**49**		
Grand Total		**~~337~~ 289**		

Agenda Item 10

Agenda Item No:	10	
Committee:	Corporate Governance Committee	
Date:	05 November 2019	
Report Title:	Data Protection - Policy Reports	

1 Purpose / Summary

To provide the Corporate Governance Committee with an update regarding key policies including a revised Data Protection Policy, Information Security Policy and Reporting Personal Data Breaches Policy and Procedure, which collectively and proactively demonstrate the Council's commitment to protecting individuals' privacy whilst also fulfilling our obligations under data protection legislation.

2 Key issues

- In order to provide services to local residents and businesses, the Council collects, uses and shares considerable amounts of personal data. Personal data refers to any information that can identify a living individual, such as their name, email address, address, health conditions or CCTV footage of them.
- The European Union-wide General Data Protection Regulation (GDPR) and the Data Protection Act 2018 set requirements on how organisations, including councils, can process personal data. Through six principles, the legislation establishes that personal data shall be:
  - processed lawfully, fairly and in a transparent manner
  - collected and processed for specified, explicit and legitimate purposes
  - adequate, relevant and limited to what is necessary for those purposes
  - kept accurate, and where necessary, up to date
  - kept in a form that identifies the person for no longer than is necessary
  - processed in a manner ensuring its security.
- In order to uphold these principles, the revised Data Protection Policy (contained within Appendix 1 of this report) reflects the legislative changes in addition to reflecting the greater emphasis on proactive compliance and data subject rights.
- All information held by the Council, in all formats, represents an extremely valuable asset and, therefore, must be used and stored in a secure manner.
- The Information Security Policy (contained within appendix 2 of this report) outlines our commitment to ensuring information is stored securely and that those considerations are a fundamental consideration therefore achieving 'Data Protection by Design and Default'.
- Naturally Fenland District Council will seek to avoid personal data breaches, however it is recognised that there are risks associated with the collection, use, transmission and storage of personal data in order to conduct official council business. The Council recognises that a personal data breach, if not addressed in an appropriate and timely manner, can result in physical, material or non-material damage to individuals.
- The definition of a "personal data breach" is a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data.
- The aim of the Reporting Personal Data Breaches Policy and procedure (contained within appendix 3 of this report) is to ensure that the Council reacts appropriately to any actual or suspected personal data breaches in accordance with GDPR, whilst also proactively identifying area for improvement.

3 Recommendations

- For Corporate Governance Committee to agree the revised Data Protection Policy as outlined in Appendix 1, which applies to all staff and elected members
- To agree the Data Security Policy as outlined in Appendix 2, which applies to all staff and elected members
- To agree the Reporting Personal Data Breaches Policy and Procedure as outlined in Appendix 3, which applies to all staff and elected members.

Wards Affected	All
Forward Plan Reference	
Portfolio Holder(s)	Councillor Chris Boden, Leader and Portfolio Holder - Quality Org.
Report Originator(s)	Anna Goodall - Data Protection Officer
Contact Officer(s)	Peter Catchpole - Corporate Director petercatchpole@fenland.gov.uk Anna Goodall, Data Protection Officer agoodall@fenland.gov.uk 01354 622357
Background Paper(s)	

APPENDIX 1

Data Protection Policy

September 2019

Document information

Version Number	V01	
Document Status (Draft/Final)	Final	
Effective from date	September 2019	
Review date	September 2020	
Reason for document	Alignment of policies and compliance with updated Data Protection Act and General Data Protection Regulation	
Linked documentation	1. Information Security Policy 2. Impact Assessment Policy 3. Personal Data Breach Policy	
Author	Name	Anna Goodall
	Job Title	Head of Governance & Legal
	Team	Governance
	Contact	agoodall@fenland.gov.uk

Contents

1. Introduction

1.1 Fenland District Council supports the objectives of the General Data Protection Regulation (GDPR) and Data Protection Act 2018 (DPA) and seeks to ensure compliance with this data protection legislation.

1.2 The processing of data by the Council is essential to services and functions, and will often involve the use of personal and/or 'special category' personal data. Compliance with the data protection legislation will ensure that such processing is carried out fairly and lawfully.

1.3 The GDPR and the Human Rights Act (1998) (HRA) Article 8, make it clear that the processing of personal data must respect the rights and freedoms of the data subject (individual), but at the same time be adequate enough for the Council to function effectively.

1.4 This policy should not be read in isolation and regard should be given to the Council's Information Security Policy.

2. Purpose

2.1 The purpose of this policy is to ensure that the provisions of the GDPR and DPA are adhered to whilst protecting the rights and privacy of living individuals**;** ensuring their personal data is not processed without their knowledge.

2.2 In particular this policy will:

- Assist the Council to comply with all requirements of the GDPR and DPA.
- Ensure that personal data is readily available on request and that requests from data subjects are dealt with in a timely manner.
- Ensure adequate consideration is given to whether or not personal information should be disclosed.
- Ensure increased awareness of data subjects to the amount of personal data processed and stored by the Council about them and advise them of their rights under the data protection legislation.

2.3 The Council will endeavour to promote greater openness, provide increased transparency of data processing and build public trust and confidence in the way that the Council manages information about its customers.

3. Aims

3.1 This policy sets out the Council's commitment to upholding the data protection principles set out in the GDPR and managing information held fairly and lawfully. It seeks to strike an appropriate balance between the Council's need to make use of personal information in order to manage their services efficiently and effectively and respect for the privacy of individuals.

3.2 To assist staff in meeting their statutory obligations under the GDPR and DPA and provide a guide to the public on the Council's obligations with regard to the processing of their personal data.

4. Council statement on data protection requirements

4.1 This policy applies to the acquisition and processing of all personal data within the Council and sets out how the Council will ensure that individual rights and freedoms are protected.

- The Council will comply with Article 8 of the HRA in respect of the processing of personal data.
- The Council, as the Data Controller, will make individuals aware of the purpose(s) it is processing their personal data for and will seek consent where appropriate.
- 'Consent' of the data subject means any freely given, specific, informed and unambiguous indication of the data subject's wishes by which he or she, by a statement or by a clear affirmative action, signifies agreement to the processing of personal data relating to him or her.
- The Council will provide general information to the public about their statutory rights under the GDPR and DPA on our website.
- The Council will hold the minimum amount of personal data necessary to carry out its functions, and every effort will be made to ensure the accuracy and relevance of data processed.
- The Council will keep all electronic and manual records in accordance with its Data Retention Policy.
- The personal data the Council holds will be kept in accordance with the six principles of the GDPR and in line with the Council's data retention policy

- Periodically a risk assessment will be undertaken, via audit reviews, for all data processing, and when inadequate controls are identified, technical and organisational security measures will be taken, appropriate to the level of risk identified.

- Personal data will only be used for the direct promotion or marketing of goods or services with the explicit consent of an individual.

- Data sharing and data matching with external agencies will only be carried out under a written contract setting out the scope and limits of the data agreement. This should be in line with the Council's Data Sharing Policy.

- Elected Members and staff will be trained to an appropriate level in the use and supervision of personal data.

- Breaches of this policy may be subject to action under the Council's disciplinary procedure.

4.2 The Council will abide by the six data protection principles as detailed below: Personal data shall be:

- Processed lawfully, fairly and in a transparent manner in relation to the data subject ('lawfulness, fairness and transparency').

- Collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes; further processing for archiving purposes in the public interest, scientific or historical research purposes or statistical purposes shall, in accordance with Article 89(1) not be considered incompatible with the initial purposes ('purpose limitation').

- Adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed ('data minimisation').

- Accurate and, where necessary, kept up to date; every reasonable step must be taken to ensure that personal data that are inaccurate, having regard to the purposes for which they are processed, are erased or rectified without delay ('accuracy').

- Kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed; personal data may be stored for longer periods insofar as the personal data will be processed solely for archiving purposes in the public interest, scientific or historical research purposes or statistical purposes in accordance with Article 89(1) subject to implementation of the appropriate technical and organisational measures required by this Regulation in order to safeguard the rights and freedoms of the data subject ('storage limitation').

- Processed in a manner that ensures appropriate security of the personal data, including protection against unauthorised or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organisational measures ('integrity and confidentiality').

5. Roles and responsibilities

5.1 The Council's Corporate Management Team is responsible for approving this policy for managing compliance with the GDPR and DPA.

5.2 Overall responsibility for the GDPR and DPA will rest with the Chief Executive in consultation with the Data Protection Officer.

5.3 The Council's Data Protection Officer is responsible for the provision of advice, guidance and training regarding data protection legislation and will be responsible for keeping this document up to date.

5.4 All employees of the Council will be responsible for ensuring that Subject Access Requests are dealt with in accordance with this policy and that personal data is processed appropriately. This includes ensuring that personal data supplied to the Council is accurate, up-to-date and held securely.

5.5 Heads of Service will be responsible for ensuring operational compliance with this policy within their own departments and for becoming involved in consultations with the Data Protection Officer when applicable.

5.6 Internal Audit will undertake reviews to assess the procedures and policies in place that relate to data protection.

6. Information requests

6.1 Requests from data subjects for copies of personal data the Council holds about them (Subject Access Requests) can be made in writing or verbally. This includes requests transmitted by electronic means, providing they are received in a legible form and are capable of being used for subsequent reference.

6.2 If a person is unable to articulate their request in writing we will provide advice to assist them in formulating their request.

6.3 If the information sought is not described in a way that would enable the council to identify and locate the requested material, or the request is ambiguous, the Council will seek additional clarification.

6.4 The Council will not provide assistance to an applicant who is not the data subject, unless it is confirmed that the explicit consent of the data subject has been obtained for a third party to request the data subject's personal data.

7. Prompt replies to requests

7.1 The Council is committed to dealing with requests for information promptly and no later than the statutory guideline of one calendar month.

7.2 The Council would not expect every application for information to take one calendar month and will endeavour, where possible, to provide the requested information at the earliest opportunity from the date of the request.

7.3 However, if the Council considers the request to be complex, it may extend the time by up to two extra calendar months.

7.4 In this instance the Council will notify the applicant in writing that the SAR requires further time and will provide an estimate of a 'reasonable time' by which they expect a response to be made.

7.5 These estimates shall be realistic and reasonable taking into account the circumstances of each particular case.

8. Data subject rights

8.1 Subject to some legal exceptions, individuals will have the rights below.

- Right to request a copy of any information we hold about you
- Right to rectification (if inaccurate data is held)
- Right to erasure ('right to be forgotten') in certain circumstances
- Right to restriction of processing in certain circumstances
- Right to data portability (personal data transferred from one data controller to another)
- Right to object (to profiling, direct marketing, automated decision-making)

9. Exempting information from non-disclosure

9.1 The GDPR is designed to prevent access by third parties to a data subject's personal data. However, under the DPA there are circumstances which allow disclosure of a data subject's personal data to a third party, or for it to be used in a situation that would normally be considered to breach the GDPR.

9.2 Exemptions from the non-disclosure of personal data are given below. This list is not exhaustive.

- Crime and taxation: general

  a) the prevention and detection of crime
  b) the apprehension or prosecution of offenders, or
  c) the assessment or collection of any tax or duty or of any imposition of a similar nature

- Crime and taxation: risk assessment systems
- Immigration
- Information required to be disclosed by law etc. or in connection with legal proceedings

9.3 The Council will only use these exemptions where it is in the public interest to do so, i.e. prevention of crime, or where the functioning of the Council requires the processing of personal information to be exempt so that it can provide statutory services to members of the public.

10. Refusal of subject access requests

10.1 The Council will not supply information to a data subject if:

- We are not satisfied with the identity of the data subject
- Compliance with the request will inadvertently disclose personal information relating to another individual without their consent
- The applicant has recently requested the same or similar information

10.2 The Council considers that when a valid reason, which is both robust and legally defendable, exists for refusing the disclosure of information to either the data subject or a third party, the information should be withheld.

10.3 When information is withheld, full explanations of the reasoning behind the refusal must be provided to the applicant. This explanation must also include the details of how the applicant can complain about the Council's decision.

10.4 All requests for personal data made by the data subject will be dealt with under Chapter 3 - Rights of the Data Subject section of the GDPR, not the Freedom of Information Act 2000.

11. Appeals and complaints

11.1 Where an applicant is dissatisfied with the level of service they have received, they are entitled to complain about the actions of the Council through the internal appeals procedure. All complaints should be forwarded to:

Member Services
Fenland District Council, County Road, March, Cambs PE15 8NQ

E-mail: foi@fenland.gov.uk

11.2 The applicant will receive a response to their correspondence within twenty working days. If the applicant remains dissatisfied with the Council's reply, they have the option of taking their complaint to the Information Commissioner (at the address below) who will independently adjudicate each case and make a final decision.

Information Commissioner's Office
Wycliffe House,
Water Lane
Wilmslow
Cheshire
SK9 5AF

Appendix 1

Interpretation of Terms

1. 'Personal data' means any information relating to an identified or identifiable living individual ('data subject')

‘Identifiable living individual’ means a living individual who can be identified, directly or indirectly, in particular by reference to

a) an identifier such as a name, an identification number, location data or an online identifier, or
b) one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of the individual.

2. ‘Special category (sensitive) personal data’ means:

- Racial or ethnic origin
- Political opinions
- Religious/philosophical beliefs
- Trade union
- Processing of biometric/genetic data to identify someone
- Health
- Sex life or sexual orientation

3. ‘Processing’, in relation to personal data, means an operation or set of operations which is performed on personal data or on sets of personal data, such as:

a) collection, recording, organisation, structuring, storage
b) adaptation or alteration
c) retrieval, consultation, use
d) disclosure by transmission, dissemination or otherwise making available
e) alignment or combination, or
f) restriction, erasure or destruction.

4. ‘Data subject’ means the identified or identifiable living individual to whom personal data relates.

5. ‘Controller’ means the natural or legal person, public authority, agency or other body which, alone or jointly with others, determines the purposes and means of the processing of personal data.

6. ‘Processor’ means a natural or legal person, public authority, agency or other body which processes personal data on behalf of the controller.

7. ‘Filing system’ means any structured set of personal data which is accessible according to specific criteria, whether held by automated means or manually and whether centralised, decentralised or dispersed on a functional or geographical basis.

8. ‘Consent’ of the data subject means any freely given, specific, informed and unambiguous indication of the data subject’s wishes by which he or she, by a statement or by a clear affirmative action, signifies agreement to the processing of personal data relating to him or her.

APPENDIX 2

Fenland
CAMBRIDGESHIRE
Fenland District Council

INFORMATION SECURITY POLICY

Title	Information Security Policy
Owner	Data Protection Officer/IT Manager
Issue date	August 2019
Next revision due	August 2020

Contents

1. Introduction

1.1 All information held by the council, in all formats, represents an extremely valuable asset and, therefore, must be used and stored in a secure manner.

1.2 The Policy must be read in conjunction with other Information Management Policies, including:

- Data Protection Policy
- Security Incident and Personal Data Breach Policy
- Clear Desk Policy
- Home and Remote Working Policy
- Information Management Policy
- ICT Policy
- Home and Remote Working Policy

1.3 The Policy applies to all Members and employees of the Council, both permanent and temporary. It also applies to contractors, business partners and visitors, not employed by the Council but engaged to work with or who have access to council information, (e.g. computer maintenance contractors) and in respect of any externally hosted computer systems.

1.4 The Policy applies to all locations from which council systems are accessed (including home use). Where there are links to enable non-council organisations to have access to council information, officers must confirm the security policies they operate meet the Council's security requirements. A copy of any relevant third party security policy should be obtained and retained with the contract or agreement.

1.5 Suitable third party processing agreements must be in place before any third party is allowed access to personal information for which the Council is responsible.

2 <u>Policy Compliance</u>

2.1 Heads of Service should ensure all staff are aware of and understand the content of this policy.

2.2 If any user is found to have breached this policy, they could be subject to Fenland District Council's Disciplinary Policy & Procedure. Serious breaches of this policy could be regarded as gross misconduct.

3 Legal Aspects

3.1 Some aspects of information security are governed by legislation, the most notable UK Acts and European legislation are listed below:

- The Data Protection Act (2018)
- General Data Protection Regulation (GDPR)
- Copyright, Designs and Patents Act (1988)
- Computer Misuse Act (1990)

4 Responsibilities

4.1 Managers must:

- be aware of information or portable ICT equipment which is removed from the District Council offices for the purpose of site visits or home working and ensure staff are aware of the security requirements detailed in section 8 below

- ensure all staff, whether permanent or temporary, are instructed in their security responsibilities

- ensure staff using computer systems/media are trained in their use

- determine which individuals are given authority to access specific information systems. The level of access to specific systems should be on a job function need, irrespective of status

- ensure staff are unable to gain unauthorised access to Council IT systems or manual data

- implement procedures to minimise the Council's exposure to fraud, theft or disruption of its systems such as segregation of duties, dual control, peer review or staff rotation in critical susceptible areas

- ensure current documentation is maintained for all critical job functions to ensure continuity in the event of relevant staff being unavailable

- ensure that the relevant system administrators are advised immediately about staff changes affecting computer access (e.g. job function changes leaving business unit or organisation) so that passwords may be withdrawn or changed as appropriate

- ensure that all contractors undertaking work for the Council have signed confidentiality (non-disclosure) undertakings

- ensure the Council's Clear Desk Policy is adhered to, particularly in relation to confidential or personal information. The Clear Desk Policy can be found in Section 11 below.

- ensure information held is accurate, up to date, and retained, in line with Council data retention and disposal

- ensure relevant staff are aware of and comply with any restrictions specific to their role or service area.

4.2 Members and Staff are responsible for:

- ensuring that no breaches of information security result from their actions

- reporting any breach, or suspected breach of security without delay. Further details can be found on the following link:

  https://www.fenland.gov.uk/intranet/memberservices

- ensuring information they have access to remains secure. The level of security will depend on the sensitivity of the information and any risks which may arise from its loss.

- ensuring they are aware of and comply with any restrictions specific to their role or service area.

4.3 All staff should be aware of the confidentiality clauses in their contract of employment.

4.4 Advice and guidance on information security can be provided by the Data Protection Officer and, in relation to IT security, the IT Manager.

PART 1 - KEEPING INFORMATION SECURE

5 Data Protection by Design and Default

5.1 The General Data Protection Regulation (GDPR) requires that organisations put in place appropriate technical and organisational principles and safeguard individual rights. This is known as 'data protection by design and by default'. This means that we have to integrate data protection into our processing activities and business practices, from the design stage right through the lifecycle.

5.2 The Council will, therefore, ensure that privacy and data protection is a key consideration in everything we do. As part of this we will:

- consider data protection issues as part of the design and implementation of systems, services, products and business practices;
- make data protection an essential component of the core functionality of our processing systems and services
- anticipate risks and privacy-invasive events before they occur and take steps to prevent harm to individuals
- only process the personal data that we need for our purpose(s) and that we only use the data for those purposes

5.3 Core privacy considerations should be incorporated into existing project management and risk management methodologies and policies to ensure:

- Potential problems are identified at an early stage
- Increased awareness of privacy and data protection
- Legal obligations are met and data breaches are minimised
- Actions are less likely to be privacy intrusive and have a negative impact on individuals

5.4 Data Protection Impact Assessments (DPIAs) are an integral part of taking a privacy by design approach. Guidance on undertaking a DPIA can be sought from the Data Protection Officer and the assessment form can found on the Intranet on the link below:

https://www.fenland.gov.uk/intranet/memberservices

6 Data Breaches and Information Security Incidents

6.1 The Council has a duty to ensure that all personal information is processed in compliance with the principles set out in the General Data Protection Regulation (GDPR). It is ultimately the responsibility of each Head of Service to ensure that their service areas comply with that duty and that suitable procedures are in place for staff to follow when dealing with personal information.

6.2 Staff should be aware of requirements in relation to identifying and reporting security incidents and personal data breaches.

7 Access control

7.1 Staff, Members and contractors should only access systems for which they are authorised. Under the Computer Misuse Act (1990) it is a criminal offence to attempt to gain access to computer information and systems for which they have no authorisation. All contracts of employment and conditions of contract for contractors should have a non-disclosure clause, which means that in the event of accidental unauthorised access to information (whether electronic or manual), the member of staff or contractor is prevented from disclosing information which they had no right to obtain.

7.2 Formal procedures will be used to control access to systems. An authorised manager/ Head of Service must authorise any system access requests for new staff. Access privileges will be modified/removed - as appropriate - when an individual changes job or leaves. Managers must ensure they advise IT of any changes requiring such modification/removal.

7.3 Staff, Members and contractors must comply with the Council's ICT-related policies in relation to passwords. Further information can be found on the Intranet:

https://www.fenland.gov.uk/intranet/ict

7.4 Line managers must ensure that passwords to local systems are removed or changed to deny access. This would apply where, for example, the system is externally hosted and not under the remit of IT.

7.5 Where appropriate, staff working out notice are assigned to non-sensitive tasks or are appropriately monitored.

7.6 Particular attention should be paid to the return of items which may allow future access. These include personal identification devices, access cards, keys, passes, manuals & documents.

7.7 Once an employee has left, it can be impossible to enforce security disciplines, even though legal process. Many cases of unauthorised access into systems and premises can be traced back to information given out by former employees.

7.8 System administrators will delete or disable all identification codes and passwords relating to members of staff who leave the employment of the Council. The employee's manager should ensure that all PC files of continuing interest to the business of the Council are transferred to another user before the member of staff leaves

7.9 Managers must ensure that staff leaving the Council's employment do not inappropriately wipe or delete information from hard disks. If the circumstances of leaving make this likely then access rights should be restricted to avoid damage to Council information and equipment.

7.10 All visitors should have official identification issued by the Council. If temporary passwords need to be issued to allow access to confidential systems these need to be disabled when the visitor has left. Visitors should not be afforded an opportunity to casually view computer screens or printed documents produced by any information system without authorisation.

7.11 There is a requirement for system administrators to have a procedure in place for the secure control of contractors called upon to maintain and support computing equipment and software. The contractor may be on site or working remotely via a communications link. IT Services will advise on the most suitable control.

7.12 Physical security to all office areas is provided through the access control system. Staff should challenge strangers in the office areas without an ID badge. Never let someone you don't know or recognise to tailgate you through security doors.

8 Security of Equipment

8.1 Portable computers must have appropriate access protection, for example passwords and encryption, and must not be left unattended in public places.

8.2 Computer equipment is vulnerable to theft, loss or unauthorised access. Always secure laptops and handheld equipment when leaving an office unattended and lock equipment away when you are leaving the office.

8.3 Due to the high incidence of car thefts laptops or other portable equipment must **not** be left unattended in cars or taken into vulnerable areas.

8.4 Users of portable computing equipment are responsible for the security of the hardware and the information it holds at all times on or off Council property. The equipment should only be used by the individual to which it is issued, be maintained and batteries recharged regularly.

8.5 Staff working from home must ensure appropriate security is in place to protect council equipment or information. This will include physical security measures to prevent unauthorised entry to the home and ensuring Council equipment and information is kept out of sight.

8.6 Council issued equipment must not be used by non-Council staff.

8.7 All of the policy statements regarding the use of software and games apply equally to users of portable equipment belonging to the Council.

8.8 Users of this equipment must pay particular attention to the protection of personal data and commercially sensitive data.

8.9 Users of portable equipment away from Council premises should check their car and home insurance policies for their level of cover in the event of equipment being stolen or damaged and take appropriate precautions to minimise risk of theft or damage.

8.10 Staff and Members who use portable computers belonging to the Council must use them solely for business purposes otherwise there may be a personal tax/National Insurance liability.

9 Payment Card Industry (PCI) Compliance

9.1 The Council is currently PCI DSS compliant, the Payment Card Industry Data Security Standard (PCI DSS) is a set of requirements designed to ensure that all companies that process, store or transmit credit or debit card information maintain a secure environment.

9.2 Failure to comply with these standards could lead to fines or even the removal of the Council's ability to accept card payments.

9.3 Those users who have access to any part of the Council's Cash Receipting systems whereby they are taking payments either in person or over the phone should only enter Card numbers into the relevant Capita payment screens and **under no circumstances** should Card Holder data such as Card Numbers be written down or copied by anybody as this would breach our PCI compliance.

10 Security and Storage of Information

10.1 All information, whether electronic or manual, must be stored in a secure manner, appropriate to its sensitivity. It is for each service area to determine the sensitivity of the information held and the relevant storage appropriate to that information. Suitable storage and security will include:

- Paper files stored in lockable cupboards or drawers
- Laptops stored in lockable cupboards or drawers
- Electronic files password protected or encrypted
- Restricted access to ICT systems
- Computer screens to be 'locked' whenever staff leave their desk
- Removable media to be kept in lockable cupboards or drawers and information deleted when no longer required
- Paper files removed from the office (for site visits or when working from home) to be kept secure at all times and not left in plain sight in unattended vehicles or premises
- Laptops must **not** be left in unattended vehicles
- It is advisable that paper files containing personal or sensitive data are kept separate from laptops, particularly when working from home
- At no time should sensitive, confidential or personal information be stored on a portable unit's hard drive. Access to this type of information must always be through the Council's network.
- To preserve the integrity of data, frequent transfers must be maintained between portable units and the main Council computer

system.

- Staff should be aware of the position of their computer screens and take all necessary steps to prevent members of the public or visitors from being able to view the content of computers or hard copy information

11 Clear Desk Policy

11.1 Employees are required to clear working documents, open files, and other paperwork from their desks, working surfaces and shelves at the end of each working day and to place them securely into desk drawers and cupboards as appropriate.

11.2 Although security measures are in place to ensure only authorised access to office areas, employees should ensure that documents, particularly of a confidential nature are not left lying around.

11.3 Employees must ensure that documents are carefully stored. When properly implemented, this clear desk policy also improves efficiency as documents can be retrieved more easily.

12 Posting or Emailing Information

12.1 If information is particularly sensitive or confidential the most secure method of transmission must be selected. The following procedures should be adopted as appropriate, depending on the sensitivity of the information.

12.2 Please consider the risk of harm or distress that could be caused to the customer if the information was lost or sent to another person, then look at the most appropriate way of sending the information to the recipient.

12.3 It is important that only the minimum amount of personal or sensitive information is sent, by whichever method is chosen.

12.4 Sending information by email:

- Carefully check the recipient’s email address before pressing send – this is particularly important where the ‘to’ field autocompletes

- If personal or sensitive information is regularly sent via email, consider disabling the auto complete function and regularly empty the auto complete list. Both of these options can be found in Outlook under ‘file’, ‘options’ and ‘mail’

- Take care when replying ‘to all’ – do you know who all recipients are and do they all need to receive the information you are sending

- If emailing sensitive information, password protect any attachments. Use a different method to communicate the password e.g. telephone call, messenger or text

- Person identifiable data files **must not** be sent via email to a user’s personal mail box. Staff working from home should only access information via the Council's network.

12.5 Sending information by post:

- Check that the address is correct
- Ensure only the relevant information is in the envelope and that someone else's letter hasn't been included in error
- If the information is particularly sensitive or confidential, discuss the most secure method of delivery with the Post room, this could be by Special Delivery or even courier.

12.6 Printing and Photocopying:

- All printing must be via the MFP printers
- Consideration must be given to using the Print Room for large print runs, especially where personal information is concerned
- When printing or photocopying multiple documents, ensure you separate them when you return to your desk
- If the copier jams please remove all documents – if the copier remains jammed report it, but leave your contact details on the copier so that once it has been fixed any remaining copying can be returned to you. If possible, cancel your print run
- Make sure your entire document has copied or printed – check that the copier has not run out of paper. This is particularly important when copying or printing large documents. Please bear in mind the printer will sometimes pause in the middle of a large print run
- Do not leave the printer unattended when you are using it – someone else may come along and pick up your printing by mistake

13 Redacting

13.1 If it is necessary to redact information, either before sending it out or posting it onto the website, ensure a suitable and permanent redaction method is used

13.2 It is not advisable to change the colour of text (e.g. white text on a white background) or use text boxes to cover text as these can be removed from electronic documents. However, if this is the only option, once redacted the document should be printed and then scanned as a PDF before being sent.

13.3 Redaction can be carried out by Member Services using Adobe Professional. Please contact Member Services for further information.

14 Sharing and Disclosing Information

14.1 When disclosing personal or sensitive information to customers, particularly over the phone or in person, ensure you verify their identity. Service areas dealing with customers on a daily basis should have suitable security questions which must always be used. If in doubt ask for suitable ID or offer to post the information (to the contact details you have on file)

14.2 If a request for disclosure of information is received from a third party, you must:

- Obtain written consent from the customer that they are acting on their behalf
- Verify their identity, particularly if they request information via the telephone or in person. It is preferable to telephone the person back, using a recognised telephone number for their organisation (for example 101 for the Police). Do not take their mobile number and use that.

14.3 In all circumstances, you must ensure you are legally able to share the information being requested and only share the minimum amount of information necessary.

14.4 Further information on Disclosure of Information under DPA 2018 can be found on the link below:

https://www.fenland.gov.uk/intranet/memberservices

15 Retention and Disposal of Information

15.1 Information must only be retained for as long as it is needed for business purposes, or in accordance with any statutory retention period

15.2 Staff should refer to the Council's Data Retention Policy for further information. The Schedule sets out the type of information held in service areas, together with statutory or agreed retention periods. Please contact the Data Protection Officer for further advice on retention

15.3 When disposing of information please ensure the most appropriate method is used. Paper files containing personal or sensitive information must be disposed of in the confidential waste bins. Electronic information must be permanently destroyed

15.4 When purchasing new computer systems or software, please consider requirements for the retention and disposal of information and ensure these are included at the scoping stage

16 Vacating Premises or Disposing of Equipment

16.1 It is important that a process is in place to ensure all Council information is removed from premises should they be vacated and from equipment before it is disposed of. Equipment includes cupboards and filing cabinets as well as computers or other electronic devices.

16.2 The disposal of computers or other electronic devices should be discussed with the IT department.

16.3 If the Council vacates any of its premises, the manager of the service area occupying the premises must undertake appropriate checks of all areas, including locked rooms, basements and other storage areas, to ensure all Council information is removed. Such checks should be documented, dated and signed.

16.4 If information is bagged for disposal (whether confidential or not), this must be removed before the building is vacated.

16.5 Cupboards and filing cabinets must be checked before their disposal to ensure they contain no documents or papers. If a cupboard or cabinet is locked and no key is available, Building Facilities should be asked to open it in order that it can be checked.

Fenland
CAMBRIDGESHIRE
Fenland District Council

APPENDIX 3

Reporting Personal Data Breaches

Policy and Procedures

1. Policy Statement

Fenland District Council will seek to avoid personal data breaches. The Council recognises that a personal data breach, if not addressed in an appropriate and timely manner, can result in physical, material or non-material damage to individuals such as loss of control over their personal data or limitation of their rights, discrimination, identity theft or fraud, financial loss, unauthorised reversal of pseudonymisation, damage to reputation, loss of confidentiality of personal data protected by professional secrecy, or any other significant economic or social disadvantage to the individual concerned. Where personal data breaches do occur the Council will, without undue delay, seek to contain the harm to individuals, investigate the breach, report the breach to the Information Commissioner's Office and look to learn the lessons from any actual or suspected breaches.

2. Purpose

The aim of this policy and procedure is to ensure that the Council reacts appropriately to any actual or suspected personal data breaches in accordance with GDPR.

3. Scope

This document applies when a personal data breach is suspected. The policy and procedure it sets out is to be followed by all Councillors, officers, contractors and agents of the Council who use Council facilities and equipment, or have access to, or custody of, personal data collected by the Council.

4. Definitions

"Personal data" means any information relating to an identified or identifiable individual ('data subject'); an identifiable individual is someone who can be identified, either directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that individual.

The definition of a "personal data breach" is a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data.

A personal data breach includes, but is not restricted to, the following:

- The accidental alteration or deletion of personal data
- The transfer of personal data to those who are not entitled to receive it
- Unauthorised access to personal data
- Use of personal data for purposes for which it has not been collected and which go beyond those uses that the data subject could reasonably have contemplated
- Theft of storage devices

5. Risks

The Council recognises that there are risks associated with the collection, use transmission and storage of personal data in order to conduct official Council business. By following this policy and procedure, suspected data breaches should be identified quickly and the impact of personal data breaches should be reduced by ensuring suspected personal data breaches are followed up correctly and helping identify areas for improvement.

Non-compliance with this policy and procedure could result in significant detrimental effects on individuals and the Council being heavily fined and/or its reputation being damaged.

6. Procedure for reporting personal data breaches

Appendix 1 provides a high level process flow diagram illustrating the process to be followed when reporting suspected or actual personal data breaches.

Personal data breaches need to be reported to the Council's Data Protection Officer (Anna Goodall agoodall@fenland.gov.uk or 01354 62 2357) at the earliest possible stage as the Council has a duty to report any personal data breach to the Information Commissioner's Office (ICO) within 72 hours unless the ICO has issued guidance to the contrary.

The information provided to the Data Protection Officer should include as much detail as possible of the personal data breach, those affected and the consequences. A form is available on the Intranet to report a personal data breach – if not completed at the time of the actual report, it must be completed immediately afterwards. The Data Protection Officer and Member Services can assist in completing the form. The reporting of a suspected personal data breach should not be delayed however while the information is being gathered. The Data Protection Officer will make an assessment of whether the personal data breach passes the threshold (if any) set by the ICO for personal data breaches to be reported to the ICO. The Data Protection Officer will also make an assessment of the risk to the data subject. If the Data Protection Officer concludes that the personal data breach is likely to result in a high risk to the rights and freedoms of the data subject, for example, where there is a risk of identity theft, she will notify the data subject directly.

The Data Protection Officer will notify the Senior Information Risk Owner (SIRO), the Chief Executive and the Corporate Management Team (CMT) as soon as possible after receiving a report of a personal data breach. The SIRO, Chief Executive, Data Protection Officer, and CMT will agree what measures should be taken to deal with the personal data breach.

When reporting the breach to the ICO the Data Protection Officer will include the following information:

- The nature of the personal data breach including, where possible
- The categories and approximate number of individuals concerned
- The categories and approximate number of personal data records concerned

- The name and contact details of the Data Protection Officer or other contact point where more information can be obtained

- A description of the likely consequences of the personal data breach

- A description of the measures taken, or proposed to be taken, to deal with the personal data breach and, where appropriate, of the measures taken to mitigate any possible adverse effects.

In the event that it is not possible to report the personal data breach to the ICO within 72 hours, the notification will also give the reasons for the failure to do so.

7. Policy Compliance

If any officer is found to have breached this policy and procedure, they may be subject to the Council's disciplinary procedure. If any councillor is likewise found to have breached the policy and procedure, a complaint will be made to the Conduct Committee. In either case if a criminal offence is considered to have been committed further action may be taken to assist in the prosecution of the offender(s).

If you do not understand the implications of this policy or how it may apply to you, seek advice from the Data Protection Officer or SIRO.

8. Policy Governance

The following table identifies who within the Council is Accountable, Responsible, Informed or Consulted with regards to this policy and procedure. The following definitions apply:

- Responsible – the person(s) responsible for developing and implementing the policy.

- Accountable – the person who has ultimate accountability and authority for the policy.

- Consulted – the person(s) or groups to be consulted prior to final policy implementation or amendment.

- Informed – the person(s) or groups to be informed after policy implementation or amendment.

Responsible	Data Protection Officer
Accountable	Chief Executive
Consulted	Senior Information Risk Owner, Management Team
Informed	All councillors, officers, contractors and agents.

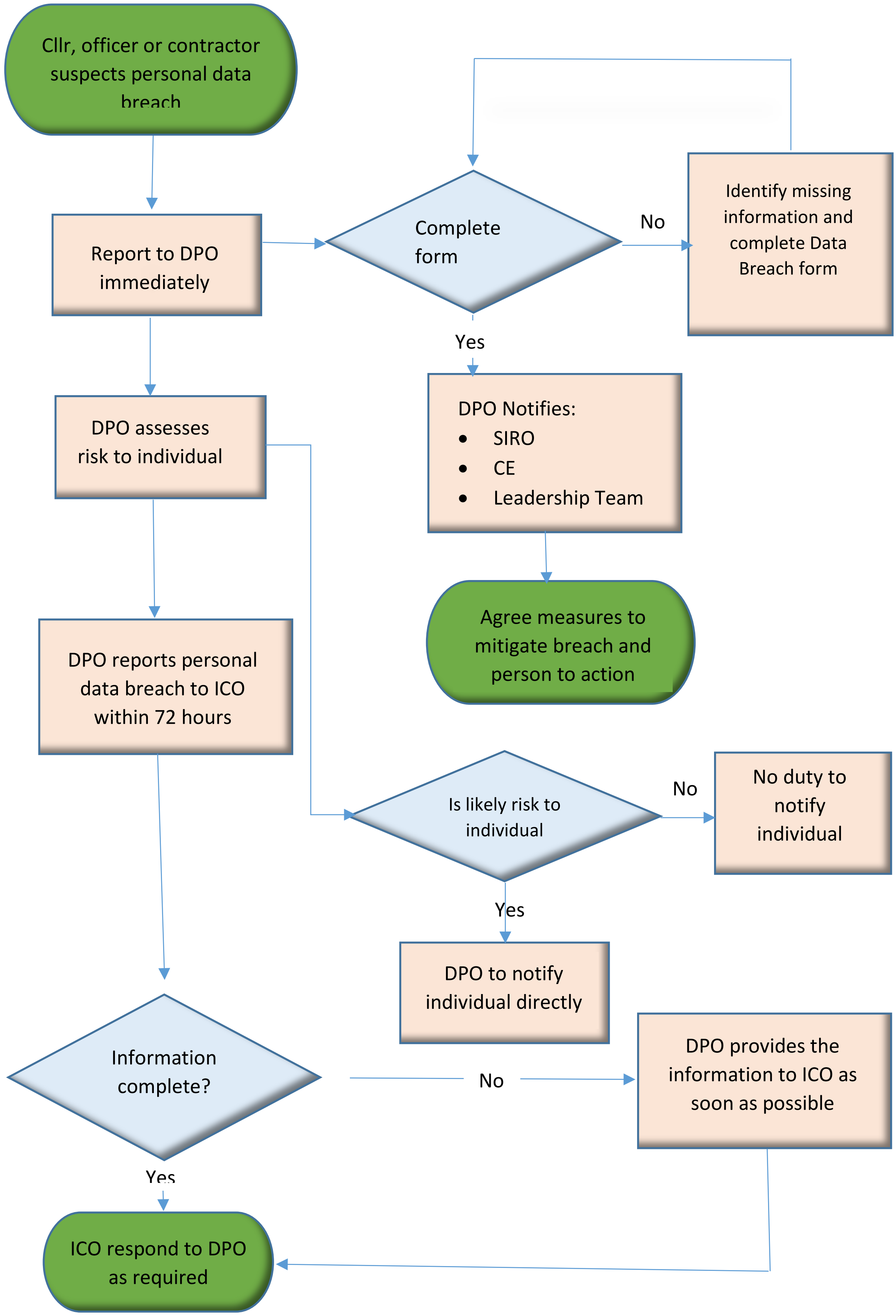
9. Review and Revision

This policy and procedure will be reviewed by the Data Protection Officer as it is deemed appropriate, but no less frequently than every 12 months.

10. Key Messages:

- A personal data breach is more than just losing personal data
- Personal data breaches can have significant impacts on individuals
- The Council has a duty to notify the ICO of any personal data breach and may have to inform individuals directly
- All councillors, officers, contractors and agents of the Council should report any suspected personal data breaches immediately
- There are potentially heavy fines for failing to report personal data breaches to the ICO.

Appendix 1 – Process Flow; Reporting a personal data breach



Appendix 2 - Breach Matrix – Including Impact Criteria

Breach Types
Lost in Transit - The loss of data (usually in paper format but may also include CDs, tapes, DVDs or portable media) whilst in transit from one service area to another. May include data that is: • Lost by a courier • Lost in the 'general post' (i.e. does not arrive at its intended destination) Lost whilst on site but in situ between two spate buildings or services (I.e. CHR & WSH)
Lost or stolen hardware - The loss of data contained on fixed or portable hardware. May include: • Lost or stolen Laptops • Hard drives • Pen drives • Servers • Cameras • Mobile phones – containing personal data • Desk-tops / other fixed electronic equipment • Imaging equipment containing personal data • Tablets The loss or theft could take place on or off a data controllers premises. For example the theft of a laptop from an employee's home or car, or a loss of a portable device whilst travelling on public transport. Unencrypted devices are at particular risk
Lost or stolen paperwork - The loss of data held in paper format would include any paper work lost or stolen which could be classified as personal data examples would include: • Housing assistance forms • Letters • Complaints • Registers • Officers notebooks The loss or theft could take place on or off a data controllers premises. For example the theft of paper work from an employee's home or car, or a loss of a portable device whilst travelling on public transport.
Disclosed in Error - This category covers information which has been disclosed to the incorrect party or where it has been sent or otherwise provided to an individual or organisation in error. This could include situations where the information hasn't actually been accessed. Examples include:

• Letters / assessments / files been sent to the wrong individuals • Verbal disclosures made in error • Failure to redact personal information from documentation to the requester or third parties – particularly in regards to DSARs • Inclusion of information relating to other data subjects in error – again particularly DSARs • Emails / faxes sent to the incorrect individual or with the incorrect information attached • Failure to blind carbon copy emails Mail merge / batching errors on mass mailing campaigns leading to the incorrect individuals receiving personal data
Uploaded to website in error - This category is distinct from disclosure in error as it relates to information added to a website containing personal data which is not suitable for disclosure. It may include: • Failures to carryout appropriate redaction • Uploading the incorrect documentation
Non-secure disposal of hardware - The failure to dispose of hardware containing personal data using appropriate technical and organisational means. It may include: • Failure to meet principle 6 of GDPR (Security) when employing a third party processor to carry out the removal / destruction of data • Failure to securely wipe data prior to destruction • Failure to securely destroy hardware to appropriate industry standards Re-sale of equipment with personal data still intact / retrievable
Non-secure disposal of paper work - The failure to dispose of paper work containing personal data using appropriate technical and organisational means. It may include: • Failure to meet principle 6 of GDPR (Security) when employing a third party processor to remove / destroy / recycle paper • Failure to use confidential waste destruction facilities Data sent to landfill / recycling intact
Technical security failure (including hacking) - The category concentrates on the technical measures a data controller should take to prevent unauthorised processing and loss of data and would include: • Failure to secure systems from inappropriate / malicious access • Failure to build website / access portals to appropriate technical standards • Failure to protect internal files sources from accidental / unwarranted access (for example failure to secure shared file spaces) In respect of successful hacking attempts, the ICO's interest is in whether there were adequate technical security controls in place to mitigate the risk

Corruption or inability to recover electronic data - Avoidable or foreseeable corruption of data or an issue which otherwise prevents access which has quantifiable consequences for the affected data subjects e.g. disruption care / adverse clinical outcomes, for example: • The corruption of a file which renders the data inaccessible The inability to recover a file as its method / format of storage is obsolete
Unauthorised access / disclosure - Wilful unauthorised access to, or disclosure of, personal data without the consent of the data controller
Other - This category is designed to capture the small number of occasions on which breach occurs which does not fall into the aforementioned categories. These may include: • The sale or recycling of office equipment (for example filing cabinets which later are found to contain personal data) Inadequate controls around physical employee access to data leading to the insecure storage of files (for example failure to implement a clear desk policy or insufficient lockable filing cabinets and storage)

Impact Criteria

Impact Levels	Harm Criteria	Damage to Council's reputation with the possibility of regulatory action and subsequent legal action from the data subjects against the council or council employees	Data Subject		
			Confidentiality	Integrity	Availability
1	*Negligible*	Minor harm to an individual, individuals or small group which could result in some publicity in the local media. No legal or regulatory consequences	Public information disclosed	Public information corrupted	Public information lost
2	*Low*	Harm to an individual, individuals or small group which could result in publicity in the local media and social media. Some legal or regulatory notification might be needed (i.e. advice from the ICO might be sought)	Semi Public or minor identifying information disclosed	Semi Public or minor identifying information corrupted	Semi Public or minor identifying information lost
3	*Moderate*	Minor damage or distress to an individual, individuals or a group, which could result in adverse publicity in traditional national media. Some legal or regulatory sanction (Notifiable)	Identifying information disclosed	Identifying information corrupted	Identifying information lost
4	*High*	Damage and distress to an individual or substantial number of individuals which could result in sustained adverse publicity in national and social media. Significant legal or regulatory sanction (Notifiable)	Identifying information disclosed	Identifying information corrupted	Identifying information lost
5	*Very High*	Significant damage and distress to an individual or high number of individuals which could result in sustained adverse publicity across all media platforms. Major legal or regulatory sanction (Notifiable)	Sensitive information disclosed	Sensitive information corrupted	Identifying information lost