

## AGENDA

### **CORPORATE GOVERNANCE COMMITTEE**

**MONDAY, 17 AUGUST 2020**

**1.30 PM**

**VIRTUAL MEETING VIA ZOOM VIDEO  
CONFERENCING SYSTEM**

Committee Officer: Joanne Goodrum  
Tel: 01354 622285  
e-mail: [memberservices@fenland.gov.uk](mailto:memberservices@fenland.gov.uk)

Due to the COVID-19 outbreak and the restrictions by the Government on gatherings of people, this meeting will be conducted remotely using the Zoom video conferencing system. There will be no access to this meeting at the Council offices but you can view the meeting on YouTube, apart from any items marked confidential.

- 1 Appointment of Chairman for the Municipal Year
- 2 To receive apologies for absence
- 3 Appointment of Vice Chairman for the Municipal Year
- 4 Previous Minutes. (Pages 5 - 10)  
  
To confirm the minutes of 4 February 2020
- 5 To report additional items for consideration which the Chairman deems urgent by virtue of special circumstances to be now specified.
- 6 Members to declare any interests under the Local Code of Conduct in respect of any item to be discussed at the meeting.
- 7 External Audit Plan 2019/2020 (Pages 11 - 56)

Report Attached

8 Statement of Accounts 2019/20 (subject to external audit) (Pages 57 - 174)

The purpose of this report is for members to review and note the draft Statement of Accounts for 2019/20.

9 Annual Governance Statement 2019/2020 (Pages 175 - 192)

Regulation 6(1) of the Accounts and Audit Regulations 2015, require the Council to conduct an annual review of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS). The CIPFA Finance Advisory Network has issued detailed practical guidance for meeting the requirements of the Accounts and Audit Regulations

10 Internal Audit Outturn and Quality Assurance Review (Pages 193 - 202)

To provide the Corporate Governance Committee with an overview of the work undertaken by Internal Audit during 2019/20;

To provide the Audit Managers annual opinion on the system of internal control;

To consider the effectiveness of Internal Audit

11 Corporate Governance Committee Annual Report 2019 -2020 (Pages 203 - 214)

To report to Full Council the commitment and effectiveness of the Corporate Governance Committee's work from April 2019 to March 2020.

12 Risk Based Internal Audit Plan 20-21 (Pages 215 - 228)

In accordance with the Public Sector Internal Audit Standards the Internal Audit Manager has prepared the attached Internal Audit Plan. It considers the areas for audit review and the availability of internal audit resources taking into account the impact of the Coronavirus pandemic

13 Corporate Risk Register - Quarterly Review (Pages 229 - 260)

To provide an update to the Corporate Governance Committee on the Council's Corporate Risk Register

14 Items of Topical Interest

15 Items which the Chairman has under item 5 deemed urgent.

Thursday, 6 August 2020

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 N Meekins, Councillor M Purser, Councillor D Topgood and Councillor Wicks

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## CORPORATE GOVERNANCE COMMITTEE

**TUESDAY, 4 FEBRUARY 2020 - 2.30 PM**



**PRESENT:** Councillor J Clark (Chairman), Councillor I Benney, Councillor G Booth, Councillor S Clark, Councillor D Divine, Councillor Mrs J French, Councillor M Purser, Councillor Wicks and Councillor Wilkes

**APOLOGIES:** Councillor K French (Vice-Chairman) and Councillor D Topgood

**OFFICERS IN ATTENDANCE:** Sam Anthony (Head of HR and OD), Peter Catchpole (Corporate Director and Chief Finance Officer), Anna Goodall (Head of Governance and Customer Services), Izzi Hurst (Member Services & Governance Officer) and Mark Saunders (Chief Accountant)

**GUESTS:** Mark Hodgson (Ernst & Young)

**OBSERVING:** Councillor C Boden and Councillor W Sutton

### **CGC23/19 PREVIOUS MINUTES.**

The minutes of the meeting of 5 November 2019 were confirmed and signed.

### **CGC24/19 ANNUAL AUDIT LETTER 2018/19.**

Members considered the Annual Audit Letter 2018/19 report presented by Mark Hodgson from Ernst & Young (EY).

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

1. Councillor Booth asked for assurance that the delay experienced in this year's audit will not occur again. Mark Hodgson confirmed that there is no audit deadline contained within UK regulations. The only requirements are that local authorities must publish a draft set of accounts by 31 May and the final accounts by 31 July. If the audit report is not completed by 31 July, this must be stated. He confirmed that the Council had met these requirements and no further action was required. He added that Audit Regulators had informed EY that audits are to be carried out when resources are in place to deliver a quality audit and they have gained sufficient assurance to deliver an informed opinion. He confirmed that EY are liaising with their clients to agree a suitable date, when resources are available, to complete audits from May onwards.
2. Mark Hodgson informed members that the Ministry of Housing, Communities and Local Government (MHCLG) are considering deferring the 31 July deadline this year.
3. Peter Catchpole stated that it is anticipated that the Council's audit will be completed by September 2020. Mark Hodgson confirmed this and stated that on the basis of there being no deadline; EY will be conducting their audits over a longer period to ensure adequate resource to all of their clients.
4. Councillor Booth highlighted that whilst there may be no deadline, presumably accounts cannot be signed off years after being published. Mark Hodgson agreed and confirmed that the accounts are signed off as soon as EY have assurance. If EY cannot perform this during their allocated timescale, then he agreed that this should be raised as a concern.

5. Mark Hodgson assured members that EY's focus is on completing audits with the resource allocated in the timescale agreed.
6. Councillor Wicks asked what mitigation is in place if the audit is not completed by September. Mark Hodgson reiterated that there is no legislative requirement for audits to be completed within a certain timescale.
7. Councillor J Clark agreed but highlighted that officers are impacted by audit delays and asked that every effort is made to keep to the agreed timescale. Mark Hodgson agreed and added that delays impact not only the Council but staff at EY too.
8. Mark Hodgson confirmed that EY will be confirming audit dates with all of their clients by 14 February 2020. He informed members that EY will be holding a forum later this month and extended an invitation to all members of the committee.
9. Councillor Booth asked if Mark Hodgson had been briefed of the Council's new Commercial Investment Strategy (CIS) and asked what impact this would have on future audits. Mark Hodgson confirmed that he had been briefed on this and whilst it would not effect this year's audit, it will impact future audits

Councillor J Clark thanked Mark Hodgson for his attendance at today's meeting.

**The Corporate Governance Committee noted the Annual Audit Letter 2018/19 report.**

**CGC25/19 TREASURY MANAGEMENT STRATEGY STATEMENT, CAPITAL STRATEGY, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2020/21.**

Members considered the Treasury Management Strategy Statement, Capital Strategy, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2020/21 report presented by Mark Saunders.

Mark Saunders explained that any amendments to this report will be reported to Cabinet and Council on 20 February 2020.

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

1. Councillor J Clark asked how much overview the Corporate Governance Committee will have in relation to the boards associated with the Commercial Investment Strategy (CIS). Mark Saunders explained that there will be separate governance arrangements in place for the investment board and decisions will be taken in accordance with the associated framework.
2. Councillor J Clark asked for further information on the local authority trading company (LATCO) which is associated with the CIS. Peter Catchpole explained that the LATCO will report directly to the investment board and follow their direction and policy. The investment board will decide how investments are spent based on very detailed business cases and specification.
3. Councillor Booth asked for assurance on the governance arrangements as neither of these entities will be required to report directly to the Corporate Governance Committee or a separate Audit Committee. He expressed concern in relation to the audit arrangements and asked if there were adequate skills and qualifications within the Council's internal audit team to undertake this work.
4. Councillor J Clark asked if the LATCO will be liable for tax and VAT and asked for assurance in relation to the decision making processes of both of these entities. Mark Hodgson explained that whilst there will be no officer involvement the Section 151 officer, Peter Catchpole, will have an overall responsibility for the governance and independence of the decision making process. He added that the LATCO will be subject to a separate audit of its financial statements and the terms of reference for the Corporate Governance Committee may need to be amended to reflect this.

5. Councillor J Clark stated that the membership of the investment board proposes a quorate of only two members with one being the Leader of the Council. He added that decisions could therefore be made using the provision of the Chairman's 'casting vote' with little member involvement or agreement. Mark Saunders confirmed this but reminded members that the investment board will need to ensure that detailed criteria has been satisfied prior to transacting any investments. There are many stages that must be completed prior to this and all decisions must be signed off by the Section 151 officer and be subject to audit.
6. Councillor J Clark asked for further information on the shareholders of the LATCO and the arrangements surrounding this company. Peter Catchpole explained that the company will be wholly owned by the Council and subject to all legislation relating to Limited Companies. He reiterated that the investment board will appoint its own auditors for the LATCO and if this is not EY, both auditors will have to work closely with one another to consolidate both the Council and LATCO's separate accounts.
7. Councillor J Clark asked if the LATCO will fund its associated costs and charges. Peter Catchpole confirmed this. Mark Saunders added that the associated costs will be included in each investment's potential yield.
8. Peter Catchpole reiterated to members that not every project will be delivered via the LATCO and a detailed assessment will be undertaken to ensure the most appropriate delivery vehicle is being used.
9. Councillor J Clark said he was sceptical about the overall arrangements and due diligence and highlighted the failings of other local authorities high risk investments. He stated that members represent the public and they must have assurance that the appropriate measures are in place. Mark Saunders agreed and stated that many local authorities have had investment strategies in place for a number of years and therefore the Council can assess their successes and failings. He assured members that officers have a professional duty to ensure that the Council is not putting tax-payers money at risk and every project will be assessed carefully before making any decisions.
10. Peter Catchpole explained that the key to the CIS is not being risk adverse but instead managing risks appropriately.
11. Councillor Wicks asked what the associated costs will be in relation to the LATCO. Councillor Benney highlighted that this will not be known until a full assessment has taken place in relation to specific investment opportunities.
12. Councillor Benney reiterated that the security of Council funds will be of paramount importance and he supports the strategy as additional income will lead to an improvement of Council services for the public.
13. Councillor Booth stated that he has endorsed this type of strategy for a number of years however the correct governance arrangements and controls must be in place to ensure the risks are minimised.
14. Members asked that the Corporate Governance Committee's terms of reference are amended to reflect the overall governance and audit responsibility of the CIS.
15. Councillor Boden thanked members for the opportunity to speak and said he was pleased with member's comments on this. He stated that this is a new direction for the Council and he is confident that the appropriate controls are in place as each transaction will be scrutinised and assessed throughout the process. He understands members concerns in relation to this and hopes their confidence in the CIS will improve as it progresses and generates positive results. He stated that in his opinion, any tax paid via the LATCO will be seen as a success as it will indicate good performance.
16. Councillor Booth referenced 3.3 of the report and the Council's creditworthiness policy. He stated that the Council must consider any direct investments into commercial properties and retail premises as there are no mechanisms in place to assess the creditworthiness of these direct investments and therefore they can bring risk.
17. Councillor Booth highlighted that the CIS proposes a budget of £25 million and asked if the Council would be using their own reserves in the first instance before borrowing additional funds. Mark Saunders explained that each project will be assessed to determine the most appropriate funding for the investment. He reminded members that the majority of the

Council's own funds are used to finance the capital programme and therefore borrowing will be necessary. He added that the investment board have member approval to borrow up to £25 million but there is no guarantee this level of funding will be required.

18. Councillor J Clark asked for confirmation that £25 million is the maximum borrowing facility for the CIS. Mark Saunders confirmed this and stated that borrowing will only take place as and when required. Peter Catchpole reiterated that individual business cases will include financing option and a balance will be considered between borrowing and internal resources.
19. Councillor Booth asked for confirmation that if additional borrowing is required above the £25 million limit this will be reconsidered by Full Council. Officers confirmed this.
20. Councillor Booth asked where the figure of £25 million had derived from. Councillor Benney explained that it is sensible of the Council to have this maximum borrowing facility in place as it will allow the CIS to have a fluid approach to borrowing as and when required.
21. Councillor Wicks asked why figures have been provided in the report showing the interest payment for £25 million of borrowing. Mark Saunders stated that this is purely an illustration to show the interest payments if the Council did borrow the maximum amount.
22. Councillor Booth raised concern that the rates of return shown in the report are lower than neighbouring authorities and suggested that the report needs to clearly show the projected rates of return dependent on the investment vehicle. Mark Saunders clarified that different investments do generate different returns and these will be assessed individually. He added that the overall level of returns is shown in the CIS.
23. Peter Catchpole agreed to incorporate a matrix into the report which shows the expected rate of return for each type of investment.
24. Councillor Wicks asked if the proposed borrowing as part of the CIS will be taken out on a fixed term basis with an early redemption clause. Mark Saunders confirmed that there are a variety of loans available via the Public Works Loan Board (PWLb) and the most appropriate one will be chosen.
25. Councillor Booth referenced 8.10 of the report and asked if these limits are set by Government. Mark Saunders confirmed this.
26. Councillor Booth referenced 8.10 of the report and expressed concern that the proposed borrowing is high compared to the Council's current level of debt.
27. Councillor Booth highlighted that the report does not contain any information on the concentration risk of investments and recommended that this is included. Officers agreed to this.
28. Councillor J Clark queried the figures displayed in 10.5 of the report. Mark Saunders explained that the PWLB report and our treasury advisors display their figures in this way. Councillor Booth added that this is purely banking terminology.
29. Councillor Booth recommended that the report clarifies the difference between treasury investments and commercial investments to avoid confusion. Officers agreed.
30. Councillor Booth asked why the Council have reduced their credit rating criteria. Mark Saunders explained that the Council's treasury advisors had recommended this.
31. Councillor Booth asked why the Council do not consider investments in Building Societies as they often offer less risk than banks and asked if consideration is given to whether organisations are domiciled in the UK. Mark Saunders explained that the Council receive a document which provides them with criteria and ratings of potential investment companies and confirmed that there are currently 5 building societies on this list.
32. Councillor Booth stated that the report does not accurately capture the purpose of the Council's Business Centres and recommended that further explanation is required in relation to their commercial return.
33. Councillor J Clark asked for clarification in relation to 4.20 of the report (page 68 of the agenda pack). Mark Saunders explained that following an expansion of Council activities, new guidance has been issued.
34. Councillor J Clark asked for confirmation on the decision making process in relation to borrowing funds for the CIS. Mark Saunders confirmed that the investment board will be responsible for this. Councillor Booth highlighted that the policy allows the investment board

to borrow up to £25 million.

*(Councillor Booth declared an interest by virtue of the fact that he is a former employee of Yorkshire Building Society).*

**The Corporate Governance Committee AGREED to endorse the strategy detailed in the report, to be included in the final budget report for 2020/21.**

#### **CGC26/19 DATA PROTECTION POLICY UPDATE.**

Members considered the Data Protection Policy Update presented by Anna Goodall.

Anna Goodall explained that following an internal audit, there had been a number of enhancements to the policy.

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

1. Councillor J Clark recommended that the updated policy is communicated effectively to both staff and members to ensure they are aware of their individual responsibilities in relation to Data Protection.
2. Councillor Booth asked for confirmation that members are still responsible for their individual registration as data controllers. Anna Goodall confirmed that members are now encompassed under the Council's own registration as data controllers.
3. Councillor Booth recommended that the report is amended to provide further information on the roles of specific officers and contact details for these officers. Anna Goodall agreed to consider this.
4. Councillor Booth recommended that a schedule of training is included in 6.9 of the report.
5. Councillor Booth asked how regularly the Data Protection Policy will be reviewed. Anna Goodall stated that the internal audit had recommended that the Council develop a 'policy on policy' which will collate all of the Council's policies to ensure they are being updated and reviewed accordingly.

**The Corporate Governance Committee AGREED the revised Data Protection Policy.**

#### **CGC27/19 CORPORATE RISK REGISTER QUARTERLY REVIEW.**

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

Sam Anthony drew member's attention to the amendments shown in the report.

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

1. Councillor Booth asked if the Council have officers on standby in case of a natural disaster (page 106 of the agenda pack). Sam Anthony confirmed that there will be a rota of emergency on-call officers that cover throughout the year. This rota also ensures that officers are within a commutable distance to the district at all times.
2. Councillor Wicks asked if there was a minimum response time for these officers. Sam Anthony explained that officers are required to mobilise immediately in the instance of a natural disaster, subject to their commute.
3. Councillor J Clark highlighted that the register does not include information about the work the Council undertakes with other partners in relation to natural disasters. Sam Anthony explained that 'blue light services' tend to lead on the immediate emergency response however local authorities are responsible for community recovery. Peter Catchpole added that the Council is a member of the Local Resilience Forum which includes all external

organisations.

4. Councillor Booth highlighted the reduction to risk 17 (page 109 of the agenda pack) and suggested this may need to be reassessed as a majority ruling party in Government may implement legislative changes which could impact the Council.
5. Councillor Booth suggested that risk 3 (page 110 of the agenda pack) is amended to show the reduction in the likelihood of the current risk as the inherent risk has not changed. Sam Anthony agreed.
6. Councillor Wicks asked how the Council mitigate in relation to IT and cyber security issues within partner organisations, such as Anglia Revenues Partnership (ARP). Sam Anthony confirmed that these are considered and partners have their own processes that feed into the Council's recovery plans and risk management assessments.
7. Councillor Booth recommended that the Council's process for organisational change is not clearly articulated in the report (page 111 of the agenda pack). Sam Anthony agreed to incorporate this.
8. Councillor Booth referenced risk 2 – Brexit (page 114 of the agenda pack) and stated that the wording needs to be amended in relation to the withdrawal agreement and a 'no deal' Brexit. Sam Anthony agreed to review this.
9. Councillor Booth referenced risk 20 (page 121 of the agenda pack) in relation to the Council's CIS. He stated that further information needs to be included in relation to the management of this risk and the governance arrangements. Sam Anthony agreed to review this.
10. Councillor J Clark referenced risk 7 (page 124 of the agenda pack) and asked if the Council have had any issues with unauthorised access into Council premises. Sam Anthony confirmed that procedures in place to mitigate this risk following the relocation of the March One Stop Shop to Fenland Hall.
11. Councillor J Clark asked that this is added and reflected in the appropriate Council risk registers.
12. Councillor Booth thanked Sam Anthony for her work on this report.

**The Corporate Governance Committee AGREED Appendix A to the report.**

#### **CGC28/19 ITEMS OF TOPICAL INTEREST**

1. Councillor Booth asked for further information in relation to a data breach which had recently been reported in the local press. Anna Goodall explained that the breach related to information that had been sent out to members of the public regarding the Local Plan review. Inadvertently, as a result of human error, the email addresses were included enabling all recipients to see all other consultee's email addresses. She confirmed that no other personal data had been compromised and therefore the personal risk to the individuals affected was minimal. She assured members that she had carried out a full risk assessment under her responsibility as Data Protection Officer and as a result, an apology had been issued to those individuals and further guidance had been provided to officers.

5.02 pm

Chairman

# Fenland District Council

## Audit Plan

Year ended 31 March 2020

26 February 2020



Building a better  
working world





Corporate Governance Committee Members  
Fenland District Council  
Fenland Hall, County Road,  
March, Cambs,  
PE15 8NQ

26 February 2020

Dear Committee Members

**Provisional Audit Plan - 2019/20**

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

This Provisional Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing; we will inform the Corporate Governance Committee if there any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the committee.

This report is intended solely for the information and use of the Corporate Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 17 March 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

*MARK HODGSON*

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



# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

This report is made solely to the Corporate Governance Committee and management of Fenland District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Corporate Governance Committee, and management of Fenland District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Corporate Governance Committee, and management of Fenland District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





01

# Overview of our 2019/20 audit strategy





## Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Corporate Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Incorrect capitalisation of revenue expenditure	Fraud risk	No change in risk or focus, but shown separately for clarity	Linking to the risk above we have considered the capitalisation of revenue expenditure on Property, Plant and Equipment (PPE) as a specific fraud risk, given the extent of the Council's capital programme.
Valuation of Land and Buildings	Inherent risk	No change in risk or focus	The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and are estimates which 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.
Pension Liability Valuation	Inherent risk	No change in risk or focus	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 liability (£64.401 million as at 31 March 2019) is a material estimated balance and the Code requires that the liability be disclosed on the Council's balance sheet.

## Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Corporate Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Audit risks and areas of focus

In addition to the risks outlined above we have identified an area of audit focus.

Area of focus	Change from PY	Details
Implementation of new auditing and accounting standards	New area of focus	<p><b>IFRS 16 Leases:</b> Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21. This Code has yet to be published, but in July 2019 CIPFA/LASAAC issued 'IFRS 16 leases and early guide for practitioners'. It is likely there will be some disclosure requirements for the 2019/20 statement of accounts.</p> <p><b>Going Concern Compliance with ISA 570:</b> This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements.</p>

## Overview of our 2019/20 audit strategy

### Materiality

Planning  
materiality

**£1.1m**

Materiality for the Council has been set at £1.1 million, which represents 2% of the prior years gross expenditure on provision of services.

Performance  
materiality

**£0.825m**

Performance materiality has been set at £0.825 million, which represents 75% of materiality. We have assessed a lower likelihood of misstatement this year based on the prior year audit.

Audit  
differences

**£0.055m**

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund) greater than £0.055 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Corporate Governance Committee.

# Overview of our 2019/20 audit strategy

## Audit scope

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

- Our audit opinion on whether the financial statements of Fenland District Council give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness (Value for Money).

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Fenland District Council's audit, we will discuss these with management as to the impact on the scale fee.



## 02 Audit risks





## Audit risks

### Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*	What is the risk?	What will we do?
	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>We will undertake our standard procedures to address fraud risk, which include:</p> <ul style="list-style-type: none"><li>▶ Identifying fraud risks during the planning stages;</li><li>▶ Inquiry of management about risks of fraud and the controls put in place to address those risks;</li><li>▶ Understanding the oversight given by those charged with governance of management's processes over fraud;</li><li>▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;</li><li>▶ Determining an appropriate strategy to address those identified risks of fraud; and</li><li>▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.</li></ul>





## Audit risks

### Our response to significant risks (continued)

#### Misstatements due to fraud or error - the incorrect capitalisation of revenue expenditure \*

#### Financial statement impact

We have identified a risk of expenditure misstatements due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to capitalisation of revenue expenditure and could result in a misstatement of cost of services reported in the Comprehensive Income and Expenditure statement.

#### What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively (see above).

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

#### What will we do?

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

- ▶ Reviewing the appropriateness of revenue and expenditure recognition accounting policies and testing that they have been applied correctly during our detailed testing;
- ▶ Performing sample testing on additions to PPE to ensure that they have 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 and other adjustments made in the preparation of the financial statements.



## Audit risks

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

#### What is the risk/area of focus?

##### Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) represents a significant balance 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. At 31 March 2019 the net book value of PPE totalled £49.1 million.

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 will we do?

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

- ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

## Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
<p><b>Pension Liability Valuation</b></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>At 31 March 2019 this totalled £64.4 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.</p> <p>Accounting for this scheme involves significant estimation and judgement.</p> <p>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.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> <li>▶ Liaise with the auditors of the administering authority (Cambridgeshire County Council), to obtain assurances over the information supplied to the actuary in relation to Fenland District Council;</li> <li>▶ Assess the work of the Pension Fund actuary (Hymans) 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 considering any relevant reviews by the EY actuarial team; and</li> <li>▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19, with a specific focus on McCloud related entries.</li> </ul>



## Audit risks

### Other areas of audit focus (continued)

#### What is the risk/area of focus?

##### IFRS16 - leases

IFRS 16 Leases was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as “pay as you go” arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21. This Code has yet to be published, but in July 2019 CIPFA/LASAAC issued ‘IFRS 16 leases and early guide for practitioners’.

This early guidance provides comprehensive coverage of the requirements of the forthcoming provisions, including:

- ▶ the identification of leases
- ▶ the recognition of right-of-use assets and liabilities and their subsequent measurement
- ▶ treatment of gains and losses
- ▶ derecognition and presentation and disclosure in the financial statements,
- ▶ the management of leases within the Prudential Framework.

The guidance also covers the transitional arrangements for moving to these new requirements, such as:

- ▶ the recognition of right-of-use assets and liabilities for leases previously accounted for as operating leases by lessees
- ▶ the mechanics of making the transition in the 2020/21 financial statements (including the application of transitional provisions and the preparation of relevant disclosure notes).

#### What will we do?

IFRS 16 - leases introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases.

The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet.

Although the new standard will not be included in the CIPFA Code of Practice until 2020/21, work will be necessary to secure information required to enable authorities to fully assess their leasing position and ensure compliance with the standard from 1 April 2020 and some narrative disclosures are likely to be required for 2019/20.

In particular, full compliance with the revised standard for 2020/21 is likely to require a detailed review of existing lease and other contract documentation prior to 1 April 2020 in order to identify:

- ▶ all leases which need to be accounted for
- ▶ the costs and lease term which apply to the lease
- ▶ the value of the asset and liability to be recognised as at 1 April 2020 where a lease has previously been accounted for as an operating lease.

We will discuss progress made in preparing for the implementation of IFRS 16 - leases with the finance team over the course of our 2019/20 audit.



## Audit risks

### Other areas of audit focus (continued)

#### What is the risk/area of focus?

##### Going Concern Compliance with ISA 570

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Corporate Governance Committee.

The CIPFA Guidance Notes for Practitioners 2019/20 accounts states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.'

'If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.'

#### What will we do?

The revised standard requires:

- ▶ auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- ▶ improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. While the Council are not one of the three entity types listed, we will ensure compliance with any updated reporting requirements;
- ▶ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

The revised standard extends requirements to report to regulators where we have concerns about going concern.

We will discuss the detailed implications of the new standard with finance staff during 2019/20 ahead of its application for 2020/21.



03

## Value for Money Risks





# Value for Money

## Background

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

For 2019/20 this is based on the overall evaluation criterion:

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

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

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

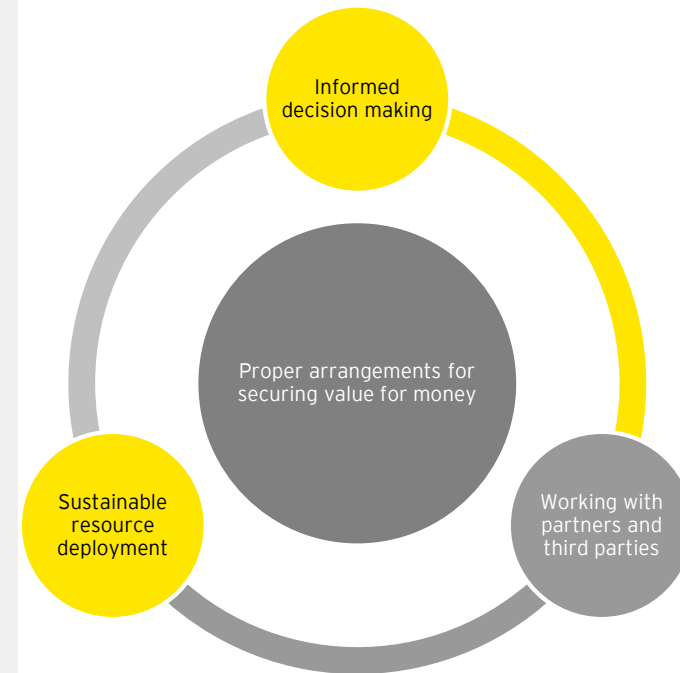
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level.

We have not yet completed our value for money planning risk assessment for 2019/20. As part of this we will consider the steps taken by the Council to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we would expect that Authorities will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers. Our risk assessment will consider both the potential financial impact of the issues we identify, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders.







04

## Audit materiality





## Materiality

### Materiality

For planning purposes, materiality for 2019/20 has been set at £1.1 million. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have used this basis primarily due to the fact that the main function of the entity is to provide services to the local community. We have provided supplemental information about audit materiality in Appendix C.



We request that the Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

### Key definitions

**Planning materiality** - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.825 million which represents 75% of planning materiality (2018/19: 75%). We maintained this level due to the low volume of errors identified in 2018/19 and the risk that a similar volume of errors will recur in 2019/20.

**Audit difference threshold** - we propose that misstatements identified below this threshold are deemed clearly trivial. A marginally higher threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund. The audit differences threshold has been set at £0.055 million.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the committee, or are important from a qualitative perspective.



## 05 Scope of our audit



## Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

##### Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

##### Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

#### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

# Our Audit Process and Strategy (continued)

### Audit Process Overview

#### Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

Our intention is to carry out a fully substantive audit in 2019/20 as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2019/20, the overarching control arrangements form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement.

#### Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Committee.

#### Internal audit:

As in prior years we will review internal audit plans and the results of the works. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

# Scope of our audit

## Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements:

- ▶ The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required, late working papers, internal quality assurance arrangements, changes to finance team etc.
- ▶ As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- ▶ good quality draft financial statements and supporting working papers by the agreed deadline;
- ▶ appropriate Council staff to be available throughout the agreed audit period; and
- ▶ complete and prompt responses to audit questions using the EY Canvas Portal.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the year and redeploy the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Authority we will:

- ▶ Work with the Authority and officers to engage early to facilitate early substantive testing where appropriate.
- ▶ Provide an early review on the Authority's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- ▶ Facilitate a closedown workshop with Statutory Finance Officers to agree an approach to enable us all to achieve a successful closure of accounts for the 2019/20 financial year.
- ▶ Work with the Authority to implement/ embed/ improve the use of EY Client Portal, this will:
  - ▶ Streamline our audit requests through a reduction of emails and improved means of communication;
  - ▶ Provide on -demand visibility into the status of audit requests and the overall audit status;
  - ▶ Reduce risk of duplicate requests; and
  - ▶ Provide better security of sensitive data.
- ▶ Agree the team and timing of each element of our work with you.
- ▶ Agree the supporting working papers that we require to complete our audit.





06

## Audit team



## Audit team

The engagement team is led by Mark Hodgson for his second year as Associate Partner on the audit. Mark has significant public sector audit experience, with a portfolio of Local Authorities and Local Government Pension Funds and is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA).

Mark is supported by Amalia Valdez Herrera, Assistant Manager, who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance manager. Amalia was the Assistant Manager for the execution and conclusion stage of the 2018/19 audit.

## Use of specialists

Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	Fenland District Council's property valuer. We will also consider any valuation aspects that may require EY valuation specialists to review any material specialist assets and the underlying assumptions used.
Pensions disclosure	EY Actuaries, PwC (Consulting Actuary to PSAA) and Hymans Robertson (the Council's actuary)
NDR appeals provision	Fenland District Council's NDR appeals expert, WHE.
Fair Value Investment Measurement	Link Asset Services (the Council's Treasury Advisor)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.





07

## Audit timeline







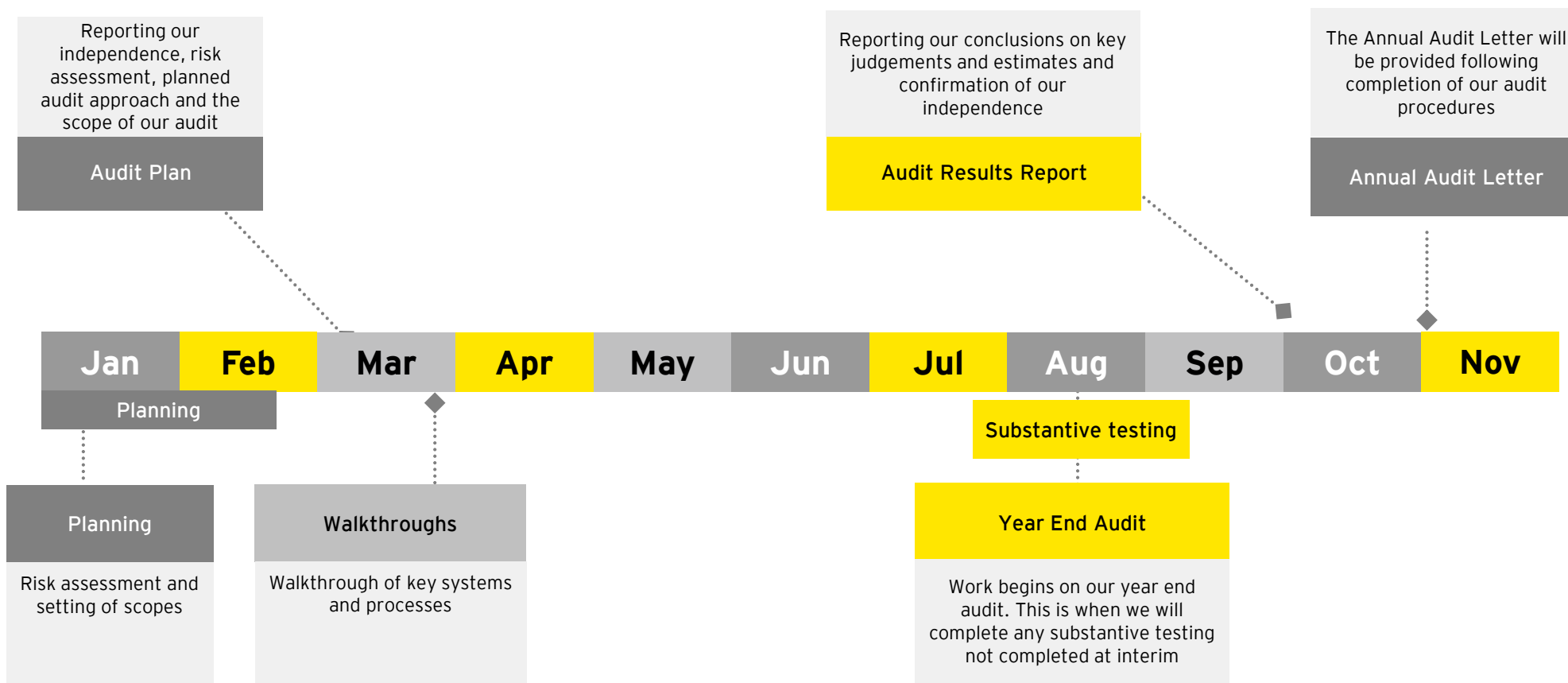
## Audit timeline

### Timetable of communication and deliverables

#### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20.

From time to time matters may arise that require immediate communication with the Corporate Governance Committee and we will discuss them with the Corporate Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08

# Independence



## Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.</li> </ul>	<ul style="list-style-type: none"> <li>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</li> <li>▶ Written confirmation that all covered persons are independent;</li> <li>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</li> <li>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

## Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

### Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

### Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 36.9%. This is based on the planned fee for the agreed upon procedures work for the Housing Benefits certification work. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

### Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

### Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

## Relationships, services and related threats and safeguards

### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.  
There are no other threats at the date of this report.

Description of service	Related independence threat	Period provided/duration	Safeguards adopted and reasons considered to be effective
We have been engaged to undertake the audit of the Housing Benefits Subsidy Claim 2019/20. The agreed upon procedures on the certification arrangements are due to start in April. Our current fee level is £14,960 however we will update you should this amount change.	Self review threat - figures included in the return are also included in the 2019/20 financial statements.	Relates to 2019/20 return for the period to 31 March 2020.	<p>We have assessed the related threats to independence and note that although certain figures in the return are included in the financial statements the agreed upon procedures are being performed after the signing of the financial statements for 2019/20.</p> <p>The agreed upon procedures focus on the specific requirements of the certification arrangements and we place limited reliance on this work for the purposes of the financial statements audit. No other threats to independence have been identified.</p>



## New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

### Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
  - Tax advocacy services
  - Remuneration advisory services
  - Internal audit services
  - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Corporate Governance Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Corporate Governance Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

### Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.

## Other communications

### EY Transparency Report 2019

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

[https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/\\$FILE/ey-uk-2019-transparency-report.pdf](https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/$FILE/ey-uk-2019-transparency-report.pdf)



09

## Appendices



## Appendix A

### Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Scale fee 2019/20	Final Fee 2018/19
	£	£
Total Fee - Code work	37,873 (Note 2)	37,873
Other - Port Authority Work	2,600 (Note 3)	2,600
<b>Total Audit</b>	<b>40,473</b>	<b>40,473</b>
Other non-audit services not covered above (Housing Benefits)	14,960 (Note 1)	14,960 (Note 1)
<b>Total other non-audit services</b>	<b>14,960</b>	<b>14,960</b>
<b>Total Fees</b>	<b>55,433</b>	<b>55,433</b>

***All fees exclude VAT***

Note 1 - The 2018/19 HB work has just been completed and the final fee will be based on the engagement letter issued on 26 June 2019. The planned fee is shown currently in respect of this. For 2019/20 the planned fee represents the same base fee and the expected number of extended testing samples based on 2018/19 testing.

Note 2 - For 2019/20, the scale fee will be impacted by a range of factors which will result in additional work (see Page 8). We will revisit the fee, in discussion with key officers, as the audit progresses.

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Note 3 - The fee is for additional work on the harbour accounts prepared annually by the Council. This is consistent with the fee for the same work in 2018/19 and 2017/18.



## Appendix B

# Required communications with the Corporate Governance Committee

We have detailed the communications that we must provide to the Corporate Governance Committee .

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Corporate Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - 17 March 2020
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - September/October 2020



## Appendix B

# Required communications with the Corporate Governance Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report - September/October 2020
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Corrected misstatements that are significant</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - September/October 2020
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Corporate Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	Audit Results Report - September/October 2020
Related parties	<ul style="list-style-type: none"> <li>▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report - September/October 2020




## Appendix B

# Required communications with the Corporate Governance Committee (continued)

Our Reporting to you		
Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Audit Results Report - September/October 2020</p> <p>Audit Plan - 17 March 2020</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit Results Report - September/October 2020
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Corporate Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of</li> </ul>	Audit Results Report - September/October 2020
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - September/October 2020

## Appendix B

# Required communications with the Corporate Governance Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - September/October 2020
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - September/October 2020
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - September/October 2020
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit plan is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Results Report - September/October 2020  Audit Plan - 17 March 2020
Certification work	Housing Benefits Assurance Process (HBAP) report submitted to DWP and S151 officer	HBAP report - November 2020



## Additional audit information

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

#### Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Corporate Governance Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.



## Appendix C

# Additional audit information (continued)

### Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Council financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.



# Fenland District Council

## Audit Plan - Update Addendum

Year ended 31 March 2020

4 May 2020



## Audit risks

# Other areas of audit focus – update consideration

### Impact of Covid-19

The ongoing disruption to daily life and the economy as a result of the Covid-19 virus will have a pervasive impact upon the financial statements. Understandably, the priority for the Council to date has been to ensure the safety of staff and the delivery of business critical activities. However, the financial statements will need to reflect the impact of Covid-19 on the Council's financial position and performance. Due to the significant uncertainty about the duration and extent of disruption, at this stage we have not identified specific risks related to Covid-19, but wish to highlight the wide range of ways in which it could impact the financial statements. These may include, but not be limited to:

- ▶ **Going concern** - management's assessment of whether the Council is a going concern will need to consider the impact of the current conditions on the Council's future performance. Additional narrative disclosure will be required, including on the future principal risks and uncertainties, including the impact on operations for 2020/21 and beyond.
- ▶ **Revenue recognition** - there may be an impact on income collection (Council and Business rates) if businesses and residents are unable to work and earn income due to the lockdown and restriction of movement due to COVID-19.
- ▶ **Tangible assets** - there may be impairment of tangible assets if future service potential is reduced by the economic impact of the virus. The Council may also have already incurred capital costs on projects where the economic case has fundamentally changed.
- ▶ **Pensions** - volatility in the financial markets is likely to have a significant impact on pension assets, and therefore net liabilities.
- ▶ **Receivables** - there may be an increase in amounts written off as irrecoverable and impairment of year-end balances due to the increased number of businesses and residents unable to meet their financial obligations.
- ▶ **Holiday and sickness pay** - the change in working patterns may result in year-end staff pay accruals which are noticeably different to prior years.
- ▶ **Government support** - any Covid-19 specific government support is likely to be a new transaction stream and may require development of new accounting policies and treatments.
- ▶ **Annual Governance Statement** - the widespread use of home working is likely to change the way internal controls operate. The Annual Governance Statement will need to capture how the control environment has changed during the period and what steps were taken to maintain a robust control environment during the disruption. This will also need to be considered in the context of internal audit's ability to issue their Head of Internal Audit opinion for the year, depending on the ability to complete the remainder of the internal audit programme.

We will provide an update on the impact of Covid-19 on the Council's financial statements, and how we have responded to the additional risks of misstatement, later in our audit.

In addition to the impact on the financial statements themselves, the disruption caused by Covid-19 may impact on management's ability to produce the financial statements and our ability to complete the audit to the planned timetable. For example, it may be more difficult than usual to access the supporting documentation necessary to support our audit procedures. There will be additional audit procedures we have to perform to respond to the additional risks caused by the factors noted above.





03

## Value for Money Risks






# Value for Money

## Background

We have now completed our value for money planning risk assessment for 2019/20 and have identified one significant Value for Money risk as set out below.

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
<p><b>Commercial and Investment Strategy</b></p> <p>The Council continues to identify new ways to generate income in the current constrained financial environment.</p> <p>In 2019/20 the Council established an 'Investment Board', which would have the flexibility to undertake non-Treasury investments of up to £25 million. This would be funded from a combination of borrowing and reserves. The Investment Board will also have the facility to deliver projects through a Local Authority Trading Company.</p> <p>Entering into such commercial activity requires the Council to have appropriate governance arrangements in place to appropriately plan for, consider, deliver and performance monitor such investments.</p> <p>We have identified this as a risk given it is a new activity by the Council and proposes to utilise significant levels of funding.</p>	<p>Taking informed decisions.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>• Consideration of the Council's Commercial and Investment Strategy to ensure it is in line with current guidance;</li> <li>• Governance arrangements that the Council has put in place to manage the decision-making process around such investments;</li> <li>• How the Investment Board monitors and reports the financial performance of such investments, and any relevant divestment strategy;</li> <li>• The financial modelling of the returns from commercial activity included in the medium term financial strategy.</li> </ul>
<p>The latest Medium Term Financial Plan (MTFP) shows that there is a gap between funding and expenditure in years 2019/20 to 2024/25 of £1.105 million.</p> <p>However, this figure (net position) is after taking account of a number of key items:</p> <ul style="list-style-type: none"> <li>• CFF Transformation savings identified but not yet implemented of £0.157 million in 2020/21 and 0.412 million per annum from 2021/22 onwards; and</li> <li>• unconfirmed New Homes Bonus grant income of £3.569 million (2021/22 to 2024/25).</li> </ul> <p>Whilst the General Fund reserve position is currently healthy, the analysis above does presents a risk to the Council's financial position.</p>	<p>Deploy resources in a sustainable manner</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>• Assess the financial outturn position for 2019/20, including the delivery of savings;</li> <li>• Review the arrangements that the Council have put in place for identifying medium term savings requirement and development of its budget and MTFP;</li> <li>• Obtain supporting information in respect of the key savings; and</li> <li>• Undertake a sensitivity analysis of past and current activity, and the impact this would have on future reserve balances.</li> </ul>

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Agenda Item No:	8	
Committee:	Corporate Governance Committee	
Date:	17 August 2020	
Report Title:	Statement of Accounts 2019/20	

## Cover sheet:

### 1 Purpose / Summary

The purpose of this report is for members to review and note the draft Statement of Accounts for 2019/20.

### 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 Accounts are presented in draft subject to External Audit.
- The Council's Statement of Accounts 2019/20 (subject to external audit) was signed off by the Corporate Director and Chief Finance Officer on 10 July 2020 as required by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 and the Council's external auditors, Ernst & Young (EY) began their audit work on 13 July 2020.
- In accordance with the above regulations, the final audited accounts should be published by 30 November 2020 following approval by this Committee. EY's Audit Results Report is scheduled to be presented to Corporate Governance Committee on 2 November 2020 with the final audited accounts being published soon after, following receipt of the auditor's opinion.

### 3 Recommendations

- It is recommended that the contents of the draft Statement of Accounts for the financial year ended 31 March 2020 be noted.

<b>Wards Affected</b>	All
<b>Forward Plan Reference</b>	
<b>Portfolio Holder(s)</b>	Cllr Chris Boden, Leader & Portfolio Holder, Finance
<b>Report Originator(s)</b>	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
<b>Contact Officer(s)</b>	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
<b>Background Paper(s)</b>	Closure of accounts working papers 2019/20



## **1 BACKGROUND**

- 1.1 The annual accounts of local authorities 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 on other relevant guidance relating to accounting and reporting standards. The Code, based on International Financial Reporting Standards (IFRS), is highly prescriptive both in terms of the main financial statements and the notes that accompany them.
- 1.2 The Accounts and Audit Regulations 2015 require that the Council's Statement of Accounts be signed off by the Corporate Director and Chief Finance Officer by the end of May following the financial year ended 2019/20 and for the final audited Statement of Accounts to be published by the end of July.
- 1.3 In anticipation of the potential disruption to local authorities caused by COVID-19, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 were introduced to extend the deadlines. For the 2019/20 Statement of Accounts, the draft accounts must be signed off by 31 August 2020 by the Corporate Director and Chief Finance Officer and the publication of the final audited accounts has moved to 30 November 2020.
- 1.4 To meet the agreed timetable of the external auditors (EY), the draft Statement of Accounts was signed off by the Corporate Director and Chief Finance Officer on 10 July 2020, well within the amended deadline. These draft accounts, which are subject to external audit, have been published on the Council's website along with the required notice of the Exercise of Public Rights to inspect the accounts.
- 1.5 The figures presented are all provisional pending audit by the Council's external auditors EY (Ernst & Young), who began their work on 13 July 2020. EY's Audit Results Report will be presented to Corporate Governance Committee on 2 November 2020, where the Committee will also be presented with the final Statement of Accounts. Following receipt of the external auditor's opinion, the final audited Statement of Accounts 2019/20 will be published on the Council's website. This is expected to be well within the deadline of 30 November 2020.
- 1.6 The timetable for production of the Council's draft accounts has been achieved once again this year. The production of accounts under IFRS remains a complex task and requires a significant and concentrated staff commitment to meet the statutory deadlines.

## **2 STATEMENT OF ACCOUNTS AND AUDIT ARRANGEMENTS**

- 2.1 The draft Statement of Accounts is attached for review and at Appendix A is a brief summary giving explanations of the contents of the accounts.
- 2.2 The 2019/20 audit of accounts will be undertaken by Ernst & Young (EY) and has already commenced. Should any material changes to the draft Statement of Accounts be required at the conclusion of their work, these will be incorporated into the final version for approval at the meeting of this Committee on 2 November 2020.
- 2.3 The accounts are available for a statutory period of public inspection of 30 working days, which started on 15 July 2020. Notice of the dates and times of availability have been published on the Council's website. In addition, local government electors of the district may question the auditor or make objections to the accounts for the year ended 31 March 2020, during the inspection period.
- 2.4 It is anticipated that the audit of the accounts will be concluded in mid-late October. At the meeting of this Committee scheduled for 2 November 2020, members will receive a formal report of the Audit Opinion, known as the Audit Results Report (ISA 260). Members will then be asked to approve the Statement of Accounts 2019/20.

## STATEMENT OF ACCOUNTS 2019/20

### 1. Narrative Report

This Section gives summary information for the financial year.

### 2. Statement of Responsibilities

Sets out both this Council's and the Corporate Director and Chief Finance Officer's responsibilities.

#### **Core Financial Statements:-**

### 3. Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

### 4. Comprehensive Income and Expenditure Statement

This Section gives detailed information about total expenditure on the services provided by the Council. Income for each service is matched against expenditure to show the net cost of services. The account also shows how much is received from council tax payers and from general government grants to help meet the cost of services. In addition, the statement shows the movements in the revaluation reserve and actuarial gains and losses on the pension scheme.

### 5. Balance Sheet

The balance sheet provides a snapshot of the Council's financial position as at 31 March 2020. It sets out what the Council owns and what the Council owes at this point in time.

### 6. The Cash Flow Statement

This statement summarises the total cash movements during the year for both capital and revenue purposes.

### 7. Expenditure and Funding Analysis

This analysis details the adjustments between the funding and accounting basis across the Council's services and other operating income and expenditure. The accounting adjustments do not impact on the Council's General Fund balance (and hence Council Tax levels). They are therefore not reported as part of outturn.

### 8. Notes to the Core Financial Statements

There are 40 notes to the Core Financial Statements and these provide additional information regarding the Council's financial activities during 2019/20. They include at Note 1 the Council's Accounting Policies.

#### **Additional Financial Statements:-**

### 9. The Collection Fund

The Council is legally obliged to maintain this fund separately from all other funds and accounts. It shows the transactions that have arisen because the Council is a billing authority, responsible for collecting non-domestic rates and council tax on behalf of the precepting authorities (the police, fire authority, county council, town and parish councils) and central government as well as for itself. The collection fund records the income we receive from local council taxpayers and business ratepayers and the money that is distributed to other public bodies.

**FENLAND DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS**  
**(SUBJECT TO AUDIT)**

**2019-20**

**FENLAND DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS**  
**2019/20**

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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. 100,850 people live in the district (ONS: 2019), which covers 211 square miles within North Cambridgeshire. 75% of people live in our four market towns of Chatteris, March, Whittlesey and Wisbech. Our beautiful rural landscape is home to 29 villages and attracts visitors from around the country.

Fenland has the lowest house prices in Cambridgeshire and plentiful availability of commercial land. As a result, our population is growing quickly. By 2036, it is predicted that the population will have increased by over 9% to 110,700. We have plans in place to maximise the positive opportunities that growth brings.

Our population is also getting older. 29% of our population are aged 60 or over; above average compared to Cambridgeshire and the UK as a whole (ONS: 2019). Alongside partners, we are working to enable residents to access the support they need to live happily, healthily and independently.

We also face some challenges around deprivation, particularly around education and health. We are the 80th (out of 326) most deprived area in the country, with some wards within the top 10% most deprived (IMD: 2019). Nevertheless, we continue to work closely with other organisations to positively overcome these challenges.

Further details can be found in our Annual Report at: [www.fenland.gov.uk/annualreport](http://www.fenland.gov.uk/annualreport)

### **3. ABOUT FENLAND DISTRICT COUNCIL**

Fenland District Council has 364 employees. As an organisation, our unique 'one-team' culture supports the effective delivery of our priorities. It enables officers, elected members and partners to effectively work together without the constraints of traditional department silos. We support and invest in our workforce to give them the skills they need to work effectively in their roles, which has been recognised by continued Customer Service Excellence (CSE) re-accreditations. In our latest Staff Survey (2018), 84% of staff said they were proud to work for us.

Public sector austerity has now continued for over a decade. Since 2010, we have made savings of £9.9million, and must make a further £1.651million between 2020/21 and 2023/24. The challenge remains to deliver good quality services that our residents need, whilst investing in services and projects that help the district to grow. We continue to work closely with partners, with well-established arrangements in place for a number of our key services including Revenues and Benefits and Planning Policy. Our recent partnership with Freedom Leisure has already enabled improvements to be made to our leisure centre facilities, whilst saving £351,000 per year.

As an organisation, work is underway to ensure we are operating as effectively as possible – not only to meet current needs, but to meet future ones too. We recently adopted a Commercial and Investment Strategy which will support us to make good decisions on income generation, regeneration and placeshaping opportunities. Our ‘My Fenland’ Customer Services project is enabling us to transform our processing of customer enquiries by utilising technology to enable residents to access services 24/7. A number of transformation projects, spanning across a variety of service areas, are also changing the way we work to meet emerging needs.

We are an ambitious, forward thinking organisation and continue to lobby for investment to help tackle important issues – particularly relating to skills, transport, affordable housing, education and regeneration. As a result, we have commitments of £61 million from the Cambridgeshire and Peterborough Combined Authority towards projects that will benefit Fenland. We continue to work with partners to deliver property improvements, including ambitious plans for 11/12 and 24 High Street, as part of the National Heritage Lottery Funded Wisbech High Street project. The recently completed ‘Growing Fenland’ masterplans also offer exciting possibilities to bring economic growth and regeneration for our four market towns. As ever, we continue to pursue funding for ambitious and transformational projects and hope to secure Government funding for our ‘March Future High Street’ bid, having been successful in the first phase.

Alongside partners, we also continue to develop new ways of working. Now in its third year, and initially supported by £736,000 of Government funding, our new partnership ‘Trailblazer’ approach to homelessness prevention across Cambridgeshire and Peterborough is shaping best practice across the country. Early intervention and multi-agency working has supported over 1,000 households, who would usually not qualify for help, to avoid becoming homeless. We also successfully bid for £2.2million of funding from the DCLG Controlling Migration Fund. This is supporting us and the wider ‘Diverse Communities Forum’ partnership to successfully tackle migration issues affecting local people including homelessness, overcrowding, poor housing conditions, modern day slavery, discrimination and street drinking. This work has recently been shortlisted for a national award and best practice is being shared nationally, contributing to sector-led improvement.

However, we now find ourselves in unprecedented times. As we write this narrative report at the beginning of July 2020, Coronavirus (COVID-19) is significantly impacting the UK and the world. We are doing everything in our power to minimise its impact on residents and businesses. By working closely with partners, volunteers and communities, who are generously providing help where they can, we are able to signpost residents to a wide range of support services and reduce duplication between organisations.

We are working hard to continue delivering our core services, with appropriate modifications to meet Government guidelines. Our Refuse team are working at capacity, but by volunteering to cancel holidays and rest days, are still providing a normal service - despite a significant increase in household bin usage. Our Housing team have offered temporary accommodation to over 50 rough sleepers who are particularly vulnerable within the pandemic. We would like to thank residents for their gratitude and continued support which is helping to keep our workforce motivated during these challenging times.

Our COVID-19 telephone co-ordination Hub, launched at the end of March, is providing valuable support to residents aged over 70 and other vulnerable groups. Staffed by our Customer Services team and officers repurposed from non-critical services, the Hub

received over 300 phone calls in its first three days of operation and has helped residents to access food, medicines, essential supplies and over 50 different support services.

Our Environmental Health team have been actively supporting the Government's closure of certain businesses and offering guidance for those who can open under revised operating measures. As well as implementing business rates relief measures, we are quickly responding to the Government's business support measures. We have been responsible for administering three business grants in Fenland and since April 2020, we have paid over £19.057million to 1,722 businesses who were eligible for support.

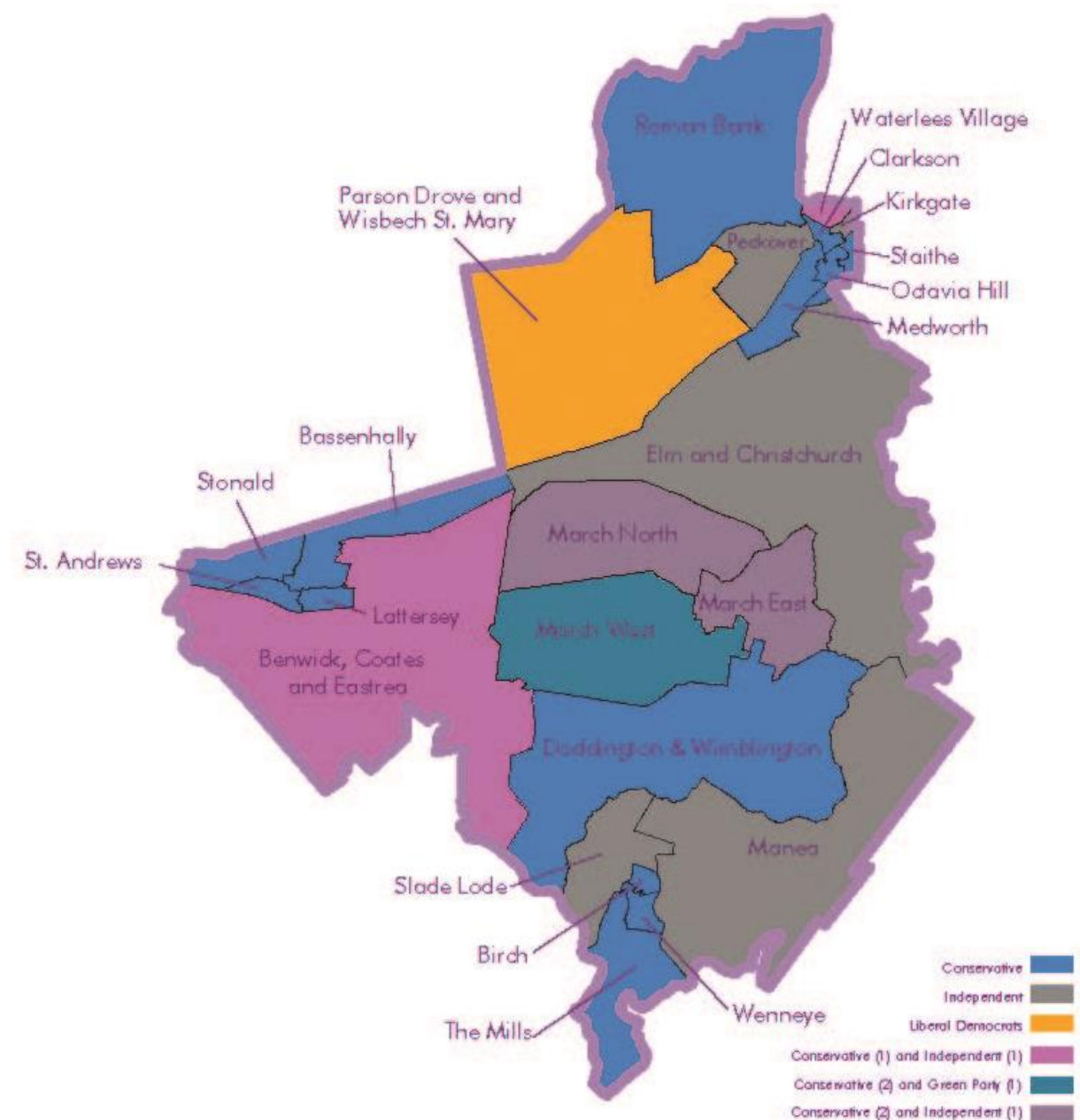
#### **4. GOVERNANCE**

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 10 Councillors, each with specific responsibilities.

The Conservative group holds the majority with 25 seats. The remaining 14 seats are made up of 10 Independent Councillors, 2 Liberal Democrat Councillors and 1 Green Party Councillor. 1 seat is vacant and its by-election will take place during May next year.



## 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 Combined Authority to seek investment and support for improvements to transport, infrastructure, skills and employment.



The Council's priorities and sub-priorities for 2019-20 are summarised in the table below.

**Summary of Corporate Priorities 2019/20:**




Quality Organisation	Communities	<ul style="list-style-type: none"> <li>• Support vulnerable members of our community</li> <li>• Promote health and wellbeing for all</li> <li>• Work with partners to promote Fenland through culture and heritage</li> </ul>
	Environment	<ul style="list-style-type: none"> <li>• Deliver a high performing refuse, recycling and street cleansing service</li> <li>• Work with partners and the community on projects that improve the environment and our street scene</li> <li>• Work with partners to keep people safe in their neighbourhoods by reducing crime and anti-social behaviour and promoting social cohesion</li> </ul>
	Economy	<ul style="list-style-type: none"> <li>• Attract new businesses, jobs and opportunities whilst supporting our existing businesses in Fenland</li> <li>• Promote and enable housing growth, economic growth and regeneration across Fenland</li> <li>• Promote and lobby for infrastructure improvements across the District</li> </ul>

<b>Communities</b>	<p><b>Support vulnerable members of our community</b></p> <ul style="list-style-type: none"> <li>Over the last year, we investigated 187 complaints from tenants in private rented accommodation, resulting in serious health and safety failings being put right. Supported by £196,000 from the Government's 'Controlling Migration' fund, we have built upon our existing enforcement work. By undertaking street-by-street inspections in Wisbech, we have gathered valuable property intelligence and uncovered hidden issues. Last year we made a total of 2,713 visits and 920 interventions.</li> <li>Supported by new housing legislation, we prevented 390 households from becoming homeless; an increase of 24% since 2018/19. Our Migrant Outreach Worker (also financed by the Government's 'Controlling Migration' fund) is working with over 23 clients in Wisbech to find a route away from sleeping rough. Our Housing Options team also gave valuable advice to 2065 households about a variety of issues including homelessness, tenancies, eviction, debt and living independently.</li> <li>The Cambridgeshire and Peterborough 'Trailblazer' project has successfully piloted early approaches to homelessness prevention. Supported by £736,000 of Government funding, it has prevented nearly 600 people from becoming homeless (254 in Fenland) since inception (August 2019). The project received over 1,600 referrals; 600 were from the Fenland area (the highest in the region).</li> <li>Financed by the 'Better Care Fund', we adapted 157 homes to help elderly and disabled people remain safe, secure and protected at home. 90% of people asked were satisfied with the works and said it has made their life easier 1 year on.</li> <li>367 people attended our Golden Age Fairs. The Fairs, held in our villages and towns, enable older residents to access information, advice and guidance from many local and national partner organisations. Over 20 partner organisations regularly attend the fairs and this year have offered free electric blanket exchanges, scam awareness advice along with health and fitness information. When asked, 100% of visitors were satisfied with the Fairs and would recommend them to their family and friends.</li> </ul> <p><b>Promote Health and Wellbeing for all</b></p> <ul style="list-style-type: none"> <li>Freedom Leisure continues to deliver leisure centre services on our behalf. Over the past year, we have seen an increased number of learn to swim users, more gym attendees and a high degree of customer satisfaction. With our support, Freedom redeveloped the Hudson Leisure Centre, with new improved facilities opening in January 2020. All gym equipment across our four leisure centres has been replaced, offering the community top class equipment to encourage them to stay active.</li> <li>A variety of 'Active Fenland' projects have encouraged local people, of all ages, to get moving and try new sports where they live. This has been cost-neutral to the Council thanks to over £195,000 of funding from a variety of organisations. 'Active Families' funding has supported families with children</li> </ul>
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	<p>from our most deprived areas to enjoy a variety of activities including multi-sport clubs, running, cricket, fitness classes and swimming. 'Let's Get Moving' has supported a variety of people to enjoy sessions including walking sport, chair-based exercise, yoga, running, cycling and mum's fitness. Positively, Cambridgeshire County Council Public Health have now extended this funding for a further five years.</p> <ul style="list-style-type: none"> <li>• We work closely with partners to help households increase their energy efficiency and reduce fuel poverty. Following referrals from councils, housing associations and the Department for Work and Pensions, the Peterborough City Environment Trust (PECT) charity made 53 home visits to households to advise them how to save energy and access support. Through the 'Stay Well' project, £15,467 in grants was awarded across 83 households with vulnerable residents needing help to pay oil or top up a pre-payment energy meter. 121 households switched their energy supplier through the 'iChoosr' collective switching scheme, saving an average of £250 on their annual energy bill.</li> <li>• The Wisbech 2020 Vision programme has achieved significant outcomes since its inception and has created a helpful foundation for recent projects in the area, such as Think Communities and I ♥ Wisbech. A mixture of long-term infrastructure related projects are being driven forward, with more immediate socioeconomic interventions making a difference. Partners remain committed to working both differently and together, with work currently being undertaken to review the Vision's approach, drive forward project delivery and embed actions into partner's business plans. Examples of achievements include: <ul style="list-style-type: none"> <li>o Sponsorship of bespoke training courses at the College of West Anglia to improve local employment opportunities (delivered by Anglian Water)</li> <li>o Improvements to the Queen Mary Centre (championed by Anglian Water)</li> <li>o Progress on the Wisbech High Street project (see 'Economy' section)</li> <li>o Support provided to the Wisbech Society General Cemetery Restoration Project, the opening of Wisbech Community Farm and the Wisbech Museum</li> <li>o Over 200 properties visited to address poor quality private rented housing, with remedial action enforced when needed.</li> </ul> </li> </ul> <p><b>Work with partners to promote Fenland through Culture and Heritage</b></p> <ul style="list-style-type: none"> <li>• We successfully secured a grant from the Arts Council to develop a creativity and culture strategy for Fenland. This work is ongoing and is expected to produce a document that will support local creative people and agencies in applying for grant funding, as well as linking groups together to be more effective across the district.</li> </ul>
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## Performance

	Target 2019/20	Performance	Variance on target
Days taken to process new claims and changes for Council Tax support	8 days	6.06 days	24%
Days taken to process new claims and changes for Council Tax benefit	8 days	4.65 days	42%
% of attendees satisfied with Golden Age events	96%	100%	4%
% of those asked satisfied with our leisure centres (Net Promoter Score)*	39	44	13%

Key	 On or above target (<-4%)	 Nearly on target (-5% to -9%)	 Below target (>-10%)
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## Environment

### Deliver a high performing refuse, recycling and street cleansing service

- More than 2.9 million bin collections were made across the district, in all weathers. Residents recycled over 50% of their waste through waste collections or using the household waste recycling centres. Customer satisfaction with our Garden Waste (Brown Bin) service remains high at 94%. Subscriptions continue to rise, totalling 21,300 in 2019/20. Almost 19,000 households signed up early for the current year.
- Our 40 trained 'Getting It Sorted' volunteers delivered 113 recycling events, generously volunteering for over 1,500 hours to promote recycling. Projects included launching a new multi-lingual recycling website, [www.gettingitsorted.org](http://www.gettingitsorted.org), which has seen over 23,000 hits in its first three months and running a primary schools recycling project, raising over £5,600 for local schools.
- Our Cleansing and Rapid Response team continue to provide an excellent seven day street sweeping and litter picking service. Last year they responded to over 1,400 service requests; 95% on the same or next day. Over 1,000 quality inspections were made and 99% of areas met cleansing standards first time.

### Work with partners and the community on projects to improve the environment and streetscene

- Tivoli, our grounds maintenance contractor, continues to keep our parks and open spaces well maintained so they can be enjoyed by all. In addition to their usual maintenance programme, they undertook extra works related to our tree stocks.
- With significant community involvement and considerable support from the AmeyCespa community fund, the brand new West End Skate Park officially opened in December. It is larger than the old park, suitable for all users (from beginner to expert) and is made of concrete so should last for many years.

- Our Street Scene team spent over 4,800 hours on patrol. They work closely with the community to tackle environmental and anti-social behaviour concerns, with a focus on preventing fly-tipping, littering and dog fouling. 350 Fixed Penalty Notices (FPN) were served on people who committed dog and littering related offences. The 50 people who didn't pay were found guilty at Peterborough Magistrates court and ordered to pay an average of £220 fine and £226.50 costs. 3 people were issued with a £400 FPN for fly-tipping, with 3 others prosecuted at Peterborough Magistrates Court which resulted in a total combined fine of over £26,000.
- We worked with over 300 volunteers across 24 dedicated local volunteering groups including Street Pride, In Bloom and Friends organisations, who delivered a record 254 environmental events across the district. In addition, we launched community-led Green Dog Walker schemes in March, Chatteris, Whittlesey, Wisbech and Wisbech St Mary which aims to encourage responsible dog ownership and reduce dog fouling.
- Over £102,000 was awarded to community groups living within the vicinity of wind turbines to improve their local environment. Projects included energy advice sessions, solar panels for community buildings, environmental education in schools, switching to LED lighting, enhancements to green spaces and the fourth year continuation of the 'Fenland Explorers' programme.
- Working with community groups, we continue to support popular 'Four Seasons' events. Backing from town councils, volunteers and businesses has kept the programme fresh and engaging for the 18,000 visitors who attended last year. The 11th annual St George's Fayre, with a 'Vikings and Dragons' theme, saw stilt walking warriors and juggling jesters perform on the streets. The Whittlesey Festival offered an acrobatic display from the UK's leading Cossack group along with free climbing walls, miniature golf, inflatables and bumper cars.

**Work with partners to keep people safe in their neighbourhoods by reducing crime and antisocial behaviour and promoting social cohesion**


- Our CCTV service recorded over 1,250 incidents of crime and disorder and supported our enforcement partners to make 105 arrests, helping to make our towns and public spaces safer. To reduce costs (saving circa £55,000 per annum from 2020/21) whilst improving operator presence, we now operate a shared service with Peterborough City Council in a new 'state of the art' control room within Peterborough. The shared service went live from January 1st 2020 and now monitors our newly upgraded digital camera network.
- With support from partners, our Community Safety team responded to 150 reports of anti-social behaviour. A high-profile example of their work is Ely House (Wisbech), where they successfully applied for a Closure Order due to the community impact of criminal and anti-social behaviour there. As part of the Fenland Community Safety Partnership, public engagement and workforce development activities took place surrounding Domestic Abuse, Hate Crime, Scams and Cybercrime.



- The Diverse Communities Forum (DCF), formed of over 30 partners across statutory, housing associations, health sector, community, voluntary and faith groups, continues to improve integration and cohesion between communities. With Government funding, they have delivered a project to recruit and manage bi-lingual advisors in the community. This has improved access to oversubscribed local translation services at a reduced cost, whilst helping non-English speakers to access services, improve their language skills and become more self-sufficient.

#### Performance

	Target 2019/20	Performance	Variance on target
Rapid or Village response requests actioned the same or next day	90%	95%	6%
% of inspected streets meeting our cleansing standards	93%	99%	6%
% of collected household waste – Blue Bin recycling	28%	28%	0%
Customer satisfaction with Refuse and Recycling services	90%	99%	10%
Customer satisfaction with Garden Waste service	80%	94%	18%
Number of Street Pride and Friends Of community environmental events supported	204	254	25%
% of local businesses who thought they were supported and treated fairly	90%	100%	11%
% of those asked who are satisfied with events	90%	98%	9%

Key		On or above target (<-4%)		Nearly on target (-5% to -9%)		Below target (>-10%)
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#### Economy

#### Attract new businesses, jobs and opportunities whilst supporting our existing businesses in Fenland

- Our 'Fenland For Business' team helped to shape the Local Industrial Strategy (LIS) for Cambridgeshire & Peterborough by representing the views of the Council and its local business community. The LIS is a framework for economic growth which is used to develop projects and programmes of support for businesses in key sectors.
- To support businesses in moving to Fenland, we adopted a new Discretionary Business Rate Relief Policy. This aims to attract and support businesses who offer staff training, opportunities for school leavers along with higher skilled and paid jobs. We continue to support training and education by hosting events for the Adult Learning and Skills team. This aims to engage harder to reach groups and provide training and support to improve their skills. We are also involved in the National Retraining Scheme initiative. This seeks to support the retaining of employees as automation changes their roles and new roles emerge, whilst others disappear.

- 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.
- Our Business Premises continue to provide popular 'start up' and conference sites, with 88% occupancy. 98% of customers surveyed were happy with our facilities. In August, the Boathouse became the new location for our Wisbech One Stop Shop (now known as Wisbech Customer Services centre).
- Wisbech Yacht Harbour remains busy. Full-time berths are fully occupied and we have exceeded targets for boatlift operations. With Lincolnshire County Council and Kings Lynn Borough Council we are delivering new infrastructure, a detailed hydrographic survey programme and a new Sail The Wash website. This has been enabled through our £750,000 funding bid from the Coastal Community Fund.




**Promote and enable housing growth, economic growth and regeneration across Fenland**

- Our Planning team processed over 700 planning applications from across the district. In terms of meeting Government targets, our performance remains excellent (between 96% and 100% depending on application type) making us one of the top performing Councils in the country. Our success rate at appeal remains excellent and is well within Government performance requirements, with only between 1.2-1.6% of appeals (depending on development type) allowed (as percentage of applications determined). We have also investigated and dealt with nearly 300 cases of unauthorised development that was reported to us.
- Work is progressing on the production of the new Local Plan. A first stage consultation took place at the end of 2019 which included a call for development sites. These are in the process of being assessed prior to the publication of a Draft Local Plan consultation.
- Our Economic Growth Team assisted with the assessment applications and payment of grant funding via the Cambridgeshire Fens Leader Programme. This was awarded £1.45m from DEFRA to fund rural diversification and expansion projects. Of the funding available, 49% (£710,500) was allocated to Fenland-based businesses. Projects were funded that improved agricultural productivity, provided enhanced rural workspace, encouraged tourism and supported local heritage.
- The Cambridgeshire and Peterborough Combined Authority (CPCA) funded the development of a 'Growing Fenland' masterplan for each Fenland market town. This aims to bring jobs, infrastructure and growth to Fenland whilst enabling each town to become and remain 'vibrant and thriving places' in their own right. Now approved, the Town Teams look forward to delivering masterplan priorities once funding is secured. A strategic report was produced, containing proposals to address district-wide issues.

	<ul style="list-style-type: none"> <li>• With funding from the National Lottery Heritage Fund, we continue to work with property owners and tenants to improve the buildings on Wisbech High Street. Highlights from 2019/20 include: <ul style="list-style-type: none"> <li>o Helping applicants to develop improvement programmes on 8 properties, offering guidance on planning consents, quotations and funding applications</li> <li>o Working closely with a developer who plans to regenerate the derelict site at 11-12 High Street into an exciting new residential and retail complex</li> <li>o Carefully removing a derelict structure at the rear of 24 High Street to allow for redevelopment in 2020</li> <li>o Finalising a programme of training for students in traditional building repairs with the College of West Anglia, using a redundant chapel owned by the Council in Wisbech</li> <li>o Delivering workshops, talks and exhibitions to engage residents about local heritage. Topics have included Museums at Night and a History of Wallpaper</li> </ul> </li> </ul> <p><b>Promote and lobby for infrastructure improvements across Fenland</b></p> <ul style="list-style-type: none"> <li>• Following on from last year's relaunch, supported by Cross Country, the Hereward CRP (Community Rail Partnership) have been raising their profile and improving community engagement by holding 'pop up' stands in 5 local stations, engaging with over 2,000 people. The Wisbech Tesco Bus, supported by Section 106 developer funding, has been successfully extended until July 2021.</li> <li>• Supported by CPCA funding, work continues to improve transport connectivity in Fenland and beyond. This has included: <ul style="list-style-type: none"> <li>o Up to £25 million to improve the A47 Guyhirn roundabout by increasing its size and widening the carriageway. Works are expected to finish in 2022</li> <li>o £32 million to deliver the A605 Kings Dyke crossing, with construction due to start in 2020 and complete in 2022</li> <li>o £10.5 million for Phase 1 of the Wisbech Access Strategy which will deliver improvements around Weasenham Lane/Ramnoth Road, Broad End Road, Elm High Road, Newbridge Lane/Cromwell Road</li> <li>o £9 million to improve March, Manea and Whittlesea stations</li> <li>o £1.5 million for recent feasibility work and a business case for a March-Wisbech Railway line. Options are being explored for the project's next stage</li> <li>o £1 million for a March area transport study to improve local transport issues, with proposals due for public consultation in 2020/21.</li> </ul> </li> </ul>
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## Performance

	Target 2019/20	Performance	Variance on target
% of major planning applications determined in 13 weeks	75%	100%	33%
% of minor applications determined in 8 weeks	80%	96%	20%
% of other applications determined in 8 weeks	90%	97%	8%
% occupancy of our Business Estates	87%	88%	1%
% of customers satisfied with our Business Estates	92%	98%	7%
% occupancy of Wisbech Yacht Harbour	85%	95%	12%

Key	 On or above target (<-4%)	 Nearly on target (-5% to -9%)	 Below target (>-10%)
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## Quality Organisation

- We collected just over £56million of Council Tax and £24million in Business Rates. This plays a major part in funding the key services we provide to the community. We also pass a large share of this money onto the Police, Fire Service, County and Parish Councils – see the ‘Money Matters’ section for more information.
- More people are using our website than ever before. We received nearly 685,000 visits in 2019/20 and nearly 10,000 online form submissions (excluding Garden Waste subscriptions) across 50 different topics. Dedicated Coronavirus webpages were set up to signpost to government support and business grant information; these received over 16,000 hits within 4 weeks. Work is currently underway to develop a brand new website that will be launched during 2020. This will deliver valuable improvements to its design, quality of content, search facility and its ‘Find My Nearest’ postcode look-up system.
- Our Social Media following continues to grow, with 8,570 Twitter followers and 3,368 Facebook followers. We use these channels to advertise council services, local events and partner organisations. Some of our Tweets have been ranked in the top 50 ‘Great UK Gov Tweets’ which ranks the most 50 engaging tweets everyday based on retweets, likes and potential reach. One such example is a tweet in January about boxing professional Jordan Gill’s visit to Fenland, which ranked 32<sup>nd</sup> and was estimated to reach 115,250 people. Our Social Media channels have proved particularly effective in engaging with residents and businesses about Coronavirus, offering us the ability to quickly publicise and signpost emerging information.
- Our Elections team continue to work hard to allow everyone to exercise their right to vote. 2019 was a busy year for the team who successfully delivered three major elections – two of which were unexpected. On May 2nd, the all-out elections were held involving 24 District Councillor wards and 39 Parish/Town Council wards. Both the European Parliamentary Election (May

23rd) and General Election for the North East Cambridgeshire Parliamentary Constituency (December 12th) were successfully held at short notice, and for the General Election, at an extremely unusual time of year. There was significant interest in the General Election, with unprecedented numbers of local residents coming forward to register on the electoral roll in order to participate in the voting process.




- Due to decreasing footfall (-81% in 15 years) and increased online service uptake, we relocated our Wisbech and March One Stop Shops to existing Council sites (The Boathouse Business Centre, Wisbech and Fenland Hall, March). This has reduced the cost to the tax payer whilst still offering face-to-face help to those who need it. The most common queries received by our Customer Services team related to Council Tax, Refuse and Benefits. Over 96% of customers surveyed said they were satisfied with the service they received.
- Well managed businesses make Fenland a safer place to live, work and socialise. Last year we issued 562 licenses. These relate to a variety of services with examples including Taxi, Premises, Alcohol, Scrap Metal and Animal Licensing. In response to customer feedback, and to streamline the applications and renewals process, we revised our taxi licensing procedure. This has received positive feedback and ensured applications are managed in the most effective way.
- We continue to consult with residents, stakeholders and partners about Council proposals. The feedback we receive helps us to understand residents' priorities and shape our services. Last year we consulted on a variety of topics which included our Business Plan, the Local List (related to our emerging Local Plan), our Council Tax Reduction scheme and proposals relating to the Gambling Act.
- Our Chairman hosted another very successful Macmillan Coffee Morning in September, raising £753 in proceeds from cake sales and a raffle. During December, she held her Community Carol Service in St John's Church (March) which was well supported by Dignitaries, Civic Heads and the community.
- We were reaccredited with the Customer Service Excellence (CSE) award last year. This is a Government standard that recognises the high quality, customer focused services we provide. In particular, our assessor praised the 'can-do' attitude of our staff and the effectiveness of the partnership working surrounding health, crime reduction and social deprivation.
- In December, we were shortlisted for a national LGC (Local Government Chronicle) award within the 'Community Involvement' category. This recognised our work within the Diverse Communities Forum, a cross-sector partnership aimed at supporting local areas facing challenges linked with migration such as poor housing conditions, exploitation, language barriers and discrimination. The LGC received over 700 entries for the 2020 awards, so to be shortlisted was a very positive achievement.
- Our Environmental Health team continues to provide a wide range of



regulatory services to support businesses and protect the public. Last year they inspected 364 food businesses, licenced 84 Animal Welfare Establishments, permitted 29 Industrial Processes, consulted on 716 planning applications and licensed 14 skin piercing establishments. They undertook a variety of nuisance investigations which involved monitoring noise, assessing odours and resolving drainage issues. As part of their Air Quality Action Plan, which strives for better air quality in the district, they successfully bid for £7844 to purchase real-time monitoring equipment. In addition, they worked with external agencies (such as Public Health England) to take court action for infectious disease control and prosecute prolific food safety issues.

#### Performance

	Target 2019/20	Performance	Variance on target
% of customer queries resolved at the first point of contact	85%	95%	12%
% of customers satisfied by our service	90%	96%	7%
% of contact centre calls answered within 20 seconds	46.5%	64.8%	39%
% of contact centre calls handled	80%	92.48%	16%
In year % of Council Tax collected	96.92%	96.76%	0%
Council Tax net collection fund receipts	£56,185,753.00	£56,585,398.70	1%
In year % of NNDR collected	97.98%	96.84%	-1%
NNDR net collection fund receipts	£24,663,273	£24,137,938	-2%
Number of visits to the FDC website	620,000	684,190	10%
% of staff that feel proud to work for FDC	82%	84%	2%

Key		On or above target (<-4%)		Nearly on target (-5% to -9%)		Below target (>-10%)
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## 6. FINANCIAL PERFORMANCE

### The 2019/20 Revenue Budget Process

The Revenue Budget for 2019/20 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 £0.103m. This compared to £0.218m included within the 2018/19 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 2019/20. However, the government is currently reviewing the 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 2021/22 onwards.

Council approved a net revenue budget for 2019/20 of £11.062m at its meeting on 21 February 2019. 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 2019/20- 2021/22.

## Council Tax

At its meeting on 21 February 2019 Council resolved not to increase Council Tax in the 2019/20 financial year. The Cambridgeshire Police and Crime Commissioner increased their element of Council Tax by 12.05% and the Fire Authority increased theirs by 2.88%. Cambridgeshire County Council increased their Council Tax by 4.98%. On average Parish Councils reduced their precepts by 1.19%.

The calculation of the 2019/20 Tax-Base, resulted in an increase of 401 Band D equivalent properties (as shown in the table below). This produced a net increase in Council Tax income of £104,400 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 2017/18 to 2019/20 is shown below:

<b>Band D Council Tax by authority</b>	2017/18 £	2018/19 £	2019/20 £
Fenland District Council	255.42	260.46	260.46
Cambs. County Council	1,190.43	1,249.83	1,312.11
Cambs. Police & Crime Commissioner	186.75	198.72	222.66
Cambs. Fire Authority	66.78	68.76	70.74
	<b>1,699.38</b>	<b>1,777.77</b>	<b>1,865.97</b>
Parish Councils (Average)	44.37	46.97	46.41
<b>Total average Band D Council Tax</b>	<b>1,743.75</b>	<b>1,824.74</b>	<b>1,912.38</b>
Total average increase	34.77 (2.03%)	80.99 (4.6%)	87.64 (4.8%)
<b>Council Tax Base</b>			
Number of Band D equivalent dwellings	28,397	28,979	29,380

## Revenue Spending

For 2019/20, the Council agreed an original budget of net spending on services of £11.062m. 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

and a contribution from the General Fund of £150,720. The Council Tax for 2019/20 was set at £260.46 for Band D properties. The precept on the Collection Fund (£7.652m) is the amount due to the Council net of Parish Precepts (£1.364m). The following table summarises the final figures (outturn) with those budgeted for the year

	Original Budget £000	Revised Budget £000	Actual £000	Actual to Revised Difference £000
General Fund Spending	11,062	10,817	10,796	(21)
Contribution to/(from) Reserves	(151)	0	0	0
<b>Total</b>	<b>10,911</b>	<b>10,817</b>	<b>10,796</b>	<b>(21)</b>
<b>Financed by:</b>				
Business Rates Baseline Funding	3,643	3,643	3,643	0
Business Rates Collection Fund Deficit	(443)	(443)	(443)	0
CT Collection Fund Surplus	59	59	59	0
Precept on Collection Fund	7,652	7,652	7,652	0
<b>Total</b>	<b>10,911</b>	<b>10,911</b>	<b>10,911</b>	<b>0</b>
<b>Net Surplus – Transferred to Budget Equalisation Reserve</b>	<b>0</b>	<b>(94)</b>	<b>(115)</b>	<b>(21)</b>
<b>General Fund Balance</b>	<b>2,622</b>		<b>2,000</b>	
	31 March 2019		31 March 2020	

In January 2020 Cabinet agreed to establish a Budget Equalisation Reserve. Cabinet approved the transfer of £200,000 from the General Fund to the Budget Equalisation Reserve representing the surplus achieved in the 2018/19 financial year. The surplus of £115,307 returned in the 2019/20 financial year has also been transferred to the Budget Equalisation reserve. In January 2020 Cabinet agreed a further transfer of £422,000 between the General Fund and the Capital Contribution Reserve to reduce the balance on that reserve to £2M.

The current General Fund Balance of £2M reflects the level approved by Cabinet as representing an adequate amount to be held in the General Fund to mitigate against the risks and adverse circumstances that the reserve is in place to address.

The Council under-spent by £0.115m (prior to additional appropriations to reserves) on the revised budget due principally to the following reasons:

	£000
• Net impact of Housing Benefit subsidy claim, overpayments and bad debts provision	32
• Homelessness – additional B&B costs	15

Off-set by	• Additional contribution to Capital Contribution Reserve	632
	• Lower employee costs	(158)
	• Lower officer car mileage, vehicle and vessel maintenance costs	(45)
	• Lower supplies & services costs	(154)
	• Lower Gate Fees and Higher Dry Recycling credits	(37)
	• Additional income from fees and charges	(266)
	• Additional government grants	(40)
Net under-spend compared with revised estimate		(21)
	• Projected surplus at revised estimate	(94)
	• Transfer to Budget Equalisation Reserve	115
		0

## Budget Monitoring

Revenue and capital budget monitoring information is reported 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 2019/20 the Council spent £4.916m 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 £5.91m and a revised budget of £5.51m.

The main items of capital expenditure in the year were improvements to the Hudson Leisure Centre (£0.832m), new leisure equipment (£0.632m), grant aid support to private sector home owners to make adaptations to their properties (£1.209m), investment in vehicles (£0.475m) and investments in parks and play equipment (£0.304m).

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

Capital receipts of £0.445m (net of costs) were realised in 2019/20 (2018/19: £0.131m).

## Revenue Balances

Set out in notes 26 and 27 to the core financial statements are the Council's reserves. As at 31 March 2020, the Council's uncommitted General Fund Balance stood at £2m and the total Earmarked Reserves balance stood at £6.763m.

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.

## **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 2019/20 and earlier financial years in their proportionate share. Therefore, a provision of £1.671m (Fenland's share) has been recognised for the best estimate of the amount that businesses are potentially due a refund at 31 March 2020.

## **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 2019/20. No new borrowing was undertaken in 2019/20 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 £9.019m (£12.5m at 31<sup>st</sup> March 2019).

## **Pension Liabilities**

At 31 March 2020, the Council's share of the assets and liabilities of the Cambridgeshire LGPS show an estimated net liability of £48.801m. 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.

The next actuarial valuation has been carried out as at 31 March 2019, with the employer's contribution again set as a combination of a percentage of salary plus a lump sum. For the period 2020/21 – 2022/23 the rate has been set at 17.4% together with lump sum payments of £0.865m, in 2020/21, £0.953m in 2021/22 and £1.041m in 2022/23. The Council paid a lump sum of £2.687m in April 2020 as an advance payment of the 2020/21 - 2022/23 lump sums, generating a discount of £0.172m. This will be 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.



## Significant Transactions

The actuarial valuation of the Council's Local Government Pension Scheme liabilities and pension reserve shown on the Balance Sheet have reduced by £15.6m during the year, from £64.401m at 31 March 2019 to £48.801m at 31 March 2020. This is mainly the result of the impact of the 31 March 2019 formal actuarial valuation which has led to significant asset and liability 're-measurement experience' changes relating to return on assets together with financial, demographic and other experience assumptions. In effect, the accounting figures are 'recalibrated' every three years following each formal valuation. 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 £1.827m being recognised in the revaluation reserve. These gains were offset by downward movements in the value of other assets totalling £2.302m leading to a net debit to the revaluation reserve of £0.475m.

## 7. MEDIUM TERM FINANCIAL STRATEGY 2020/21 – 2024/25

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) as presented to Council on 20 February 2020, shows that the Council faces a continuing budget gap over the five years from April 2020. The following table summarises the position, showing a cumulative gap over the period to 2024/25 of £1.105m.

### Summary Medium Term Financial Strategy (February 2020)

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
<b>Expenditure</b>					
Net Service Expenditure	12,415	12,677	13,036	13,316	13,709
Corporate Items	-1,130	-803	-576	-431	-391
Contribution from Reserves	0	0	0	0	0
<b>Net Budget Requirement</b>	<b>11,285</b>	<b>11,874</b>	<b>12,460</b>	<b>12,885</b>	<b>13,318</b>
<b>Funding</b>					
Revenue Support Grant	0	0	0	0	0
Retained Business Rates	-3,702	-3,776	-3,851	-3,928	4,007
Business Rates Collection Fund Deficit	311	0	0	0	0
Council Tax Collection Fund Surplus	-128	-50	-50	-50	-50
Council Tax (0% increase. Increases shown reflect expected changes in Council tax Base )	-7,766	-7,863	-7,961	-8,059	8,156
<b>Total Funding</b>	<b>-11,285</b>	<b>-11,689</b>	<b>-11,862</b>	<b>-12,037</b>	<b>-12,213</b>

Surplus(-)/Shortfall(+)	0	+185	+598	+848	+1,105
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The multi-year settlement announced in Autumn 2015 (covering the period 2016/17 – 2019/20), resulted 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 with an inflationary increase of 2% from 2021/22 onwards.

### **Fair Funding Review**

The implementation of a revised approach to central government's allocation of financial resources to local government has been subject to considerable delay. The Government has now confirmed that it is looking to implement the Fair Funding Review in April 2022. Working groups continue to develop proposals for the Fair Funding Review and MHCLG have issued consultation papers on various aspects of the review.

To date, the consultations explore what factors should be taken into account in determining the needs and resources of local authorities. This is particularly important as these elements have a major impact on what the government determines individual authorities 'spending assessment' will be. The consultation documents imply that the government in assessing relative needs, favours a simpler distribution formula with fewer indicators based largely around population projections with deprivation removed from the formula. This could have a detrimental effect on this Council's funding. However, the options around relative resources (the ability of each authority to generate council tax income) could result in a transfer of funding from high tax-base (lower-need) authorities to low tax-base (higher-need) authorities, which could benefit this Council. At the current time, there is no reasonable assessment that can be made of the potential impact on this Council of the Fair Funding Review.

### **Future Changes to the Business Rates Retention System**

The implementation of the Fair Funding Review will happen alongside the implementation of changes to arrangements for the retention of income generated from business rates by 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.

### **Council for the Future (CFF)**

Through its Comprehensive Spending Review (FDC-CSR), which was established in July 2015, the Council achieved considerable success in securing savings across a number of services. The estimated total net savings generated from the FDC-CSR proposals agreed previously at £1.667m will now amount to £1.8m by the end of 2020/21 with £1.65m achieved by the end of 2019/20. Changes implemented include the introduction of a garden waste subscription service with effect from 1 April 2017, the transfer of management of the Council's leisure centres with effect from December 2018 and the implementation of shared services model with Peterborough City Council for the delivery of CCTV.

Following all-out elections in May 2019, the new Cabinet has instigated a new programme of transformational change known as Council for the Future. A number of projects are being developed, including My Fenland which focusses on how the Council can improve the way in which it uses technology to enhance the ways in which the Council provides services to its customers.

### **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. During the current financial year work on the production of masterplans for each of the four market towns was completed and this work was funded by the Combined Authority. The Council continues to work with the Combined Authority on a Stations Regeneration Programme which aims to enhance transport infrastructure across the District and there are also plans in place to increase the number of industrial units at the South Fens Business Centre drawing on grant funding allocated by the Combined Authority.

## **8. EXPLANATION OF THE FINANCIAL STATEMENTS**

The Council's financial statements for the year 2019/20 are set out on pages 30 to 109. 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 2020;
- 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 10 July 2020. 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.

### **Events after the Balance Sheet Date**

On 23<sup>rd</sup> March 2020, the Prime Minister announced that to limit the spread of the coronavirus he would be asking people to stay at home and where possible work from home and only essential journeys should be made. Effectively this meant that a lot of businesses became unable to carry on operating and many employees were 'furloughed' on 80% of their existing salary paid by central government. The financial and social outcomes of this are not yet fully understood, however, it is anticipated that the condition will exist for the short to medium future and that it will have a significant impact upon the UK and global economy. As the condition did exist at the 31 March 2020, this is therefore an adjusting event, for which an estimate of its financial effect on the reporting entity can be made as at 31 March 2020, particularly with regards to financial impact for 2019/20 in terms of Property Plant and Equipment valuations and impairments, the provision for impairment on receivables and Pension liability valuations as at the balance sheet date.

Expenditure incurred on additional service provision, or reduced Income from services or investments pertaining to 2020/21 will be accounted for within the 2020/21 financial statements in accordance with our accounting policies and accepted accounting practice.

## **11. GOING CONCERN**

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis.

The Corona virus restrictions across the UK, have created significant issues for many businesses and residents and as a result from April 2020, Council experienced additional spending pressures and its' income was affected detrimentally as customers either stopped receiving services, sought to defer payments or were unable to pay at all.

The government has provided a range of support for the additional costs borne by authorities because of the crisis and the Council has received £1.089 million to date in this regard. On 24 June 2020, the government announced further funding support for those in emergency accommodation and EEA rough sleepers. On 2 July 2020, the government announced a further package of measures to assist local authorities with funding to cover spending pressures. We have not as yet been notified of what our allocations from these additional funding measures will be.

The government announcement on 2 July 2020 also detailed a package of measures to support authorities' lost income as follows:



- A co-payment mechanism for irrecoverable Sales, Fees and Charges income, with the Government covering 75% of losses beyond 5% of planned income;
- Phased repayment of Collection Fund deficits over the next 3 years;
- A commitment to determine what support is needed to help councils meet the pressures of irrecoverable tax income at the Spending Review.

Our most recent year-end balances, as reported in these statements are as follows.

<b>Date</b>	<b>General Fund</b>	<b>Earmarked reserves</b>
31/3/20	£2.00m	£6.763m

We have carried out an assessment of the impact of Covid-19 on our future finances and we are satisfied that there is no material uncertainty relating to the Council's going concern. Through our assessment we have identified that in 2020/21 we expect total income reductions (non-collection fund) due to COVID-19 to be £1.938m and additional costs have been estimated at £2.324m based on the expectations of the Council's Service leads. These estimates are consistent with the latest COVID-19 Local Authority financial monitoring return submitted to MHCLG on 19 June 2020.

#### Collection Fund losses:

- Business Rates: excluding reliefs which are being reimbursed to local authorities, we have assumed a 15% (£2.649m) loss of total business rates due for the year due to non-payment. This Council's share of that loss is 40%. This loss will manifest itself as a deficit on the collection fund at the end of the year which will be accounted for in 2021/22.
- Council Tax: we have assumed an 8% (£4.835m) reduction in cash received during the year due to payment failure. In addition we are expecting a significant increase in the number of working age Council Tax Support claims, although at this time it is difficult to know with any certainty what will happen during the remainder of this year and the ongoing impact into 2021/22. These will impact on the deficit on the collection fund at the end of this year of which this Council's share is approximately 15.7%.
- The government announced on 2 July 2020 that the repayment of collection fund deficits arising this year will be spread over the next three years rather than the usual one.
- The government has also committed to consider the apportionment of irrecoverable Council Tax and Business Rates losses between central and local government. These measures will be determined at the Spending Review.

The above assessments are based on lockdown arrangements gradually being eased from July 2020 and reflect the impact on Council services to date and an estimated impact for the remainder of the year. The package of measures announced by the government will substantially mitigate the impact of the spending pressures and income losses for 2020/21 detailed above. We have yet to make any assessment of the ongoing spending pressures and income losses on 2021/22 and over the medium term.

Therefore, we would expect our 2020/21 outturn to show a revised deficit, taking into account all the above factors of between £1.5 – £2 million. This would be funded from the available Earmarked Reserves leaving a predicted General Fund balance of £2m at 31 March 2021.

The government has announced that the Fair Funding Review, reform of the Business Rates retention system and the Business Rates revaluation, all scheduled for 2021/22 are to be delayed. Consequently, we have left our assumption for Business Rates for 2021/22 in line with our previous MTFS planning (which assumed a CPI increase), which shows a deficit in 2021/22 on the provision of services of £0.185 million. The ongoing impact of the 2020/21 pressures will almost certainly increase this deficit, although we have not as yet made any detailed assessment of this impact. We are however, confident that with the measures announced by the government, the net deficit can be met by additional savings and efficiencies where possible and by the targeted use of available earmarked reserves. We are not intending to draw on our GF balance. As a result, our GF balance at 31 March 2022 is expected to be £2 million which is the minimum level set by Council.

## **12. RESTATEMENT OF PRIOR YEAR COMPARATORS**

Following the resignation of one of its Directors in May 2019 the Council restructured its operations. A structure whereby four Corporate Directors reported to the Chief Executive was replaced with a three directorate structure. The Council's internal financial reporting was altered to take account of this change and this is reflected within the Comprehensive Income and Expenditure Account, the Expenditure and Funding Analysis and the associated notes. Prior year comparators have been restated so that the equivalent financial information for the previous year is reported on the same basis.

## **13. 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.

## **14. CORPORATE DIRECTOR AND CHIEF FINANCE OFFICER'S CERTIFICATE**

I certify that the financial statements set out on pages 29 to 108 present a true and fair view of the financial position of Fenland District Council at 31 March 2020 and its income and expenditure for the year then ended.

**Signed:** .....

10 July 2020

**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:** .....

10 July 2020

**Peter Catchpole**  
**Corporate Director and Chief Finance Officer**

## CORE FINANCIAL STATEMENTS

### 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.

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

	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
<b>Balance at 31 March 2019</b>	2,622	7,681	0	425	10,728	(16,370)	(5,642)
<b>Movement in reserves during 2019/20</b>							
(Deficit) on Provision of Services	(4,386)	0	0	0	(4,386)	0	(4,386)
Other Comprehensive Expenditure and Income	0	0	0	0	0	19,069	19,069
<b>Total Comprehensive Expenditure and Income</b>	<b>(4,386)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,386)</b>	<b>19,069</b>	<b>14,683</b>
Adjustments between accounting basis and funding basis under regulation (note 8)	2,846	0	0	(150)	2,696	(2,696)	0
<b>Net Increase/(Decrease) before Transfers (to)/from Earmarked Reserves</b>	<b>(1,540)</b>	<b>0</b>	<b>0</b>	<b>(150)</b>	<b>(1,690)</b>	<b>16,373</b>	<b>(14,683)</b>
Transfers to / (from) Earmarked Reserves (note 9)	918	(918)	0	0	0	0	0
<b>Increase/(Decrease) in 2019/20</b>	<b>(622)</b>	<b>(918)</b>	<b>0</b>	<b>(150)</b>	<b>(1,690)</b>	<b>16,373</b>	<b>(14,683)</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>2,000</b>	<b>6,763</b>	<b>0</b>	<b>275</b>	<b>9,038</b>	<b>3</b>	<b>9,041</b>



## 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.

2018/19 (Restated)				2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
1,845	(601)	1,244	Growth and Infrastructure	2,201	(1,189)	1,012
16,084	(8,711)	7,373	Communities, Environment, Leisure and Planning	14,580	(6,716)	7,864
32,251	(28,133)	4,118	Resources and Customer Services	31,241	(25,597)	5,644
50,180	(37,445)	12,735	Cost of Services	48,022	(33,502)	14,520
		2,731	Other operating expenditure (note 10)			2,567
		2,180	Financing and investment income and expenditure (note 11)			2,469
		(15,811)	Taxation and non-specific grant income (note 12)			(15,170)
		1,835	Deficit on Provision of Services			4,386
		(136)	(Surplus)/Deficit on revaluation of property, plant and equipment assets (note 27)			476
		8,287	Re-measurement of net defined benefit liability/ (asset) (note 39)			(19,545)
		8,151	Other Comprehensive Income and Expenditure			(19,069)
		9,986	Total Comprehensive Income and Expenditure			(14,683)

## 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 2019		Note	31 March 2020
£000			
49,120	Property, Plant and Equipment	13	50,169
1,306	Investment Property	14	1,402
45	Intangible Assets	15	24
428	Long Term Debtors	16	404
<b>50,899</b>	<b>Long Term Assets</b>		<b>51,999</b>
12,520	Short Term Investments	17	9,019
76	Inventories	20	53
4,012	Short Term Debtors	21	5,148
8,114	Cash and Cash Equivalents	22	10,269
20	Assets held for sale		0
<b>24,742</b>	<b>Current Assets</b>		<b>24,489</b>
(36)	Short Term Borrowing	17	(36)
(157)	Short Term Finance Lease Liability	38	(163)
(6,273)	Short Term Creditors	23	(6,199)
(1,109)	Receipts in Advance	24	(2,534)
(1,101)	Provisions	25	(1,671)
<b>(8,676)</b>	<b>Current Liabilities</b>		<b>(10,603)</b>
(7,800)	Long Term Borrowing	19	(7,800)
(406)	Finance Lease Liability	38	(243)
(64,401)	Defined Benefit Pension Liability	39	(48,801)
<b>(72,607)</b>	<b>Long Term Liabilities</b>		<b>(56,844)</b>
<b>(5,642)</b>	<b>Net Assets/(Liabilities)</b>		<b>9,041</b>
10,728	Usable Reserves	26	9,038
(16,370)	Unusable Reserves	27	3
<b>(5,642)</b>	<b>Total Reserves</b>		<b>9,041</b>

The notes on page 37 to 108 form part of the financial statements.

**Signed:** ..... **Peter Catchpole** 10 July 2020

## 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.

<b>2018/19 £000</b>		<b>2019/20 £000</b>
<b>(1,835)</b>	<b>Net deficit on the provision of services</b>	<b>(4,386)</b>
5,873	Adjust net deficit on the provision of services for non-cash movements (note 28)	<b>4,698</b>
(1,405)	Adjust for items included in the net deficit on the provision of services that are investing and financing activities (note 28)	<b>(1,917)</b>
<b>2,633</b>	<b>Net cash flows from Operating Activities</b>	<b>(1,605)</b>
277	Investing Activities (note 29)	<b>2,164</b>
<b>(1,944)</b>	Financing Activities (note 30)	<b>1,596</b>
966	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,155</b>
7,148	Cash and cash equivalents at the beginning of the reporting period (note 22)	<b>8,114</b>
<b>8,114</b>	<b>Cash and cash equivalents at the end of the reporting period (note 22)</b>	<b>10,269</b>

## 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.

2018/19 (Restated)				2019/20		
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
1,134	110	1,244	Growth and Infrastructure	1,210	(198)	1,012
4,021	3,352	7,373	Communities, Environment, Leisure and Planning	4,370	3,494	7,864
7,530	(3,412)	4,118	Resources and Customer Services	7,715	(2,071)	5,644
12,685	50	12,735	<b>Net Cost of Services</b>	13,295	1,225	14,520
<b>(12,885)</b>	<b>1,985</b>	<b>(10,900)</b>	Other Income and Expenditure	(12,673)	2,539	(10,134)
<b>(200)</b>	<b>2,035</b>	<b>1,835</b>	<b>(Surplus) or Deficit</b>	<b>622</b>	<b>3,764</b>	<b>4,386</b>
<b>2,422</b>			<b>Opening General Fund Balance</b>	<b>2,622</b>		
<b>200</b>			<b>Add/(Less) Surplus/(Deficit) on General Fund in Year</b>	<b>(622)</b>		
<b>2,622</b>			<b>Closing General Fund Balance at 31<sup>st</sup> March</b>	<b>2,000</b>		

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## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES**

#### **i. GENERAL PRINCIPLES**

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (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 2019/20 and Service Reporting Code of Practice 2019/20, 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 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 2.3% (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 than £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.

#### **The Council as Lessee**

##### **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 2020/21 Code:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The Council does not anticipate these changes will have a material impact on its financial statements.

CIPFA/Local Authority Accounts Advisory Committee (LASAAC) have deferred implementation of IFRS16 Leases for local government to 1 April 2021. The standard will require local authorities who are lessees to recognise, where applicable, leases on their balance sheet as right of use assets, with corresponding lease liabilities (there is no recognition for low value and short-term leases).

### 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 judgement made in the financial statements is:

#### **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 2019/20 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 2020. The estimate has been calculated using the latest Valuation Office (VOA) 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 2020. The Council's share of the balance of business rate appeals provisions held at this date amounted to £1.671m. This has increased by £0.57m 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 2020 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	<p>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.</p> <p>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</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £15k for every year that useful life is reduced.</p>



	<p>Additionally, it should be noted that the valuation of Property Plant and Equipment reflected in the Balance Sheet is based on the professional assessment of the Council's valuers as at 3<sup>rd</sup> April 2020. The valuers have indicated that given the impact of Covid 19 their valuations were being reported on the basis of 'material valuation uncertainty' in accordance with professional guidance. The valuers noted that this means 'less certainty – and a higher degree of caution – should be attached to their review/valuation than would normally be the case'.</p>	<p>A reduction of 10% in the value of assets valued on the basis of Existing-Use-Value and Fair Value would reduce the carrying value of Investment Property by £140,000 and the value of Property, Plant Equipment by £1.9m</p>
Pensions Liability	<p>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.</p>	<p>The effects on the net pension's liability of changes in individual assumptions can be measured. For example:</p> <ul style="list-style-type: none"> <li>(i) a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £11.884m</li> <li>(ii) a 0.5% increase in the salary increase rate would result in an increase in the pension liability of £1.174M</li> <li>(iii) a 0.5% increase in the pension increase rate would result in an increase in the pension liability of £10.609m.</li> </ul> <p>However, the assumptions interact in complex ways, so care should be taken when looking at changes in one variable in isolation.</p>

## 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

<b>Adjustments between Funding and Accounting Basis 2019/20</b>	<b>Adjustments for Capital Purposes (Note i) £000</b>	<b>Net Change for the Pensions Adjustment (Note ii) £000</b>	<b>Other Differences (Note iii) £000</b>	<b>Total Adjustments £000</b>
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>				
Growth and Infrastructure	164	(197)	(165)	(198)
Communities, Environment, Leisure and Planning	1,187	840	1,467	3,494
Resources and Customer Services	318	494	(2,883)	(2,071)
<b>Net Cost of Services</b>	<b>1,669</b>	<b>1,137</b>	<b>(1,581)</b>	<b>1,225</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(282)</b>	<b>1,977</b>	<b>844</b>	<b>2,539</b>
<b>Difference between General Fund Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>1,387</b>	<b>3,114</b>	<b>(737)</b>	<b>3,764</b>

<b>Adjustments between Funding and Accounting Basis 2018/19 (Restated)</b>	<b>Adjustments for Capital Purposes (Note i) £000</b>	<b>Net Change for the Pensions the Adjustment (Note ii) £000</b>	<b>Other Differences (Note iii) £000</b>	<b>Total Adjustments £000</b>
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>				
Growth and Infrastructure	202	25	(117)	110
Communities, Environment, Leisure and Planning	1,224	697	1,431	3,352
Resources and Customer Services	91	(557)	(2,946)	(3,412)
<b>Net Cost of Services</b>	<b>1,517</b>	<b>165</b>	<b>(1,632)</b>	<b>50</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(257)</b>	<b>1,582</b>	<b>660</b>	<b>1,985</b>
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>1,260</b>	<b>1,747</b>	<b>(972)</b>	<b>2,035</b>

**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:

<b>Services</b>	<b>2019/20 Income from Services £000</b>	<b>Restated 2018/19 Income from Services (Restated) £000</b>
Growth and Infrastructure	(212)	(161)
Communities, Environment, Leisure and Planning	(5,003)	(6,467)
Resources and Customer Services	(543)	(69)
Financing and Investment Income	(2,146)	(2,355)
<b>Total Fees, charges and other service income</b>	<b>(7,904)</b>	<b>(9,052)</b>

## 7. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

<b><u>Expenditure/Income</u></b>	<b>2019/20 £000</b>	<b>2018/19 £000</b>
<b><u>Expenditure</u></b>		
Employee Benefits Expenses	15,674	14,988
Other Service Expenses	33,580	38,513
Depreciation, Amortisation, Impairment	1,462	1,569
Interest Payments	500	507
Precepts and Levies	3,291	3,266
(Gain) on the Disposal of Assets	(261)	(95)
<b>Total Expenditure</b>	<b>54,246</b>	<b>58,748</b>
Fees, Charges and Other Service Income	(7,904)	(9,052)
Interest and Investment Income	(212)	(190)
Income from Council Tax and Non-Domestic Rates	(12,623)	(12,631)
Government Grants and Other Contributions	(29,121)	(35,040)
<b>Total Income</b>	<b>(49,860)</b>	<b>(56,913)</b>
<b>Deficit on Provision of Services</b>	<b>4,386</b>	<b>1,835</b>

## **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.

2019/20	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>				
Charges for depreciation and impairment of non-current assets	1,595	0	0	(1,595)
Revaluation Surplus on Property, Plant and Equipment	(58)	0	0	58
Movements in the market value of Investment Properties	(97)	0	0	97
Amortisation of intangible assets	21	0	0	(21)
Capital grants and contributions that have been applied to capital financing	(1,472)	0	0	1,472
Revenue expenditure funded from capital under statute	1,673	0	0	(1,673)
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	185	0	0	(185)
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>				
Statutory provision for the financing of capital investment	(242)	0	0	242
Capital expenditure charged against General Fund Balance	(1539)	0	0	1539
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(445)	445	0	0
Use of Capital Receipts Reserve to finance new Capital expenditure	0	(445)	0	445



2019/20	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(15)	0	15	0
Capital Grants Unapplied applied to Financing of Capital Expenditure	0	0	(165)	165
<b>Adjustments primarily involving the LGPS Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,419	0	0	(5,419)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,304)	0	0	2,304
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
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	111	0	0	(111)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
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	14	0	0	(14)
<b>Total Adjustments</b>	<b>2,846</b>	<b>0</b>	<b>(150)</b>	<b>2,696</b>

2018/19

## Usable Reserves

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>				
Charges for depreciation and impairment of non-current assets	1,655	0	0	(1,655)
Revaluation Surplus on Property, Plant and Equipment	(123)	0	0	123
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)
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>				
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
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
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 receipts	0	4	0	(4)
Transfer of deferred capital receipts to useable capital receipts reserve on receipt of cash	0	18	0	(18)

## 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 2019/20.

	Note	Balance at 1 April 2018	Movements in year		Balance at 31 March 2019	Movements in year		Balance at 31 March 2020
			Receipts	Applied		Receipts	Applied	
		£000	£000	£000	£000	£000	£000	£000
Travellers Sites	1	282	23	0	305	41	(24)	322
Maintenance -Station Road, Whittlesey	2	9	3	0	12	3	(13)	2
CCTV	3	105	0	(4)	101	10	(63)	48
Invest to Save	4	120	0	0	120	0	(36)	84
Conservation	5	54	0	(50)	4	0	(4)	0
Management of Change Reserve	6	1,321	0	(118)	1,203	0	(255)	948
Neighbourhood Planning Reserve	7	185	0	0	185	0	(185)	0
Specific Grants Reserve	8	1,039	723	(125)	1,637	55	(622)	1,070
Personal Search Fees	9	115	0	0	115	0	(115)	0
Community Projects	10	12	0	0	12	0	(12)	0
Local Government Resource Review	11	500	556	0	1,056	0	(335)	721
Capital Contribution Reserve	12	1,247	96	(923)	420	1,054	(1,133)	341
Port – Buoy Maintenance	13	147	0	0	147	0	0	147
Pilots' National Pension Fund	14	451	0	(451)	0	0	0	0
Repairs & Maintenance Reserve	15	543	100	0	643	51	(57)	637
Development Fund	16	1,000	0	0	1,000	0	(1,000)	0
Wisbech High St HLF Reserve	17	191	0	(39)	152	0	(38)	114
Local Plan Reserve	18	0	451	0	451	0	(451)	0
Solid Wall Remediation	19	0	100	0	100	0	0	100
Street Lighting	20	0	18	0	18	6	0	24
Investment Strategy Reserve	21	0	0	0	0	1,350	0	1350
Budget Equalisation Reserve	22	0	0	0	0	315	0	315
Planning Reserve	23	0	0	0	0	636	(139)	497
Covid 19	24	0	0	0	0	43	0	43
<b>Total</b>		<b>7,321</b>	<b>2,070</b>	<b>(1,710)</b>	<b>7,681</b>	<b>3,564</b>	<b>(4,482)</b>	<b>6,763</b>

## **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. Following a review of reserves by Cabinet in January 2020 it was determined that this reserve was no longer required and the balance was re-allocated.
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. Following a review of reserves by Cabinet in January 2020 it was determined balance should be transferred to a new Planning Reserve.
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. This reserve was no longer required after all serving pilots transferred to the Local Government Pension Scheme. Therefore the balance was re-allocated during the 2018-19 financial year.
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. Following a review of reserves by Cabinet in January 2020 it was determined that this reserve was no longer required. Following the approval of a Commercial and Investment Strategy by the Council Cabinet approved the transfer of the balance held in this reserve to an Investment Strategy Reserve in January 2020.
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. Following a review of reserves by Cabinet in January 2020 it was determined balance should be transferred to a new Planning Reserve.
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.
21. The Investment Strategy Reserve was established following a meeting of Cabinet held in January 2020. The purpose of the reserve is to enable the Council to take forward projects approved in accordance with the Council's Commercial and Investment Strategy.
22. The Budget Equalisation Reserve was established in January 2020. The purpose of the reserve is hold surpluses achieved in previous financial years so that these are available to cover deficits returned in future years should the Council wish to do so.
23. The Planning Reserve was established in January 2020 using balances held previously in the Local Plan Reserve and the Neighbourhood Planning Reserve.
24. The Covid 19 Reserve was established in March 2020 to hold funding received from central government in March 2020 to respond to the Covid 19 pandemic.

## 10. OTHER OPERATING EXPENDITURE

	2019/20 £000	2018/19 £000
Parish Council Precepts	1,364	1,361
Council Tax Support Grant – Payments to Parish Councils	0	30
Drainage Board Levies	1,464	1,435
Loss/(Gain) on the Disposal of Non-Current Assets	(261)	(95)
<b>Total</b>	<b>2,567</b>	<b>2,731</b>

## 11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2019/20 £000	2018/19 £000
Deficit on Trading Accounts	771	464
Interest payable and similar charges	502	507
Interest on the net defined pension liability	1,576	1,487
Interest receivable and similar income	(215)	(190)
Income and expenditure in relation to investment properties and changes in their fair value	(165)	(88)
<b>Total</b>	<b>2,469</b>	<b>2,180</b>

## 12. TAXATION AND NON-SPECIFIC GRANT INCOME

	2019/20 £000	2018/19 £000
Council Tax income	(9,123)	(8,934)
Net share of business rate income	(3,076)	(3,269)
Non-ring-fenced Government grants	(2,780)	(3,114)
Capital grants and contributions	(191)	(494)
<b>Total</b>	<b>(15,170)</b>	<b>(15,811)</b>

### 13. PROPERTY, PLANT AND EQUIPMENT

Movements in 2019/20:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Asset Under Construction	Infrastructure Assets	Community Assets	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
At 1 April 2019	34,148	15,978	124	7,917	1,492	5,097	64,756
Additions	1,270	1,599	76	280	0	0	3,226
Revaluation Surplus/(Deficit) recognised in the Revaluation Reserve	419	0	0	0	0	(1,406)	(987)
Revaluation Surplus/(Deficit) recognised in the Deficit on the Provision of Services	158	0	0	0	(15)	(85)	(58)
Transfers	0	0	0	0	0	16	16
Disposals	0	(390)	0	0	0	(185)	(575)
<b>At 31 March 2020</b>	<b>35,995</b>	<b>17,187</b>	<b>200</b>	<b>8,197</b>	<b>1,477</b>	<b>3,437</b>	<b>66,493</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2019	(382)	(12,214)	0	(2,952)	(88)	0	(15,636)
Depreciation charge	(364)	(772)	0	(288)	0	0	(1,424)
Depreciation charge to the Revaluation Reserve	(171)	0	0	0	0	0	(171)
Depreciation charge written out to the Revaluation Reserve	516	0	0	0	0	0	516
Depreciation charge written out in respect of Disposals	0	391	0	0	0	0	391
<b>At 31 March 2020</b>	<b>(401)</b>	<b>(12,595)</b>	<b>0</b>	<b>(3,240)</b>	<b>(88)</b>	<b>0</b>	<b>(16,324)</b>
Net Book Value							
<b>At 31 March 2020</b>	<b>35,594</b>	<b>4,592</b>	<b>200</b>	<b>4,957</b>	<b>1,389</b>	<b>3,437</b>	<b>50,169</b>
<b>At 31 March 2019</b>	<b>33,766</b>	<b>3,764</b>	<b>124</b>	<b>4,965</b>	<b>1,404</b>	<b>5,097</b>	<b>49,120</b>



Comparative 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
<b>Cost or Valuation</b>							
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
<b>At 31 March 2019</b>	<b>34,148</b>	<b>15,978</b>	<b>124</b>	<b>7,917</b>	<b>1,492</b>	<b>5,097</b>	<b>64,756</b>
<b>Accumulated Depreciation and Impairment</b>							
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
<b>At 31 March 2019</b>	<b>(382)</b>	<b>(12,214)</b>	<b>0</b>	<b>(2,952)</b>	<b>(88)</b>	<b>0</b>	<b>(15,636)</b>
<b>Net Book Value</b>							
<b>At 31 March 2019</b>	<b>33,766</b>	<b>3,764</b>	<b>124</b>	<b>4,965</b>	<b>1,404</b>	<b>5,097</b>	<b>49,120</b>
<b>At 31 March 2018</b>	<b>33,633</b>	<b>3,601</b>	<b>41</b>	<b>5,092</b>	<b>1,404</b>	<b>5,097</b>	<b>48,868</b>

## **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 2020 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 2020 the Council had contractual capital commitments of £0.723m (31 March 2019 £0.246m).

## 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 Council arranged for the valuation of all of its leisure centres as at 31 March 2020 as a material amount was spent on the refurbishment of the Hudson Leisure Centre during the 2019/20 financial year.

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. Further information relating to the circumstances concerning the valuations can be found in Note 4.

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

	<b>Land &amp; Buildings £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Surplus Assets £000</b>	<b>Total £000</b>
Valued at historical cost	0	4,592	1,389	4,957	0	10,938
Valued at current/fair value as at:						
31 March 2016	2,758	0	0	0	0	2,758
31 March 2019	56	0	0	0	0	56
31 March 2020	32,780	0	0	0	3,437	36,217
<b>Total</b>	<b>35,594</b>	<b>4,592</b>	<b>1,389</b>	<b>4,957</b>	<b>3,437</b>	<b>49,969</b>

## 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:

	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Rental income from investment property	(69)	(84)
Loss/(Gain) on revaluation of investment property	(96)	(4)
Net (Gain)/Loss	<b>(165)</b>	<b>(88)</b>

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:

	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Balance at start of the year	1,306	1,302
Net gain/(loss) from fair value adjustments	96	4
Balance at end of the year	<b>1,402</b>	<b>1,306</b>

### 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 £21k charged to revenue in 2019/20 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:

	2019/20	2018/19
	£000	£000
<b>Balance at start of year</b>		
Gross Carrying amount	1,498	1,486
Accumulated amortisation	(1,453)	(1,411)
<b>Net carrying amount at start of year</b>	<b>45</b>	<b>75</b>
Additions	0	12
Amortisation for the year	(21)	(42)
<b>Net carrying amount at end of year</b>	<b>24</b>	<b>45</b>
<b>Comprising:</b>		
Gross carrying amounts	1,498	1,498
Accumulated amortisation	(1,474)	(1,453)

## 16. LONG TERM DEBTORS

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

	31 March 2020	31 March 2019
	£000	£000
Mortgages	51	52
Private sector housing improvement loans	213	190
Employee car loans	140	186
<b>Total</b>	<b>404</b>	<b>428</b>

## 17. FINANCIAL INSTRUMENTS

### Categories of financial instruments

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

	Carrying amount	31 March 2019
	31 March 2020	£000
	£000	
<b>Financial liabilities</b>		
<b>(Measured at Amortised Cost)</b>		
Long Term Liabilities	(7,800)	(7,800)
Short Term Borrowings	(36)	(36)
Creditors	(3,601)	(3,589)
	<b>11,437</b>	<b>(11,425)</b>

<b>Financial Assets</b>		
<b>(Measured at Amortised Cost)</b>		
Debtors	2,627	2,521
Cash & Cash Equivalents	10,269	8,114
Investments	9,019	12,520
	<b>21,915</b>	<b>23,155</b>

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:

	<b>Financial Liabilities</b>	<b>Financial Assets</b>	<b>Total</b>
	<b>31 March 2020</b>	<b>31 March 2020</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest Income – soft loans	0	(10)	(10)
Interest and Investment Income	0	(205)	(205)
Increase in allowance for expected credit losses	0	79	79
Interest payable and similar charges	521	0	521
Net loss for year	521	(133)	388

	<b>Financial Liabilities</b>	<b>Financial Assets</b>	<b>Total</b>
	<b>31 March 2019</b>	<b>31 March 2019</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
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

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 2020 the Council held £21.915m financial assets and £11.437m 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 today's 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.



	<b>Carrying Amount 31 March 2020</b>	<b>Fair Value 31 March 2020</b>	<b>Carrying Amount 31 March 2019</b>	<b>Fair Value 31 March 2019</b>
	£000	£000	£000	£000
<b>Financial liabilities</b>				
Long Term Liabilities	(7,800)	(11,863)	(7,800)	(12,183)
Short Term Borrowing	(36)	(36)	(36)	(36)
Creditors	(3,601)	(3,601)	(3,589)	(3,589)
	<u>(11,437)</u>	<u>(15,500)</u>	<u>(11,425)</u>	<u>(15,808)</u>
<b>Loans &amp; Receivables</b>				
Total Debtors	2,627	2,627	2,521	2,521
Cash & Cash Equivalents	10,269	10,269	8,114	8,114
Investments	9,019	9,019	12,520	12,520
	<u>21,915</u>	<u>21,915</u>	<u>23,155</u>	<u>23,155</u>
<b>Total</b>	<u>10,478</u>	<u>6,415</u>	<u>11,730</u>	<u>7,347</u>

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 £6.696m. 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 £3.322m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £7.854m.

This redemption charge is a supplementary measure of the fair value of the PWLB loans of £7.854m. 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 2020 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 2020 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 2020	Maturity Bands			Total
	Less than 3 Months	3 Months to 6 Months	6 Months to 1 year	
	£000	£000	£000	
Banks	6,300	5,000	0	11,300
Building Societies	3,000	0	0	3,000
Local Authorities	4,000	0	0	4,000
	<b>13,300</b>	<b>5,000</b>	<b>0</b>	<b>18,300</b>

31 March 2019	Maturity Bands			Total
	Less than 3 Months	3 Months to 6 Months	6 Months to 1 year	
	£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
	<b>15,200</b>	<b>5,000</b>	<b>0</b>	<b>20,200</b>

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; and
- 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:

	<b>12-Month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses – Not Credit Impaired</b>	<b>Lifetime Expected Credit Losses – Simplified Approach</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening Balance at 1 April 2019</b>	0	299	62	361
New Financial Assets Originated or Purchased	0	0	0	0
Amounts Written Off	0	0	(25)	(25)
Changes in Model/ Risk Parameters	0	(6)	25	19
<b>As at 31 March 2020</b>	0	293	62	355

	<b>12-Month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses – Not Credit Impaired</b>	<b>Lifetime Expected Credit Losses – Simplified Approach</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening Balance at 1 April 2018</b>	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)
<b>As at 31 March 2019</b>	0	299	62	361

The Council has the following exposure to credit risk at 31 March 2020.

<b>Basis for Calculation of Expected Credit Loss</b>	<b>Gross Carrying Amount 31 March 2020 £000</b>	<b>Gross Carrying Amount 31 March 2019 £000</b>
12-Month Expected Credit Losses	741	594
Lifetime Expected Credit Losses – Not Credit Impaired	293	299
Lifetime Expected Credit Losses – Simplified Approach	1,593	1,628

### **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 2020 are due within one year, apart from long term borrowings and finance lease liabilities. The maturity analysis of long term borrowing is as follows:

	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
Between 5 and 10 years	<b>2,000</b>	<b>2,000</b>
Between 10 and 15 years	<b>2,500</b>	<b>2,500</b>
Between 30 and 35 years	<b>3,300</b>	<b>3,300</b>
<b>Total</b>	<b>7,800</b>	<b>7,800</b>

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 2019/20 would have been a reduction in income of £51,000 (£54,000 reduction in 2018/19).

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 2019/20 suggests a sensitivity analysis of one percentage point.

## 20. INVENTORIES

	<b>Total (General &amp; Vehicle)</b>	
	<b>2019/20 £000</b>	<b>2018/19 £000</b>
<b>Balance outstanding at start of year</b>	76	94
Purchases	331	340
Recognised as an expense in the year	(355)	(358)
<b>Balance outstanding at year-end</b>	<b>52</b>	<b>76</b>

## 21. SHORT TERM DEBTORS

	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
Central Government bodies	1,633	510
Trade Receivables	1,236	1,245
Other	2,279	2,257
<b>Total</b>	<b>5,148</b>	<b>4,012</b>

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:

	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
Cash held by the Council	9,308	7,711
Bank Current Accounts	961	403
<b>Total Cash and Cash Equivalents</b>	<b>10,269</b>	<b>8,114</b>

## 23. SHORT TERM CREDITORS

	31 March 2020	31 March 2019
	£000	£000
Central Government bodies	1,942	1,725
Trade	1,332	1,551
Other entities and individuals	2,925	2,997
<b>Total</b>	<b>6,199</b>	<b>6,273</b>

## 24. RECEIPTS IN ADVANCE

	31 March 2020	31 March 2019
	£000	£000
Central Government Bodies	1,535	0
Council Tax receipts in advance	231	258
Business Rates receipts in advance	60	165
Trade	21	26
Garden Waste receipts in advance	640	613
Other	47	47
<b>Total</b>	<b>2,534</b>	<b>1,109</b>

## 25. PROVISIONS

	31 March 2020	31 March 2019
	£000	£000
Balance at 1 April	1,101	693
Additional Provision	570	408
Utilised in Year	0	0
<b>Balance at 31 March</b>	<b>1,671</b>	<b>1,101</b>

Included within Provisions are amounts set aside to meet potential future liabilities for Business Rates Appeals.

## 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 2020 £000	31 March 2019 £000
Revaluation Reserve	17,082	17,894
Capital Adjustment Account	32,613	31,732
Financial Instruments Adjustment Account	(303)	(303)
Pensions Reserve LGPS	(48,801)	(65,232)
Collection Fund Adjustment Account	(376)	(264)
Accumulated Absences Account	(212)	(197)
<b>Total</b>	<b>3</b>	<b>(16,370)</b>

### 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.

	2019/20 £000	2018/19 £000
<b>Balance at 1 April</b>	<b>17,894</b>	<b>17,907</b>
Upward revaluation of assets	1,827	708
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	(2,303)	(572)
Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services	(476)	136
Difference between fair value depreciation and historical cost depreciation	(171)	(149)
Accumulated gains on assets sold or scrapped	(165)	0
Amount written off to the Capital Adjustment Account	(336)	(149)
<b>Balance at 31 March</b>	<b>17,082</b>	<b>17,894</b>



## 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.

	2019/20 £000	2018/19 £000
<b>Balance at 1 April</b>	<b>31,732</b>	<b>31,831</b>
Charges for depreciation and impairment of non-current assets	(1,595)	(1,655)
Revaluation Surplus/(Deficit) on Property, Plant and Equipment	58	123
Amortisation of intangible assets	(21)	(42)
Revenue expenditure funded from capital under statute	(1,674)	(1,194)
Private Sector Housing Loans	0	(4)
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	(184)	(15)
Write Down of Deferred Capital Receipt	0	12
Adjusting amounts written out of the Revaluation Reserve	171	149
Use of the Capital Receipts Reserve to finance new capital expenditure	445	138
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,472	1,113
Application of grants to capital financing from the Capital Grants Unapplied Account	165	30
Transfer from Revaluation Reserve in respect of Non-Current assets sold or scrapped	166	0
Statutory provision for the financing of capital investment charged against the General Fund Balance	242	151
Capital expenditure charged against the General Fund Balance	1,539	1,091
Movements in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement	97	4
<b>Balance at 31 March</b>	<b>32,613</b>	<b>31,732</b>

## 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.

	2019/20 £000	2018/19 £000
<b>Balance at 1 April</b>	<b>(303)</b>	<b>(257)</b>
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	14	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	(14)	(50)
<b>Balance at 31 March</b>	<b>(303)</b>	<b>(303)</b>

## 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.

	2019/20 £000	2018/19 £000
<b>Balance at 1 April</b>	<b>(65,232)</b>	<b>(55,198)</b>
Re-measurements of the net defined benefit liability	19,545	(8,287)
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	(5,419)	(4,087)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,305	2,340
<b>Balance at 31 March</b>	<b>(48,801)</b>	<b>(65,232)</b>

## 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.

	2019/20 £000	2018/19 £000
<b>Balance at 1 April</b>	<b>(264)</b>	<b>403</b>
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	(112)	(667)
<b>Balance at 31 March</b>	<b>(376)</b>	<b>(264)</b>

## 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.

	2019/20 £000	£000	2018/19 £000	£000
<b>Balance at 1 April</b>		<b>(197)</b>		<b>(279)</b>
Settlement or cancellation of accrual made at the end of the preceding year	197		279	
Amounts accrued at the end of the current year	(212)		(197)	
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	(15)			82
<b>Balance at 31 March</b>		<b>(212)</b>		<b>(197)</b>

## 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.

	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Depreciation	1,595	1,514
Impairment & downward/upward revaluations	(58)	18
Amortisation	21	42
Increase/(decrease) in impairment for bad debts	(21)	499
Increase/(decrease) in Creditors	527	258
(Increase)/decrease in Debtors	(1,166)	1,282
Decrease/(Increase) in inventories	24	18
Movement in pension liability	3,114	1,747
Contribution to/(from) provisions	570	408
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	185	3
Movement in fair value of investment properties	(97)	(4)
Other non-cash transactions	4	88
	<b>4,698</b>	<b>5,873</b>

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

	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Miscellaneous capital receipts	0	(19)
Capital grants credited to the deficit on the provisions of services	(1,504)	(1,295)
Proceeds from the sale of property, plant and equipment	(413)	(91)
	<b>(1,917)</b>	<b>(1,405)</b>

c) Interest received and interest paid.

	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Interest received	216	179
Interest paid	(503)	(507)
	<b>287</b>	<b>328</b>

## 29. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2019/20 £000	2018/19 £000
Purchase of property, plant and equipment, investment property and intangible assets	(3,053)	(1,546)
Purchase of short-term investments	(24,000)	(34,000)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	381	91
Proceeds from short-term investments	27,500	34,500
Other payments for investing activities	(28)	(115)
Other receipts from investing activities	1,364	1,347
<b>Net cash flows from investing activities</b>	<b>2,164</b>	<b>277</b>

## 30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2019/20 £000	2018/19 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(157)	(152)
Other (payments)/receipts for financing activities	1,753	(1,792)
<b>Net cash flows from financing activities</b>	<b>1,596</b>	<b>(1,944)</b>

## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 April 2019	Financing Cash Flows	31 March 2020
	£000	£000	£000
Long Term Borrowing	7,800	0	7,800
Lease Liabilities	563	(157)	406
<b>Total Liabilities from financing activities</b>	<b>8,363</b>	<b>(157)</b>	<b>8,206</b>

### 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.

	2019/20 £000	2018/19 £000
Expenditure	90	88
Income	(17)	(22)
<b>Deficit Before Capital Charges</b>	<b>73</b>	<b>66</b>
Capital Charges	4	4
<b>Deficit Taken to General Fund</b>	<b>77</b>	<b>70</b>

## Port Undertaking

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

	<b>2019/20 £000</b>	<b>2018/19 £000</b>
Expenditure	1,155	1,126
Income	(901)	(1,097)
<b>Deficit Before Capital Charges</b>	<b>254</b>	<b>29</b>
Capital Charges	202	271
<b>Deficit Taken to General Fund</b>	<b>456</b>	<b>300</b>

## 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:

	<b>2019/20 £000</b>	<b>2018/19 £000</b>
Expenditure	1,146	1,001
Income	(857)	(824)
<b>Deficit Before Capital Charges</b>	<b>289</b>	<b>177</b>
Capital Charges	16	46
<b>Deficit Taken to General Fund</b>	<b>305</b>	<b>223</b>

## Trade Waste

The financial results for Trade Waste were as follows:

	<b>2019/20 £000</b>	<b>2018/19 £000</b>
Expenditure	260	250
Income	(378)	(379)
<b>(Surplus) taken to General Fund</b>	<b>(118)</b>	<b>(129)</b>

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.

	2019/20 £000	2018/19 £000
Allowances	317	311
Expenses	14	19
Total	<b>331</b>	<b>330</b>

## 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		<b>2019/20</b>	<b>146,037</b>	<b>2,000</b>	<b>148,037</b>	<b>25,410</b>	<b>173,447</b>
		2018/19	143,173	2,000	145,173	24,912	170,085
Corporate Director and Chief Finance Officer	1	<b>2019/20</b>	<b>87,743</b>	<b>8,400</b>	<b>96,143</b>	<b>15,267</b>	<b>111,411</b>
		2018/19	9,729	950	10,679	1,693	12,372
Corporate Director and Chief Finance Officer	2	<b>2019/20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
		2018/19	42,150	4,223	46,373	9,782	56,155
Corporate Director and Monitoring Officer	3	<b>2019/20</b>	<b>81,489</b>	<b>8,400</b>	<b>89,889</b>	<b>15,217</b>	<b>105,106</b>
		2018/19	59,306	8,400	67,706	15,082	82,788
Corporate Director		<b>2019/20</b>	<b>87,743</b>	<b>8,400</b>	<b>96,143</b>	<b>15,019</b>	<b>111,162</b>
		2018/19	86,023	8,400	94,423	14,968	109,391
Corporate Director	4	<b>2019/20</b>	<b>16,430</b>	<b>1,447</b>	<b>17,877</b>	<b>2,629</b>	<b>20,506</b>
		2018/19	86,023	8,400	94,423	14,968	109,391

**Note 1:** The current Corporate Director and Chief Finance Officer took up their position on 19<sup>th</sup> February 2019.

**Note 2:** The previous Corporate Director and Chief Finance Office left their position on 1 July 2018. The annualised salary was £86,023. For the period 2 July – 12 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 13 August 2018 – 28 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 3:** The post holder returned from maternity leave on 29 April 2019. Whilst the post holder was on maternity leave the Council paid Peterborough City Council £6,168.79 for the services of an Acting Monitoring Officer for the period 1 April 2019 to 28 April 2019 on the basis of three days per week. In the previous year the Council paid Peterborough City Council £43,182 for the services of an Acting Monitoring Officer for the period 2 September 2018 to 31 March 2019 to cover the postholder's maternity leave on the basis of three days per week.

**Note 4:** The Corporate Director left the council on 17th May 2019. The annualised salary was £87,743. Following the Corporate Director's departure a decision was made to remove the post from the establishment and restructure the Council's operations with three Corporate Directors reporting to the Chief Executive.

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	
	2019/20 Total	2018/19 Total
£50,000 - £54,999	9	9
£55,000 - £59,999	8	6
£60,000 - £64,999	4	6
£65,000 - £69,999	2	1
£75,000 - £79,999	0	1
£85,000 - £89,999	1	0
£90,000 - £94,999	0	2
£95,000 - £99,999	2	0
£145,000 - £149,999	1	1

The band changes from 2018/19 to 2019/20 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 2019/20.

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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £000	2019/20 £000
£0 - £20,000	0	0	7	5	7	5	47	48
£20,001-£40,000	0	0	1	0	1	0	37	0
£40,001-£60,000	0	0	0	0	0	0	0	0
Total	0	0	8	5	8	5	84	48
Total cost included in Comprehensive Income and Expenditure							84	48

#### 34. EXTERNAL AUDIT COSTS

In 2019/20 Fenland District Council incurred the following fees relating to external audit and inspection:

	2019/20 £000	2018/19 £000
Fees payable with regard to external audit services carried out by the appointed auditor	40	39
Fees payable for the certification of grant claims and returns	15	15
<b>Total Audit Costs</b>	<b>55</b>	<b>54</b>

### 35. GRANT INCOME

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

	2019/20 £000	2018/19 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	0	444
Net Share of Business Rate Income	3,076	3,269
New Homes Bonus Grant	1,293	1,426
Capital Grants and Contributions	191	494
Business Rate Reliefs Funded by Government	1,486	1,244
<b>Total</b>	<b>6,046</b>	<b>6,877</b>
<b>Credited to Services</b>		
Housing Benefit Subsidy	22,706	26,651
Capital Grants and Contributions	1,172	900
Housing Benefits/Local Council Tax Support Admin	410	449
NNDR Cost of Collection	122	123
Homelessness Prevention	398	565
Controlling Migration	408	1,113
New Burdens Grant	117	154
Covid-19	73	0
Other	439	162
<b>Total</b>	<b>25,845</b>	<b>30,117</b>

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 £1,787,110 (2018/19: £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 note 7 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 2019/20 was 13.53%.

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

With effect from 1<sup>st</sup> 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.

	2019/20 £000	2018/19 £000
<b>Opening Capital Financing Requirement</b>	<b>1,211</b>	<b>766</b>
<i>Capital investment</i> (as reported in notes 13-15)		
Property, Plant and Equipment	3,226	1,647
Intangible Assets	0	12
<i>Capital expenditure charged to Comprehensive Income and Expenditure Statement</i>		
Revenue Expenditure Funded from Capital under Statute	1,673	1,194
Private Sector Housing Loans	27	114
<b>Sources of finance</b>		
Capital receipts	(445)	(138)
Government grants and other contributions	(1,637)	(1,142)
Sums set aside from revenue:		
Direct revenue contributions	(1,539)	(1,091)
Minimum Revenue Provision (MRP)	(242)	(151)
<b>Closing Capital Financing Requirement</b>	<b>2,274</b>	<b>1,211</b>

<b>Explanation of movements in year</b>		
Capital Expenditure Funded from Internal Borrowing	1,305	597
MRP charge to Revenue	(242)	(151)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>1,063</b>	<b>446</b>

### 38. LEASES

#### Council as Lessee

##### Finance Leases

The Council leases a number of vehicles 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 £432,280 (2018/19: £591,480).

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:

	<b>2019/20 £000</b>	<b>2018/19 £000</b>
Finance lease liabilities (net present value of minimum lease payments):		
• current	163	157
• non –current	243	406
Finance costs payable in future years	25	44
Minimum lease payments	<b>431</b>	<b>607</b>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
Not later than one year	176	176	163	157
Later than one year and not later than five years	255	431	243	406
Later Than 5 Years	0	0	0	0
	<b>431</b>	<b>607</b>	<b>406</b>	<b>563</b>

### *Operating Leases - Vehicles, Plant and Equipment*

Previously the Council leased fitness equipment by entering into operating leases, with typical lives of three to five years. All such lease arrangements were terminated during the 2019-20 financial year.

### *Operating Leases - Land and Buildings*

The Council previously leased two properties to operate the Wisbech and March Fenland @ Your Service. Both leases ended during the 2019-20 financial year. The Council leases nine properties for homeless families.

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

	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
Not later than one year	51	74
Later than one year and not later than five years	0	50
	<b>51</b>	<b>124</b>

Lease payments for 2019/20 amounted to £50,336 (2018/19: £105,054).

### **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:

	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
Not later than one year	81	82
Later than one year and not later than five years	44	60
Later than five years	411	427
	<b>536</b>	<b>569</b>

## **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.

	<b>Local Government Pension Scheme</b>	
<b>Comprehensive Income and Expenditure Statement</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
<i>Cost of Services:</i>		
• Current service cost	3,592	3,296
• Past Service Cost (including curtailments)	251	0
• Effect of settlements	0	(696)
<i>Financing and Investment Income and Expenditure</i>		
• Interest income on scheme assets	(1,861)	(2,010)
• Interest cost on defined benefit obligation	3,437	3,497
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	<b>5,419</b>	<b>4,087</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount included in the net interest expense)	6,654	(2,931)
• Actuarial gains and losses arising on changes in demographic assumptions	(3,062)	0
• Actuarial gains and losses arising on changes in financial assumptions	(11,384)	11,166
• Other	(11,753)	52
<i>Total Remeasurement (Gains)/Losses</i>	<b>(19,545)</b>	<b>8,287</b>

<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	<b>(14,126)</b>	<b>12,374</b>
Movement in Reserves Statement:		
<ul style="list-style-type: none"> <li>Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code</li> </ul>	<b>(3,114)</b>	<b>(1,747)</b>
Actual amount charged against General Fund Balance for pensions in the year:		
<ul style="list-style-type: none"> <li>Employers' contributions payable to scheme</li> </ul>	<b>1,474</b>	<b>3,171</b>

### Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme	
	2019/20	2018/19
	£000	£000
Present value of funded liabilities	<b>(119,725)</b>	<b>(141,300)</b>
Present value of unfunded liabilities	<b>(1,047)</b>	<b>(1,221)</b>
Fair value of plan assets	<b>71,971</b>	<b>78,120</b>
<b>Net liability arising from defined benefit obligation</b>	<b>(48,801)</b>	<b>(64,401)</b>

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

	Local Government Pension Scheme	
	2019/20	2018/19
	£000	£000
Opening fair value of scheme assets	<b>78,120</b>	<b>75,020</b>
Effect of Settlements	<b>0</b>	<b>(2,510)</b>
Interest income	<b>1,861</b>	<b>2,010</b>
Remeasurement gain/(loss):		
<ul style="list-style-type: none"> <li>The return on plan assets, excluding the amount included in the net interest expense</li> </ul>	<b>(6,654)</b>	<b>2,931</b>
Contributions from employer	<b>1,474</b>	<b>3,171</b>
Contributions from employees into the scheme	<b>544</b>	<b>563</b>
Benefits paid	<b>(3,374)</b>	<b>(3,065)</b>
<b>Closing fair value of scheme assets</b>	<b>71,971</b>	<b>78,120</b>



## Reconciliation of Present Value of the Scheme Liabilities

Local Government Pension Scheme		
	2019/20	2018/19
	£000	£000
Opening balance at 1 April	(142,521)	(130,218)
Current service cost	(3,592)	(3,296)
Past service cost (including curtailments)	(251)	0
Effect of Settlements	0	3,206
Interest cost	(3,437)	(3,497)
Contributions from scheme participants	(544)	(563)
Re-measurement gains and (losses):		
• Actuarial gains/losses arising from changes In demographic assumptions	3,062	0
• Actuarial gains/losses arising from changes in financial assumptions	11,384	(11,166)
• Other experience	11,753	(52)
Benefits paid	3,374	3,065
<b>Closing balance at 31 March</b>	<b>(120,772)</b>	<b>(142,521)</b>

## Local Government Pension Scheme assets comprised:

Fair Value of Scheme Assets								
Asset Category	2019/20				2018/19			
	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of Total Assets	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of Total Assets
<b>Equity Securities:</b>								
Consumer	0	0	0	0%	2,309	0	2,309	3%
Manufacturing	0	0	0	0%	1,475	0	1,475	2%
Energy and Utilities	0	0	0	0%	1,806	0	1,806	2%
Financial Institutions	0	0	0	0%	2,992	0	2,992	4%
Health and Care	0	0	0	0%	470	0	470	1%
Information and Technology	0	0	0	0%	468	0	468	1%
<b>Debt Securities:</b>								
UK Government	0	3,206	3,206	4%	0	1,941	1,941	2%
<b>Private Equity:</b>								
All	0	5,128	5,128	7%	0	6,373	6,373	8%
<b>Real Estate:</b>								
UK Property	0	4,905	4,905	7%	0	0	0	0%
Overseas Property	0	1	1	0%	0	0	0	0%

<b>Investment Funds and Unit Trusts:</b>								
Equities	0	47,288	47,288	66%	0	42,510	42,510	54%
Bonds	0	4,921	4,921	7%	0	7,484	7,484	9%
Infrastructure	0	5,543	5,543	8%	0	2,922	2,922	4%
Other	0	0	0	0%	0	6,136	6,136	8%
<b>Derivatives:</b>								
Other	0	11	11	0%	0	0	0	0%
<b>Cash and Cash Equivalents:</b>								
All	914	0	914	1%	1,188	0	1,188	2%
<b>TOTALS</b>	<b>914</b>	<b>71,003</b>	<b>71,917</b>	<b>100%</b>	<b>10,708</b>	<b>67,366</b>	<b>78,074</b>	<b>100%</b>

### 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 2019.

The principal assumptions used by the actuary have been:

	<b>Local Government Pension Scheme</b>	
	<b>2019/20</b>	<b>2018/19</b>
<i>Longevity at 65 for current pensioners</i>		
Men	<b>22.0 years</b>	22.4 years
Women	<b>24.0 years</b>	24.4 years
<i>Longevity at 65 for future pensioners</i>		
Men	<b>22.7 years</b>	24.0 years
Women	<b>25.5 years</b>	26.3 years
Rate of increase in pensions	<b>1.9%</b>	2.5%
Rate of increase in salaries	<b>2.4%</b>	2.8%
Rate for discounting scheme liabilities	<b>2.3%</b>	2.4%

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 2018/19.

<b>Change in assumptions at 31 March 2020</b>	<b>Approximate % increase to Employer Liability</b>	<b>Approximate Monetary Amount £000</b>
0.5% decrease in real discount rate	10%	11,884
0.5% increase in the salary increase rate	1%	1,174
0.5% increase in the pension increase rate	9%	10,609

### **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 2023.

The latest triennial valuation has been completed as at 31 March 2019. The next triennial valuation is due as at 31 March 2022 and will be reported in the autumn of 2022.

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.

Within the actuary's valuation report at 31 March 2020, the liabilities include an allowance for full Guaranteed Minimum Pensions (GMP) indexation and for the potential impact of the McCloud judgement (shown as the Past Service Cost in the notes above).

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £48.801m 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 £1.577m contributions to the scheme in 2020/21. In addition, an up-front payment of £2.687m has been made in April 2020 in respect of lump sums due for the 3 year period 2020/21 - 2022/23. This will be reflected in the pension liability in the Balance Sheet in those years to take account of the up-front payment. The weighted average duration of the defined benefit obligation for scheme members is 22 years.

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 2018/19 £000		N o t e	Council Tax 2019/20 £000	NNDR 2019/20 £000	Total 2019/20 £000
<b>INCOME</b>					
53,937	Council Tax Receivable	2	57,358	0	57,358
25,781	Business Rates Receivable	3	0	25,401	25,401
79,718	<b>Total Income</b>		<b>57,358</b>	<b>25,401</b>	<b>82,759</b>
<b>EXPENDITURE</b>					
<b>Precepts, Demands and Shares:</b>					
12,576	Central Government		0	12,001	12,001
18,970	Fenland District Council		9,016	9,601	18,617
38,483	Cambridgeshire County Council		38,550	2,160	40,710
5,759	Cambs. Police & Crime Commissioner		6,542	0	6,542
2,243	Cambridgeshire Fire Authority		2,078	240	2,318
78,031			<b>56,186</b>	<b>24,002</b>	<b>80,188</b>
<b>Apportionment of Previous Year Surplus / (Deficit):</b>					
(211)	Central Government		0	(554)	(554)
(59)	Fenland District Council		59	(443)	(384)
399	Cambridgeshire County Council		241	(100)	141
69	Cambs. Police & Crime Commissioner		38	0	38
20	Cambridgeshire Fire Authority		13	(11)	2
218			<b>351</b>	<b>(1,108)</b>	<b>(757)</b>
<b>Charges to Collection Fund:</b>					
123	Cost of Collection Allowance		0	122	122
1,150	Increase in Bad Debts Provision	4	502	212	714
2,129	Increase/(Reduction) in Provision for Appeals	5	0	1,963	1,963
302	Reconciliation Adjustment		0	314	314
3,704			<b>502</b>	<b>2,611</b>	<b>3,113</b>
81,953	<b>Total Expenditure</b>		<b>57,039</b>	<b>25,505</b>	<b>82,544</b>
2,235	<b>(Surplus)/Deficit for the Year</b>		<b>(319)</b>	<b>104</b>	<b>(215)</b>
<b>COLLECTION FUND BALANCE</b>					
(1,649)	(Surplus)/Deficit b/fwd at 1 April		(500)	1,086	586
2,235	(Surplus)/Deficit for the year (as above)		(319)	104	(215)
586	<b>(Surplus)/Deficit c/fwd at 31 March</b>	6	<b>(819)</b>	<b>1,190</b>	<b>371</b>

## 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 29,380 in 2019/20 (2018/19: 28,979). The increase in Council Tax base in 2019/20 is a result of a combination of new builds and impact of the Council Tax Reduction Scheme approved by Council at its meeting on 13 December 2018.

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 £1,912.38 for 2019/20 compared to £1,824.74 for 2018/19) 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	7,605
Band B	7	7,623
Band C	8	6,557
Band D	9	4,075
Band E	11	2,463
Band F	13	792
Band G	15	238
Band H	18	27
		29,380

Income receivable from Council Tax payers in 2019/20 was £57.358m (£53.937m in 2018/19)

### 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 2019/20 were estimated before the start of the financial year as £12.001m to Central Government, £2.160m to Cambridgeshire County Council, £0.240m to Cambridgeshire Fire Authority and £9.601m to Fenland Council. These sums have been paid in 2019/20 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 £5.931m in 2019/20 (£5.798m in 2018/19) 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 2020. As such, authorities are required to make a provision for these amounts. The total provision charged to the Collection Fund for 2019/0 has been calculated at £1.963m.

The total NNDR income due (including transitional protection) from business ratepayers for 2019/20 was £25.401m (2018/19 £25.781m). The local non-domestic rateable value at 31 March 2020 was £66,993,270 (£66,747,143 at 31 March 2019). The national multipliers for 2019/20 were 49.1p for qualifying Small Businesses and a standard multiplier of 50.4p for all other businesses (48.0p and 49.4p respectively in 2018/19).

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 - 2019), not allowed for when the scheme was set. The levy is set at 50% of the growth above the baseline level and for 2019/20, a levy payment of £435,798 (£468,268 in 2018/19) 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

2018/19 £000		2019/20 £000
1,781	Balance at 1 April	2,503
(181)	Write-offs during year for previous years	(301)
903	Increase in provision during year	502
2,503	Balance at 31 March	2,704

The Council's proportion of this provision at 31 March 2020 is £423,376 (£401,703 at 31 March 2019).

##### Non- Domestic Rates Bad Debts Provision

2018/19 £000		2019/20 £000
965	Balance at 1 April	1,141
(71)	Write-offs during year for previous years	(176)
247	Increase in provision during year	212
1,141	Balance at 31 March	1,177

The Council's proportion of this provision at 31 March 2020 is £470,623 (£456,282 at 31 March 2019).

#### 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.

2018/19 £000		2019/20 £000
1,732	Balance at 1 April	2,752
(1,109)	Write-offs during year for previous years	(538)
2,129	Increase/(Reduction) in provision during year	1,963
2,752	Balance at 31 March	4,177

The Council's proportion of this provision at 31 March 2020 is £1,670,695 (£1,100,644 at 31 March 2019).



## 6. DEFICIT/ (SURPLUS) ON COLLECTION FUND

### Council Tax Collection Fund

The surplus of £818,779 at 31 March 2020 (£500,124 surplus at 31 March 2019), 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 (£131,310) is reported within the Collection Fund Adjustment Account.

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

	31 March 2020	31 March 2019
	£000	£000
Fenland District Council	(131)	(83)
Cambridgeshire County Council	(562)	(343)
Cambridgeshire Police & Crime Commissioner	(96)	(55)
Cambridgeshire Fire Authority	(30)	(19)
<b>Total (Surplus) /Deficit</b>	<b>(819)</b>	<b>(500)</b>

### Non-Domestic Rates Collection Fund

The deficit of £1,189,987 at 31 March 2020 (deficit of £1,086,132 at 31 March 2019), 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 (£475,995) is reported within the Collection Fund Adjustment Account.

The total Non-Domestic Rates Collection Fund deficits are therefore shared as follows:

	31 March 2020	31 March 2019
	£000	£000
Fenland District Council	476	434
Cambridgeshire County Council	107	98
Cambridgeshire Fire Authority	12	11
Central Government	595	543
<b>Total (Surplus)/Deficit</b>	<b>1,190</b>	<b>1,086</b>

## **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

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Agenda Item No:	9	
Committee:	Corporate Governance Committee	
Date:	17 August 2020	
Report Title:	Annual Governance Statement 2019/20	

## 1. Purpose / Summary

- 1.1 Regulation 6(1) of the Accounts and Audit Regulations 2015, require the Council to conduct an annual review of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS). The CIPFA Finance Advisory Network has issued detailed practical guidance for meeting the requirements of the Accounts and Audit Regulations.

## 2. Key issues

- 2.1 The Accounts and Audit Regulations have been updated to bring them closer to corporate governance requirements in the private sector, and elsewhere in the public sector. The latest version applies to the financial year beginning on 1<sup>st</sup> April 2016. Within the regulations, there is still a requirement to produce an AGS which should be approved in advance of the statement of accounts. The AGS should be prepared in accordance with proper practices, which reflects the approach already adopted by this Council.
- 2.2 The principles of good governance contained within the CIPFA Guidance on Delivering Good Governance (2016 Edition) have been reflected in the AGS. The guidance outlines the following principles for achieving good governance;
- Behaving with integrity,
  - Demonstrating a strong commitment to ethical values and respecting the rule of law;
  - Ensuring openness and comprehensive stakeholder engagement.
  - Defining outcomes in terms of sustainable economic, social and environmental benefits;
  - Determining the interventions necessary to achieve the intended outcomes;
  - Developing the entities capacity;
  - Managing risks and performance through robust internal control and strong public financial management and
  - Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 2.3 The Corporate Governance Committee approved a Local Code of Governance for the Council (minute CG22/06). This sets out the Policy within which a framework for governance of the Council is monitored.



- 2.4 Each year a statement is produced which assesses compliance of the Council's actual governance arrangements with the themes within the Local Code of Governance. This statement is commonly referred to as the Annual Governance Statement, which itself includes "Governance Issues" arising in the year to which it refers and an action plan to address those issues.
- 2.5 An Annual Governance Statement has been produced for the year 2019/20. This summarises the position for the year in respect of governance and internal control, and again highlights any "Governance Issues".
- 2.6 The statement is signed by the Chief Executive, Chief Finance Officer and Leader of the Council as further assurance of the standard of governance that has been achieved by the Council. The statement must accompany the Council's financial statements.

### 3. Recommendations

The Committee considers the content of the Annual Governance Statement and approves its content for inclusion in the Council's published statement of accounts 2019/20.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	N/A
Report Originator(s)	Peter Catchpole – Corporate Director & Chief Finance Officer Katherine Woodward – Audit Manager Mark Saunders – Chief Accountant Neil Krajewski – Deputy Chief Accountant Anna Goodall – Head of Governance and Legal Services
Contact Officer(s)	Peter Catchpole – Corporate Director & Chief Finance Officer Katherine Woodward – Audit Manager Mark Saunders – Chief Accountant Neil Krajewski – Deputy Chief Accountant Anna Goodall – Head of Governance and Legal Services
Background Paper(s)	CIPFA Delivering Good Governance in Local Government CIPFA Addendum to Good Governance in Local Government CIPFA Code of Practice for Internal Audit Accounts and Audit Regulations 2015 FDC Local Code of Governance

# **FENLAND DISTRICT COUNCIL**

## **2019-20 DRAFT 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](http://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 2020 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 themes, underpinned by the 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, in addition to a revised [Conduct Procedure Rules Guidance and Templates](#) document. 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 comprehensive Business Continuity Plan which is regularly reviewed and updated. This has proved highly effective in addressing the issues raised by the Covid-19 pandemic.

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 as referenced above and is also 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 every three years 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.

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 (2016).

### **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 (2019).

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 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 (Publicly 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 the 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 and 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 and beyond. 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 the Borough Council of Kings Lynn and West Norfolk; 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 2019/20:

- The Commercial and Investment Strategy was approved by Full Council in January 2020 and implementation of this will commence in 2020/21;
- 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 considered and agreed the Independent Remuneration Review; recommendations regarding the Member allowances scheme;
- Agreed the revised Regulation of Investigatory Powers Act Policy;
- Considered constitutional updates and amendments to reflect changes in legislation in addition to best practice.



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 2019/20 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 will be reported to Cabinet at its meeting on 6 August 2020. The Council's provisional General Fund services net under-spend is £115,000 for the financial year 2019/20.

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 2019-20;
- Annual report;
- Council Tax Support Scheme;
- Fees and charges 2019-20;
- Review of the Fenland Local Plan;
- Commercial and Investment Strategy;

- My Fenland transformation programme;
- Capital Programme Update

## **Corporate Governance**

The Corporate Governance Committee has completed a work plan that helps monitor effective governance throughout the Council. 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 2018/19; 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;
- maintained a framework for identifying and implementing new legislative requirements upon the Council;

## **Overview and Scrutiny**

The Overview and Scrutiny Panel have:-

- Scrutinised 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, Environmental Corporate Objectives, Wisbech 2020 and Wisbech Rail, March Future High Streets Fund and Medium Term Financial Strategy and Fees & Charges;
- reviewed the creation of the Investment Board and delegations of functions; 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 Freedom Leisure Contract, Environmental Enforcement Contract in addition to the Anglia Revenues Partnership.

### **Staff Committee**

The Council has considered organisational policies and management through the Staff Committee including:

- approved Management and Growth Delivery review and Legal Services review;
- approved the Equal Opportunities Policy, Health and Safety Policy and 3C's Policy and Procedure update; and
- approved the implementation of phase 2 of the CCTV review.

### **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 2019/20.

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 will present the 2019/20 opinion on internal control to the Corporate Governance Committee at its next meeting to be held on 17 August 2020 as part of the Internal Audit outturn.

## **Reviews by external inspectors:**

The externally appointed auditors, Ernst & Young, issued their annual governance report in November 2019 which provided an unqualified opinion on the 2018/19 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. Impact of the Covid-19 pandemic on Governance**

As the AGS assesses governance in place during 2019-20, the majority of the year was unaffected by coronavirus. However coronavirus has impacted governance during March 2020 and to ensure the AGS is current at the time of publication this section will explore the impact on governance during this time.

### **Impact on business as usual in the delivery of services**

Business continuity plans were implemented from the outset of Covid-19. Business continued remotely and successfully with only changes to services that were non statutory due to government guidance. The Council cancelled all community events and supported residents to follow Covid-19 guidelines in all areas.

Freedom Leisure closed all leisure facilities as a result of the change in law. They remain closed at this time, with revised expectations of reopening in mid-July.

FDC's contract with Freedom means that the Council is contractually obligated to ensure that Freedom is no better or no worse off as a result of a change in law. Estimated support costs to September 2020 are £545,000. Additional costs are anticipated prior to the end of the financial year.

There was little impact on the open spaces functions, though initial concerns regarding burial capacity existed. The Council put in place plans for additional support for the service, including additional training for contractor staff and having further contractors available on standby. Additionally FDC purchased additional graveshore equipment to increase burial capacity. These mitigating actions were not required and the burial service has run as normal throughout the pandemic.

### **New areas of activity as part of the national response to Covid-19 and governance issues arising**

A new community hub was developed, new feedback mechanisms have been developed and new funds made available as government provided finance streams (small community support funds for example). The Council is actively supporting and working with county council and public health colleagues in developing Covid-19 outbreak plans and investigating wider outbreaks. Workforce planning is in place.

Sports development team has used casual staff to develop online free exercise videos, bike maintenance instructions, as well as links to other online resources from many other agencies.

Business Support Grant schemes supported by the government have been implemented, with assurance checks being conducted throughout the process. A Discretionary Grants scheme has also been introduced to support further businesses and the wider economy.

### **Funding and logistical consequences of delivering the local government response**

The Council is monitoring closely any lost income and additional spending due to Covid-19. Monthly monitoring returns are being submitted to MHCLG to assist the government with understanding the impact on local authorities of Covid-19. A range of government support packages have been announced to date to assist local authorities with meeting the additional spend pressures and to mitigate the income lost. A detailed report on the financial impact of Covid-19 in 2020/21 was presented to Council on 6 August 2020. This estimated a net impact of around £1.3m on this Council in 2020/21. This will be updated as we progress through this year and the budget setting process for 2021/22 and Medium Term Financial Strategy will detail the ongoing impact of Covid-19 over the medium term. It is however extremely difficult to estimate with any certainty what the final impact will be on this Council in 2020/21 and over the medium term.

A Covid-19 emergency response group was set up that initially met on a daily basis and now meets three times a week and maintains a focus on discussion / action plan and decision making as well as associated recovery actions following the national lockdown.

### **Assessment of the longer term disruption and consequences arising from the coronavirus pandemic**

The council has captured impacts within an impact register and is collating impacts on services; both delivery and financially. A recovery plan is being developed and this Council will be working closely with the local resilience forum.

## **6. 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 5 November 2019.

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 2020/21 financial year.

	Issue Raised	Summary of action
1	<p>Although in a healthy financial position, the Council still faces continuing financial challenges over the medium term, resulting from changes to central government funding.</p> <p>The Medium Term Financial Strategy presented to Council in February 2020 highlighted the need for further savings of £1.015m up to 2023/24.</p> <p>The impact of Covid-19 will however, significantly impact on both the current financial year, 2020/21 and over the Medium Term. This is likely to substantially increase the savings required over the Medium Term.</p> <p>Central government is also undertaking a Fair Funding Review, Business Rates reform and New Home Bonus reform which are now likely to be implemented from April 2022 which will result in changes to Local Government Funding and presents a significant additional risk to this Council's MTFS.</p>	<p>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.</p> <p>The Corporate Management Team has put in place heightened monitoring and response arrangements to provide the Cabinet with information regarding the impact of Covid-19 and of future Central Government funding changes.</p> <p>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.</p> <p>The Corporate Management Team will monitor the available funding, balances and reserves, using robust financial controls to respond to any financial changes and identify further opportunities to work in partnership with other organisations to secure additional efficiencies. The Corporate Management Team will monitor governance arrangements, and communicate shared risks, opportunities and assurance.</p> <p>The Corporate Management Team will respond to any consultations from Central Government on future funding.</p>

2	<p>The Council must be prepared to address any impacts that may arise as a result of changes in regulation, legislative powers and national policy.</p> <p>Examples that could affect governance arrangements over the Medium Term include:</p> <ul style="list-style-type: none"> <li>• Reforms to the New Homes Bonus, Business Rates and the Fairer Funding Review due in April 2022</li> <li>• The UK's negotiations and exit from the EU following the referendum on the 23rd June 2016.</li> <li>• The Comprehensive Spending Review scheduled for Autumn 2020</li> <li>• The Department for Environment, Food and Rural Affairs' consultation on Consistency in Household and Business Recycling Collections</li> <li>• Continuing discussion and an ongoing review by the National Audit Office of local authority's investment activity including investment in property</li> </ul>	<p>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.</p> <p>Plans will be put in place to implement any new legislation.</p>
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3	<p>The Covid-19 pandemic has given rise to unforeseen challenges in terms of this Council's decision-making machinery and its traditional meeting structure.</p> <p>The Council will be required to continually monitor the financial and operational impacts of Covid-19 throughout 2020/21 and beyond. It is already clear that Covid-19 has had a significant impact on the finances and the ability of the Council and its key delivery partners to maintain key services and there is considerable uncertainty as to when a more business-as-usual status can be achieved.</p> <p>Appropriate governance arrangements will be required to ensure effective decision-making arrangements and appropriate arrangements for oversight remain in place as recovery plans are developed and implemented.</p> <p>The speed and extent to which the economy is able to recover will have a fundamental impact on this Council, as will the success of the Council and its partners in delivering the public health response.</p> <p>The Council will need to be prepared for mobilisation of the emergency response procedure in the event of a 'second wave' of the virus to protect staff and residents.</p>	<p>Once regulations were published by government, the Council were able to adopt a procedure for meetings that complied with the legislation and continued the commitment to sound corporate governance.</p> <p>Where possible, key Council services continue to be provided (either directly or remotely) in line with its contingency arrangements.</p> <p>The Council has robust financial monitoring, recording and planning processes but these will need to be developed further to address this challenge.</p> <p>The Council monitors central government support initiatives and guidance and engages with its key partners to best provide essential services.</p> <p>Council business continuity arrangements have been mobilised so that staff can work remotely wherever possible in accordance with national guidance.</p> <p>The Corporate Management team, in conjunctions with elected members will produce and implement a recovery plan for the organisation, the community, the local economy and the health and wellbeing of the District.</p>
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## 7. 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.

Whilst recognising this, it should be noted though that Covid-19 continues to pose significant challenges to the Council's governance arrangements, controls and processes, the outcomes of which remain uncertain. The Council has acted with unprecedented speed in its response to the rapidly unfolding Covid-19 pandemic. It has enacted Government policy and transformed service delivery and ways of doing business against the backdrop of urgent stakeholder need and incomplete and changing information, data and guidance. This has altered the risk and control environment in which the Council is operating at the date of this statement. Throughout this period, the Council will continue to provide its' services while maintaining appropriate governance arrangements and control, and having regard to the safety and wellbeing of its staff and partners, residents and businesses.

Signed: .....


Peter Catchpole  
Corporate Director and Chief Finance Officer

Signed: .....

Paul Medd  
Chief Executive

Signed: .....

Councillor Chris Boden  
Leader, Fenland District Council

Agenda Item No:	10	
Committee:	<b>CORPORATE GOVERNANCE</b>	
Date:	<b>17th August 2020</b>	
Report Title:	<b>INTERNAL AUDIT OUTTURN AND QUALITY ASSURANCE REVIEW</b>	

## 1 Purpose / Summary

To provide the Corporate Governance Committee with an overview of the work undertaken by Internal Audit during 2019/20;

To provide the Audit Managers annual opinion on the system of internal control;

To consider the effectiveness of Internal Audit.

## 2 Key issues

- Public Sector Internal Audit Standards (PSIAS) have been issued to set the standard of internal auditing in the public sector. These standards are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015. CIPFA has provided an additional Application Note for Local Government (LGAN). Both documents constitute 'proper practices' in internal control as per the Accounts & Audit Regulations 2015.
- Under the Accounts and Audit Regulations 2015, the Council
  - *'must conduct a review of the effectiveness of the system of internal control'.*
- The work of Internal Audit forms part of the assurance provided to Councillors and Management Team and supports the Annual Governance Statement.
- The PSIAS state that the Audit Manager
  - *'must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.'*
- This report fulfils that requirement
- The LGAN states that the Internal Audit Annual Report should include both the annual audit opinion, and the results of the continuous quality assurance and improvement program (QAIP).
- Regulation 5 (1) of the Accounts and Audit Regulations 2015 requires that relevant authorities must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. A continuous quality assurance and improvement programme is undertaken so that the Council continues to provide an effective Internal Audit service.

### 3 Recommendations

- To note the outturn for Internal Audit for 2019/20, which states all Audits were completed as per the agreed Internal Audit Plan, and their associated assurance ratings.
- To note the Internal Audit Manager's opinion on the "adequacy" of Internal Control.
- To note the positive outcome of the independent quality assurance review.

<b>Wards Affected</b>	All
<b>Forward Plan Reference</b>	Not applicable
<b>Portfolio Holder(s)</b>	Not applicable
<b>Report Originator(s)</b>	Peter Catchpole- Corporate Director & Chief Finance Officer Kathy Woodward - Shared Internal Audit Manager
<b>Contact Officer(s)</b>	Peter Catchpole - Corporate Director & Chief Finance Officer Kathy Woodward- Shared Internal Audit Manager Anna Goodall – Head of Governance & Legal Services
<b>Background Paper(s)</b>	Internal Audit Plan 2019/20 Public Sector Internal Audit Standards CIPFA PSIAS Local Government Application Note 2019 Accounts and Audit Regulations 2015 CIPFA Statement on the role of the Head of Internal Audit

## **4 Background / introduction**

- 4.1 This report includes details, for the year 2019/20, of: -
- the coverage provided by Internal Audit; and
  - the Internal Audit Manager's opinion on levels of internal control across the Council.
  - the independent review of the effectiveness of the Internal Audit team.
- 4.2 The Internal Audit Manager has a professional reporting line to the Corporate Director & Chief Finance Officer, the responsible officer for duties under Section 151 of the Local Government Act 1972. The Internal Audit service provides assurance to Senior Management regarding levels of control for systems for which they are responsible.
- 4.3 Full details of the Internal Audit objectives are contained within the Internal Audit Charter approved by the Corporate Governance Committee (minute CGC38/17).

## **5 Internal Audit Outturn**

- 5.1 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, for example: -
- introduction of new legislation/regulations,
  - changes of staff,
  - changes in software,
  - changes in procedures and processes,
  - changes in service demand,
- 5.2 The team has remained within budget and achieved a satisfactory level of planned and proactive unplanned work. The impact that resource changes and demand have upon achievement of the annual audit plan varies each year. This is the third full year of the shared internal audit management arrangements and also the third year of the shared auditing arrangements for Anglia Revenues Partnership (ARP) functions.
- 5.3 Following the resignation of the full time Internal Auditor in July 2019 temporary arrangements were 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 had been providing approximately 15 hours of cover each week. Due to some staffing issues at Kings Lynn, this has not been constant throughout the period.
- 5.4 Throughout March 2020 when the Covid-19 pandemic was becoming apparent and the need for the organisation to mobilise itself into emergency response mode, the role of Internal Audit changed significantly.
- 5.5 April is normally a time when the previous year's audits (19/20) are finalised and all remaining reports are issued. When the Council went into emergency response mode the standard audit work was 'paused' as a result of changing priorities of the Council and a number of final reports have not been issued. Most of this work is now being picked up again, but it will be some time before we are fully operational as most of our work depends on the cooperation of other departments, who have had a significant change in their normal roles.
- 5.6 In addition to the department being unable to complete a proportion of work relating to last year there have also been other redeployments within the team throughout April, May

and June, to assist the organisation to deliver its Covid-19 business grants service. The recruitment to the vacant post has also been paused. These changes have resulted in a loss of resource in quarter 1 and 2 of 2020/21 from the team but will be looked into in future progress reports and a revised Internal Audit Plan.

- 5.7 The team still managed to deliver the majority of the operational Audits detailed in the plan, with 6 being carried over to the new financial year. . This year an additional audit was conducted on ARP Performance Monitoring. This is illustrated in Appendix A which lists the systems audited in the financial year and the number of recommendation made for each audit. Appendix B highlights the status of recommendations agreed from those audits.
- 5.8 Audit work includes testing of system controls, and this has not highlighted any significant fraud. Any errors or irregularities that have been identified have been resolved during the course of the audit and/or management action plans 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 management.
- 5.9 A key performance objective of the team was to complete 'fundamental' audits, which are considered key financial systems. Historically these systems had continued to operate to a satisfactory standard, and were evaluated as having substantial assurance. 5 'fundamental' audits required review in the 2019/20 plan with the remainder being reviewed over a three year cycle.

## **6 Annual Internal Audit opinion on the internal control environment**

- 6.1 The Council is required to report in its annual statutory financial statements an assessment as to the adequacy of the internal control environment, risk management, and governance arrangements. This is referred to as the Annual Governance Statement which is included as a part of this agenda pack.
- 6.2 Information for this purpose is drawn from many sources one of which is the work of Internal Audit in that financial year, and up to the date of the approval of the annual accounts. All audits have been carried out in conformance with the Public Sector Internal Audit Standards.
- 6.3 As part of the Annual Governance Statement evaluation, an assurance mapping exercise takes place which documents and establishes additional sources of assurance.
- 6.4 The annual audit opinion concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control
- 6.5 Based on the work that Internal Audit has performed the Internal Audit Manager's opinion for 2019/20 is that, **there is "adequate" assurance as to the adequacy and effectiveness of internal controls, the risk management and governance arrangements.** Management has adopted plans for improvement in control, and within appropriate timescales that will be followed-up to ensure further improvement is delivered. Potential risks and opportunities for further improvement have been incorporated into Management action plans.
- 6.6 This has been further supported by the external auditor (Ernst & Young) "Annual Audit and Inspection Letter 2018/19", as reported to Corporate Governance Committee at minute CGC17/19, which states an unqualified opinion that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 6.7 On the basis of the work undertaken during the year, it is considered that the key systems operate in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy. However the Audit Manager's opinion can only provide a reasonable, not absolute, level of assurance as to the adequacy and effectiveness of these systems.

## **7 Review of the effectiveness of Internal Audit**

- 7.1 Regulation 5 (1) of the Accounts and Audit Regulations 2015 requires that relevant authorities must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 7.2 DCLG guidance on the Accounts and Audit Regulations cites proper practice in relation to internal audit in local authorities:
- All Public Sector Internal Audit Teams are required to comply with the Public Sector Internal Audit Standards (PSIAS) issued by the Institute of Internal Auditors (IIA). CIPFA issued a mandatory 'Local Government Application Note' (LGAN) intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
  - CIPFA has also issued guidance on the 'role of the Head of Internal Audit in Local Government' which supplemented the Code.
- 7.3 The Internal Audit Charter, Risk Based Internal Audit Plan and delivery, is based on these professional standards. Performance monitoring is also supplemented through frequent interaction between the Internal Audit Manager and the Corporate Director & Chief Finance Officer. Corporate Governance Committee have also increased their oversight of the delivery of the Audit Plan through quarterly monitoring of performance including number of audits completed and number of and rating of recommendations.
- 7.4 An independent review of effectiveness has been completed by an external assessment process completed in November 2017 by a CIPFA assessor. This is based on the latest guidance and professional standards and took the form of a self – assessment checklist covering all areas of the Public Sector Internal Audit Standards, Local Government Application Note and CIPFA's Role on the Head of Internal Audit. Corporate Governance Committee considered this report on 4<sup>th</sup> December 2017.
- 7.5 The external assessment concluded that 'the self-assessment is a good reflection of the Internal Audit Service's practices and its contribution to the organisation. It is also our opinion that the service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and to the Local Government Application Note.' This is the highest accolade that can be given from the assessor.
- 7.6 The next external assessment will take place in 2023 and in the intervening years the Corporate Director will continue to complete an independent review of effectiveness on an annual basis.

## **8 Effect on Corporate Objectives**

- 8.1 The delivery of an effective Internal Audit Service is a key factor in maintaining an adequate level of internal control in the Council, and contributes to a Quality Organisation.

## **9 Conclusions**

- 9.1 The Council has maintained an effective Internal Audit team which demonstrates a commitment to comply with the Public Sector Internal Audit Standards, and the CIPFA Local Government Application Note, as standards of good quality.
- 9.2 The Internal Audit team has provided audit and assurance work throughout the year to form an opinion on the effectiveness of internal control. There are no serious concerns highlighted and this assurance will form evidence for the production of the Annual Governance Statement, which accompanies the Statement of Accounts.

## Appendix A: Audits completed

Audit	Overall opinion	Recommendations			Recommendation Theme
		High	Medium	Low	
Customer Services – Contact Centre	Substantial	-	-	-	
Transport Commercial and Fleet Management	Substantial	-	-	-	
Licensing – Animal Welfare	Adequate	-	3	1	Procedural, Financial, Reputational
Cash Collection – Web Payments	Substantial	-	-	-	
GIS / LLPG	Substantial	-	1	-	Business Continuity
Corporate Finance – Budgetary Control	Substantial	-	1	-	Reporting
Licences – Other	Limited	2	1	-	Procedural – Registration and Communication
Cemetery Income	Adequate	1	2	1	Financial Procedures, Business Continuity
Property – Building Security	Substantial	-	3		Building Access, Policy
Contract Monitoring – Freedom Leisure	Adequate	-	4	2	Procedural, Reporting
ICT – Cloud Storage	Substantial	-	-	-	
ICT - Security and Network Controls	Substantial	-	-	-	
ICT – Disaster Recovery	Substantial	-	-	-	

Corporate Assurance – Risk Management	Substantial	-	7	9	Policy, Communication and Training
Commercial Waste	Adequate	-	1	2	Procedural, Financial
Post, Print and Scanning	Substantial	-	1	1	Efficiency / Income Generation
Emergency Planning	Substantial	-	-	1	Policy
ARP Performance Management	Work undertaken by West Suffolk as a piece of audit added value work.				
Corporate Assurance – Information and Data Management (GDPR and DPA)	Substantial	-	4	8	Policy, Communication and Training
Payroll	Substantial	-	-	-	
Anglia Revenues Partnership – Enforcement	Substantial	-	2	1	Communication Channels, Reconciliations
<i>Business Rates</i>	<i>Adequate</i>	-	7	6	
<i>Council Tax</i>	<i>Adequate</i>	-	8	3	
<i>Overpayments</i>	<i>Adequate</i>	-	3	3	
<i>Housing Benefits</i>	<i>Adequate</i>	-	10	6	
Trading Operations Estates	Adequate		3	-	Transparency, Policy and Process
Trading Operations - Markets	Substantial	-	-	-	

Audits in *italics* have been undertaken by other Councils and reviewed by Fenland District Council Audit Manager as part of the Quality Assurance process. The recommendations relate to the partnership as a whole and will not be reported upon in quarterly progress reports.



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.

## Appendix B – Recommendation progress 2019/20

2019-20 Recommendations	HIGH	MEDIUM	LOW
<b>Total number of recommendations made</b>	<b>3</b>	<b>33</b>	<b>26</b>
Number of recommendations completed	3	9	12
Number of recommendations outstanding (not due)	0	19	13
<b>Number of recommendations overdue</b>	<b>0</b>	<b>0</b>	<b>0</b>

- This table does not include the recommendations made in relation to the ARP audits, conducted by partner authorities as they are reported to their respective authorities.
- As a result of the coronavirus pandemic and shifting organisation priorities from March 2020, the timeframe for completion of recommendations has been extended and any recommendations that would have been categorised as overdue in that period will be followed up later in the year.

## Appendix C: Summary of Internal Audit Effectiveness

					Compliance		
		Cat	Category of checklist	Comments	C	P	N
	Mission of Internal Audit	1	To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.	Audit Charter	C		
	Definition of Internal Auditing	2	Definition of Internal Auditing	Audit Charter	C		
Core Principals	The Core Principals are based on conformance with the Code of Ethics (Integrity, Seven Principles of Public Life)	3.1	Demonstrates integrity	Declaration of Interests	C		
		3.2	Demonstrates Competence and due professional care	Qualification	C		
		3.3	Is objective and free from undue influence	Reporting Lines	C		
		3.4	Aligns with the strategies, objectives, and risks of the organisation	Audit Plan	C		
		3.5	Is appropriately positioned and adequately resourced	Audit Plan	C		
		3.6	Demonstrates quality and continuous improvement	Progress Reports	C		
		3.7	Communicates effectively	Progress Reports	C		
		3.8	Provides risk-based assurance	Audit Plan	C		
		3.9	Is insightful, proactive, and future-focused	Audit Plan	C		
		3.10	Promotes organisational improvement	Audit Plan	C		
Code of Ethics		4.1	Integrity	QA review	C		
		4.2	Objectivity	QA Review	C		
		4.3	Confidentiality	QA Review	C		
		4.4	Competency	QA Review	C		
		4.5	Seven Principals of Public Life	QA Review	C		
Attribute	These address the characteristics of organisations and parties performing internal audit activities	5.1	1000 Purpose, Authority and Responsibility	External validation	C		
		5.2	1100 Independence and Objectivity	External validation	C		
		5.3	1200 Proficiency and Due Professional Care	External validation	C		
		5.4	1300 Quality Assurance and Improvement Programme	External validation	C		
Performance	These describe the nature of internal audit activities and provide quality criteria against which the performance of these services can be evaluated.	6.1	2000 Managing the Internal Audit Activity	Audit Manual	C		
		6.2	2100 Nature of Work	Audit Manual	C		
		6.3	2200 Engagement Planning	Audit Manual	C		
		6.4	2300 Performing the Engagement	Audit Manual	C		
		6.5	2400 Communicating Results	Audit Manual	C		
		6.6	2500 Monitoring Progress	Audit Manual	C		
		6.7	2600 Communicating the Acceptance of Risks	Audit Manual	C		
C = Conforms: P = Partial : N = Not conforming					28		

Agenda Item No:	11	
Committee:	<b>CORPORATE GOVERNANCE</b>	
Date:	<b>17 August 2020</b>	
Report Title:	<b>CORPORATE GOVERNANCE COMMITTEE ANNUAL REPORT</b>	

## 1 Purpose / Summary

To report to Full Council the commitment and effectiveness of the Corporate Governance Committee's work from April 2019 to March 2020.

## 2 Key issues

2.1 A good Corporate Governance framework helps the Council to deliver its Corporate Priorities.

The role of the Corporate Governance Committee includes:

- providing independent assurance of the adequacy of the risk management framework and the control environment, plus
- independently scrutinising the Authority's financial and non-financial performance, and overseeing the financial reporting process.

2.2 The Committee has taken action to ensure that its members are adequately informed on key themes of the Governance Framework via regular reports including:

- Governance;
- Internal control;
- Risk management;
- Anti-fraud & corruption;
- Accounts and policies;
- Treasury management;

2.3 Reports from the External Auditors affirmed continued maintenance of high financial management and control standards. The Annual Audit letter explained that in all significant respects the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and an unqualified value for money conclusion was given. The Committee supported a press release to reflect this achievement.

2.4 The Committee has been fundamental in the review and maintenance of the Council's Governance Framework.

2.5 In addition to the report attached the Internal Audit Manager has completed a review of the committee's effectiveness using a checklist compiled by CIPFA. This was a recommendation made by the recent external assessment and endorsed by Corporate Governance Committee in February 2018. The completed checklist is attached as Appendix A

### 3 Recommendations

It is recommended that Committee agree the Corporate Governance Committee Annual Report for 2019/20 to be forwarded to Full Council.

<b>Wards Affected</b>	All
<b>Forward Plan Ref</b>	Not applicable
<b>Portfolio Holder(s)</b>	Cllr John Clark - Chairman of Corporate Governance Committee
<b>Report Originator(s)</b>	Peter Catchpole – Corporate Director & Chief Finance Officer Kathy Woodward – Shared Internal Audit Manager
<b>Contact Officer(s)</b>	Peter Catchpole – Corporate Director & Chief Finance Officer Kathy Woodward– Shared Internal Audit Manager Mark Saunders - Chief Accountant Anna Goodall – Head of Governance & Legal Services
<b>Background Paper(s)</b>	Corporate Governance Committee minutes Audit Committees – Practical Guidance for Local Authorities and Police (CIPFA 2018)

## Appendix: Annual report

### Report of the Corporate Governance Committee

April 2019 - March 2020



## **1 What is corporate governance?**

- 1.1 Corporate Governance in Fenland District Council is an essential part of the Council's standards for transparent and informed management and decision-making. It provides assurance of the adequacy of the risk management framework and the control environment, independent scrutiny of the Authority's financial and non-financial performance and to oversee the financial reporting process.

## **2 Responsibilities of the Committee**

- 2.1 The Corporate Governance Committee rules listed in Part 2 (rule 10), of Fenland District Council's Constitution, illustrates their role within their terms of reference:
- a) Consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
  - b) Seek assurance that action is being taken on risk related issues identified by auditors and inspectors.
  - c) Be satisfied that the Authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and actions required to improve it.
  - d) Approve internal audit's strategy, plan and monitor performance.
  - e) Review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.
  - f) Receive the annual report of the Internal Audit Manager providing an opinion on the level of internal control.
  - g) Consider the reports of external audit and inspection agencies.
  - h) Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
  - i) Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to issues raised by external audit.

## **3 Members commitment to corporate governance in 2019/20**

- 3.1 Meetings included development briefings, and items of topical interest, to maintain knowledge and awareness of the Council's Governance Framework. Examples were:
- the role of Corporate Governance, Officers and the annual work plan;
  - interpretation of Annual Financial Statements;
  - the role of internal audit in Local Government. A quarterly update report on audits completed is provided which includes the number of and theme of recommendations;
  - risk management;
  - reports on the Regulation of Investigatory Powers Act
  - reports from external audit; and
  - Data Protection updates

3.2 The Chairman of Corporate Governance Committee also attended external courses provided by the Public Sector Auditor Appointments (PSAA), which covered topics such as:

- Update on Local Audit (External Audit provision and delays in 2018/19 accounts)
- Update from the LGA on support for Audit Committees
- Getting assurance on difficult issues (ICAEW)
- What is the Audit Committee role in relation to developments such as commercialism and groups?
- Code of Audit Practice - update on development

#### 4 Work programme and outcomes

4.1 The Committee considered the matters in the table below as part of its work programme for 2019/20

Programme	Outcome
Annual Governance Statement 2018/19	<p>The Authority has a statutory duty to publish a statement as to the level of effectiveness its governance and internal control framework.</p> <p>The Corporate Governance Committee was able to consider the sources of assurance and approve the content of the Statement prior to its publication with the Financial Accounts.</p> <p>The statement included an action plan which was reviewed during the year to ensure that governance and control framework weaknesses were addressed.</p> <p>This has helped the Council to proactively identify and manage governance and control risks that could affect Corporate Priorities. Examples include changes in legislation, finance and Government policy.</p>
Accounting Policies	<p>The Committee considered the accounting policies for use in producing the 2018/19 accounts. This helped ensure that the Council demonstrated compliance with the International Financial Reporting Standards (IFRS).</p> <p>The Committee endorsed the approach proposed to meet the revised Accounts and Audit regulations 2015. This included managing a condensed timetable for preparation, approval and publication of financial performance information in preparation for the imposed earlier statutory deadline.</p>
Statement of Accounts	<p>The Committee were able to approve the Council's Statement of Accounts for 2018/19, assisting the Council in achieving its publication deadline.</p>



Programme	Outcome
Internal Audit work programme	<p>The Corporate Governance Committee received reports, from the Internal Audit Manager, for review of the:</p> <ul style="list-style-type: none"> <li>• Risk based annual plan and strategy,</li> <li>• Performance Outturn 2018/19,</li> <li>• Internal Audit Manager's opinion on the overall adequacy and effectiveness of the Council's control environment, and</li> <li>• Progress updates on delivery of the annual plan</li> </ul> <p>These reports demonstrate that the Council has arrangements in place to comply with the Accounts and Audit Regulations, to maintain an adequate and effective internal audit and system of Internal Control.</p>
Review of effectiveness of Internal Audit	<p>The Committee received assurances from the Corporate Director &amp; Chief Finance Officer, following a review of Internal Audit effectiveness for 2018/19.</p> <p>This confirmed that the Internal Audit Team is effective and follows professional quality standards such as the CIPFA "Local Government Application Note" for "Public Sector Internal Audit Standards" and the CIPFA "Statement on the role of the Head of Internal Audit".</p>
Risk Management Framework	<p>The Committee received regular updates on the Corporate Risk Register, discussed emerging risks, and completed an annual review of the Risk Management Strategy.</p> <p>This provided assurance that significant risks are identified and managed for the Council.</p> <p>In addition, Members requested additional items to be considered which led to some changes to the risk register which have been implemented.</p>
Treasury Management	<p>The Committee received reports throughout the year on the Treasury Management Strategy, Capital Strategy, Minimum Revenue Provision Policy, Annual Investment Strategy and financial performance.</p> <p>This provided assurance that the Council's assets are managed in accordance with the CIPFA Code of Practice on Treasury Management.</p>

Programme	Outcome
Data Protection Policy	<p>The committee received reports on the Council's Data Protection Policies that included updates on:</p> <p>Data Protection Policy</p> <p>Information Security Policy</p> <p>Reporting Data Breaches Policy and Procedures</p> <p>These provide assurance that the Council collectively and proactively demonstrate the commitment to protecting individuals' privacy whilst also fulfilling our obligations under data protection legislation.</p>
Regulation of Investigatory Powers Act	<p>The Committee received a report that allowed it to review the Council's use of the Regulations of Investigatory Powers Act 2000 (RIPA), and understand its use as part of the Protection of Freedoms Act 2012. The Committee also reviewed the RIPA Policy following an inspection by the Investigatory Powers Commissioners Office (IPCO).</p>
External Audit Assurance	<p>The Committee received reports from the Audit Commission's appointed auditor, Ernst and Young. These included:</p> <ul style="list-style-type: none"> <li>• Annual work plan;</li> <li>• Annual grant certification report;</li> <li>• Annual report to those charged with governance (ISA 260) summarising the work of the external audits completed;</li> <li>• Annual Audit and Inspection letter</li> </ul> <p>The reports affirmed continued maintenance of high financial management and control standards.</p> <p>The Annual Audit letter explained that in all significant respects the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and an unqualified value for money conclusion was given.</p> <p>The Committee also received updates on the future arrangements for appointing the Council's External Auditors</p>

**APPENDIX 1**

**Fenland District Council  
Corporate Governance Committee Self-Assessment Exercise**

**For the year 2019-20**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
<b>AUDIT COMMITTEE PURPOSE AND GOVERNANCE</b>						
1	Does the authority have a dedicated audit committee?	Y			Referred to as Corporate Governance Committee	
2	Does the audit committee report directly to full council? (applicable to local government only)	Y				
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?		P		The Corporate Governance Committee have a Terms of Reference that broadly cover the purpose as outlines in CIPFA's Position Statement. The current Terms of Reference are out of date and would benefit from a review.	Update / review the current Terms of Reference
4	Is the role and purpose of the audit committee understood and accepted across the authority?	Y			The committee's Terms of Reference are documented on the council's website where officers and members can access relevant documentation.	
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Y			The committee supports the authority by following the Nolan Principles adopted by the authority, and ensuring to the best of their ability that the corporate plan and strategic goals of the authority are adhered to.	
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Y			The Corporate Governance Committee report to Council and provide an annual report to Council. Throughout the year other members of the Council may request to attend meetings.	
<b>FUNCTIONS OF THE COMMITTEE</b>						
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?		P		The majority of the core areas are covered in the current Terms of Reference, these would benefit from a review.	Update / review the current Terms of Reference
	good governance			N		Update / review the current Terms of Reference

	assurance framework, including partnerships and collaboration arrangements			N		Update / review the current Terms of Reference
	internal audit	Y				
	external audit	Y				
	financial reporting	Y				
	risk management	Y				
	value for money or best value			N		Update / review the current Terms of Reference
	counter fraud and corruption	Y				
	supporting the ethical framework			N		Update / review the current Terms of Reference
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Y			The Audit Committee completes an annual report, which encompasses this review. The committee also considers as part of its annual work the Annual Governance Statement and Risk Register. The committee regularly receives reports from Internal Audit, External Audit and reviews the financial statements.	
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	Y			The committee reviews treasury management reports and has oversight of the annual report.  Additional wider areas could be considered during the review of the committee's Terms of Reference.	Additional wider areas could be considered during the review of the committee's Terms of Reference.
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Y			A review of the Terms of Reference is recommended.	Update / review the current Terms of Reference.


11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Y			The Corporate Governance Committee maintains its independence by adhering to being a non-decision making committee.	
<b>MEMBERSHIP AND SUPPORT</b>						
12	<p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> <li>• separation from the executive</li> <li>• an appropriate mix of knowledge and skills among the membership</li> <li>• a size of committee that is not unwieldy</li> <li>• consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)</li> </ul>		P		<p>The current committee is separate from the executive, the current membership has an appropriate mix of knowledge and skills, and the size is not unwieldy. The mix of members from each political party is in line with current policies.</p> <p>The consideration to include an independent member has not taken place. An independent member is an individual from outside the authority (non-officer or member) but with appropriate understanding of the subject.</p>	Consider whether an independent member should be included on the committee.
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?				Subject to whether an independent member is to be appointed or not.	See 12 above
14	Does the chair of the committee have appropriate knowledge and skills?	Y			<p>The current chair of the committee has the appropriate subject knowledge for the position. Members of the committee are given opportunity to freely discuss matters with fellow members of the committee. Officers attending the meetings are always available for advice to the chair if required.</p> <p>Training is given to all members of the Corporate Governance Committee to ensure appropriate skills are up to date and relevant.</p>	
15	Are arrangements in place to support the committee with briefings and training?	Y			Training for members of the committee is given to members on specific subjects (mainly technical areas – AGS, Statement of Accounts etc) prior to the official meetings taking place when requested.	
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	Y			The committee membership is formed from members with financial backgrounds, historical knowledge of the authority, knowledge from other authorities resulting in a varied mix of experience and knowledge.	Consider undertaking as assessment of current members against the core

					A formal assessment has not taken place, but could be considered.	knowledge and skills framework.
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	Y			All meetings are attended by a mixture of officers, including the Corporate Director / S151 officer, external audit, Chief Accountant, Head of Governance and Internal Audit Manager	
18	Is adequate secretariat and administrative support to the committee provided?	Y			Relevant officers attend meeting to facilitate secretarial and administrative support to the committee.	

#### EFFECTIVENESS OF THE COMMITTEE

19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Y			The Chairman of the Audit Committee presents an annual report to the Council and receives feedback from the executive.	
20	Are meetings effective with a good level of discussion and engagement from all the members?	Y			All members are encouraged to be involved fully at all meetings. Relevant officers are invited to attend meetings to provide greater detail to help discussions and engagement.	
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Y			The committee engages with the relevant responsible officers when discussing risks and action plans. Examples of this are the AGS, Corporate Risk Register, Treasury Reports and RIPA policies.	
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	Y			All reports presented to the committee for approval are discussed and actions minuted on suggested improvements. These actions are reviewed by the officers to ensure they are followed up on and discussed at the following meeting.	
23	Has the committee evaluated whether and how it is adding value to the organisation?		P		No formal evaluation has taken place, but the annual audit committee effectiveness report considers this to some degree.	Consider whether the committee is adding value using the information provided in CIPFA 2018 guidance.

24	Does the committee have an action plan to improve any areas of weakness?			N	As no evaluation currently takes place this could be considered as an action.	Consider completing an evaluation and adding an action plan to the Audit Committee Effectiveness report in future.
25	Does the committee publish an annual report to account for its performance and explain its work?	Y			Corporate Governance Committee Annual Report.	

Agenda Item No:	12	
Committee:	Corporate Governance	
Date:	17/08/2020	
Report Title:	Revised Risk based Internal Audit Plan 2020/21	

## 1 Purpose / Summary

In accordance with the Public Sector Internal Audit Standards the Internal Audit Manager has prepared the attached Internal Audit Plan. It considers the areas for audit review and the availability of internal audit resources taking into account the impact of the Coronavirus pandemic.

## 2 Key issues

- The Council's Internal Audit work 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 2013. The PSIAS were revised and came into effect in April 2017. It also incorporates the governance and strategic management arrangements of Internal Audit resources.
- Following on from the External Assessment completed in December 2017 the Audit plan now includes cross referencing to the Corporate Priorities, which was a suggested improvement made by the assessor.
- Following a recruitment freeze and reduced capacity of the Internal Audit team throughout the pandemic the revised plan makes the following assumptions:
- There are a total of 168 budgeted productive days for 2020/21.
  - 147 days are allocated to operational audit work. This resource is used to calculate the risk based audit plan. This work contributes to the annual opinion on the effectiveness of the system of internal control, which is reported to the Committee.
  - 21 days are allocated for other productive assurance work. This includes proactive anti-fraud and error work such as the National Fraud Initiative, project based assurance, a contingency for responsive work and following up previous recommendations.
- The risk based plan normally assumes that the team comprises 2.1 FTE. This level of capacity is sufficient to provide continued internal audit coverage of all key control systems over a 3 year cycle. The revised plan assumes the team comprises 1.1 FTE. This level of capacity will allow us to focus on key controls and high risk audits in 2020/21. In addition it allows us to focus on emerging



priorities as a result of the coronavirus pandemic, subject to an ongoing risk evaluation.

- The revised audit plan for 2020/21 is attached at Appendix A.
  - The Assurance rating classification is included at Appendix B.
  - The 'fundamental systems' audit reviews over the next 5 years is included at Appendix C
- The Council has 10 key financial systems, known as 'Fundamental' systems, due to their significance and materiality. Detailed testing provides assurance to the Council's External Auditors in preparation for final accounts compliance. Following repeated years of positive assurance the Committee and the External Auditors agreed an approach that would maximise assurance with the most effective use of resources. This approach will continue to be discussed with the External Auditors, reflecting any changes to the level of risk for these systems.
  - This is illustrated in Appendix C which shows that the Payroll system is reviewed annually, and with the introduction of the new auditing arrangements with ARP, the Council Tax, Business Rates and Housing Benefits are also reviewed annually. The remaining systems will be audited over a three year cycle.

### 3 Recommendations

The Committee is asked to acknowledge the Internal Audit resources and to consider and note the attached Revised Internal Audit Plan for 2020/21.

<b>Wards Affected</b>	All
<b>Forward Plan Reference</b>	N/A
<b>Portfolio Holder(s)</b>	Cllr Chris Boden
<b>Report Originator(s)</b>	Kathy Woodward – Shared Internal Audit Manager
<b>Contact Officer(s)</b>	Peter Catchpole – Corporate Director & Chief Finance Officer Kathy Woodward – Shared Internal Audit Manager
<b>Background Paper(s)</b>	Accounts and Audit Regulations 2015 Public Sector Internal Audit Standards 2016 CIPFA Local Government Application Note 2013 Fenland District Council Corporate Plan Internal Audit Charter

## Risk based Internal Audit plan



## **1 Introduction**

- 1.1 This document sets out the Internal Audit risk based plan. It is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council by:
- providing the Chief Executive, Section 151 Officer and Corporate Governance Committee with an overall opinion each year on the Council's control environment to support the Annual Governance Statement requirements;
  - preparing audit plans that give suitable priority to the Council's priorities and key risks and concentrate resources on areas that have been identified as being the most vulnerable;
  - providing suggested actions to line management at the conclusion of each piece of audit work that will assist in continuous service improvement and reduce the risks identified;
  - identifying the audit resources required to deliver an audit service that meets required professional standards; and
  - complying with professional standards.
- 1.2 The plan is risk based and covers the organisations existing operations, while adding value by responding to emerging risks and promoting good governance.
- 1.3 The plan will be reviewed at least annually to ensure its continued relevance, both in terms of supporting the council's aims and corporate objectives, and in achieving a professional, modern audit service.
- 1.4 The strategic aims for Internal Audit in 2020/21 are to:
- prepare, maintain and deliver the risk based internal audit plan;
  - proactively promote understanding of risk and control;
  - recommend actions that help systems meet at least adequate levels of control;
  - facilitate provision of assurance for the Annual Governance Statement;
- 1.5 The plan is supported by the teams Service Plan, which is aligned to the Council's Corporate Priorities, and is agreed with the Internal Audit team through the Council's Springboard process.

## **2 Role of Internal Audit**

- 2.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 2.2 Fenland District Council has responsibility for ensuring that statutory internal audit arrangements are in place to the Corporate Director & Chief Finance Officer. These arrangements form a key element of the District Council's framework for corporate governance.
- 2.3 The Shared Internal Audit Manager oversees internal audit provision to the District Council on behalf of the Corporate Director & Chief Finance Officer.
- 2.4 The objectives, scope and definitions of Internal Audit are detailed in the Internal Audit Charter.

### 3 Risk assessment

- 3.1 The Council's audit plan is based on a risk assessment of all the Council's major systems and other auditable areas. This allows us to prioritise those areas and systems to be included within the plan. Key risk assessment factors include:

Factor	Description
Materiality – Value	The value of annual direct income / expenditure associated with the system / activities
Materiality – Volume	An estimate of the number of transactions processed by the systems / activities per annum
Significance / Profile	The significance of the system to the activities of the Council.
Complexity	The complexity of the systems / activities in terms of their operation and auditability
Change	Recent changes to the system or the likelihood of change to the systems in the audit period planned
Regulatory / Contractual	Extent to which the system / activity is subject to regulation or contractual obligation
External Monitoring	The extent to which a service / activity is monitored or audited by an external body
Prior Audits	Overall rating of last audit and result of follow up.
Susceptibility to fraud and corruption	Opportunity within the system / activity for fraud and corruption to occur.
Staff Turnover	The turnover of staff, especially with key skills.

- 3.2 The risk assessment, and update of the annual plan, is informed by consultation with key stakeholders, including:
- the Corporate Director & Chief Finance Officer;
  - the Corporate Director & Monitoring Officer;
  - the Corporate Management Team;
  - the Council's team managers;
  - the Council's external auditors;
  - the Corporate Governance Committee.
- 3.3 Consultation helps ensure that stakeholder's views and risks are reasonably identified and reflected within the plan. Where possible External Audit will place reliance on the work of internal audit, and other external providers of assurance will be referred to help formulate the annual audit opinion. This helps ensure that resources are used to the best effect, and duplication is avoided.
- 3.4 The plan is also informed by key corporate documents such as:
- Business Plan;
  - Medium Term Financial Strategy; and

- the Council's risk registers.

3.5 The original Internal Audit plan had given consideration to the consultation with stakeholders and this has been incorporated where possible in the revised plan. The revised plan has also taken account of emerging risks identified in response to the coronavirus pandemic and changes to operational delivery.

#### 4 Key themes

The key themes, which have driven our assessment of risk and strategic aims are:

Area	Comment
Financial excellence	There is a continued need to ensure value for money is achieved, including financial resilience and the ability to prioritise resources within increasing financial constraints and a changing control environment.
Corporate Governance arrangements	The Internal Audit Manager will independently review and give an opinion on the Council's arrangements for both corporate governance and risk management, to support the production of an annual governance statement to accompany the statement of accounts. The team will maintain an awareness of emerging risks to help provide advice on effective internal controls.
Assurance mapping	Where other well-developed assurance processes exist (e.g. documented Control Risk Self-Assessment reviews, quality management audits, the work of other review or inspection teams) the internal audit team will quality assure these processes and consider how they can deliver a significant contribution to the overall audit opinion of internal control.
Improving information governance	As part of the planned audits the team will help to promote good information and data management practice throughout the organisation.
Risk management	Internal Audit will continue to assist teams identify business risks as part of audits. This will engage our customers in the management and maintenance of their risks and controls at an operational level, and also help identify and escalate concerns to the corporate risk register.
Minimising fraud and error	The Internal Audit team will ensure that the Anti-fraud & corruption policy & strategy reflects best practice and will appraise fraud risks during audits.  Internal controls will continue to be tested for effectiveness and the team will participate in data matching exercises, as provided by the National Fraud Initiative, to proactively identify fraud and error.
Corporate priorities	The Corporate plan, and the Council priorities, informs the audit strategy. The annual plan is based on the risk profile of activities supporting the Corporate Plan, and will continuously be revised to reflect any emerging changes to corporate risk.

## **5 Audit needs and resources**

- 5.1 The risk assessment process identifies auditable systems, and helps to prioritise the audit plan in consultation with key stakeholders.
- 5.2 Systems assessed as below adequate assurance, during the previous financial year, which are not subject to a planned audit will be considered for a follow up review to assess the effective implementation by management of agreed audit recommendations.
- 5.3 Where common areas of risk are identified across several teams then the use of corporate themed reviews is considered to ensure an approach which is both consistent and makes effective use of resources.
- 5.4 Both the resources and capacity of the Internal Audit Team is considered annually whilst setting the annual plan. The Internal Audit Team has been reduced to 1.1 full time equivalents for 2020/21.
- 5.5 Unproductive days, such as training and annual leave, are deducted from the total resource to calculate the total number of planned productive days.
- 5.6 Internal Audit team resources will enable all key services and high risk areas of the Council to receive audit coverage over a three year period, the impact of the pandemic may result in some lower risk areas or those that have received positive results previously to be reviewed in a future period and may only be covered in five years.
- 5.7 The key factors used in identifying work to be included in the revised internal audit plan for 2021/21 are:
  - High risk areas
  - Previous results of limited or adequate assurance
  - Time since last audit
  - Fundamental audits and key areas of control
  - Contractually obliged audits (ARP SLA)
- 5.8 This Internal Audit plan is produced and provides details for a 12 month period. The Shared Internal Audit Manager will review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls. Where work in progress occurs it will be carried forward for completion within resources available in the next year.

## **6 Audit delivery**

- 6.1 The approach of internal audit is to use risk based reviews, supplemented in some areas by the use of system-based audits and themed reviews. All audits have regard to management's arrangements for: -
- securing the proper, economic, efficient and effective use of resources;
  - achieving key performance indicators, where appropriate;
  - preventing fraud and irregularity.
- 6.2 The internal control system contains 10 key systems known as 'Fundamental' audits. A compliance approach is applied, as there is pre-existing confidence that controls are well designed, but the effective operation of the controls is a material concern. Testing for the effective operation of these controls is completed over a planned three year cycle, although can be audited more frequently if assurance is required. The ARP auditing arrangements have allowed us to gain assurances on an annual basis for Council Tax, Business rates and Housing Benefits. The 'Payroll' system will be reviewed annually to reflect the potential risk of the system. A continuous auditing approach is adopted that spreads the testing throughout the year. This helps to ensure that the work is delivered, and reduces the burden on the customer.
- 6.3 The remainder of the systems are prioritised by their risk based assessment. The approach to each audit is agreed, with the customer, during the planning stage of the audit.
- 6.4 The reduction in resource for this financial year will result in additional areas of work, such as other assurance work and consultancy engagements not being considered. However following up of previous recommendations, fraud and error work and improving governance and controls will still be considered.
- 6.5 Requests for unplanned work will be considered against capacity to ensure internal audit's independence, and the resource required to provide the annual audit opinion, is not compromised. Any significant additional consulting activities, which impact delivery of the plan, will be communicated to the Committee.
- 6.6 The output of audits completed during the year will inform the annual audit opinion. The annual internal audit opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This will be reported through the annual Internal Audit Outturn report which is a key source of assurance for the Annual Governance Statement.

## **7 Quality and performance**

- 7.1 The Internal Audit Service maintains a manual, which sets out the standards to which all audit assignments are completed. It is reviewed and updated to reflect the best practice and professional standards.
- 7.2 The performance of Internal Audit is measured against targets and objectives set out in the Team Service Plan.
- 7.3 At a detailed level each audit assignment is monitored and customer feedback sought.
- 7.4 There is ongoing performance appraisal and supervision for all Internal Audit staff during the year to support them in achieving their personal targets.
- 7.5 The Corporate Director & Chief Finance Officer shall in accordance with the Accounts and Audit regulations 2015 arrange for an assessment of quality independently of the Internal Audit service. Additionally an external review of the Internal Audit Service is completed by external assessors every 5 years.
- 7.6 The Internal Audit Service will continue to liaise closely with other internal audit services through the shared Internal Audit Manager arrangements with Borough Council Kings Lynn and West Norfolk, Cambridgeshire Audit Group, the Chartered Institute of Public Finance Accountants, the Institute of Internal Auditors and the ARP shared audit partnership in order to share knowledge of best practice.



## Appendix A: Internal Audit plan

<b>Audit Title</b>	<b>Risk Rating</b>	<b>Last Audit</b>	<b>Last Audit results</b>	<i>Original 2020/21 days</i>	<b>Revised 2020/21 days</b>
<b>2019/20 carried forward audits</b>				50	25
<b>Communities</b>					
Housing Standards	Medium	2017/18	Substantial	6	
Housing Strategy	Medium	2017/18	Substantial	6	
Housing Grants (PSR/DGF)	Medium	2017/18	Substantial	8	
Contract Monitoring – Freedom Leisure	Medium	2019/20	Adequate	6	
Safeguarding	Medium	2017/18	Adequate	10	10
<b>Economy</b>					
Business Unit Lettings	Medium	2017/18	Adequate	8	
Contract Monitoring – Highways	Medium	2017/18	Substantial	8	
Trading Operations – Port, Commercial and Marine	Medium	2016/17	Adequate	8	8
Trading Operations – Port Assets and Maintenance	Medium	2016/17	Adequate	6	6
Development – Planning Obligations (S106/CIL)	Medium	2015/16	Adequate	10	10
Garage Rents and arrears	Medium	2014/15	Substantial	6	6
<b>Environment</b>					
Health – Food Safety	Medium	2017/18	Substantial	8	
Contract Monitoring – CCTV	Medium	2017/18	Substantial	12	12
Licences – Alcohol	Medium	2017/18	Substantial	8	
Licences – Taxis	Medium	2017/18	Limited	8	8
Street Scene – Enforcement	Medium	2017/18	Adequate	8	4
Refuse – Waste and Recycling credits	High	2018/19	Substantial	10	10
Garden Waste	Medium	2016/17	Substantial	6	
<b>Quality Organisation</b>					
Website and Intranet content management	Medium	2017/18	Substantial	8	
Corporate Assurance – Ethical Controls	Medium	2016/17	Substantial	6	
ARP Enforcement	Medium	2019/20	Substantial	12	12
Council Tax (Fundamental)	Medium	2019/20	Adequate	1*	1*

Housing Benefits (Fundamental)	Medium	2019/20	Adequate	*	*
Housing Benefits – Overpayments	Medium	2019/20	Adequate	*	*
Business Rates (Fundamental)	Medium	2019/20	Adequate	*	*
Asset and Premises Management - Utility charges	Medium	2017/18	Adequate	8	
Corporate Assurance – Anti Fraud and Corruption	Medium	2018/19	Ongoing	7	
Property Maintenance	Medium	2017/18	Adequate	10	
Stores – Works	Medium	2017/18	Adequate	6	
Human Resources – Administration and Policy	Medium	2017/18	Adequate	10	
Petty Cash	Medium	2017/18	Adequate	8	
Insurance Claims and Cover	Medium	2017/18	Substantial	6	
Corporate Projects	Medium			12	
Payroll (Fundamental)	High	2019/20	Substantial	10	5
Covid-19 Business Grants Post-Assurance	High	New			15
<b>Total Risk Based Audits</b>				<b>280</b>	<b>132</b>
<b>External Audits and Other Work</b>					
FACT – Validation of Process	High	2019/20	Ongoing	5	5
Local Authority Trading Company	High	New		15	10
Fraud Work – Investigations and NFI				14	7
Follow ups				11	9
Contingency				19	5
<b>Grand Total</b>				<b>344</b>	<b>168</b>

\* These audits are conducted by our ARP partner authorities, which are reviewed by the Shared Internal Audit Manager of FDC before final reports are issued.

## Appendix B: Assurance Ratings:

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 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

## Appendix C: Fundamental audit plan

This is the proposed plan for internal audit reviews of controls considered fundamental to the Council

System Name	2020/21	2021/22	2022/23	2023/24	2024/25	Current Overall assurance rating
Housing Benefits *	✓	✓	✓	✓	✓	Adequate
Council Tax *	✓	✓	✓	✓	✓	Adequate
Business Rates *	✓	✓	✓	✓	✓	Adequate
Capital Finance Planning & Asset Register		✓			✓	Substantial
Debtors and Collection Agency		✓			✓	Substantial
Creditors		✓			✓	Substantial
Corporate Finance - Budgetary Control			✓			Substantial
Cash & Treasury Management			✓			Substantial
Corporate Finance - Management Accounting System			✓			Substantial
Payroll	✓	✓	✓	✓	✓	Substantial

\* ARP Auditing arrangements in place allow for an audit to be undertaken every year on these services by our ARP Partner authorities.

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Agenda Item No:	13	
Committee:	Corporate Governance	
Date:	17 August 2020	
Report Title:	Corporate Risk Register Review	

## 1 Purpose / Summary

- To provide an update to the Corporate Governance Committee on the Council's Corporate Risk Register.

## 2 Key issues

- The Council's Risk Management Strategy ensures the effective maintenance of a risk management framework by:-
  - embedding risk management across core management functions;
  - providing tools to identify and respond to internal and external risk;
  - linking risks to objectives within services and regularly reviewing these.
- Corporate Governance Committee has asked that the Council's Corporate Risk Register is reviewed and presented to it quarterly.
- The latest Corporate Risk Register (**Appendix A**) is attached to this report.

## 3 Recommendations

- The latest Corporate Risk Register is agreed as attached at Appendix A to this report.

<b>Wards Affected</b>	All
<b>Forward Plan Reference</b>	N/A
<b>Portfolio Holder(s)</b>	Cllr Chris Boden – Leader and Portfolio Holder for Corporate Governance
<b>Report Originator(s)</b>	Sam Anthony – Head of HR&OD
<b>Contact Officer(s)</b>	Paul Medd – Chief Executive Peter Catchpole –Corporate Director & Chief Finance Officer Carol Pilson – Corporate Director Sam Anthony – Head of HR&OD
<b>Background Paper(s)</b>	Previous reviews of the Corporate Risk Register: minutes of Corporate Governance Committee

## **4 Background / introduction**

- 4.1 This is the latest quarterly update in respect of the Corporate Risk register.

## **5 Considerations**

- 5.1 The Council has seven considerations when considering risk:-
- Performance – can we still achieve our objectives?
  - Service delivery – will this be disrupted and how do we ensure it continues?
  - Injury – how do we avoid injuries and harm?
  - Reputation - how is the Council's reputation protected?
  - Environment – how do we avoid and minimise damage to it?
  - Financial – how do we avoid losing money?
  - Legal – how do we reduce the risk of litigation?
- 5.2 Members and Officers share responsibility for managing risk:-
- Members - have regard for risk in making decisions
  - Corporate Governance Committee – oversee management of risk
  - Corporate Management Team – maintain strategic risk management framework
  - Risk Management Group – Lead Officers across the Council promote risk management and a consistent approach to it
  - Managers – identify and mitigate new risks, ensure teams manage risk
  - All staff – manage risk in their jobs and work safely.
- 5.3 Risk is scored by impact and likelihood. Each have a score of 1-5 reflecting severity. The overall score then generates a risk score if no action is taken, together with a residual risk score after mitigating action is taken to reduce risk to an acceptable level.
- 5.4 The level of risk the Council deems acceptable is the “risk appetite”. The Council accepts a “medium risk appetite” in that it accepts some risks are inevitable and acceptable whereas others may not be acceptable.
- 5.5 Managers consider risks as part of the annual service planning process. Each service has a risk register with the highest risks being reported at a strategic level, forming the Corporate Risk Register. The Corporate Management Team, supported by the Risk Management Group ensures that the highest risks are regularly reviewed and mitigating action undertaken.
- 5.6 The Council's Risk Management Strategy and Policy is currently under full review, and will be presented to the Corporate Governance Committee in due course.
- 5.7 The Corporate Risk Register is very much a “living document”; the Corporate Governance Committee reviews it quarterly.
- 5.8 Where exceptional new risks present themselves, they can be referred to Corporate Governance Committee urgently as appropriate.
- 5.9 Risk appetite has been considered. The Council takes a medium risk appetite, accepting that the current climate in Local Government is subject to great change and



that some risks are necessary in order for the Council to move forward and continue to deliver high quality, cost-effective services. This information has been added in to the attached document to provide further clarity. As a result of this; in some instances it is not possible to significantly reduce residual risk. Having said this, some decisions may need to be made in a timely manner and this could increase risk appetite accordingly. The Council's overall risk appetite should be reviewed regularly.

- 5.10 Risk awareness is embedded across the Council. Whilst the Risk Management Strategy sets out how all levels of Officers should understand and take risk into account, it is important that risk awareness and management is integral to the Council's culture. To achieve this, risk awareness and training are important. This information has also been added in to the attached document to provide further clarity.
- 5.11 It is important that Members have regard for risk when considering matters and making decisions at Council, Cabinet and Committees. In addition, Corporate Governance Committee must take a strategic overview of risk and consider the highest risks to the Council as set out in the Corporate Risk Register.

## **6 Changes to the Corporate Risk Register**

- 6.1 The Risk Register has been reviewed by the Corporate Risk Management Group and Corporate Management Team, with no changes made to the identified risks, additional actions taken to mitigate the impact of the Covid-19 pandemic situation have been incorporated into the Risk Register.
- 6.2 Mitigating actions and progress have been updated.
- 6.3 Commentary regarding all risks and action being taken to ensure current risks are minimised has been updated in the Risk Register.
- 6.4 All updates are highlighted in green.
- 6.5 The register also includes some narrative around the Risk Management Process (at section 2); the Monitoring and Escalation Framework (at section 4); the Risk Appetite and tolerance levels; and a heat map showing all the residual risks at page 28.

## **7 Next steps**

- 7.1 Officers will continue to bring a reviewed and updated Corporate Risk Register to Corporate Governance Committee on a regular basis.

## **8 Conclusions**

- 8.1 The risk management process provides assurance for the Annual Governance Statement, which is substantiated by reports from the Council's External Auditors in their issuance of an unqualified audit opinion.
- 8.2 Regular review (and updating as appropriate) of the Risk Management Strategy and Corporate Risk Register will further build the assurance required above.

# Corporate risk register

Reviewed and updated **July 2020**

## **1 Introduction**

- 1.1 This is the latest Corporate Risk Register. Please refer to the Council's Corporate Risk Strategy for further information about how the Council approaches risk management. Actions and comments for each risk have been revised and other changes are highlighted in green.

## **2 Risk Management process**

- 2.1 Risk Management is designed to identify what could affect the achievement of objectives, and to plan a proportionate response.
- 2.2 The Council's approach to Risk Management is documented within the Risk Management Framework. It aims to ensure that risks are identified for both strategic and operational activity. This includes:
- corporate and service priorities;
  - project management;
  - decision-making and policy setting; and
  - financial and performance monitoring and planning.
- 2.3 The Risk Management Framework provides tools to manage risks for the different types of system and control environment; such as the Corporate Risk Register to capture and summarise significant and strategic risks; team risk registers which help inform service planning and actions; risk and hazard identification documents are shared with management as appropriate during audit reviews; and health and safety risk assessments which are updated annually by teams.
- 2.4 The frequency and mechanism for monitoring risks reflects the type of monitoring system, and the pace of changing circumstances, for example:
- Project risks will be recorded in project risk registers, and are reviewed frequently throughout the projects life.
  - Operational risks are identified through audit and inspection work, and are assigned dates and ownership.
  - Operational risks are identified through service planning and are linked to the service plan actions. These are typically monitored monthly through team meetings as part of the Councils Performance Management framework.
- 2.5 The Annual Governance Statement records governance actions, which are reviewed biannually as good practice. The Corporate Risk Register comprises strategic and significant risks. The register can both inform and reflect risks recorded in other risk management systems. It may refer to more detailed analysis of risks, presented to committees, such as the Medium Term Financial Strategy. Appropriately, mitigation may be linked to specific actions recorded and monitored through service plans, or committee forward plans.
- 2.6 Risks are categorised, and scored according to their impact and likelihood. This activity allows managers, to prioritise resources to mitigate them. Strategic and significant risks are defined by the Councils risk appetite.
- 2.7 The outcomes of this process are reported to the Corporate Governance Committee at least twice each year in the form of the attached Corporate Risk Register.

- 2.8 The review of the Risk Management Framework, Policy and Strategy, will be reported to the Corporate Governance Committee at least annually. The Risk Management process, and register, will provide assurance for the Annual Governance Statement.

### 3. How risks are scored

- 3.1 The Council has adopted a consistent scoring mechanism for all risk identification, as it enables risks identified from other systems to be escalated to the Corporate Risk Register.
- 3.2 The probability - “likelihood”, and effect - “impact”, of each risk must be identified in order to help assess the significance of the risk and the subsequent effort put into managing it.
- 3.3 The risk score is calculated by multiplying the impact score by the likelihood score:

IMPACT	
Score	Classification
1	Insignificant
2	Minor
3	Moderate
4	Major
5	Catastrophic



LIKELIHOOD	
Score	Classification
1	Highly unlikely
2	Unlikely
3	Possible
4	Probable
5	Very likely

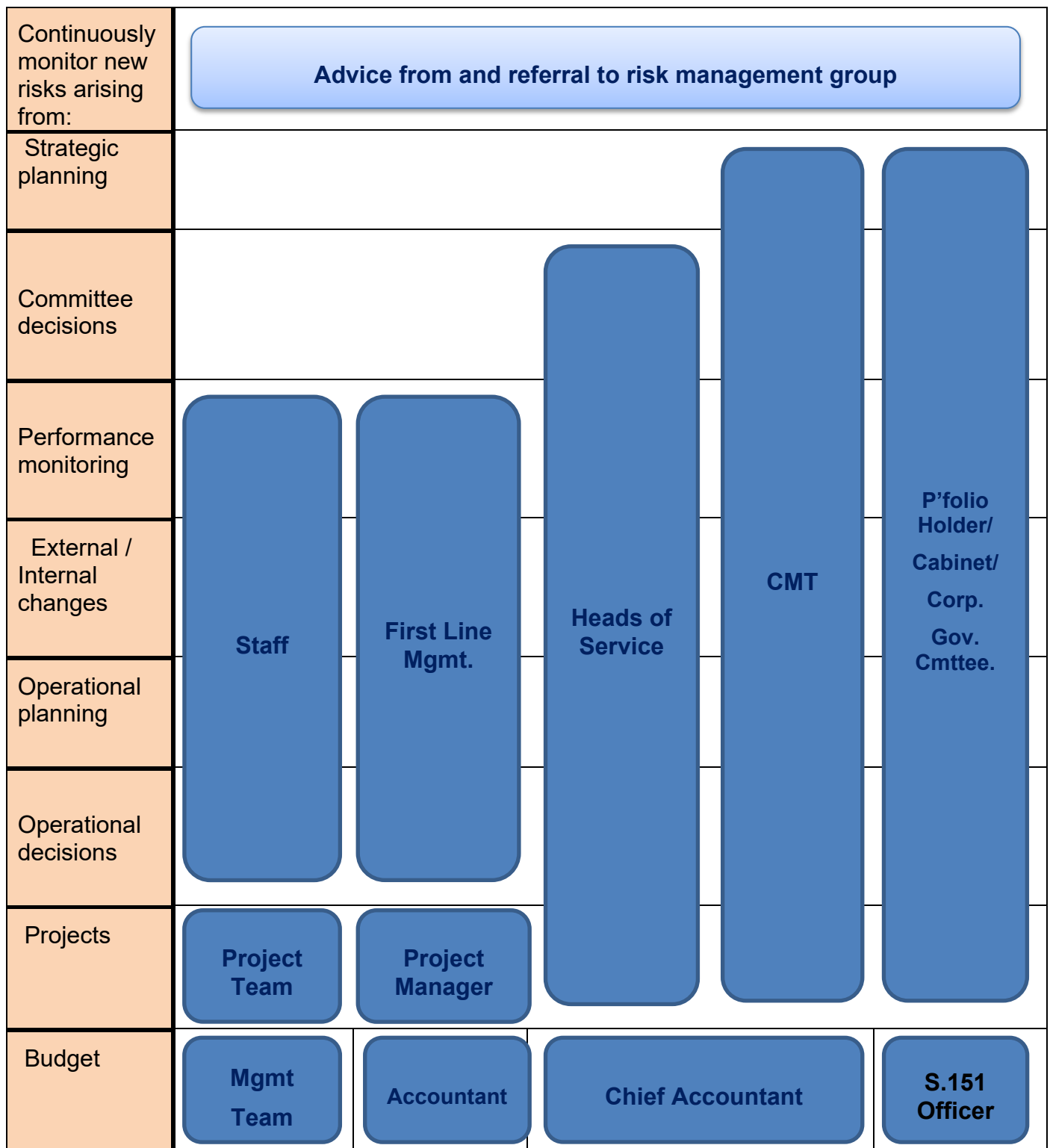
**IMPACT x LIKELIHOOD = RISK SCORE**

### 3.4 The impact and likelihood of risks is scored with regards the below levels:-

Score	1	2	3	4	5
Criteria	Insignificant impact	Minor impact	Moderate Impact	Major Impact	Catastrophic Impact
Performance	Objectives still achieved with minimum extra cost or inconvenience	Partial achievement of objectives with compensating action taken or reallocation of resources.	Additional costs required and or time delays to achieve objectives – adverse impact on PIs and targets.	Unable to achieve corporate objectives or statutory obligations resulting in significant visible impact on service provision such as closure of facilities.	Unable to achieve corporate objectives and/or corporate obligations.
Service Delivery	Insignificant disruption on internal business – no loss of customer service.	Some disruption on internal business only – no loss of customer service.	Noticeable disruption affecting customers. Loss of service up to 48 hours.	Major disruption affecting customers. Loss of service for more than 48 hours.	Loss of service delivery for more than seven days.
Physical	No injury/claims.	Minor injury/claims (first aid treatment).	Violence or threat or serious injury/claims (medical treatment required).	Extensive multiple injuries/claims.	Loss of life.
Reputation	No reputational damage.	Minimal coverage in local media.	Sustained coverage in local media.	Coverage in national media.	Extensive coverage in National Media.
Environmental	Insignificant environmental damage.	Minor damage to local environmental.	Moderate local environmental damage.	Major damage to local environment.	Significant environmental damage attracting national and or international concern.
Financial	Financial loss < £200,000	Financial loss >£200,000 <£600,000	Financial loss >£600,000 <£1,000,000	Financial loss >£1,000,000 <£4,000,000	Financial loss >£4,000,000
Legal	Minor civil litigation or regulatory criticism	Minor regulatory enforcement	Major civil litigation and/or local public enquiry	Major civil litigation setting precedent and/or national public enquiry	Section 151 or government intervention or criminal charges

#### 4. Monitoring and escalation framework

4.1 The following diagram illustrates the key stakeholders for different classification of risk management:



## 5.0 Risk appetite and tolerance levels

- 5.1 Risk appetite and tolerance is the amount of risk an organisation is prepared to accept, or be exposed to at any point in time. It can indicate where action is required to reduce risk to an acceptable level, plus opportunities for positive outcomes which can be monitored.
- 5.2 The Council has adopted the approach and definitions used by CIPFA and the Institute of Risk Management:

### **Risk appetite**

“The amount of risk an organisation is willing to seek or accept in the pursuit of its long-term objectives”.

*An example may be consideration of the funds or resources that an organisation is prepared to invest in a venture where success is not guaranteed but that would yield benefits.*

### **Risk tolerance**

“The boundaries of risk taking outside which the organisation is not prepared to venture in the pursuit of its long-term objectives”.

*An example may be a Treasury Management Strategy that rules out certain types of investment options.*

- 5.3 Typically an individual's perception of an acceptable risk is the same irrespective of which definition is used. Differences may occur where risks cannot be controlled or completely eliminated. For example political and legislative change is an external driver which cannot be fully mitigated. In this instance the risk tolerance, and ability to manage the risk, may be greater than risk appetite.
- 5.4 It is recognised that the tolerance or appetite is subjective, and may change according to the environment, internal and external drivers. Consequently it is important, regardless of the terms used, that everyone has a consistent approach to risk taking to prioritise resources effectively.
- 5.5 The Councils risk appetite is set by the Corporate Management Team and is reviewed periodically. This provides guidance to everyone on acceptable levels of risk taking, to encourage a consistent approach to risk management.
- 5.6 Different risk appetites can be illustrated on a five by five matrix as three levels: high, medium and low. The Council is risk aware and the current level is determined by CMT as medium. This provides guidance that any inherent risk scored at 15 or greater is to be considered for the Corporate Risk Register.
- 1.7 Once controls are in operation the risks can be scored again to illustrate the residual risk

## 6. The corporate risk register at a glance

6.1 Please see below for a summary of current risks and their scores. More detail follows in section 7 of this document, in which the individual risks are ordered by severity of current risk, in descending order.

Ref	Risk	Risk if no action			Current risk			Page in this register
		Impact	Likelihood	Score	Impact	Likelihood	Score	
1	Legislative changes	5	5	25	2	5	10	15
2	Brexit	5	5	25	2	3	6	16
3	Failure of contractors and suppliers working on the Council's behalf	4	4	16	3	4	12	12
4	Failure of IT systems	5	5	25	4	3	12	9
5	Insufficient staff to provide Council services	4	5	20	2	3	6	25
6	Breach of ICT security causes loss of service	5	5	25	4	3	12	10
7	Lack of access to Council premises prevents services being delivered	5	5	25	2	3	6	26
8	Funding changes make Council unsustainable	5	5	25	3	3	9	17
9	The Council's ability to cope with a natural disaster	5	4	20	4	4	16	8
10	Major health and safety incident	4	4	16	4	3	12	13
11	Fraud and error committed against the Council	5	4	20	3	3	9	18
12	Failure of external investment institutions	5	4	20	2	4	8	24
13	Failure of Governance in major partners or in the Council as a result of partnership working	4	5	20	3	3	9	19
14	Failure to achieve required savings targets	4	5	20	3	3	9	20
15	Over-run of major Council projects in time or cost	4	5	20	3	2	6	27
16	Service provision affected by organisational change	4	5	20	3	4	12	14
17	Political changes in national priorities	5	4	20	3	4	12	11
18	Capital funding strategy failure	5	4	20	3	3	9	21
19	Poor communications with stakeholders	4	5	20	3	3	9	22
20	Failure of the Council's Commercialisation and Investment Strategy	5	4	20	3	3	9	23



## 7 Corporate risk register

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
9	<p>Risk:- The Council's ability to cope with a natural disaster, including a Pandemic</p> <p>Effects:- Natural disaster; malicious or accidental incident affects support required by civilians or disrupts existing Council services.</p>	5	4	20	<ul style="list-style-type: none"> <li>Emergency plan</li> <li>Emergency planning exercises beyond the district</li> <li>Business continuity plans</li> <li>Regular exercise and joint public sector workshops for Emergency Planning</li> <li>Emergency Planning Communication s Strategy</li> <li>Review of approach with partner organisations as a result of lessons learned from 'near miss' flood events.</li> <li>Local Resilience Forum</li> </ul>	4	4	16	CMT	<ul style="list-style-type: none"> <li>Regularly test Emergency Plan</li> <li>Test Service Business Continuity Plans</li> <li>Ensure key emergency planning staff attend regular liaison meetings and training</li> <li>Implementation of management response group and regular conference call and action planning</li> </ul>	<p>Key senior staff attend regular multi-agency briefing and planning meetings.</p> <p>Management Team conduct periodical exercise to test the Councils readiness for an emergency.</p> <p>Recovery Training was delivered in-house to Management Team in January 2020. Additional training is in progress (Rest Centres, Incident Officers and Tactical Management) during 2020.</p> <p>Recovery Training has been delivered to all senior managers by the Cambridge and Peterborough Local Resilience Forum (CPLRF); additional training is in progress (Loggist, Recovery and Tactical Management).</p> <p>The Council's Emergency Management and Rest Centre Plans have been updated. We have increased and trained the number of volunteer rest centre staff available.</p> <p>The Council will retain the use of each of the four Leisure Centres for rest centre sites.</p> <p>The Council has implementing a rota for senior officers to be 'on call' in the event of an emergency. The Council's response will complement and support by the coordinated CPLRF and Public Sector response to any such incident.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
4	<p>Risk:- Failure of IT systems</p> <p>Effects:- Failure to secure and manage data leads to loss of/ corruption of / inaccuracy of data, results in disruption to services and breaches of security. A further consequence could be financial penalties and reputational risk.</p>	5	5	25	<ul style="list-style-type: none"> <li>• Data protection policy and procedure</li> <li>• Freedom of Information publication scheme</li> <li>• Data retention policy and procedure for archive and disposal</li> <li>• Information breach response plan</li> <li>• Monitoring Officer role comprises Senior Information Risk Officer function</li> <li>• Business continuity plans</li> <li>• ICT system security</li> <li>• Public Services Network compliance</li> <li>• Paperless office project</li> <li>• Countywide information sharing framework</li> </ul>	4	3	12	Carol Pilson / Peter Catchpole	<ul style="list-style-type: none"> <li>• Effective auditing of systems and data held.</li> <li>• Data backed-up securely off-site.</li> <li>• Regular penetration testing.</li> <li>• Regular review of business continuity plans</li> <li>• Disaster Recovery testing is undertaken at regular intervals</li> </ul>	<p>An additional internet feed to Fenland Hall has been installed to improve resilience.</p> <p>The likelihood score has been reviewed and increased due to the increase globally of cyber crime</p> <p>The Council's internet and email protocols have been updated.</p> <p>All Council employees are undertaking Cyber security training</p> <p>As a result of the Covid-19 pandemic, 60% of staff have been home-work enabled, which has tested and proved the resilience of the Council's ICT infrastructure</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
6	<p>Risk:- Breach of ICT security causes loss of service</p> <p>Effects:- Major IT physical hardware failure or electronic attack, such as viruses, hacking or spyware, causes disruption to services and breaches of security. A further consequence could be financial penalties and reputational risk.</p>	5	5	25	<ul style="list-style-type: none"> <li>• Anti-virus software</li> <li>• Geographically distributed servers</li> <li>• Tested disaster recovery plan</li> <li>• Back-ups stored off site</li> <li>• Secondary power supply</li> <li>• Revised security policies</li> <li>• Critical services' business continuity plans include manual operation</li> </ul>	4	3	12	Peter Catchpole	<ul style="list-style-type: none"> <li>• Effective auditing of systems and data held.</li> <li>• Data backed-up securely off-site.</li> <li>• Regular penetration testing.</li> </ul>	<p>The Council has subscribed to the National Cyber Security Centre's (NCSC) Web Check service that helps public sector organisations fix website threats. This service regularly scans public sector websites to check if they are secure. NCSC have advised that the Fenland Council site is secure.</p> <p>Council IT systems and website are as secure as possible with current anti-attack software and processes up to date. When vulnerabilities are made known by software vendors, software is updated to reduce the risk of malicious attack.</p> <p>The likelihood score was reviewed and increased due to the increase globally of cyber crime</p> <p>All Council employees are currently undertaking Cyber security training</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
17	<p>Risk:- Political changes in national priorities</p> <p>Effects:- Changes in national political priorities may result in immediate changes that require additional resource to achieve and fail to reflect priorities determined by consultation.</p>	5	4	20	<ul style="list-style-type: none"> <li>Financial &amp; workforce planning</li> <li>Monitoring by CMT and resultant Cabinet reports</li> <li>Clear corporate planning and regular performance monitoring</li> <li>Effective service &amp; financial planning</li> <li>Respond to national consultation on key policy changes</li> <li>Membership of LGA as a Council Outside Body</li> </ul>	3	4	12	Paul Medd	<ul style="list-style-type: none"> <li>Understanding and acting on intelligence from LGA, CIPFA and other local government sources.</li> <li>Resources identified, approved and implemented without delay.</li> <li>Constant monitoring</li> <li>Horizon scanning via professional bodies</li> <li>Joint/collaborative working</li> </ul>	The risks of legislative change remain high as a result of the effects of the ongoing Brexit transition process, albeit that Brexit itself has been identified as a risk to the Council. (see reference number 2)

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
3	<p>Risk:- Failure of contractors and suppliers working on the Council's behalf, including the impact of the Pandemic</p> <p>Effects:- Failure of contractor or partners to deliver services or meet agreed performance objectives leads to additional costs or failed objectives.</p>	4	4	16	<ul style="list-style-type: none"> <li>• Procurement processes – including financial aspects/ contract standing orders/ equality standards</li> <li>• Contract process – creation of robust contracts</li> <li>• Accountability and risk ownership documented</li> <li>• Service Level Agreements</li> <li>• Contract monitoring</li> <li>• Trained/skilled staff</li> <li>• Project management</li> <li>• Relationship Management</li> <li>• Business Continuity Plans</li> </ul>	3	4	12	CMT	<ul style="list-style-type: none"> <li>• Regular monitoring of contracts and performance by Managers.</li> <li>• Ensure that contracts have risk registers and mitigation in event of contract failure.</li> <li>• Ensure all contractors have reviewed and refreshed their business continuity arrangements and plans in light of the pandemic</li> </ul>	<p>The Leisure service was outsourced in December 2018 Included within the contact is the requirement for contingency in case of service failure.</p> <p>Potential contractors are always checked for financial stability by the Accountancy team before contracts are let.</p> <p>Individual Council services share their own contingency to cover for contractor failure, and this is part of the Business Continuity Plan for each Service Area.</p> <p>Covid-19 has had a profound impact on the leisure industry, including impacting on Freedom Leisure. FDC has supported the contract (due to contractual obligations) during the lockdown period FDC will carefully monitor Freedom Leisure's financial robustness and its ability to continue to trade as facilities reopen. This monitoring includes information sharing with other Freedom contracted Council's, working with the LGA and working with independent industry consultants and Sport England.</p> <p>We have a Contract Manager in post whose role is to manage/monitor the performance of the main Grounds Maintenance contract and the Leisure Service contract.</p> <p>All other shared services/contracts have a full review and governance process in place to ensure ongoing delivery and performance standards.</p> <p>The likelihood rating has been revised and reduced given the mitigation in place and the established nature of the contracts.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
10	<p>Risk:- Major health and safety incident</p> <p>Effects:- Major Health &amp; Safety incident at Council leads to costs for inquiry, disruption to service and possible prosecution</p>	4	4	16	<ul style="list-style-type: none"> <li>• Health &amp; Safety (H&amp;S) Panel</li> <li>• H&amp;S procedures – addressed at every service area</li> <li>• H&amp;S audits in all services</li> <li>• Specialist H&amp;S advisor</li> <li>• Corporate wide H&amp;S training</li> <li>• Insurance</li> <li>• Aligned Port Health and Safety arrangements</li> <li>• Port Management Group and annual independent audit</li> <li>• Robust sickness management processes</li> </ul>	4	3	12	CMT	<ul style="list-style-type: none"> <li>• Ensure health and safety is standard agenda on all team meetings.</li> <li>• Ensure equipment inventory and inspections are up to date.</li> <li>• Review Risk Assessments and Action Plans.</li> <li>• Capture Port near misses and asses learning points</li> </ul>	<p>A thorough Health and Safety regime at the Council ensures that the residual risk remains carefully managed</p> <p>Programme of targeted health and safety refresher training is in place as per service specification</p> <p>All site risk assessments have recently been fully reviewed in light of the Covid-19 pandemic. Specific measures have been put in place to ensure all sites are 'Covid-19 Safe'.</p> <p>Flu jabs are being provided for employees</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
16	<p>Risk:- Service provision affected by organisational change including the impact of a pandemic</p> <p>Effects:- Service provision and performance affected by organisational change, industrial action and/or staff sickness resulting in complaints, poor performance and possible further costs.</p>	4	5	20	<ul style="list-style-type: none"> <li>• Working environment / org culture</li> <li>• Staff Committee</li> <li>• Consultation with Staff Side</li> <li>• Flexible working</li> <li>• Established suite of people policies &amp; procedures</li> <li>• Business continuity plans</li> <li>• Management training</li> <li>• “Springboard” appraisal for all staff support and development</li> <li>• CMT monitor and lead on human resource management.</li> <li>• Regular performance monitoring and management</li> <li>• IIP</li> <li>• Access to interim arrangements</li> <li>• Robust sickness absence management</li> <li>• Project management processes</li> </ul>	3	4	12	Peter Catchpole	<ul style="list-style-type: none"> <li>• Business continuity plans for each service.</li> <li>• Culture of Council remains effective</li> <li>• Workforce planning, which includes succession planning for key roles an talent management</li> <li>• A comprehensive programme of health surveillance for groups of employees who work in certain service areas (e.g. refuse drivers, workshop, port staff, etc.)</li> <li>• Trained Mental Health First Aiders in place</li> <li>• Stress awareness training</li> <li>• Resilience training</li> <li>• Staff engagement and consultation processes</li> </ul>	<p>Plans are regularly checked and tested.</p> <p>All services have up to date Business Continuity Plans in place; and have reviewed and updated their Business Continuity Plans in the light the Covid-19 pandemic.</p> <p>All organisational changes are considered by the senior management and a wider project group to ensure all service provision issues are properly considered and managed. This project management approach is maintained for all such changes/programmes.</p> <p>The Council has a health and wellbeing programme in place which supports the existing suite of Policies, Codes of Practices and processes, this includes a wide range of support to help promote and encourage their good health and wellbeing, such as:</p> <ul style="list-style-type: none"> <li>• A dedicated Occupational Health Advice and guidance support service available for all colleagues;</li> <li>• Access to a health care plan for all employees (at nil cost to the Council) to enable financial support to access a wide range of health care specialists and interventions (e.g. chiropractic services, dental treatment, acupuncture, reflexology, chiropody etc.)</li> <li>• A confidential Employee Assistance Programme (EAP), which provides a counselling service to staff where needed.</li> <li>• A dedicated on line platform offering a wide range of support and advice for all employees of a comprehensive range of issues.</li> </ul>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
1	<p>Risk:- Legislative changes</p> <p>Effects:- Changes arising from Central Government or EU legislation requiring significant alteration to organisational capacity, such as impact of welfare reform and universal credit, effects of devolution, introduction of new burdens.</p> <p>Risk of GDPR breach and ICO sanction/fine</p>	5	5	25	<ul style="list-style-type: none"> <li>Monitoring Officer</li> <li>Horizon scanning by Legal/CMT/Mgt Team</li> <li>Service Manager responsibilities</li> <li>Financial &amp; workforce planning</li> <li>Membership of professional/ Local Govt bodies aids horizon scanning</li> <li>Mgt of change approach to mitigate significant impact to the organisation and its staff</li> <li>Detailed project plans to change implementation</li> <li>Respond to consultations on new legislation</li> </ul>	2	5	10	Carol Pilson	<ul style="list-style-type: none"> <li>Use intelligence to identify impending changes and their effects.</li> <li>Ensure staff trained and procedures changed.</li> <li>Use professional networking to identify best practice for responding to change.</li> <li>We respond to government consultations on changes to legislation or policy to influence its development.</li> </ul>	<p>Officers continue to horizon-scan for legislative changes and their effects.</p> <p>The Council has compiled an Information Asset Register of all records it hold in both paper and electronic form, worked with IT system suppliers and conducted a staff awareness campaign to ensure that staff understand and are compliant with GDPR.</p> <p>The majority of information held by the Council is held with a legal basis for holding such as election and Council Tax records.</p> <p>All staff undergo GDPR training, and opportunities for further Member training in this area are currently being explored</p> <p>The Council now has a dedicated GDPR Officer, and each service is required to have a dedicated GDPR lead</p>



Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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2	<p>Risk:- Brexit</p> <p>Effects:- Uncertainty during transition period, followed by potential legislative, funding and policy changes after UK leaves EU may adversely affect the Council and its ability to provide services.</p>	5	5	25	<ul style="list-style-type: none"> <li>• Horizon scanning by Legal Services / CMT / Heads of Service</li> <li>• Financial &amp; workforce planning</li> <li>• Membership of professional and Local Govt bodies aids horizon scanning</li> <li>• Management of change approach to mitigate against significant impact to the organisation and its staff</li> <li>• Detailed project plans to manage implementation of changes</li> </ul>	2	3	6	Peter Catchpole / Carol Pilson	<ul style="list-style-type: none"> <li>• Understanding and acting on intelligence from LGA, CIPFA and other local government sources.</li> <li>• Identifying policies that require changing, their effects and governance as Brexit effects start.</li> </ul>	<p>The Council continues to monitor progress and take account of any effects on local government as they emerge.</p> <p>The Council is actively preparing for the likely outcomes of ongoing Government Brexit negotiations:</p> <ul style="list-style-type: none"> <li>• The Council has a Corporate Brexit Project group;</li> <li>• The Council is an active partner of the Cambridge and Peterborough Local Resilience Forum (CPLRF), who have been tasked with looking at the potential impacts of a "No Deal" Brexit, and the associated local Impact. This is being led by the Cambridgeshire Fire and Rescue Service</li> <li>• The Council is a member of the Cambridgeshire Public Service Board, (This is the Executives of the partner organisations within the county, and Brexit is a standing item on their current agenda).</li> </ul> <p>The Council has fully reviewed information on its workforce and the requirements for any EU workers; we are also liaising with all partners to ensure their preparedness in this area.</p> <p>The Council have also promoted Community awareness in this area by providing signposting information via Community Support teams.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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8	<p>Risk:- Funding changes make Council unsustainable</p> <p>Effects:- Economic changes, imposed savings requirements, changes to local government funding systems, uncertainties of pilot pension fund.</p> <p>Financial Mgt of NNDR, CTS leads to change in income /spending making Council unsustainable.</p>	5	5	25	<ul style="list-style-type: none"> <li>• S151/ Chief Finance Officer</li> <li>• Financial Regulations &amp; Standing Orders</li> <li>• Appropriately trained staff</li> <li>• MTFS</li> <li>• Professional economic forecasts</li> <li>• Community consultation on service priorities</li> <li>• Our CSR programme</li> <li>• Political decisions linked to budget strategies</li> <li>• CMT efficiency planning</li> <li>• Efficiency Plan and CSR plan.</li> <li>• Executive steer of service /capital priorities.</li> <li>• Review fees /changes.</li> <li>• Reserves</li> <li>• Financial Mgt System</li> <li>• Budget monitoring.</li> </ul>	3	3	9	Peter Catchpole	<ul style="list-style-type: none"> <li>• Using intelligence to model and plan for future changes and risks and move away from reliance on Govt funding to balance our budget.</li> <li>• Regular monitoring of current position and reporting to Members.</li> <li>• Workforce planning covers all scenarios.</li> <li>• Inclusion in national working groups, modelling and lobbying for funding system after RSG ceases.</li> <li>• Sharing Council's Efficiency Plan with the Government allows guaranteed multi-year grant settlement raising funding certainty.</li> <li>• Shared services and partnership working</li> </ul>	<p>We are closely watching local government finance and the Council's current budget and Medium Term Financial Plan reflects how the Council will balance its budget and maintain appropriate reserves.</p> <p>The Fair Funding Review and Business rate Retention Scheme is being reviewed nationally, and there is some potential for this to impact on the Council's long-term financial position. The Council will continue to monitor the risk rating.</p> <p>The Council now has an agreed Commercialisation and Investment Strategy which will enable the Council to generate additional income.</p> <p>Each service is required to review and identify any opportunities for transformation, commercialisation and efficiency. We are currently progressing the 'My Fenland' transformation programme which is bringing together all customer facing activities in to one team.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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11	<p>Risk:- Fraud and error committed against the Council</p> <p>Effects:- Potential for fraud, corruption, malpractice or error, by internal or external threats. In addition to immediate financial loss, this could harm reputation and lead to additional inquiry costs and penalties.</p>	5	4	20	<ul style="list-style-type: none"> <li>• Anti-fraud &amp; corruption policy/ strategy</li> <li>• Financial Regulations / Standing Ord</li> <li>• Codes of conduct</li> <li>• Appropriately trained staff</li> <li>• Appropriate culture and risk awareness</li> <li>• Segregation of duties</li> <li>• Supported financial mgt system</li> <li>• Budget monitoring regime</li> <li>• Internal Audit review of sys /and controls</li> <li>• Bribery &amp; corruption / fraud risk assessments</li> <li>• Indemnity insurance</li> <li>• Whistle-blowing procedure</li> <li>• Annual Governance Statement</li> <li>• ARP fraud resource</li> <li>• National Fraud Initiative</li> </ul>	3	3	9	Peter Catchpole / Carol Pilson	<ul style="list-style-type: none"> <li>• Increase staff vigilance</li> <li>• Fraud awareness training for Managers</li> <li>• Raise profile internally and externally for successful prosecutions</li> </ul>	<p>The Council has assisted with each annual National Fraud Initiative, cross-matching information with records held nationally.</p> <p>The Fraud team within the Anglia Revenues Partnership (ARP) continue to work on this area...</p> <p>Anti-Fraud and Corruption Strategy is currently being reviewed.</p> <p>A fraud awareness training programme for all staff is currently being developed</p> <p>The Council's ICT systems have also been reviewed and updated to provide better protection against potential fraud – please see risk 6 (Page 21)</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
13	<p>Risk:- Failure of Governance in major partners or in the Council as a result of partnership working</p> <p>Effects:- Partnership governance not adopted or followed, leading to unachieved priorities and poor performance by major partner agencies:- Cambs and Peterborough Combined Authority, Anglia Revenues Partnership, CNC Building Control, Shared Planning, Payroll delivered by Bedford BC.</p>	4	5	20	<ul style="list-style-type: none"> <li>• FSP, Fenland Public Service Board, Cabinet and O&amp;S, bi-annual stakeholder events ensure accountability</li> <li>• ARP Joint Committee and Operational Improvement Board, Cabinet, O&amp;S, joint risk registers</li> <li>• CNC Joint Members Board, Cabinet plus O&amp;S</li> <li>• Shared Planning Board, Cabinet plus Overview and Scrutiny, joint performance indicators</li> <li>• Project plans / perf monitoring shared risk registers</li> <li>• PCCA Membership.</li> </ul>	3	3	9	Carol Pilson / Peter Catchpole	<ul style="list-style-type: none"> <li>• Assurance that governance models correctly followed and in the Council's interests.</li> <li>• Support Members in governance of partnership bodies.</li> <li>• Internal Audit partnership arrangements.</li> <li>• Ensure that the Council's interests are protected as Members of the Combined Authority and as Officers working on joint projects.</li> <li>• Ensure all Partners have robust Business Continuity Plans in place</li> <li>• GDPR compliance</li> <li>• Robust ICT governance processes</li> </ul>	<p>The Annual Governance Statement being reported to Corporate Governance Committee shows the Council is in a strong governance position.</p> <p>Scrutiny of ARP and Planning takes place on an annual basis and Cabinet members sit on Boards to ensure the effective delivery of partnership arrangements such as CNC Board for building control.</p> <p>The Covid-19 pandemic has further built on our good relationships with countywide colleagues through the Local Resilience Forum, with opportunities for Mutual Aid being actively explored.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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14	<p>Risk:- Failure to achieve required savings targets</p> <p>Effects:- Failure to achieve efficiency saving, maximise income, or performance targets, results in greater than budgeted costs and potential risk of Council not being able to set a balanced budget.</p>	4	5	20	<ul style="list-style-type: none"> <li>• Heightened analysis of budgets and services by CMT</li> <li>• Implement Service Transformation</li> <li>• Implement Procurement Strategy</li> <li>• Corporate plan</li> <li>• Pursue action to increase income streams</li> <li>• Performance Management Framework</li> <li>• Budget and performance monitoring</li> <li>• Robust Workforce planning</li> <li>• Project Management processes</li> </ul>	3	3	9	CMT	<ul style="list-style-type: none"> <li>• Robust control of corporate Transformation Plan.</li> <li>• Regular progress reports and assurance to Members.</li> <li>• Service transformation projects</li> <li>• Commercialisation and Investment Strategy</li> </ul>	<p>Delivery of Council Efficiency targets continue including delivering savings planned for in the Council's annual budget and medium term financial strategy.</p> <p>Cabinet have considered the Council's projected positive financial outturn position.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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18	<p>Risk:- Capital funding strategy failure</p> <p>Effects:- Financial risks of capital funding shortfalls leading to increased burden to the Council. Potential for marginal deficit in capital program if future funding is not realised</p>	5	4	20	<ul style="list-style-type: none"> <li>Asset mgt plan</li> <li>Asset disposal linked to capital programme</li> <li>Corporate Asset Team</li> <li>CMT monitoring of capital receipts/effect on capital prog'</li> <li>Regular Cabinet review of the capital prog', member with responsibility for assets</li> <li>Additional funding opp's identified and pursued where possible</li> <li>Project lead monitors site valuations linked to econ' dev' proposals.</li> <li>Marketing and identification of potential land purchasers, flexibility of planning guidance aligned to market needs</li> <li>Continued consultation with econ ptners</li> </ul>	3	3	9	Peter Catchpole	<ul style="list-style-type: none"> <li>Forward planning and horizon scanning.</li> <li>Regular high level monitoring of direction of travel and mitigation required.</li> <li>Asset Management Plan.</li> <li>Asset disposal strategy</li> </ul>	<p>The Council's capital funding programme is regularly reviewed by Officers and by Cabinet.</p> <p>The current projected funding deficit will be met by borrowing and the relevant annual financing cost has been included in the Council's Medium Term Financial Plan.</p> <p>Should resources from external funding and/or capital receipts not generate the level of receipts forecast, or there is a delay in disposal of assets, then the capital programme will need re-visiting to ensure funding is sufficient to meet proposed expenditure.</p> <p>Reviews of the programme and resources available are carried out regularly during the year.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
19	<p>Risk:- Poor communications with stakeholders</p> <p>Effects:- Poor communication with stakeholders and staff leads to poorly informed direction of resources and lack of support for change Reputational damage Staff turnover Increased sickness absence</p>	4	5	20	<ul style="list-style-type: none"> <li>Internal and external regular publications</li> <li>Staff and management meetings</li> <li>Regular staff communication from the Chief Executive</li> <li>Key stakeholder networks for consultation</li> <li>Forums for perceived hard to reach groups</li> <li>Co-ordinated press releases</li> <li>Comments, Compliments and Complaints monitoring and reporting procedure</li> <li>Customer Service Excellence accreditation</li> <li>Consultation strategy</li> <li>Management, Trade Union and Staff Partnership group (MTSP)</li> </ul>	3	3	9	Carol Pilson	<ul style="list-style-type: none"> <li>CSE Action Plan.</li> <li>Staff survey.</li> <li>Public consultations on key issues.</li> <li>3cs refresher training</li> <li>Team meetings</li> <li>“What’s Breaking” communication and “Horse’s Mouth” updates from the Chief Executive to all staff</li> <li>Use of social media communication mediums</li> <li>Fully updated website</li> </ul>	<p>The Council’s CSE performance is assessed each year by an external expert. The Council has a dedicated project team to ensure ongoing progress against CSE requirements/actions across all service areas to ensure consistent and effective communication to our customers.</p> <p>All change projects are supported by a robust project management approach, which includes a communication programme to ensure that stakeholders are fully informed.</p> <p>The recent Covid-19 pandemic had led to increased and improved communication mechanisms and methods</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
20	<p>Risk:- Commercial uncertainties associated with decisions taken as part of the Council's Commercial and Investment Strategy.</p> <p>Effects:- Reputational damage Financial loss Impact on services, staff and community</p>	5	4	20	<ul style="list-style-type: none"> <li>• Robust oversight and governance arrangements</li> <li>• Expert professional advice</li> <li>• Robust budget management</li> <li>• Thorough project management and business cases process</li> </ul>	3	3	9	CMT	<ul style="list-style-type: none"> <li>• All governance requirements have been put in place and will be robustly reviewed going forward</li> </ul>	<p>The Council's Risk Appetite is currently being reviewed in light of the Covid-19 pandemic.</p> <p>This new risk will be closely monitored to enable any new actions for mitigation to be identified and put in place.</p>



Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
12	<p>Risk:- Failure of external investment institutions</p> <p>Effects:- Failure of external investment institutions affecting availability of funds or return on investment reducing cash flow and resource availability</p>	5	4	20	<ul style="list-style-type: none"> <li>• Policy for maximum investment/ borrowing levels limits liability</li> <li>• Credit ratings</li> <li>• Financial management</li> <li>• Reserves</li> <li>• Insurance</li> <li>• Medium Term Financial Strategy</li> <li>• Treasury Management Strategy</li> </ul>	2	4	8	Peter Catchpole	<ul style="list-style-type: none"> <li>• Effective Treasury Management strategy.</li> <li>• Robust auditing of processes and policies.</li> </ul>	<p>The Council's treasury management position is regularly reviewed and is currently showing a good position.</p> <p>The Treasury Management Strategy was considered is currently being reviewed.</p> <p>Updates are provided to Cabinet and Council on a half-yearly basis.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
5	<p>Risk:- Insufficient staff to provide Council services</p> <p>Insufficient leadership and/or management capacity to deliver Council priorities</p> <p>Effects:- Constraints to effective workforce planning lead to poor standards of service or disruption to service. Service transformation and commissioning can help build resilience, but could also lead to a loss of qualified and knowledgeable staff, which exposes the council to risk of service failure and legal challenge.</p>	4	5	20	<ul style="list-style-type: none"> <li>• Learning &amp; Development framework / Training</li> <li>• Working environment /culture</li> <li>• Staff Committee</li> <li>• MTSP</li> <li>• Flexible working</li> <li>• Established suite of people policies &amp; Procedures</li> <li>• Business continuity plans</li> <li>• Management training</li> <li>• 121s /Springboard staff development and appraisals</li> <li>• Service planning process</li> <li>• Access to interim staff via frameworks</li> <li>• Effective sickness management</li> <li>• Effective Governance structures</li> </ul>	2	3	6	CMT	<ul style="list-style-type: none"> <li>• Ensure all services have effective Workforce plans incorporated into Service Plans, which ensure all work is prioritised</li> <li>• Effective succession planning.</li> <li>• Effective use of project management approaches/ principles when delivering priorities/ strategies</li> </ul>	<p>All services have published service plans, learning requirements and workforce plans to ensure teams are staffed according to current establishment and to take account of priorities and longer-term trends.</p> <p>All service Business Continuity Plans have been updated in light of the Covid-19 pandemic to ensure that key, priority and statutory services can be maintained in the event of a significant loss of staff through illness or absence.</p> <p>60% of the workforce have been home-work enabled, which will maintain the delivery of a significant number of Council services. Other key/priority services have individual Business Continuity measures in place to maintain service delivery.</p> <p>A mapping exercise of all key processes is being undertaken to automate and e-enable where possible to increase and further improve Council resilience.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
7	<p>Risk:- Lack of access to Council premises prevents services being delivered</p> <p>Effects:- Disruption of service provision.</p>	5	5	25	<ul style="list-style-type: none"> <li>Alarm and security systems</li> <li>Fire drills</li> <li>Business continuity plans</li> <li>Emergency planning network</li> <li>ICT disaster recovery and offsite testing</li> <li>Relocation procedures - critical and support services</li> <li>Geographically distributed sites</li> <li>Remote working</li> <li>Statutory building inspection and checks</li> <li>Corporate Business Continuity Plans</li> </ul>	2	3	6	Peter Catchpole	<ul style="list-style-type: none"> <li>Regularly test Emergency Plan</li> <li>Test service Business Continuity Plans</li> <li>Ensure key emergency planning staff attend regular liaison meetings and training</li> <li>Provision of 'drop down' facilities for staff</li> </ul>	<p>Emergency plans – ongoing programme of review, testing and training of staff involved in a response</p> <p>Plans regularly checked and tested and emergency planning exercise was conducted in <b>January</b>.</p> <p>Improved ICT systems provide better/increased opportunities for remote/agile working</p> <p><b>60% of the workforce has been home-work enabled, with access to Councils systems, which will maintain the delivery of a significant number of Council services.</b></p> <p><b>Other key/priority services have individual Business Continuity measures in place to maintain service delivery.</b></p> <p><b>The recent Covid-19 situation has demonstrated that access (lack of or limited) to the building does not impact Councils services. The Council has introduced virtual meetings and remote/agile working to minimise this risk</b></p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
15	<p>Risk:- Over-run of major Council projects in time or cost</p> <p>Effects:- Failure to manage projects effectively leads to overruns on time or cost and failure to achieve project aims. Reputational damage</p>	4	5	20	<ul style="list-style-type: none"> <li>• Project Management methodology</li> <li>• Contract Standing Orders &amp; Financial Regulations</li> <li>• Service plans</li> <li>• Budgetary control</li> <li>• Management and Portfolio Holder oversight</li> </ul>	3	2	6	CMT	<ul style="list-style-type: none"> <li>• Robust project management.</li> <li>• Effective risk registers for projects.</li> <li>• All projects have a CMT sponsor with experienced management membership</li> </ul>	<p>Effective project management remains a Council priority.</p> <p>Major projects are closely monitored by CMT and Cabinet members and progress is reported to Council via Portfolio Holder briefings.</p>

