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AGENDA

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 29 NOVEMBER 2021

4.00 PM

COUNCIL CHAMBER, FENLAND HALL, COUNTY ROAD, MARCH

Committee Officer: Niall Jackson
Tel: 01354 622461
e-mail: memberservices@fenland.gov.uk

1 To receive apologies for absence.

2 Previous Minutes (Pages 3 - 6)

To confirm the minutes of 20 September 2021.

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

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

5 Audit Plan Addendum - Value for Money (Pages 7 - 12)

To consider and note the report.

6 Audit Results Report (ISA 260) (Pages 13 - 68)

To consider and note the Audit results report.

7 Statement of Accounts 2020-21 (Pages 69 - 202)

To review and approve the Statement of Accounts 2020-21.

8 Letter of Representation (Pages 203 - 212)

To agree the format and content of the Letter of Representation provided to the External Auditors at the conclusion of the 20-21 Statement of Accounts audit.

9 Treasury Management Strategy Statement and Annual Investment Strategy Mid-year review (Pages 213 - 224)

To review the activity for first 6 months of the year and to provide members a update on matters pertinent to the Councils Tresury Management Strategy.

10 Internal Audit Plan 2021/22 Progress report Q2 (Pages 225 - 232)

To consider and note the activity and performance of the Internal Audit function.

11 Corporate Risk Register - Quarterly update (Pages 233 - 266)

To review and approve the quarterly risk register.

12 Audit and Risk Management Committee Work Programme (Pages 267 - 270)

For information.

13 Items of Topical Interest.

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

Friday, 19 November 2021

Members: Councillor K French (Chairman), Councillor Mrs M Davis (Vice-Chairman), Councillor I Benney, Councillor G Booth, Councillor M Cornwell, Councillor Mrs J French, Councillor N Meekins, Councillor J Mockett, Councillor M Purser, Councillor R Skoulding, Councillor S Tierney, Councillor R Wicks and Councillor F Yeulett

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 20 SEPTEMBER 2021 - 4.00 PM

PRESENT: Councillor K French (Chairman), Councillor Mrs M Davis (Vice-Chairman), Councillor I Benney, Councillor G Booth, Councillor Mrs J French, Councillor N Meekins, Councillor J Mockett, Councillor M Purser, Councillor S Tierney, Councillor R Wicks and Councillor F Yeulett

APOLOGIES:

Officers in attendance: Linda Albon (Member Services & Governance Officer), Peter Catchpole (Corporate Director and Chief Finance Officer), Mark Saunders (Chief Accountant) and Kathy Woodward (Internal Audit Manager)

ARMC25/21 PREVIOUS MINUTES.

The minutes of the meetings held 21 June 2021 and 19 July 2021 were approved and signed.

ARMC26/21 INTERNAL AUDIT PLAN 2021/22 PROGRESS REPORT Q1

Members considered the Internal Audit Plan 2021/22 Progress Report Q1 presented by Kathy Woodward.

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

- Councillor Yeulett asked if the proposal to conduct work outside the normal scope would involve the public sector only or would it be broader? Kathy Woodward replied that it would be primarily with the public sector, particularly looking at drainage boards. It is currently an exploratory idea, but they are looking to see if scope is there to provide that service to some of the smaller authorities who do not have the capacity to deliver internal audit functions. Councillor Yeulett asked if Audit have the capacity or expertise. Kathy Woodward said it would be something we would look to do with existing capacity and within existing skillsets, and she also has previous experience of work of this nature. Furthermore, it would also future proof the service by improving the skillset of some of our own team as well as providing additional income for FDC. Councillor Yeulett said he hoped they would succeed and wished them all the best in this direction.
- Councillor Wicks asked if this is a way that we can keep a closer eye on the way internal drainage boards operate because of the amount of money we give them. Kathy Woodward responded that it would be purely to provide an independent service to those types of organisation whatever they may be; to do otherwise would create a conflict of interest.
- Councillor Booth said that we have councillor representation on the IDBs, and it is their role to keep an eye on them. His understanding is that the audit regulations around IDBs are similar to parish councils, but he thinks Kathy Woodward’s proposals would provide a good crossover of skills.
- Councillor Booth referred to 3.2 of the report which indicated that extra time had been spent at Kings Lynn and West Norfolk and asked which FDC audits have been impacted as a result. Kathy Woodward said no internal audit had been affected but it was more about the review process; getting drafts issued, feedback from clients and client reports issued, which is why she is confident that the time lost can be made up quickly.

- Councillor Booth referred to the review of completed audits and said that the number of high-risk recommendations under business rates were understandable because the process was new in respect of the Covid-19 grants; they had not existed before and it was inevitable there would be some teething problems. However, there were a high number of individual recommendations in respect of the completed audits for council tax billing and council tax recovery and housing benefits overpayments and he asked for summary of these given that it's an area of focus for the external auditor.
- Kathy Woodward responded that the business rates audit is a standard audit governed by the SLA which has been in place for two years so would not include any of the business grants process. However, going through that process issues were identified around quality of data, for which work is ongoing this year. Regarding the number of recommendations relating to council tax benefits and council tax recovery and housing benefit overpayments, this is actually a very low number of recommendations compared to previous years. Unfortunately, she cannot provide detail today, but she will be happy to provide the committee with an update.
- Councillor Booth said he would appreciate this as he has previously raised a request about getting some style of executive report or summary of what the audits contain, and this proves a good example. Kathy Woodward said she will look into enhancing the reports to provide more information without breaching confidentiality.
- Peter Catchpole said that this is similar to the discussion held at Overview and Scrutiny on complaints and advised we can do a bit more on the themes to see if there are any patterns or trends that we should be looking at to help this committee.

Members of Audit and Risk Management Committee AGREED to note the activity and performance of the internal audit function.

ARMC27/21 STATEMENT OF ACCOUNTS 2020-21

Members considered the Statement of Accounts 2020-21 report presented by Mark Saunders.

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

- Councillor Yeulett noted that publication of the final audited accounts had been delayed and asked if this was due to Covid-19. Mark Saunders advised the auditors are up to speed in terms of their audit plan, but they have a resourcing issue. A lot of work is involved in auditing the accounts and their primary objective is ensure they take the time to do the work and produce the report at the standard in which they are expected to do it. There are no consequences of the timescales; the dates are within the regulations but are there for guidance only.
- Councillor Davis said the report states that our recent partnership with Freedom Leisure has already enabled improvements to our leisure centre facilities whilst saving £351,000 per year. She asked if there should be more detail there because the circumstances of the grant received towards costs was not mentioned. Mark Saunders agreed that is a statement that goes across whole contract when it was first put in place and may need rewording in the context of what happened in 2021. He agreed to provide some updated wording.
- Councillor Davis referred to employee benefits and asked if there is likely to be any impact from staff carrying over holidays as she suspects there are many who have not taken their full entitlement due to Covid-19. Mark Saunders responded that we have an accumulated absences account, which is one of our unusable reserves, which gives an estimate of the amount of costs of untaken leave at the end of the year. The report does show that at the end of 2020/21 we have seen a considerable increase in the cost of untaken leave accrued at the year end. Our policy is that we are hoping to resolve the issue of untaken leave over the next two years, and the management team are keeping track of it.
- Councillor Booth questioned the description of FDC as a unique one-team culture as this is something that many organisations aspire to and we can no longer claim this as once we could have done. He also mentioned that the ward map needs updating as the colour for Peckover

Ward is incorrect.

- Councillor Booth referred to the comment about working with partners and securing grants from County Council. He stated that Councillor Humphrey was one of the leading figures who worked with Gorefield to successfully secure funding, but we seem to have taken the credit when there was little involvement of FDC, and this needs amending.
- Councillor Booth said following on from Councillor Davis's comment regarding Freedom Leisure, they were not giving us the savings because of COVID-19 so we had to agree a loan structure with them to get the fees back. He said there should be more information regarding that and asked if we should we expand on it. Mark Saunders said that is the intention of the support given so far. The condition Freedom Leisure must meet to start repaying those loans means they have to achieve higher than anticipated in their original business plan. In the report we had to recognise that we gave them that support as a loan in 2021. We then assess the likelihood of receiving that money back. Currently, most of that loan we have had to make provision for so there is only a small amount in the account owing as a long-term debt.
- Councillor Tierney referred to Councillor Booth's comment that FDC should not claim to have a unique one-team approach. He said you could make the case that all teams are different, no one approach is the same and therefore he believes that we can claim to be unique, and this should remain as a description.
- Councillor Meekins responded to Councillor Booth's comment about Peckover Ward being incorrectly coloured on the map. He assumed that because he was still an independent councillor.at the period that these accounts covered, the figure of 9 independent councillors should be amended to 10. Mark Saunders said he would ensure both the number of independent councillors and the map colour were correct.
- Councillor Booth said he believes the cash reserve has gone up by approximately £10m and asked if that is the figure we held on 31 March or was it a case of having that much more in the bank. Mark Saunders explained that was the position on 31 March, but it is because of grants received from the Government which are not yet spent. He explained that we receive the monies in advance before they are then paid out. We also received substantial amounts of capital funding from the Government for various schemes which we receive before the year end that we will be paying out in this year and the next and this we have to show as a reserve until such time as we spend it.

Members AGREED to note the contents of the draft Statement of Accounts for the financial year ended 21 March 2021.

ARMC28/21 ANNUAL GOVERNANCE STATEMENT 2020-21

Members considered the Annual Governance Statement 2020-21 report presented by Kathy Woodward.

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

- Councillor Booth said the report mentions the Port Marine Safety Code and asked why that code had specifically been highlighted when there are other important codes and duties that we adhere to. Kathy Woodward said this was highlighted because Port Marine it is subject to a huge amount of external scrutiny and audits beyond what we would conduct internally. This Code is reviewed yearly outside of the normal legislative processes we have, and it involves additional work and governance arrangements to ensure it is robust enough for us to fulfil our obligations required around port marine safety.
- Councillor Booth pointed out the report contains a section titled 'The Core Functions of Audit Committee', but then mentions the Audit and Risk Management Committee. He asked if the title should therefore be updated to read 'Audit and Management Committee'. Kathy Woodward advised these are standard headings, but the paragraph does explain that the Audit and Risk Management Committee fulfils the function of the audit committee.
- Councillor Booth said the report states the Council has agreed to adopt the Culture and

Creative Strategy. However, this is the Arts Council strategy not FDC's, and he asked that we make this clear. Kathy Woodward agreed that can be amended.

- Councillor Booth asked if the Chief Finance Officer is happy to sign this document. Peter Catchpole responded that he is indeed happy to sign the document.
- Councillor Yeulett referred to the section on Governance issues and action plan where it mentions local authority's investment activity including investment in property and asked how Audit will look at that. Kathy Woodward said this section relates to the review of the national audit office; this is the government's audit team on how they review local authority investment strategies. They look at wider national issues rather than the local ones we have.

Members considered the content of the Annual Governance Statement and AGREED to approve its content for inclusion in the Council's published statement of accounts.

ARMC29/21 AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

It was noted that there will be a further training session ahead of the next meeting on 28 November. Councillor Mrs French thanked Mark Saunders and his officers for the amount of work put in to today's training session and for an amazing presentation from Mark Saunders in particular.

4.50 pm Chairman

Fenland District Council

Audit Plan Addendum - VFM Risk Assessment

Year ended 31 March 2021

10 November 2021

EY
Building a better working world

Agenda Item 5

10 November 2021

Audit and Risk Management Committee Members
Fenland District Council
Fenland Hall, County Road,
March,
Cambs,
PE15 8NQ

Dear Committee Members,

Audit Plan Addendum – VFM Risk Assessment

We are pleased to attach our Audit Plan Addendum – VFM Risk Assessment, ahead of the upcoming meeting of the Audit & Risk Management Committee.

The purpose of this report is to provide the Audit & Risk Management Committee with an update on our VFM Risk Assessment, which we flagged as requiring completion in our Provisional Audit Plan dated 21 May 2021.

The Audit Committee should note that there are no other changes to our planned audit approach and risk assessment that we set out in the Provisional Audit Plan.

Yours faithfully

Mark Hodgson

Mark Hodgson
For and on behalf of Ernst & Young LLP
Enc

01 Value for Money Risks

Value for money

Fenland District Council's responsibilities for value for money

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

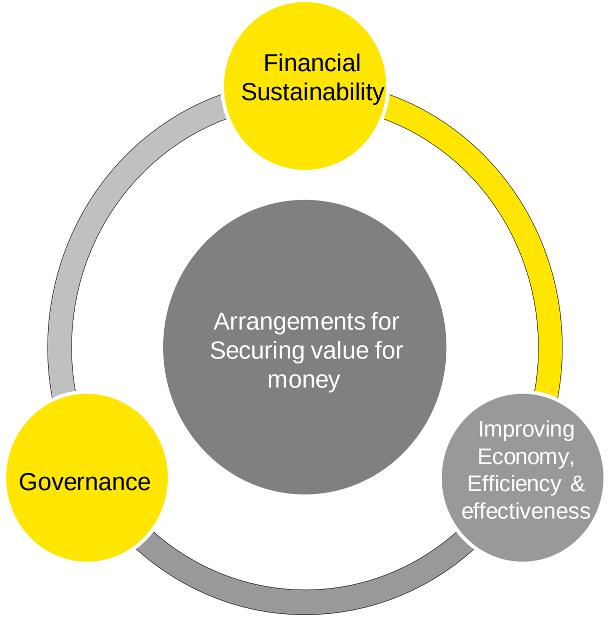
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

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



Value for money risks

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – the Council to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.

Value for money risks

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the audit committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code, in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Value for money (VFM) risk assessment

We have concluded our detailed VFM planning and risk assessment.

We have based our assessment on a combination of our cumulative audit knowledge and experience, our review of Committee reports and policies the Council has in place, meetings with key officers, and the evaluation of associated documentation through our regular engagement with Council management and the finance team.

As a result of this work, we have not identified any risks of significant weaknesses in the Council's arrangements.

As a result we have no risk based procedures to carry out. We will revisit the risk assessment prior to issuing the audit opinion on the 2020/21 accounts and at this stage anticipate having no matters to report on VFM.

We plan to issue the VFM commentary, as required under the new Code, in late November/ early December 2021, within our Auditor's Annual Report, following the issue of our audit opinion.

Agenda Item No:	**6**	
Committee:	**Audit & Risk Management Committee**	
Date:	**29 November 2021**	
Report Title:	**Appointed Auditor – Audit Results Report (ISA260)**	

Cover sheet:

1 Purpose / Summary

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

2 Key issues

- EY will present their Audit Results Report arising from their duties under International Auditing Standard 260, following the completion of their audit of the Council's Statement of Accounts 2020/21.
- The Draft Audit Results Report (ISA260) is attached. EY are currently finalising their work in a number of areas and will provide a verbal update to Members at the meeting.

3 Recommendations

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

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

Fenland District Council
Audit Results Report

Year ended 31 March 2021

17 November 2021

17 November 2021

Audit and Risk Management Committee Members
Fenland District Council
Fenland Hall, County Road
March, Cambs
PE15 8NQ

Dear Committee Members

2020/21 Audit Results Report

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

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit and Risk Management Committee meeting on the 29 November 2021.

Yours faithfully

MARK HODGSON

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

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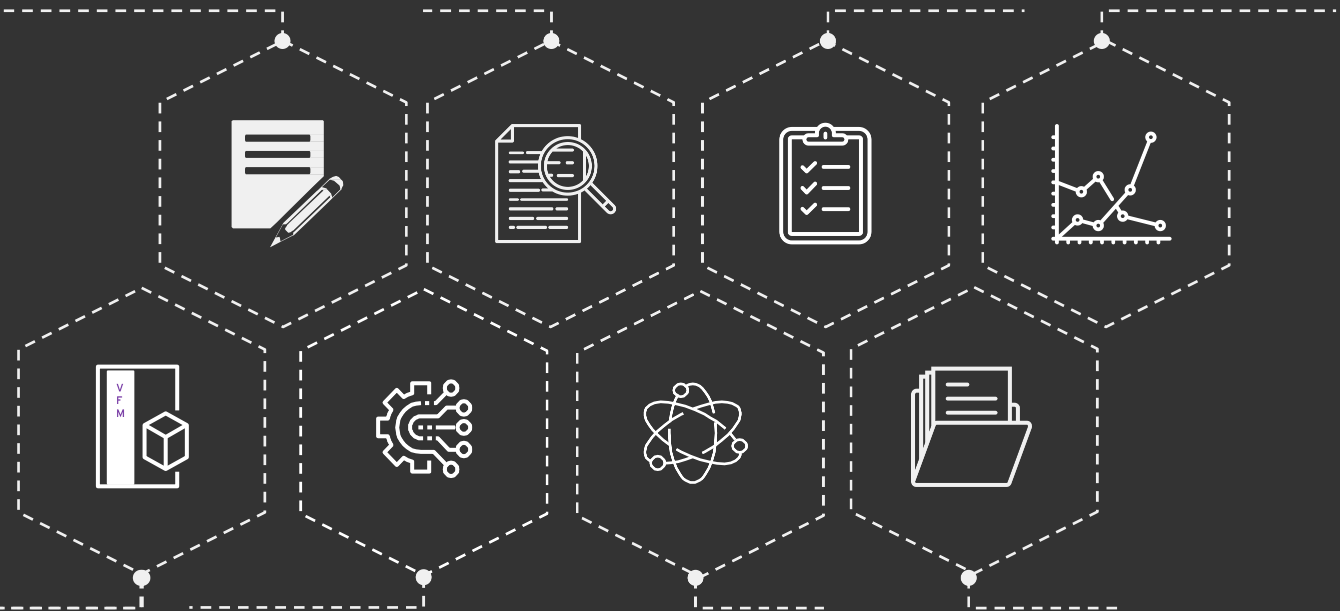


Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities serves as the formal terms of engagement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

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

This report is made solely to the Audit and Risk Management 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 Audit and Risk Management 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 Audit and Risk Management 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 Executive Summary

Executive Summary

Scope update

In our Provisional Audit Plan dated the 21 May 2021, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Changes in materiality: In our Provisional Audit Plan, we communicated that our audit procedures would be performed using a materiality of £1.05 million. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £1.116 million. This results in updated performance materiality, at 75% of overall materiality, of £0.837 million, and an updated threshold for reporting misstatements of £0.055 million.

Changes to reporting timescales

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

Additional audit procedures as a result of Covid-19

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

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.

Executive Summary

Status of the audit

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

- Financial Instruments;
- Accounts Payable testing;
- Other Income;
- Property, Plant and Equipment valuations;
- Employee costs;
- Related party transactions; and
- Whole of government accounts procedures;

<u>Closing Procedures:</u>

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

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

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final di sclosures in the Narrative Report and Financial Statement s which could influence our final audit opinion, a current draft of which is included in Section 3.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

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

The specified reporting criteria are:

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

Status of the audit – Value for Money

In the Audit Plan Addendum dated 10 November 2021, we reported that we had completed our Value for Money (VFM) risk assessment and had not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness.

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

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

Executive Summary

Audit differences

Uncorrected differences

At the time of this report we have two uncorrected audit differences.

1. Property, Plant and Equipment – Surplus Assets. There is a £0.170 million uncorrected audit difference in relation to one Property, Plant & Equipment asset valuation, as a result of using an incorrect measurement unit for the asset area.

2. IAS 19 – Pension Liability. There is an audit difference of £0.103 million between the Council's Pension Liability reported by Management's Expert (Hymans) and that shown by the Council within the Balance Sheet. The Council's Balance Sheet reflects a lower liability.

We request that these uncorrected misstatements be corrected, or a rationale as to why they are not corrected, be considered and approved by the Audit and Risk Management and provided within the Letter of Representation.

Corrected differences

- Decrease in the Council's 'Pension Liability' of £1.140 million. This is as a result of the Actuary's updating the IAS19 reports, as a result of an increase in the 'return on the Pension Fund's assets' identified through the audit of Cambridgeshire Pension Fund. This is a due to a timing difference of available actual valuations for certain asset classes within the Pension Fund.
- Management have updated the disclosure note (Note 41) in relation to Going Concern in the revised financial statements.

We also identified a limited number of minor audit disclosure differences in the financial statements, which have been adjusted by Management including the Exit Package note (Note 33).

Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

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

Objections

We did not receive any objections to the 2020/21 accounts from members of the public.

Control observations

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

Independence

Please refer to Section 7 for our update on Independence.

Areas of audit focus

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

Management Override: Misstatements due to fraud or error

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

Management Override: Inappropriate capitalisation of revenue expenditure

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

Executive Summary

Areas of audit focus (continued)

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

Significant Risk: Accounting for Covid-19 related grant funding

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

Inherent Risk: Valuation of Property, Plant, and Equipment and Investment Properties

- *At the date of issuing this report, we are still concluding our review procedures in this area. We will update the Committee on our findings once the work is finalised. There is a £0.170 million uncorrected audit difference in relation to one Property, Plant & Equipment asset valuation, as a result of using an incorrect measurement unit for the asset area. Details are on page 15 of this report.*

Inherent Risk: Pensions valuations and disclosures

- *We have completed our work in this area and note that there is a £1.140 million corrected audit difference in relation to the valuation of the Pension Fund's assets. There is also an unadjusted audit difference of £0.103 million between the Council's Pension Liability reported by Management's Expert (Hymans) and that shown by the Council within the Balance Sheet. The Council's Balance Sheet reflects a lower liability. Details are on page 16 of this report.*

Inherent Risk: Recoverability of Receivables

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

Inherent Risk: National Non-Domestic Rates Appeals Provision

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

Inherent Risk: Accounting for Collection Fund Disclosures

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

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

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

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

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

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

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

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

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

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

- Identified fraud risks during the planning stages;
- Inquired of management about risks of fraud and the controls put in place to address those risks;
- Documented our understanding the oversight given by those charged with governance of management's processes over fraud;
- Considered the effectiveness of management's controls designed to address the risk of fraud;
- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewed the accounting estimates for evidence of management bias; and
- Evaluated the business rationale for significant unusual transactions

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

What are our conclusions?

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

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

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

Significant risk

Incorrect capitalisation of revenue expenditure

What is the risk?

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

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

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

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

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

- Obtained an analysis of capital additions in the year, reconciled it to the Fixed Assets Register (FAR), and reviewed the descriptions to identify whether there are any potential items that could be revenue in nature;
- Sample tested additions to Property, Plant and Equipment and Investment Properties to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.
- Used our data analytics tool to identify and test journal entries that move expenditure from revenue codes into capital codes.

What are our conclusions?

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

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

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

Significant risk

Accounting for Covid-19 related grant funding

What is the risk?

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

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

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

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

- Sample tested Government Grant income to ensure that they have been correctly classified as specific or non-specific in nature;
- Sample tested Government Grant income to ensure that they have been correctly classified in the financial statements based on any restrictions imposed by the funding body;
- Reviewed the instructions and conditions of each grant that we were testing to corroborate the Council's assessment of whether they were acting as an Agent or Principal in disbursing the grants; and
- Compared the Council's assessment of whether they were acting as 'agent' or 'principal' for each Covid grant to other Councils' assessment to determine whether Fenland were an outlier in their treatment of any particular grant.

What are our conclusions?

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

Our work also did not identify any grants where Fenland's assessment of their role as 'agent' or 'principal' was inconsistent with the approach taken by other Councils.

Inherent risk

Valuation of Property, Plant and Equipment and Investment Properties – Inherent Risk

What is the risk?

The fair value of Property, Plant and Equipment (PPE) and Investment Property (IP) represents a significant balance in the Authority's accounts and is subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. At 31 March 2020 the net book value of PPE and IP totalled £51.6 million

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

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

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

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE, and that any changes were communicated to the valuer;
- Reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base was not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

At the date of issuing this report, we are still concluding our review procedures in this area. We will provide an update to the Audit and Risk Management Committee with our findings once the work is finalised.

However, here is one unadjusted difference for £0.170 million arising from our work to date. This arose in the valuation of one asset, as the incorrect area measurement unit was used by the valuer in their calculation.

Areas of Audit Focus

Inherent risk

Pension valuations and disclosures – Inherent Risk

What is the risk?

The Authority makes extensive disclosures within its financial statements regarding its membership of Pension Scheme administered by Cambridgeshire County Council. At 31 March 2020 the liability totalled £49.12 million.

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

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

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

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

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

- Liaised with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Fenland District Council;
- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within Fenland's financial statements in relation to IAS19, considering Fund assets and the Council's liability.
- The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as Consulting Actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an Auditor's estimate, in order to gain sufficient appropriate assurance. We have engaged our internal specialists, EY Pensions, to undertake this work.

What are our conclusions?

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

The Cambridgeshire Pension Fund auditor highlighted a material movement in the valuation of Investment Assets of the Pension Fund, in their assurance letter to us. As a result, the Council have received an updated IAS19 report from the Actuary to determine the impact of this on the Council's Pension Liability. The financial statements have been updated for this revised figure, reducing the net liability by £1.140 million. We have agreed the Council's IAS 19 disclosures to the actuaries' report to ensure these are fairly stated in the accounts.

We have also performed an independent point estimate procedures to ensure the validity of the Actuary's model based on data received from the Council and have concluded that the Council's Pension Liability falls within an acceptable range, thereby giving us assurance over the Actuary's estimation approach.

The Council is reflecting a liability that is £0.103 million lower than the IAS19 report provide by Management's Expert (Hymans). There is a £0.049 million recurring historical difference, which has fallen below our reporting threshold. In 2020/21, Management have reduced the liability by a further £0.054 million to reflect the impact of the Redundancy Provision on the Pension Liability. We do not believe that the Pension Liability was impacted by this provision at the 31 March 2021.

Inherent risk

National Non-Domestic Rates (NNDR) Appeals Provision– Inherent Risk

What is the risk?

The calculation of the NNDR Appeals Provision is estimate based. Given the impact of Covid-19 on businesses seeking reductions in rateable values, there is a risk of material misstatement of the appeals provision due to the nature of the provision and the uncertainty around the full impact of Covid-19.

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

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

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

Since issuing the Outline Audit Plan the government announced that it would not allow businesses to claim NNDR appeals in respect of material changes in circumstances as a result of Covid-19. This reduces the level of testing we will apply to the appeals provision.

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

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

What are our conclusions?

We have concluded our work around the Council's NNDR appeals provision and confirmed the assumptions applied were reasonable and the provision is materially correct.

Inherent risk

Recoverability of Receivables – Inherent Risk

What is the risk?

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

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

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

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

What are our conclusions?

We have concluded our work around the recoverability of receivables and did not identify any issues with the reasonableness of the assumptions or the accuracy of the calculation of this estimate.

Inherent risk

Accounting for Collection Fund disclosures – Inherent Risk

What is the risk?

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

There are also specific sectors including retail, hospitality and leisure that have received additional business rates relief for the financial year. There is therefore a risk of incorrect accounting based on the significant level of change in the year,

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

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

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

What are our conclusions?

We have concluded our work around Collection Fund disclosures and concluded that this were fairly presented in the accounts.

Areas of Audit Focus

Going concern

Management have disclosed that the financial statements are prepared on a going concern basis. We have obtained and audited management's going concern assessment, and Note 41 has been amended to provide the details of that assessment and management's conclusion. This has been informed by management's actual reserves position as at the 31 March 2021, and their forecast reserves position during the going concern period. It has also considered the Council's Cash Flow forecast.

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

Our procedures around Going Concern included:

- Reviewing for any bias in the Council's Going Concern assessment, and whether it was consistent with the accounts.
- Reviewing the financial modelling and forecasts prepared by the Council.
- Considering key assumptions applied in the Council's forecasts, and whether these were reasonable and in line with our expectations.
- Ensuring that an appropriate Going Concern disclosure has been made within the financial statements.

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

Management have used the basis of their assessment to amend disclosure Note 41 within the revised financial statements. We are satisfied that the updated disclosure note appropriately sets out the circumstances surrounding the financial implications.

03 Audit Report

DRAFT

Our proposed opinion on the financial statements

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

Opinion

We have audited the financial statements of Fenland District Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Expenditure and Funding Analysis,
- the related notes 1 to 41, and
- Collection Fund and the related notes 1 to 6.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Fenland District Council as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

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

Conclusions relating to going concern

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

Audit Report

Our proposed opinion on the financial statements

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the '*Statement of Accounts 2020-21*', other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information contained within the '*Statement of Accounts 2020-21*'.

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

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

DRAFT

Our proposed opinion on the financial statements

Responsibility of the Chief Finance Officer

As explained more fully in the 'Statement of Responsibilities for the Statement of Accounts' set out on page 23, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:
- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

DRAFT

Our proposed opinion on the financial statements

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

We understood how Fenland District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the Head of Internal Audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance.

We corroborated this through our reading of the Council's committee minutes, Council policies and procedures and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

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

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether Fenland District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Fenland District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Audit Report

Our proposed opinion on the financial statements

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

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

Use of our report

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

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation. We highlight misstatements greater than £55,840 which have been identified during the course of our audit

Summary of unadjusted differences

At the time of this report we have two uncorrected audit differences.

1. **Property, Plant and Equipment** – Surplus Assets. There is a £0.170 million uncorrected audit difference in relation to one Property, Plant & Equipment asset valuation, as a result of using an incorrect measurement unit for the asset area.

2. **IAS 19 – Pension Liability.** There is an audit difference of £0.103 million between the Council's Pension Liability reported by Management's Expert (Hymans) and that shown by the Council within the Balance Sheet. The Council is reflecting a liability that is £0.103 million lower than the IAS19 report provide by Management's Expert (Hymans). There is a £0.049 million recurring historical difference, which has fallen below our reporting threshold. In 2020/21, Management have reduced the liability by a further £0.054 million to reflect the impact of the Redundancy Provision on the Pension Liability. We do not believe that the Pension Liability was impacted by this provision at the 31 March 2021.

We request that these uncorrected misstatements be corrected, or a rationale as to why they are not corrected, be considered and approved by the Audit and Risk Management and provided within the Letter of Representation.

Summary of adjusted differences

We highlight misstatements greater than £55,840 which have been corrected by management that were identified during the course of our audit.

- Decrease in the Council's 'Pension Liability' of £1.140 million. This is as a result of the Actuary's updating the IAS19 reports, as a result of an increase in the 'return on the Pension Fund's assets' identified through the audit of Cambridgeshire Pension Fund. This is a due to a timing difference of available actual valuations for certain asset classes within the Pension Fund.

<u>Disclosure Items</u>

Going Concern – The impact of Covid-19 has substantial implications for the Council's finances. We therefore had to assess the work performed by the Council to ensure that it was still operating as a going concern up to 12 months from the audit opinion date. Our procedures resulted in Management amending their Going Concern disclosure in Note 41 of the Accounts.

A limited number of other disclosure and presentational items have been highlights to management for amendment including to Exit Packages (Note 33).

We do not deem any other amendments to merit inclusion in this report and the revised financial statements reflect these amendments.

05 Value for Money

Value for money

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

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

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

Risk assessment

We issued an Audit Plan Addendum dated 10 November 2021 which confirmed we had concluded our detailed VFM planning and risk assessment and that we had not identify any significant weaknesses in the Council's arrangements.

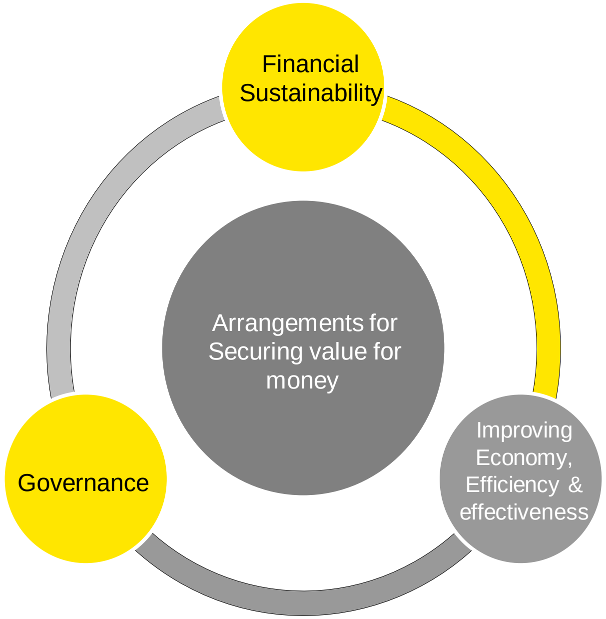
We have now revisited our procedures during the completion of our audit of the financial statements, and confirm that we have not identified any risks of significant weaknesses against the three reporting criteria we are required to consider under the NAO's 2020 Code.

Status of our VFM work

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

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

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



06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement
We must give an opinion on the consistency of the financial and non-financial information in the Narrative Report with the audited financial statements. Financial information in the Narrative Report and published with the financial statements was consistent with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance. We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements. We requested some minor wording amendments to the revised Annual Governance Statement. We have no other matters to report.

Whole of Government Accounts
Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors. However, as we do expect, based on prior year guidance that the Council would fall below the testing threshold set by the NAO for detailed procedures on the consolidation return (Threshold - £500 million). We do not expect therefore to have any issues to report, but we cannot issue our Audit Certificate until we have confirmation about the threshold for use in 2020/21.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not receive any objections in relation to the 2020/21 accounts.

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

Other matters

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

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

We have reported in respect of going concern earlier in this report on page 20. We have no other matters to report.

07 Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1st April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are in the next page. Further detail of all fees has been provided to the Audit and Risk Management Committee.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

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

Other communications

EY Transparency Report 2020

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

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

EY UK Transparency Report 2020 | EY UK

Independence

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£'s	£'s	£'s
Total Scale Fee – Code work	37,873	37,873	37,873
Additional Fee determined by PSAA Ltd	-	-	8,976
Revised Proposed Scale Fee	**37,873**	**37,873**	**46,849**
2020/21Additional work:			
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1) 2020/21 Additional Procedures required in response to the additional risks identified in this Audit Plan in respect of: • Accounting for Covid-19 related Government Grant income, NDR Appeals provision, Collection Fund Accounting, Recoverability of Receivables, Going Concern, Group Accounts (See Note 2)	Note 1 Note 2	-	-
Other – Port Authority Work (see Note 3)	2,900	-	2,750
Total fees	**TBC**	**31,955**	**57,555**

All fees exclude VAT

Note 1 – This proposed increase, is on the same basis as in 2019/20, and has been discussed with management. For 2020/21 the scale fee will again been re-assessed to take into account the same recurring risk factors that impacted 2019/20 and is subject to formal determination by PSAA Ltd.

Note 2 – In addition, as set out in this report, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks pertaining to Covid-19. As we are concluding our work in relation to these areas, we cannot quantify the fee impact at this time. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Auditor's Annual Report, or separately to this Committee depending on the timing of the determination by PSAA Ltd.

Note 3 – This fee is for additional work on the Harbour Accounts prepared annually by the Council in line with the regulations. We cannot confirm until we have completed all of the necessary procedures.

08 Appendices

Required communications with the Audit and Risk Management Committee

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit and Risk Management 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.	Provisional Audit Plan – 21 May 2021
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.	Provisional Audit Plan – 21 May 2021
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report – 17 November 2021 - Audit and Risk Management Committee

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty related to going concern ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The appropriateness of related disclosures in the financial statements	Audit Results Report – 17 November 2021 - Audit and Risk Management Committee
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit Results Report – 17 November 2021 - Audit and Risk Management Committee
Subsequent events	▸ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report – 17 November 2021 - Audit and Risk Management Committee

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Fraud	▸ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to the Audit and Risk Management Committee responsibility.	Audit Results Report – 17 November 2021 - Audit and Risk Management Committee
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Audit Results Report – 17 November 2021 - Audit and Risk Management Committee
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence	Provisional Audit Plan – 21 May 2021 Audit Results Report – 17 November 2021 - Audit and Risk Management Committee

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	Audit Results Report – 17 November 2021 - Audit and Risk Management Committee
External confirmations	▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit Results Report – 17 November 2021 - Audit and Risk Management Committee
Consideration of laws and regulations	▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Audit Results Report – 17 November 2021 - Audit and Risk Management Committee

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Significant deficiencies in internal controls identified during the audit	▶ Significant deficiencies in internal controls identified during the audit.	Audit Results Report – 17 November 2021 - Audit and Risk Management Committee
Written representations we are requesting from management and/or those charged with governance	▶ Written representations we are requesting from management and/or those charged with governance	Audit Results Report – 17 November 2021 - Audit and Risk Management Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – 17 November 2021 - Audit and Risk Management Committee
Auditors report	▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – 17 November 2021 - Audit and Risk Management Committee

Appendix B

Outstanding matters

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

Item	Actions to resolve	Responsibility
Financial Instruments	Finalise our procedures around the financial instruments disclosure	EY and management
Accounts Payable	Conclude on our sample testing in these 2 areas.	EY and management
Other Income	Conclude our review procedures	EY and management
Property, Plant and Equipment valuations	Conclude our review procedures	EY and management
Employee costs	Finalise our testing of payroll costs	EY and management
Whole of government accounts procedures	NAO instructions to be received and reviewed	EY and management
Related Party Transactions	Conclude our review procedures	EY
Receipt of management representation letter	Management to prepare and provide us with their representation letter for the 2020/21 audit	Management
Subsequent events procedures	Extension of some audit procedures like review of minutes and testing for unrecorded liabilities and provisions up to the date of our auditor's report	EY and management
Checks to the final amended set of accounts	EY to receive final set of accounts with all audit adjustments, and review it for consistency with our schedule of misstatements	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Statement of Accounts. Our draft Audit Report is set out in Section 03.

Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter

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ey.com

Building a better working world

INVESTOR IN PEOPLE

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

17 November 2021

Ref:
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Peter,

Fenland District Council – 2020/21 financial year
Request for a letter of representation

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

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

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

General statement

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

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

Building a better working world

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

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

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Council the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. That you acknowledge as members of management of the Council, your responsibility for the fair presentation of the Council's financial statements. You believe the Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. You have approved the Council financial statements.
3. That the significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in the Council financial statements.
4. As members of management of the Council, you believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

   That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).

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

1. That you acknowledge that you are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

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2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. That you have disclosed to us the results of our assessment of the risk that the Council financial statements may be materially misstated as a result of fraud.

4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:

   - involving financial statements;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
   - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:

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

2. That all material transactions have been recorded in the accounting records and are reflected in the Council financial statements, including those related to the COVID-19 pandemic.

3. That you have made available to us all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 29 November 2021.

4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or

from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Council's financial statements.

5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

6. That you have disclosed to us, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the Council's financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the Council's financial statements.

2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the Council's financial statements (please specify the Notes) all guarantees that you have given to third parties.

E. Subsequent Events

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

F. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2020-21.

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

G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

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Request for a Management Representation Letter

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2. In respect of accounting estimates recognised or disclosed in the financial statements:

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

H. Expenditure Funding Analysis

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

I. Going Concern

1. That the Council has prepared the financial statements on a going concern basis and that Note 41 (insert note) to the financial statements discloses all of the matters of which you are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Ministry of Housing, Communities and Local Government, the sufficiency of cash flows to support those financial plans.

J. Ownership of Assets

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

K. Reserves

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

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L. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the valuation of the Council's Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included within the Council's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
3. You confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 pandemic.
6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. You confirm that for assets carried at historic cost, that no impairment is required.

M. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the pension scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the

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context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

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

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

N. Other Estimates – NDR Appeals provision

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the assumptions underlying the NDR Appeals provision are consistent with your knowledge of the business.

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

3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

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

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

O. Other Estimates – Expected Credit Losses

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the assumptions underlying the Expected Credit Losses are consistent with your knowledge of the business.

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

3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

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

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

P. Specific Representations

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

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

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

Appendix D

Implementation of IFRS 16 Leases

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

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

IFRS 16 theme	Summary of key measures
Data collection	Management should: ▸ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. ▸ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases ▸ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	The Council needs to agree on certain policy choices. In particular: ▸ Whether to adopt a portfolio approach ▸ What low value threshold to set and agree with auditors ▸ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components ▸ What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the Council is lessee; and potentially for sub-leases, where the Council is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

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Financial Sustainability

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

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

The development of the Council's Medium Term Financial Strategy is integrated with the production of the Council's Business Plan. The budget is part of these documents. These are developed through a close working between officers and members, which ensures the Council's financial plan takes into account member priorities and service developments which officers are aware of. The Business Plan is discussed with the Corporate Management Team. Regular portfolio-holder briefings with the Leader and Finance Portfolio Holder ensure members are fully appraised of relevant developments at an early stage. The MTFS and the Business Plan goes out to officers in December each year and are finalised in February as part of the budget setting process.

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

The Council has put in place the 'My Fenland' transformation programme. Two phases have been completed and a third one is under development. In the first two phases, 'My Fenland' has significantly reduced the size of the establishment by streamlining existing processes through improved use of technology. Phase 2 has culminated in a reduction of 9 FTE that was implemented in April 2021. The next phase of 'My Fenland' has started to examine which tasks undertaken in the planning team could be moved into the My Fenland area. The 'My Fenland' programme is constantly evolving in terms of what savings can be achieved. There is a steering group made up of senior officers in place. Additionally, the Council is making good progress as part of the implementation of its Commercial and Investment Strategy, which involves the generation of additional sources of income to reduce the need for savings to be found.

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

The Council has been successful in identifying grant funding to deliver investment in the District. By harnessing external funding, the Council is able to deliver member's priorities without depleting reserves or drawing on external borrowing. The Council has also set aside a reserve balance of £500k for potential future changes to the business rates system which could be financially detrimental to the Council. The Council has a Business Plan in place, which is reviewed and updated every year. When the annual report is produced every year, it links back to the Council's performance indicators and provides a traffic light rating.

VFM Commentary (continued)

Financial Sustainability (continued)

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

This is built into the business planning process. The 'Capital Strategy' is developed alongside the MTFS. There is some cross-working with the County Council on policy areas where there might be some cross-over, such as like transport, or social care. The Council is also part of the Anglia Revenues Partnership, which helps foster a joined-up approach to issues linked to welfare benefits.

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

The Council prepares an amended budget in December, which goes to Cabinet for review. This will include the revised projections for the current financial year, and updates members on financial developments since the February budget. The Finance Team will reflect on discussions with the Heads of Service and provide a revised projection for each Service. There are no formal Performance Reports presented to Cabinet or any other Committee, but the officers produces Portfolio Holder Briefing reports and these are discussed at the Council. Financial risks would be identified at management team discussions with the Head of HR and Organisational Development, and they would be included in the Council's Risk Register.

VFM Commentary (continued)

Governance

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

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

The Council has a Risk Register in place. The Head of HR and Organisational Development has overall responsibility for the Risk Register. The register is considered at management level and taken to the Audit and Risk Management Committee. The risk register is presented 4 times a year to the Audit and Risk Management Committee. Individual officers would have the responsibility for monitoring the risks to their services. The Council has an Internal Audit function in place, which is led by a CIPFA qualified Internal Audit Manager. The Internal Audit Plan for the year was presented and discussed at the Corporate Governance Committee (now the Audit and Risk Management Committee). Internal Audit also present regularly to the Committee throughout the year about their progress against the plan and the outcome of their audits, culminating in the Head of Internal Audit Opinion for the financial year.

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

Meetings are held between the Finance team and all Heads of Service to discuss individual Service budgets in detail. The draft budget is considered by Cabinet in December prior to be being considered by the Overview and Scrutiny Committee in January. The meeting in January includes a detailed examination of proposals relating to fees and charges. Consultation for the budget also takes place via the Council's website at the start of each year. The final Budget is approved by Cabinet and Council in February each year.

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

Budget monitoring information is circulated every other month to the Corporate Management Team and the Heads of Service. This includes projections for the year-end position as well as information concerning the year-to-date. Prior to being distributed, the monitoring information is subject to detailed review by the Deputy Chief Accountant and/or the Chief Accountant. Portfolio holder briefing reports include performance against Performance Indicators, and updates about events going on in the Council. These reports are prepared quarterly and are discussed at meetings of the Full Council.

VFM Commentary (continued)

Governance (continued)

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

The Council employs a qualified solicitor who advises CMT on the legal implications of all proposed decisions. All Cabinet reports get circulated to the Corporate Management Team (CMT). CMT includes the Monitoring Officer, Chief Executive, and the S151 officer so they would input whether additional consideration needs to be included. The Full Council is the key decision-making body. Every elected member of the Council is able to attend these meetings and has a vote on all decision items. A decision also requires a majority of voting members approval in order to be passed. At the Cabinet level, there is a call-in process for decisions, whereby after the decision is taken there is an opportunity to call-in. No decision can be implemented until this period has elapsed. This process is detailed in the Council's Constitution. The Council merged its Staff Committee and Corporate Governance Committee in December 2020, and renamed it the Audit and Risk Management Committee. Clear Terms of Reference have been set for this Committee - so that the governance responsibilities are appropriately demarcated from the decision making role it has for Staff related matters - through a split agenda for relevant meetings where staff matters need to be addressed. The Terms of Reference also include the responsibility to consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements. The Audit and Risk Management Committee meets five times a year. The Committee is comprised of appropriately skilled members. Training is provided to members, and the Finance team works with the Chair of the Committee to identify training needs. Members can ask via the Chair for their training needs to be considered.

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

The Council has outlines Codes and Protocols, which include a Code of Conduct For Members and a Code of Conduct for Employees. There is a Gifts and Hospitality Register. Committee meetings all have a standing agenda item for the formal declarations of interests. Declarations for related party transactions are done annually, and this is overseen by Member Services and updated into the Council's website. The Monitoring Officer is legally responsible for monitoring the compliance of the Council's policies. The Monitoring Officer deals with any complaints that are raised. The Council has a formal whistleblowing policy in place, with appropriate prominence on the Council's website and for staff. The Council's policies are reviewed and updated on a regular basis.

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Improving economy, efficiency and effectiveness

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

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

Financial and Performance information has been central to the 'My Fenland' process. Call data was analysed to identify the number of calls being handled per hour which indicated the opportunity to reduce the headcount without negatively impacting on the service staff receive. Regular exercises are in place to ensure that the services the Council provides to residents recover the associated costs. Financial performance is reported in the context of budget-setting and approval of the outturn, although additional information would be provided if necessary to take forward projects where additional resources need to be allocated. More performance information is contained in the quarterly Portfolio Holder Briefing reports produced, and these link back to the Business Plan.

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

The Chief Executive presents the progress against the Council's Performance Indicators annually to the Overview and Scrutiny Committee. This is informed by management meetings that the Chief Executive chairs with the Heads of Services throughout the year. The Overview and Scrutiny Committee also has ad hoc reviews during the year to go over some of the performance areas that are being monitored. The Council has consistently secured Customer Service Excellence accreditation. This demonstrates how the Council uses external and internal feedback to drive improvement in the quality of the services its customers receive.

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

The Council's most significant partnership is the Anglia Revenues Partnership (ARP). There is a joint committee for ARP with representatives from each of the five Councils that constitute the Partnership. The Joint Committee meets quarterly and they consider performance against key areas, they monitor the ARP risk register, and consider any other items of relevance to their service delivery. The Council is also a member of CDC which provides building control services to the Council and other members. A member of the Council's CMT attends all CDC board meetings.

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

The Council has a full-time Procurement Manager who reports to the Head of Legal and Governance. Officers are regularly reminded of the Council's procurement policies at management team meetings and via briefings on the website. The Procurement Manager actively review purchase orders to confirm procurement has been undertaken in line with Council policy and statutory requirements.

EY | Assurance | Tax | Transactions | Advisory

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Agenda Item 7

Agenda Item No:	**7**	
Committee:	**Audit & Risk Management Committee**	
Date:	**29 November 2021**	
Report Title:	**Statement of Accounts 2020/21**	

1 Purpose / Summary

The purpose of this report is for members to review and approve the final Statement of Accounts for 2020/21.

2 Key issues

- The annual accounts are prepared in accordance with the Code of Practice on Local Authority Accounting (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and based on International Financial Reporting Standards (IFRS).
- The draft Statement of Accounts and Annual Governance Statement were considered by this Committee on 20 September 2021 and have subsequently been the subject of external audit by EY.
- Members will receive the external auditors report on the accounts - 'Audit Results Report' - ISA260, prior to this item.
- The Accounts include a number of changes agreed with the auditor. These are detailed in the Audit Results Report at the previous agenda item and relate to the Pension liability and amendments to disclosure notes.
- There are however two uncorrected adjustments requested by the auditor as detailed in the Audit Results Report and in Section 4 of this report. These relate to an asset valuation and the Pension liability. The rationale for not correcting these adjustments in the Accounts has to be considered and approved by this Committee and provided for in the Letter of Representation at the next agenda item.
- Neither the corrected or uncorrected adjustments result in any change to the General Fund Balance, or to any of the Council's usable reserves from that previously reported.
- The Statement of Accounts requires approval by this Committee following receipt of the external auditor’s report.
- The current version of the Statement of Accounts is attached for review.
- Following approval by this Committee, and subject to EY having completed all outstanding work, it is anticipated that they will 'sign off' the accounts by the end of November 2021.
- Following the auditors' signature, the accounts will be published on our website and notice will be given by advertisement in the local papers and on our website, that the audit has been concluded.

3 Recommendations

It is recommended:

(i) that the rationale for not correcting the two adjustments, as detailed in Section 4 of this report be approved;

(ii) that the Statement of Accounts and Annual Governance Statement for the financial year ended 31 March 2021 as presented be approved;

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

Wards Affected	All
Forward Plan Reference	
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder for Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper(s)	Closure of accounts working papers 2020/21 EY Audit Results Report

4 Uncorrected Audit differences

4.1 There are two uncorrected Audit differences as detailed in the Audit Results Report as follows:

(i) Property, Plant and Equipment Surplus Assets. There is a £0.170 million uncorrected audit difference in relation to one Property, Plant & Equipment asset valuation, as a result of the valuers using an incorrect measurement unit for the asset area.

The value of Property, Plant and Equipment on the Balance Sheet is £51.778M. The uncorrected audit difference therefore amounts to 0.33% of that balance. Officers consider that difference to be immaterial and note that the category of assets where the error arose is Surplus Assets. The Council's agreed approach – in accordance with relevant accounting standards - is to arrange for all Surplus Assets held by the Council to be revalued annually. Therefore, a revised valuation will be obtained and accounted for as part of the process of producing next year's accounts. It should also be noted that, as part of the audit, officers worked with external audit colleagues to confirm that the error impacting on this year's valuations was isolated to one asset valuation.

Consequently, Committee is requested to approve that this difference remains uncorrected in the attached accounts.

(ii) IAS 19 Pension Liability. There is an audit difference of £0.103 million between the Council's Pension Liability reported by Management's Expert (Hymans) and that shown by the Council within the Balance Sheet. The Council's Balance Sheet reflects a lower liability.

The net liability shown in the Balance Sheet at 31 March 2021 is £66.170 million and the net liability detailed in the actuary's IAS19 report is £66.273 million, a difference of £0.103 million.

Of the £0.103 million difference, £0.054 million relates to pension strain costs payable to the pension fund by this Council arising from redundancies agreed and provided for in 2020/21 but not included in the actuary's IAS19 report at the year end. The remaining £0.049 million difference relates to historic differences over many years between the Council's actual contributions to the Pension Fund each year and the amount included in the actuary's IAS19 report which are based on estimated contributions. These differences each year are minor and the £0.049 million difference is the cumulative impact over a number of years.

As the £0.103 million difference represents only 0.16% of the net liability reported by the actuary, officers consider the difference to be not material and due to the number and complexity of the changes required in the accounts to 'correct' this difference, Committee is requested to approve that this difference remains uncorrected in the attached accounts. Any changes required will be incorporated into the 2021/22 accounts following an updated IAS19 report by the actuary.

4.2 Neither of the two unadjusted differences detailed above has any impact on the Council's General Fund Balance or any of its' usable reserves. Officers consider that both of the unadjusted differences are not material, both individually and in aggregate and that the financial statements set out in the attached document continues to present a true and fair view of the financial position of Fenland District Council at 31 March 2021 and its income and expenditure for the year then ended.

FENLAND DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2020-21

FENLAND DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2020/21

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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. 102,080 people live in the district (ONS: 2020), 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. 30% of our population are aged 60 or over; above average compared to Cambridgeshire and the UK as a whole (ONS: 2020). 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

3. ABOUT FENLAND DISTRICT COUNCIL

Fenland District Council has 342 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 (2020), 95% 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 £10.06million, and must make a further £1.67million between 2021/22 and 2024/25. 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.

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. During this financial year we have taken forward the Commercial and Investment Strategy approved in early 2020 and this strategy has enabled us to establish Fenland Future Ltd, a wholly-owned subsidiary and to acquire an industrial property in Wisbech which is leased to the private sector. 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.

The outbreak of the Covid 19 pandemic in March 2020 presented the organisation with numerous challenges. Immediately staff found themselves required to work from home and new teams needed to be established within the Council to take forward the various work-streams linked to the Council's response. When restrictions linked to the virus were first introduced the Council established a Covid-19 community hub. Working alongside 80 other organisations the Council was able to assist local residents in a range of ways including food shopping, medicine collection and general errands, as well as money and employment advice. This service has so far received more than 2,200 requests for support.

The Council has always been proud to work collaboratively with partner organisations in the public, private and voluntary sectors. The Council's response to the pandemic built on existing relationships as the Council contributed to the development of a Local Outbreak Management Plan to set out to government how Councils in the area would respond collectively to prevent and reduce transmission of Covid-19. Close working with the Ferry Project and Change Grow Live (CGL) enabled the Council to provide emergency accommodation to 57 rough sleepers as part the government's 'Everyone In' initiative and collaboration with Anglia Revenues Partnership facilitated the awarding of business rate relief and business grants totalling £29.84m to businesses impacted by the pandemic.

Despite the pandemic we have been able to take forward ambitious investment programmes which will help the District as it continues to recover from the impact of the pandemic. In Wisbech High Street work has commenced on one of the three high-priority buildings where substantial renovation works are being taken forward as part of a project part-funded by a grant of £1.8m from the National Heritage Lottery Fund. Work on the remaining two high-priority properties is set to commence shortly. In Whittlesey, Manea and March work has been ongoing to utilise funding from the Cambridgeshire and Peterborough Combined Authority ('CPCA') to improve railway infrastructure in the District including improvements to station premises and additional car parking.

In December 2020 the Council was delighted to be advised by government that it had been successful in securing £6.4M in funding from central government following a bid submitted to the Future High Streets Fund. Combined with match-funding from the CPCA this project will see March town centre transformed through pedestrian, public realm and traffic flow changes to Broad Street, the Market Place and Acre Road area. The Council is continuing to engage with government as part of its 'levelling-up' agenda and it is hoped that the Council will be able to access more funding to further develop our market towns.

The Council does not underestimate the challenges ahead as both the District and the country seek to recover from the impact of the pandemic. Whilst the vaccination programme has been highly successful and take-up in Fenland has been strong, there are still considerable uncertainties ahead. The impact of the pandemic on businesses and individuals has been considerable. Member and Officers recognise that successfully delivering against the Council's Covid-recovery plan will be critical if the Council to realise its strategic priorities.

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.

Currently, the Conservative group holds the majority with 27 seats. The remaining 12 seats are made up of 9 Independent Councillors, 2 Liberal Democrat Councillors and 1 Green Party Councillor.

5. OUR PRIORITIES

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

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

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

The Council's priorities and sub-priorities for 2020/21 are summarised in the table below.

Summary of Corporate Priorities 2020/21:

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

Communities

The Council's response to the pandemic formed a central part of the Council's achievements against our priorities relating to our communities. There were numerous successes to celebrate including developments not directly linked to Covid 19.

Support vulnerable members of our community

- In December 2020 government announced the Council had been awarded funding to take forward a project with Clarion Housing as part of a national project to improve the energy efficiency of social housing and reduce its carbon footprints. This project will help reduce residents' utility bills and ensure they benefit from the latest insulation technology.

- Due to the pandemic, the annual Pride in Fenland awards was postponed in March 2020. With ongoing restrictions into 2021, we took the event online to ensure the achievements of local unsung heroes didn't go unrecognised. To date the event has received over 700 views on YouTube.

- The Council has secured £1.4million of funding for a joint project with Clarion Housing, the Ferry Project and Amicus Trust which will provide long-term places and support for 40 rough sleepers. Our Housing Options team also prevented 242 households from becoming homeless.

Promote Health and Wellbeing for all

- We expanded our work with community groups to support those most at risk from Covid-19. Supported by £97,000 of Government funding, our Community Champions scheme continues to deliver a range of measures to help support at-risk groups including older people, disabled people, and those from ethnic minority backgrounds. Measures include language and translation support, additional Covid-19 advice and guidance, telephone support for those who are digitally excluded, as well as the delivery of food and medical supplies to harder to reach communities.

- It has been a difficult year for our leisure provider Freedom Leisure, with forced leisure centre closures and reduced capacity when open to adhere to Covid-19 guidance. We agreed an emergency financial package to support them through the lockdowns and secured £224,500 from Sport England's National Leisure Recovery Fund to help ensure our leisure centres could provide a full range of activities to residents once again as coronavirus restrictions are lifted.

- Our Active Fenland team moved their activity online to help people of all ages stay active during lockdown. Online exercise videos received over 2,500 views on YouTube and there were 67 live exercise sessions on Zoom. As restrictions eased, in-person activity sessions re-commenced across the district. The team also created Rainbow Activity Packs for families during the summer holidays, as part of their Fit and Fed programme. The packs contained a pre-prepared lunch, a cookbook, a physical activity games pack and a children's book from Wisbech Reads.

- Our parks and open spaces have played an even larger role in people's lives than normal this year, providing places to be active and socialise while under lockdown restrictions. Tivoli, our grounds maintenance contractor, maintained an excellent level of service, with maintenance work continuing throughout the year, uninterrupted by the pandemic, so they can be enjoyed by all.

	Target	Performance	Variance
Days taken to process new claims and changes for Council Tax support	8 days	7.06 days	+11.62%
Days taken to process new claims and changes for Council Tax benefit	8 days	4.28 days	+41.88%
Total number of private rented homes where positive action has been taken to address safety issues	400	226	-43.50%*
Number of people prevented from becoming homeless	300	242	-19.3%*
Number of empty properties brought back into use	New PI	87	N/A*
Amount of New Homes Bonus achieved as a result of bringing empty homes back into use	New PI	£79,217	N/A*
% of attendees satisfied with Golden Age events	96%	N/A	N/A*
Number of active health sessions per year that improve community health	400	N/A	N/A*
% of those asked satisfied with our leisure centres (Net Promoter Score)	39	N/A	N/A*

*Performance/service impacted by Covid-19 restrictions

Environment

Deliver a high performing refuse, recycling and street cleansing service

- Core services continued throughout the pandemic with more than 2.9million bin collections made across the district. Waste tonnages collected increased significantly due to people staying at home, and customers continued to recycle their waste well, generating £490,000 of recycling credits to support services as a result. Customer satisfaction with our Refuse and Recycling, and Garden Waste (Brown Bin) services remains high at 96% and 99% respectively. The Garden Waste service was also maintained throughout the pandemic and proved popular as a result, with subscriptions at an all-time high of more than 22,900 in 2020/21.

- Our trained ‘Getting It Sorted’ volunteers adapted how they volunteered this year, producing home schooling packs and teacher packs for schools to use, videos and online tutorials. They also kept the Council’s multi-lingual recycling website, www.gettingitsorted.org, up-to-date and regularly posted recycling messages on social media, to help residents recycle right at home.

- Our Cleansing and Rapid Response team continued to provide the usual seven-day street sweeping, litter picking and fly-tipping removal service in our towns and villages. Last year they responded to over 1,400 service requests; 96% on the same or next day. Over 1,000 quality inspections were made in areas of footfall and more than 99% met cleansing standards first time

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

- In conjunction with partner organisations £943,000 was secured from Cambridgeshire County Council’s Communities Capital Fund for eight community facility improvements across March, Wisbech, Gorefield, Christchurch and Friday Bridge. These schemes will be delivered by the Council or partner organisations. The funding included £240,000 for the Wisbech Pavilion project in Wisbech Park and £75,000 for improvements to West End Park, March, including an enhanced junior play area, a skate park fence and improved Park Run surface. With significant community involvement and considerable support from the Amey Cespa 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 3,200 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. Four people were issued with a £400 Fixed Penalty Notice for fly-tipping, and one business received a £300 fine for failing to dispose of trade waste properly.

- Over £164,000 was awarded to community groups living within the vicinity of wind turbines to improve their local environment. Projects included electric vehicle charging points, solar panels and air source heat pumps for community buildings, environmental education in schools, switching to LED lighting and enhancements to green spaces.

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

- Our shared CCTV service with Peterborough City Council maintained its 100% service function, 24 hours a day, 365 a year, despite the pressures of Covid-19. The service conducted over 6,000 pro-active camera patrols, detected over 1,000 incidents of crime and disorder across the district and supported our policing partners to make 86 arrests for offences, helping to make our towns and public spaces safer.

- Working alongside both internal and external partners, our Community Safety team was involved in 196 reports of anti-social behaviour or other quality of life concerns. Examples of the partnership work include the successful introduction of Closure Orders in West Park Street, Chatteris; Oil Mill Lane, Wisbech and Brancaster Court, Wisbech, due to the community impact of criminal and anti-social behaviour in the respective locations.

- The community safety team is also part of the Fenland Community Safety Partnership, which, due to the pandemic, adopted online methods to maintain its public engagement and workforce development activities. Using the Council's YouTube channel and Microsoft Teams, the partnership delivered community engagement sessions on topics including Domestic Abuse, Home Security, Scams and Cybercrime, and workforce development sessions on Domestic Abuse, Scams and Cybercrime and Substance Abuse.

	Target	**Performance**	**Variance**
Rapid or Village response requests actioned same or next day	90%	96%	+6.67%
% of inspected streets meeting our cleansing standards	93%	99.9%	+7.42%
% of collected household waste – Blue Bin recycling	28%	28%	0
Customer satisfaction with Refuse and Recycling services	90%	96%	+6.67%
Customer satisfaction with Garden Waste services	80%	98.75%	23.44%
Number of Street Pride and Friends of Community environmental events supported	204	44	-78.43%*
% of local businesses who thought they were supported and treated fairly	90%	100%	+11.1%
% of those asked who are satisfied with events	90%	N/A	N/A*

*Performance/service impacted by Covid-19 restrictions

Economy

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

- We worked closely with businesses and partners to help enable the safe and successful reopening of the district's high streets following lockdown. Supported by £90,000 from the European Regional Development Fund, we introduced Covid signage throughout our town centres and open spaces, installed hand sanitiser points and increased town centre cleaning. Officers also supported businesses ahead of reopening with advice on Covid-secure guidance and carried out monitoring and compliance checks to ensure measures were in place to keep staff and the public safe.

- We secured a £997,000 grant from the Cambridgeshire and Peterborough Combined Authority to further extend our South Fens Business Enterprise Park in Chatteris with the construction of a new, light industrial 'move on' space.

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

- Despite the challenges posed by remote working, our Planning team processed over 700 planning applications. Our performance against Government targets remains excellent (between 92% and 100% depending on application type), making us one of the top performing Councils in the country. Our success rate at appeal also remains excellent, with between 0 and 1.2% of appeals (depending on development type) allowed (as a percentage of applications determined). We have also investigated and dealt with over 300 cases of unauthorised development.

- Following approval of our 'Growing Fenland' masterplans, £1million was earmarked for each of our market towns from the CPCA. Several bids for the funding have already proved successful, helping to deliver a range of regeneration projects across all four towns, and a district-wide Civil Parking Enforcement scheme to clamp down on poor parking.

- 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.

Promote and lobby for infrastructure improvements across Fenland

- Supported by CPCA funding, work continues to improve transport connectivity in Fenland:

    - Construction began on the £25million A47 Guyhirn roundabout scheme.
    - Construction began on the £32million Kings Dyke Level Crossing project.
    - Three highway schemes identified in Phase 1 of the Wisbech Access Strategy are now fully funded.
    - Full business case for a March-Wisbech Railway line approved and next-stage technical studies completed. Options for future funding being explored.
    - Programme of Quick Wins in the March Area Transport Study agreed, with many of the improvement schemes either completed or under construction.

	Target	Performance	Variance
% of major planning applications determined in 13 weeks	75%	100%	+33.33%
% of minor applications determined in 8 weeks	80%	92%	+15%
% of other applications determined in 8 weeks	90%	97%	+7.77%
% occupancy of our Business Estates	87%	88%	+1.15%
% of customers satisfied with our Business Estates	92%	N/A	N/A*
% occupancy Wisbech Yacht Harbour	85%	95%	+11.76%

*Performance/service impacted by Covid-19 restrictions

Quality Organisation

- We collected over £57 million of Council Tax and £16 million in Business Rates. This plays a major part in funding the key services we provide to the community.

- Despite the challenges of the pandemic, we began to implement our My Fenland project, which aims to transform and significantly improve services available to residents. Key achievements to date include the creation of a new My Fenland team, with new Technical Champion roles answering more detailed enquiries to free up the capacity of specialist officers; implementing PayPoint as a more convenient way for residents to pay Council bills.

- We launched a new website (www.fenland.gov.uk) to provide residents and businesses with even better online access. The design, quality of content and search facility were improved, with more electronic forms to help more customers to self-serve. We received 969,000 visits in 2020/21 and 14,578 online form submissions (excluding Garden Waste subscriptions) across 50 different topics. Our coronavirus webpages to signpost to government support, business grant information, self-isolation support and rapid testing received over 103,000 hits.

- Following the outbreak of coronavirus in March 2020, more than 60% of the Council's workforce were enabled to work remotely. Many members of staff were also redeployed or retrained to meet essential or emerging needs.

- Our Social Media following continues to grow, with 8,655 Twitter followers and 5,246 Facebook followers, with the latter having increased by 55% in a year. Our Social Media channels have proved particularly effective in engaging with residents and businesses during the Covid-19 pandemic, offering us the ability to quickly publicise and signpost emerging information.

- The Licensing team issued 373 licences for a variety of services, including Taxi, Premises, Alcohol, Scrap Metal and Animal Licensing, to help ensure such businesses are well managed and operating in a safe and legal way. The Licensing team also played a key role in the Council's Covid response, including introducing temporary emergency procedures for the taxi trade in line with Government safer travel guidance and providing advice and support to licensed hospitality venues.

- We continue to consult with residents, stakeholders and partners about Council proposals to help us understand residents' priorities and shape our services. Although unable to hold public consultation events last year due to the pandemic, we consulted online on a variety of topics including our Business Plan, our Council Tax Support Scheme, and the Fenland Cycling, Walking and Mobility Improvement Strategy.

- We were reaccredited with the Customer Service Excellence (CSE) award. This is a Government standard that recognises the high quality, customer focused services we provide. The independent assessor said the Council had continued to meet the ‘gold standard’ for customer service delivery and gone “over and above” in its efforts to maintain services during the coronavirus pandemic.

- In addition to their new public health role in managing workplace coronavirus outbreaks, supporting local businesses with Covid measures, and providing local contract tracing, our Environmental Health team continues to provide a range of regulatory services to support businesses and protect the public. This included undertaking a variety of nuisance investigations which involved monitoring notices, assessing odours, and resolving drainage issues. Many regulatory business inspections were put on hold due to lockdown closures but a recovery is in place following Government guidelines.

	Target	**Performance**	**Variance**
% of customer queries resolved at the first point of contact	85%	97.3%	+14.47%
% of customers satisfied by our service	90%	75%	-16.67%
% of contact centre calls answered within 20 seconds	46.5%	74.81%	+60.88%
% of contact centre calls handled	80%	96.44%	+20.55%
In year % of Council Tax collected	96.2%	96.76%	+0.17%
Council Tax net collection fund receipts	£57,913,203	£57,863,955	-0.08%
In year % of NNDR collected	98.3%	97.51%	+1%
NNDR net collection fund receipts	£17,069,917	£16,182,693	-5.2%
Number of visits to FDC website	781,000	969,144	+34.98%

6. FINANCIAL PERFORMANCE

The 2020/21 Revenue Budget Process

The Revenue Budget for 2020/21 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 £0.157m. This compared to £0.103m included within the 2019/20 budget. The majority of the savings were based on organisational efficiency changes linked to the implementation of the first phase of the My

Fenland project. In addition, higher forecast business rates growth has enabled the Council to retain more business rates in recent years, including 2020/21. 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 2022/23 onwards.

Council approved a net revenue budget for 2020/21 of £11.284m at its meeting on 20 February 2020. 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 2020/21- 2022/23.

Council Tax

At its meeting on 20 February 2020 Council resolved not to increase Council Tax in the 2020/21 financial year. The Cambridgeshire Police and Crime Commissioner increased their element of Council Tax by 4.49% and the Fire Authority increased theirs by 1.91%. Cambridgeshire County Council increased their Council Tax by 3.59%. On average Parish Councils increased their precepts by 4.42%.

The calculation of the 2020/21 Tax-Base resulted in an increase of 435 in 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 2018/19 to 2020/21 is shown below:

Band D Council Tax by authority	**2018/19 £**	**2019/20 £**	**2020/21 £**
Fenland District Council	260.46	260.46	260.46
Cambs. County Council	1,249.83	1,312.11	1,359.18
Cambs. Police & Crime Commissioner	198.72	222.66	£232.65
Cambs. Fire Authority	68.76	70.74	£72.09
	1,777.77	1,865.97	1,924.38
Parish Councils (Average)	46.97	46.41	48.46
Total average Band D Council Tax	1,824.74	1,912.38	1,972.84
Total average increase	80.99 (4.6%)	87.64 (4.8%)	60.46 (3.16%)
Council Tax Base			
Number of Band D equivalent dwellings	28,979	29,380	29,815

Revenue Spending

For 2020/21, the Council agreed an original budget of net spending on services of £11.284m. This sum was to be financed in part by Government Grant together with the Council's share of Business Rates, with the remainder being raised through Council Tax. The Council Tax for 2020/21 was set at £260.46 for Band D properties. The precept on the Collection Fund (£7.766m) is the amount due to the Council net of Parish Precepts (£1.445m). 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	11,284	11,505	11,117	(388)
Financed by:				
Business Rates Baseline Funding	(3,702)	(3,702)	(3,702)	0
Business Rates Collection Fund Deficit	311	311	311	0
CT Collection Fund Surplus	(128)	(128)	(128)	0
Precept on Collection Fund	(7,765)	(7,765)	(7,765)	0
Total	(11,284)	(11,284)	(11,284)	0
Net Surplus/(Deficit) – Transferred to/(from) Budget Equalisation Reserve		(221)	167	388
General Fund Balance	2,000		2,000	
	31 March 2020		31 March 2021	

In January 2020 Cabinet agreed to establish a Budget Equalisation Reserve. When the Council returns a surplus it is transferred to this reserve. If an unbudgeted deficit arises when the outturn is finalised the balance held on the reserve is available to absorb the impact of that deficit without impacting on the General Fund. The surplus of £167,326 returned in the 2020/21 financial year has been transferred to the Budget Equalisation reserve.

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 £1.072m (prior to additional appropriations to reserves) on the revised budget due principally to the following reasons:

Income variations:	£000
Enforcement Fees (Housing Standards)	-36
Marine Services	-10
Planning & Pre-App Fees	-78
Court Costs raised	-69
Waste Services - bulky waste and recycling	-54
Trade Waste	-77
Search Fees	-13
Licensing	11
Assets & Projects	-21
Other Services	-18
Additional Government Grants	
New Burdens - Business Grants administration	-167
75% Tax Income Guarantee (Council Tax(-£2k) and NNDR (-£313k)	-315
Lower Government Grants	
Sales, Fees & Charges Income Compensation Scheme	196
RTB/VAT Sharing arrangement with Clarion - higher income	-137
Leisure Contract - lower support required to Freedom Leisure	-337
Employee Costs	
Variance across a variety of services mainly resulting from vacancies	-87
Higher redundancy and pension capital costs	199
Premises Costs	
Lower costs across a variety of services	-77
Transport Costs	
Lower car mileage costs across a variety of services	-19
Higher vehicles/vessel maintenance costs	35
Supplies and Services	
Homelessness - additional Bed & Breakfast costs	17
Rough Sleepers - lower accommodation costs	-37
Lower costs across all services	-64
Third Party Payments	
Net impact of Housing Benefit subsidy claim and overpayments	75
Higher Bad Debts provision required	11

Net (under)/over spend compared with revised estimate	(1,072)
• Transfer from Business Rates Reserve Not Required	221
• Funding of Short Life Assets (5-7 years) via Capital Contribution Reserve (instead of borrowing)	463
Overall Improvement in outturn position since revised budget	**388**
Projected Deficit 2020-21 at Revised Estimate (Cabinet/Council February 2021)	(221)
Transfer to Budget Equalisation Reserve	167

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 Audit and Risk Management Committee.

Capital Spending and Funding

In 2020/21 the Council spent £2.971m 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 £5.673m and a revised budget of £4.519m.

The main items of capital expenditure in the year were the replacement of street lighting (£215k), investment in the park, playground and recreation facilities in Whittlesey and March (£216k), replacement of Council vehicles including the installation of in-cab technology (£196k), investment in ICT infrastructure and software linked to the Council's transformation agenda (£325k). This expenditure was financed by capital grants, capital receipts and revenue contributions. Capital receipts of £0.043m (net of costs) were realised in 2020/21 (2019/20: £0.445m).

Grants of £1.097m were paid to individuals in the District who qualified for a Disabled Facilities Grant. These grants are funded from money the Council receives from Cambridgeshire County Council as part of the national Better Care Fund arrangements.

Revenue Balances

Set out in notes 26 and 27 to the core financial statements are the Council's reserves. As at 31 March 2021, the Council's uncommitted General Fund Balance stood at £2m and the total Earmarked Reserves balance stood at £12.072m.

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 2020/21 and earlier financial years in their proportionate share. Therefore, a provision of £2.162m (Fenland's share) has been recognised for the best estimate of the amount that businesses are potentially due a refund, as at 31 March 2021.

A provision has been established to reflect the cost of exit packages linked to decisions taken by the Council prior to 31 March 2021 as part of its Council for the Future transformation programme.

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 2020/21. No new borrowing was undertaken in 2020/21 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 £5m (£9.019m at 31st March 2020).

Pension Liabilities

At 31 March 2021, the Council's share of the assets and liabilities of the Cambridgeshire LGPS show an estimated net liability of £66.170m. This liability has no impact on the level of the Council's available reserves.

An actuarial valuation was carried out as at 31 March 2019, with the employer's contribution set as a combination of a percentage of salary plus a lump sum. As explained below, an up-front payment incorporating the lump sum payments due in respect of the 2020/21, 2021/22 and 2022/23 financial year was paid in April 2020. By paying a lump sum in this manner the Council was able to obtain a discount of £0.172m in the total value of the lump sum due when compared to what the Council would have been due to pay if payment had been made in the year the lump sums fell due.

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 increased by £17.05m during the year, from £49.12m at 31 March 2020 to £66.17m at 31 March 2021. This reflects the valuation received from the Council's actuary which included updated assumptions relating to the pension increase rate, the salary increase rate and the discount rate used.
The Council also made an up-front payment of £1,874,000 to the Pension Fund in April 2020 reflecting the lump sum payments due in respect of the 2021/22 and 2022/23

financial years. Collectively the changes in assumptions offset by the lump sum payment increased the Council's pension liability by £36.78m.

Pension fund assets are valued separately but form part of the net pension liability disclosed on the Balance Sheet. Pension fund assets attributable to the Council increased in value by £19.73m. The assumptions used 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 £3.732m being recognised in the revaluation reserve. These gains were offset by downward movements in the value of other assets totalling £1.618m leading to a net credit to the revaluation reserve of £2.114m.

7. MEDIUM TERM FINANCIAL STRATEGY 2021/22 – 2025/26

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 23 February 2021, shows that the Council faces a continuing budget gap over the five years from April 2021. The following table summarises the position, showing a cumulative gap over the period to 2025/26 of £1.670m.

Summary Medium Term Financial Strategy (February 2021)	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Expenditure					
Net Service Expenditure	12,840	13,284	13,569	13,957	14,347
Corporate Items	(693)	(574)	(559)	(437)	(441)
Contribution from Business Rates Reserve	(3,417)	0	0	0	0
Contribution from General Reserves	(842)	0	0	0	0
Net Budget Requirement	7,888	12,710	13,010	13,520	13,906
Funding					
Retained Business Rates	(3,702)	(3,746)	(3,806)	(3,871)	(3,944)
Business Rates Collection Fund Deficit	3,621	184	184	0	0
Council Tax Collection Fund (Surplus)/Deficit	44	47	47	(50)	(50)
Council Tax (0% increases)	(7,851)	(7,949)	(8,046)	(8,144)	(8,242)
Total Funding	**(7,888)**	**(11,464)**	**(11,621)**	**(12,065)**	**(12,236)**
Surplus(-)/Shortfall(+)	**0**	**1,246**	**1,389**	**1,455**	**1,670**

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 0% in 2021/22 rising to 1.2% in 2022/23 and rising to 1.9% to 2025/26. There is a significant business rates deficit in 2021/22 arising from the awarding of reliefs linked to Covid 19 in 2020/21. The impact of this deficit is offset by a transfer from a reserve containing sums received from government in 2020/21 to cover the cost of awarding Covid 19 business rate relief.

Increases in Council Tax relate only to growth in the Council Tax base. In accordance with the motion adopted by Council in July 2019, a 0% Council Tax increase has been included in the MTFS for 2021/22 and over the medium term

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. These delays have been further exacerbated by the Covid 19 pandemic and it remains unclear whether the Government will be in a position to adhere to its earlier commitment 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 amounted to £1.76m by the end of 2020/21. 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. During 2020/21 the first phase of the My Fenland project was implemented. This included the implementation of paypoint to enable residents to make payments for Council Tax, Business Rates and other council services across the District, an improved Council website and the re-modelling and integration of customer-facing roles within the Council. The second phase of the project was implemented in April 2021 and has resulted in further efficiencies.

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 2019/20 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. Following production of those plans a £1m has been committed to take forward capital projects in each market town. The Council continues to work with the Combined Authority on a Stations Regeneration Programme which aims to enhance transport infrastructure across the District and funding of £0.997m has been awarded to increase the number of industrial units at the South Fens Business Centre drawing on grant funding allocated by the Combined Authority.

Covid 19

In common with all local authorities the Council’s finances have been significantly impacted by the Covid 19 pandemic. In the 2020/21 financial year the pandemic has resulted in additional expenditure across a range of services and led to reductions in income with regard to both individual services and income collected through local taxation, as reflected in the Collection Fund. Whilst much of the in-year impact has been offset by the receipt of additional government funding, there have been no commitments from government that it will provide funding to local authorities to offset the longer term impact on the economy. The historically high levels of public debt may also have a substantial impact on future funding for public services. As explained in Note 41 to the financial statements, management has concluded that the Council remains a going concern. However, in the context of this narrative report it is important to note that the Medium Term Financial Strategy approved in February 2021, which is referred to above, will be subject to significant and frequent revision, particularly if restrictions linked to the pandemic need to be re-introduced and whenever the government proceeds to take key decisions regarding the future financing of local authorities.

8. EXPLANATION OF THE FINANCIAL STATEMENTS

The Council's financial statements for the year 2020/21 are set out on pages 23 to 104. 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 2021;
- 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.

9. 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.

10. CHIEF FINANCE OFFICER'S CERTIFICATE

I certify that the financial statements set out on pages 23 to 104 present a true and fair view of the financial position of Fenland District Council at 31 March 2021 and its income and expenditure for the year then ended.

Signed: **November 2021**

Peter Catchpole

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 Chief Finance Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- to approve the statement of accounts.

The Chief Finance Officer's Responsibilities

The 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 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 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:

November 2021

Peter Catchpole
Chief Finance Officer

Chairman's Declaration

I confirm these accounts were approved by the Audit and Risk Committee on 29th November 2021 subject to formal delegation to myself and the Chief Finance Officer. Signed on behalf of Fenland District Council

Signed:

November 2021

Councillor Kim French, Chair of Audit and Risk Management Committee

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.

2019/20	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
	£000	£000	£000	£000	**£000**	**£000**	**£000**
Balance at 31 March 2019	**2,622**	**7,681**	**0**	**425**	**10,728**	**(16,370)**	**(5,642)**
Movement in reserves							
Deficit on Provision of Services	(4,207)	0	0	0	(4,207)	0	(4,207)
Other Comprehensive Expenditure and Income	0	0	0	0	0	18,576	18,576
Total Comprehensive Expenditure and Income	**(4,207)**	**0**	**0**	**0**	**(4,207)**	**18,576**	**14,369**
Adjustments between accounting basis and funding basis under regulation (note 8)	2,667	0	0	(150)	2,517	(2,517)	0
Net Increase/(Decrease) before Transfers (to)/from Earmarked Reserves	**(1,540)**	**0**	**0**	**(150)**	**(1,690)**	**16,059**	**(14,369)**
Transfers to / (from) Earmarked Reserves (note 9)	918	(918)	0	0	0	0	0
Increase/(Decrease) in 2019/20	**(622)**	**(918)**	**0**	**(150)**	**(1,690)**	**16,059**	**(14,369)**
Balance at 31 March 2020 carried forward	**2,000**	**6,763**	**0**	**275**	**9,038**	**(311)**	**8,727**

2020/21	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Council Reserves £000**
Balance at 31 March 2020	**2,000**	**6,763**	**0**	**275**	**9,038**	**(311)**	**8,727**
Movement in reserves							
Surplus on Provision of Services	4,295	0	0	0	4,295	0	4,295
Other Comprehensive Expenditure and Income	0	0	0	0	0	(15,090)	(15,090)
Total Comprehensive Expenditure and Income	**4,295**	**0**	**0**	**0**	**4,295**	**(15,090)**	**(10,795)**
Adjustments between accounting basis and funding basis under regulation (note 8)	1,014	0	6	5,616	6,636	(6,636)	0
Net Increase/(Decrease) before Transfers (to)/from Earmarked Reserves	**5,309**	**0**	**6**	**5,616**	**10,931**	**(21,726)**	**(10,795)**
Transfers to / (from) Earmarked Reserves (note 9)	(5,309)	5,309	0	0	0	0	0
Increase/(Decrease) in 2020/21	**0**	**5,309**	**6**	**5,616**	**10,931**	**(21,726)**	**(10,795)**
Balance at 31 March 2021 carried forward	**2,000**	**12,072**	**6**	**5,891**	**19,969**	**(22,037)**	**(2,068)**

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.

2019/20 Restated				**2020/21**		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**				
2,201	(1,189)	1,012	Growth and Infrastructure	2,500	(969)	1,531
14,580	(6,716)	7,864	Communities, Environment, Leisure and Planning	15,357	(8,135)	7,222
29,922	(24,457)	5,465	Resources and Customer Services	33,396	(28,476)	4,920
46,703	**(32,362)**	**14,341**	**Cost of Services**	51,253	(37,580)	13,673
		2,567	Other operating expenditure (note 10)			2,900
		2,469	Financing and investment income and expenditure (note 11)			2,773
		(15,170)	Taxation and non-specific grant income (note 12)			(23,641)
		4,207	**(Surplus)/Deficit on Provision of Services**			**(4,295)**
		476	(Surplus)/Deficit on revaluation of property, plant and equipment assets (note 27)			(2,114)
		(19,052)	Re-measurement of net defined benefit liability/ (asset) (note 39)			17,204
		(18,576)	**Other Comprehensive Income and Expenditure**			**15,090**
		(14,369)	**Total Comprehensive Income and Expenditure**			**10,795**

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 2020 £000		Note	31 March 2021 £000
50,169	Property, Plant and Equipment	13	51,778
1,402	Investment Property	14	4,954
24	Intangible Assets	15	14
404	Long Term Debtors	16	387
51,999	**Long Term Assets**		**57,133**
9,019	Short Term Investments	17	5,002
53	Inventories	20	65
5,148	Short Term Debtors	21	9,975
10,269	Cash and Cash Equivalents	22	17,965
24,489	**Current Assets**		**33,007**
(36)	Short Term Borrowing	17	(36)
(163)	Short Term Finance Lease Liability	38	(137)
(6,199)	Short Term Creditors	23	(13,779)
(2,534)	Receipts in Advance	24	(1,828)
(1,671)	Provisions	25	(2,352)
(10,603)	**Current Liabilities**		**(18,132)**
(7,800)	Long Term Borrowing	19	(7,800)
(243)	Finance Lease Liability	38	(106)
(49,115)	Defined Benefit Pension Liability	39	(66,170)
(57,158)	**Long Term Liabilities**		**(74,076)**
8,727	**Net Assets/(Liabilities)**		**(2,068)**
9,038	Usable Reserves	26	19,969
(311)	Unusable Reserves	27	(22,037)
8,727	**Total Reserves**		**(2,068)**

The notes on page 31 to 104 form part of the financial statements.

Signed: **Chief Finance Officer**

November 2021

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.

2019/20 £000		2020/21 £000
(4,207)	**Net (deficit)/surplus on the provision of services**	**4,295**
4,519	Adjust net deficit on the provision of services for non-cash movements (note 28)	9,970
(1,917)	Adjust for items included in the net deficit on the provision of services that are investing and financing activities (note 28)	**(7,299)**
(1,605)	**Net cash flows from Operating Activities**	**6,966**
2,164	Investing Activities (note 29)	6,093
1,596	Financing Activities (note 30)	(5,363)
2,155	**Net increase/(decrease) in cash and cash equivalents**	**7,696**
8,114	Cash and cash equivalents at the beginning of the reporting period (note 22)	10,269
10,269	**Cash and cash equivalents at the end of the reporting period (note 22)**	**17,965**

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.

2019/20				2020/21		
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**
1,210	(198)	1,012	Growth and Infrastructure	1,175	356	1,531
4,370	3,494	7,864	Communities, Environment, Leisure and Planning	4,315	2,907	7,222
7,715	(2,250)	5,465	Resources and Customer Services	6,264	(1,344)	4,920
13,295	1,046	14,341	**Net Cost of Services**	11,754	1,919	13,673
(12,673)	2,539	(10,134)	Other Income and Expenditure	(11,754)	(6,214)	(17,968)
622	**3,585**	**4,207**	**(Surplus) or Deficit**	**0**	**(4,295)**	**(4,295)**
2,622			**Opening General Fund Balance**	**2,000**		
(622)			**Add/(Less) Surplus/(Deficit) on General Fund in Year**	**0**		
2,000			**Closing General Fund Balance at 31st March**	**2,000**		

INDEX TO THE NOTES TO THE CORE FINANCIAL STATEMENTS

Note		Page Number

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

i. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (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 2020/21 and Service Reporting Code of Practice 2020/21, 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.

- Grants paid or payable to third parties by the Council are recognised in the Comprehensive Income and Expenditure account if the Council is acting as principal to the transaction. Where the Council is acting as the agent of another organisation when paying a grant, the Council does not account for the grant paid or payable or the funding received to award the grant in the Comprehensive Income and Expenditure account.

- 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.

<u>Post-Employment Benefits</u>

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

taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

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

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

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

Discretionary Benefits

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

viii. FAIR VALUE MEASUREMENT

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

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

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

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

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

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

ix. FINANCIAL INSTRUMENTS

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

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

Financial Liabilities

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

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

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

Expected Credit Loss Model

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

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

x. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

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

xi. HERITAGE ASSETS

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

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The historical cemetery buildings are operational assets accounted for at depreciated replacement cost within Property, Plant and Equipment in the Balance Sheet.

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

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

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

xii. INTANGIBLE ASSETS

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

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

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

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

xiii. INVENTORIES

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

xiv. INVESTMENT PROPERTY

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

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

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

xv. LEASES

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

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

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

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 2021/22 Code:

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

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

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

The critical judgements made in the financial statements are:

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 2020/21 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 2021. 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 2021. The Council's share of the balance of business rate appeals provisions held at this date amounted to £2.162m. This has increased by £0.491m from the previous year.

Investment Properties

The Council acquired a commercial property in Wisbech during the 2020/21 financial year. The property is leased to a commercial tenant on a long-term lease. Having obtained and reviewed an independent valuation of the property, the Council is satisfied that the property should be accounted for as an investment property as the Council's residual interest in the property exceeds the value of the Council's net investment in the lease. Had this not been the case the property would have been de-recognised as at 31 March 2021 and a long-term debtor reflecting the value of the Council's net investment in the lease would have been reflected in the Balance Sheet instead.

Grants payable as a consequence of Covid 19

The Council has administered a range of grant schemes linked to the pandemic at the request of government. These schemes have resulted in the Council making payments to both residents living in Fenland and businesses operating in the District. The eligibility criteria relating to each grant scheme vary, as does the extent to which the Council is responsible for determining that eligibility criteria.

Several schemes have a discretionary element where the Council is able to decide the eligibility criteria without requiring approval from government. Where the Council is responsible for determining the eligibility criteria the grants paid out, together with the funding received from government to enable those payments to be made, have been recognised in the Comprehensive Income and Expenditure Account and the associated notes as the Council has determined it is acting as Principal in accordance with the requirements of IFRS 15 and the CIPFA Code of Practice on Local Authority Accounting.

Where the Council has made payments to residents and businesses in accordance with eligibility criteria determined by government, the Council's judgment is that it is acting as an agent. Consequently, the grants paid out, together with the funding received from government to enable those payments to be made, are excluded from the Comprehensive Income and Expenditure Account and the associated notes.

Within the Balance Sheet amounts owed to or by government where the Council is acting as an agent are disclosed as a creditor and debtor respectively. Amounts received from government for those schemes where the Council is acting as principal where the full allocation had not been spent as at 31 March 2021 are included as part of earmarked reserves.

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 2021 for which there is a significant risk of material adjustments in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Depreciation and amortisation are provided for Property, Plant and Equipment and Intangible assets respectively. This enables the assets to be written down to their residual value over their estimated useful lives and show an appropriate cost of the use of the asset in the Comprehensive Income and Expenditure Statement. 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	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £11k for every year that useful life is reduced. 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 £495,000 and the value of Property, Plant Equipment by £2.34m
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For example: (i) a 0.1% decrease in the real discount rate assumption would result in an increase in the pension liability of £3.122m (ii) a 1 year increase in member life expectancy

		would result in an increase in the pension liability of £6.295m (iii) a 0.1% increase in the salary increase rate would result in an increase in the pension liability of £0.306m (iv) a 0.1% increase in the pension increase rate would result in an increase in the pension liability of £2.781m However, the assumptions interact in complex ways, so care should be taken when looking at changes in one variable in isolation.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

6. EXPENDITURE AND FUNDING ADJUSTMENTS ANALYSIS

Adjustments between Funding and Accounting Basis 2020/21	Adjustments for Capital Purposes (Note i) £000	Net Change for the Pensions Adjustment (Note ii) £000	Other Differences (Note iii) £000	Total Adjustments £000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts				
Growth and Infrastructure	353	27	(24)	356
Communities, Environment, Leisure and Planning	1,239	440	1,228	2,907
Resources and Customer Services	59	52	(1,455)	(1,344)
Net Cost of Services	**1,651**	**519**	**(251)**	**1,919**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(5,299)**	**1,206**	**(2,121)**	**(6,214)**
Difference between General Fund Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(3,648)**	**1,725**	**(2,372)**	**(4,295)**

Adjustments between Funding and Accounting Basis 2019/20	Adjustments for Capital Purposes (Note i) £000	Net Change for the Pensions Adjustment (Note ii) £000	Other Differences (Note iii) £000	Total Adjustments £000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts				
Growth and Infrastructure	164	(197)	(165)	(198)
Communities, Environment, Leisure and Planning	1,187	840	1,467	3,494
Resources and Customer Services	318	315	(2,883)	(2,250)
Net Cost of Services	**1,669**	**958**	**(1,581)**	**1,046**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(282)**	**1,977**	**844**	**2,539**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**1,387**	**2,935**	**(737)**	**3,585**

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

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

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

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

Note (ii): Net Change for the Pensions Adjustments

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

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

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

Note (iii): Other Differences

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

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

Segmental Income

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

Services	**2020/21 Income from Services £000**	**Restated 2019/20 Income from Services £000**
Growth and Infrastructure	(202)	(212)
Communities, Environment, Leisure and Planning	(4,367)	(4,278)
Resources and Customer Services	(241)	(543)
Financing and Investment Income	(1,955)	(2,146)
Total Fees, charges and other service income	**(6,765)**	**(7,179)**

7. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure/Income	2020/21 £000	Restated 2019/20 £000
Expenditure		
Employee Benefits Expenses	14,911	15,495
Other Service Expenses	37,976	33,897
Depreciation, Revaluation, Amortisation and Impairment	2,349	1,462
Interest Payments	497	500
Precepts and Levies	3,177	3,291
Gain on the Disposal of Assets	(43)	(261)
Total Expenditure	**58,867**	**54,384**
Fees, Charges and Other Service Income	(6,765)	(7,179)
Interest and Investment Income	(70)	(212)
Income from Council Tax and Non-Domestic Rates	(9,375)	(12,623)
Government Grants and Other Contributions	(46,952)	(30,163)
Total Income	**(63,162)**	**(50,177)**
(Surplus)/Deficit on Provision of Services	**(4,295)**	**4,207**

The restatement referred to above and in Note 6 concerns an adjustment relating to the treatment of recharges. There is no impact on the underlying (Surplus)/Deficit for the year.

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.

2020/21	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation of non-current assets	1,743	0	0	(1,743)
Deficit arising from revaluation and impairment of Property, Plant and Equipment	332	0	0	(332)
Movements in the market value of Investment Properties	264	0	0	(264)
Amortisation of intangible assets	9	0	0	(9)
Capital grants and contributions that have been applied to capital financing	(1,621)	0	0	1,621
Revenue expenditure funded from capital under statute	1,289	0	0	(1,289)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(349)	0	0	349
Capital expenditure charged against General Fund Balance	(760)	0	0	760
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	(43)	43	0	0
Use of Capital Receipts Reserve to finance new Capital expenditure	0	(37)	0	37

2020/21	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(5,623)	0	5,623	0
Capital Grants Unapplied applied to Financing of Capital Expenditure	0	0	(7)	7
Adjustments primarily involving the LGPS Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,110	0	0	(4,110)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,384)	0	0	2,384
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which Council Tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax and non-domestic rating income calculated for the year in accordance with statutory requirements	3,786	0	0	(3,786)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	279	0	0	(279)
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are Different from finance costs chargeable in the year in accordance with statutory requirements	(18)	0	0	18
Total Adjustments	**1,014**	**6**	**5,616**	**(6,636)**

2019/20	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
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)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(242)	0	0	242
Capital expenditure charged against General Fund Balance	(1,539)	0	0	1,539
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	(445)	445	0	0
Use of Capital Receipts Reserve to finance new Capital expenditure	0	(445)	0	445
	0	0	0	0

2019/20	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(15)	0	15	0
Capital Grants Unapplied applied to Financing of Capital Expenditure	0	0	(165)	165
Adjustments primarily involving the LGPS Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,240	0	0	(5,240)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,304)	0	0	2,304
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which Council Tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax and non-domestic rating income calculated for the year in accordance with statutory requirements	111	0	0	(111)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on An accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	14	0	0	(14)
Total Adjustments	**2,667**	**0**	**(150)**	**(2,517)**

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 2020/21.

	Note	Balance at 1 April 2019	Movements in year		Balance at 31 March 2020	Movements in year		Balance at 31 March 2021
			Receipts	Applied		Receipts	Applied	
		£000	£000	£000	£000	£000	£000	£000
Travellers Sites	1	**305**	41	(24)	**322**	4	0	**326**
Maintenance -Station Road, Whittlesey	2	**12**	3	(13)	**2**	3	0	**5**
CCTV	3	**101**	10	(63)	**48**	10	(37)	**21**
Invest to Save	4	**120**	0	(36)	**84**	32	(13)	**103**
Conservation	5	**4**	0	(4)	**0**	0	0	**0**
Management of Change Reserve	6	**1,203**	0	(255)	**948**	0	(146)	**802**
Neighbourhood Planning Reserve	7	**185**	0	(185)	**0**	0	0	**0**
Specific Grants Reserve	8	**1,637**	55	(622)	**1,070**	1,408	(244)	**2,234**
Personal Search Fees	9	**115**	0	(115)	**0**	0	0	**0**
Community Projects	10	**12**	0	(12)	**0**	0	0	**0**
Local Government Resource Review	11	**1,056**	0	(335)	**721**	3,433	(7)	**4,147**
Capital Contribution Reserve	12	**420**	1,054	(1,133)	**341**	463	(489)	**315**
Port – Buoy Maintenance	13	**147**	0	0	**147**	0	0	**147**
Repairs & Maintenance Reserve	14	**643**	51	(57)	**637**		(74)	**563**
Development Fund	15	**1,000**	0	(1,000)	**0**	0	0	**0**
Wisbech High St HLF Reserve	16	**152**	0	(38)	**114**	0	(33)	**81**
Local Plan Reserve	17	**451**	0	(451)	**0**	0	0	**0**
Solid Wall Remediation	18	**100**	0	0	**100**	0	0	**100**
Street Lighting	19	**18**	6	0	**24**	6	0	**30**
Investment Strategy Reserve	20	**0**	1,350	0	**1,350**	0	(10)	**1,340**
Budget Equalisation Reserve	21	**0**	315	0	**315**	167	0	**482**
Planning Reserve	22	**0**	636	(139)	**497**	0	(106)	**391**
Covid 19	23	**0**	43	0	**43**	0	(43)	**0**
Election Reserve	24	**0**	0	0	**0**	30	0	**30**
Covid Local Authority Support Grants	25	**0**	0	0	**0**	741	0	**741**
Council Tax Hardship Fund	26	**0**	0	0	**0**	36	0	**36**
Pilots Development Training	27	**0**	0	0	**0**	24	0	**24**
National Leisure Recovery Plan	28	**0**	0	0	**0**	154	0	**154**
Total		**7,681**	**3,564**	**(4,482)**	**6,763**	**6,511**	**(1,202)**	**12,072**

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.

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 the 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. Transfers to the reserve in 2020/21 reflect the impact of the significant grants received by the Council to fund the award of business rate relief to businesses impacted by the Coronavirus. The impact of awarding this relief will be reflected in the Collection Fund from 2021/22 onwards and the balance on this reserve will be used to mitigate the impact of recognising the Council’s share of the Collection Fund deficit in the General Fund

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 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.

15. 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.

16. 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.

17. 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 that the balance should be transferred to a new Planning Reserve.

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

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

20. 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.

21. 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.

22. The Planning Reserve was established in January 2020 using balances held previously in the Local Plan Reserve and the Neighbourhood Planning Reserve.

23. The Covid 19 Reserve was established in March 2020 to hold ring-fenced funding received from central government and the County Council from March 2020 onwards to cover some of the costs associated with the Council's response to the Covid 19 pandemic.

24. The Elections Reserve was established in 2020/21 to fund the cost of future District Council elections.

25. The Covid Local Authority Support Grants reserve holds money received from government to support local business which had not been paid out as at 31 March 2021. The balance is due to be paid out over the course of the 2021/22 financial year.

26. The Council Tax Hardship Fund reserve holds money received from government to assist Council Taxpayers experiencing hardship linked to the Covid 19 pandemic. The balance is due to be paid out over the course of the 2021/22 financial year.

27. The Pilots Development Training reserve holds money to be utilised in future years to fund the training of maritime pilots to fulfil the authority's statutory functions.

28. The National Leisure Recovery Plan reserve holds the balance of funding the Council received to assist its leisure operator with costs linked to the re-opening of its leisure centres when restrictions linked to the Covid 19 pandemic were eased. The balance is due to be utilised during the 2021/22 financial year.

10. OTHER OPERATING EXPENDITURE

	2020/21 £000	2019/20 £000
Parish Council Precepts	1,444	1,364
Drainage Board Levies	1,499	1,464
Loss/(Gain) on the Disposal of Non-Current Assets	(43)	(261)
Total	**2,900**	**2,567**

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2020/21 £000	2019/20 £000
Deficit on Trading Accounts	1,001	771
Interest payable and similar charges	497	502
Interest on the net defined pension liability	1,147	1,576
Interest receivable and similar income	(70)	(215)
Income and expenditure in relation to investment properties and changes in their fair value	198	(165)
Total	**2,773**	**2,469**

12. TAXATION AND NON-SPECIFIC GRANT INCOME

	2020/21 £000	2019/20 £000
Council Tax income	(9,159)	(9,123)
Net share of business rate income	(38)	(3,076)
Non-ring-fenced Government grants	(8,452)	(2,780)
Capital grants and contributions	(5,992)	(191)
Total	**(23,641)**	**(15,170)**

13. PROPERTY, PLANT AND EQUIPMENT

Movements in 2020/21:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Asset Under Construction	Infrastructure Assets	Community Assets	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2020	35,995	17,187	200	8,197	1,477	3,437	66,493
Additions	364	911	12	401	0	0	1,688
Revaluation Surplus/(Deficit) recognised in the Revaluation Reserve	1,411	0	0	0	0	455	1,866
Revaluation Surplus/(Deficit) recognised in the Deficit on the Provision of Services	(36)	0	0	0	0	15	(21)
Transfers	293	0	0	0	0	(410)	(117)
Disposals and Derecognitions	(19)	0	0	0	0	0	(19)
At 31 March 2021	**38,008**	**18,098**	**212**	**8,598**	**1,477**	**3,497**	**69,890**
Accumulated Depreciation and Impairment							
At 1 April 2020	(401)	(12,595)	0	(3,240)	(88)	0	(16,324)
Depreciation charge	(367)	(948)	0	(294)	0	0	(1,609)
Impairments	(305)	0	0	0	0	0	(305)
Depreciation charge to the Revaluation Reserve	(134)	0	0	0	0	0	(134)
Depreciation charge written out to the Revaluation Reserve	260	0	0	0	0	0	260
Depreciation charge written out in respect of Disposals	0	0	0	0	0	0	0
At 31 March 2021	**(947)**	**(13,543)**	**0**	**(3,534)**	**(88)**	**0**	**(18,112)**
Net Book Value							
At 31 March 2021	**37,061**	**4,555**	**212**	**5,064**	**1,389**	**3,497**	**51,778**
At 31 March 2020	**35,594**	**4,592**	**200**	**4,957**	**1,389**	**3,437**	**50,169**

Comparative 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**
Cost or Valuation							
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	3,225
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)
At 31 March 2020	**35,995**	**17,187**	**200**	**8,197**	**1,477**	**3,437**	**66,493**
Accumulated Depreciation and Impairment							
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
At 31 March 2020	**(401)**	**(12,595)**	**0**	**(3,240)**	**(88)**	**0**	**(16,324)**
Net Book Value							
At 31 March 2020	**35,594**	**4,592**	**200**	**4,957**	**1,389**	**3,437**	**50,169**

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 2021 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 2021 the Council had contractual capital commitments of £0.683m (31 March 2020 £0.723m).

Revaluations

A full re-valuation of all assets valued at current value or fair value was undertaken as at 1 April 2020. 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. For the purpose of these financial statements the annual market review enabled the Council to conclude that valuations provided which reflected the position as at 1 April 2020 were a materially accurate reflection of the value of assets as at 31 March 2021. As part of their market review, the Council's valuers noted that where valuations related to retail and specific trading-related assets such as car parks, the unprecedented set of circumstances caused by Covid 19 meant that the valuation of these assets continued to subject to 'material valuation uncertainty' meaning that less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. Whilst recognising the impact on valuations of the uncertainty caused by Covid 19, the Council's judgment is that its car parks are not specifically related to trading or the retail sector. This is because the Council does not charge motorists to use its car parks and it is generally understood and accepted that the Council's car parks perform a broader civic function for local residents. Consequently, the level of usage is not principally dependent on the recovery of the in-person retail sector following the easing of restrictions associated with the Covid 19 pandemic.

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

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

	Land & Buildings £000	**Infrastructure Assets £000**	**Community Assets £000**	**Vehicles, Plant & Equipment £000**	**Surplus Assets £000**	**Total £000**
Valued at historical cost	0	5,064	1,389	4,555	0	11,008
Valued at current/fair value as at:						
31 March 2021	37,062	0	0	0	3,497	40,559
Total	37,062	5,064	1,389	4,555	3,497	51,567

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:

	2020/21 £000	2019/20 £000
Rental income from investment property	(66)	(69)
Loss/(Gain) on revaluation of investment property	264	(96)
Net (Gain)/Loss	**198**	**(165)**

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:

	2020/21 £000	2019/20 £000
Balance at start of the year	1,402	1,306
Transfers from Property, Plant and Equipment	117	0
Additions	3,699	0
Net gain/(loss) from fair value adjustments	(264)	96
Balance at end of the year	**4,954**	**1,402**

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 £9,564 charged to revenue in 2020/21 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:

	2020/21	2019/20
	£000	£000
Balance at start of year		
Gross Carrying amount	**1,498**	**1,498**
Accumulated amortisation	(1,474)	(1,453)
Net carrying amount at start of year	**24**	**45**
Additions	0	0
Amortisation for the year	(10)	(21)
Net carrying amount at end of year	**14**	**24**
Comprising:		
Gross carrying amounts	1,498	1,498
Accumulated amortisation	**(1,483)**	**(1,474)**

16. LONG TERM DEBTORS

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

	31 March 2021 £000	31 March 2020 £000
Mortgages	49	51
Private sector housing improvement loans	217	213
Employee car loans	104	140
Other	17	0
Total	**387**	**404**

17. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	Carrying amount	
	31 March 2021 £000	31 March 2020 £000
Financial liabilities (Measured at Amortised Cost)		
Long Term Liabilities	(7,800)	(7,800)
Short Term Borrowings	(36)	(36)
Creditors	(5,056)	(3,601)
	(12,892)	**(11,437)**

Financial Assets (Measured at Amortised Cost)		
Debtors	3,303	2,627
Cash & Cash Equivalents	17,965	10,269
Investments	5,002	9,019
	26,270	**21,915**

Income, expense, gains and losses

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

	Financial Liabilities 31 March 2021 £000	Financial Assets 31 March 2021 £000	Total 31 March 2021 £000
Interest Income – soft loans	0	(15)	**(15)**
Interest and Investment Income	0	(55)	**(55)**
Increase in allowance for expected credit losses	0	532	**532**
Interest payable and similar charges	497	0	**497**
Net loss for year	497	462	**959**

	Financial Liabilities 31 March 2020 £000	Financial Assets 31 March 2020 £000	Total 31 March 2020 £000
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	(136)	**385**

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 2021 the Council held £26.270m financial assets and £12.892m 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.

	Carrying Amount 31 March 2021	Fair Value 31 March 2021	Carrying Amount 31 March 2020	Fair Value 31 March 2020
			£000	£000
Financial liabilities				
Long Term Liabilities	(7,800)	(12,012)	(7,800)	(11,863)
Short Term Borrowing	(36)	(36)	(36)	(36)
Creditors	(5,056)	(5,056)	(3,601)	(3,601)
	(12,892)	(17,104)	(11,437)	(15,500)
Loans & Receivables				
Total Debtors	3,303	3,303	2,627	2,627
Cash & Cash Equivalents	17,965	17,965	10,269	10,269
Investments	5,002	5,002	9,019	9,019
	26,270	26,270	21,915	21,915
Total	13,378	9,166	10,478	6,415

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 £6.769m. 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 £2.745m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £7.276m.

This redemption charge is a supplementary measure of the fair value of the PWLB loans of £7.276m. 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 2021 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 2021 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 2021	Less than 3 Months	Maturity Bands 3 Months to 6 Months	6 Months to 1 year	Total
	£000	£000	£000	£000
Banks	10,000	5,000	0	15,000
Building Societies	7,000	0	0	7,000
Local Authorities	2,000	0	0	2,000
	19,000	**5,000**	**0**	**24,000**

31 March 2020	Less than 3 Months	Maturity Bands 3 Months to 6 Months	6 Months to 1 year	Total
	£000	£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
	13,300	**5,000**	**0**	**18,300**

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:

	12-Month Expected Credit Losses £000	Lifetime Expected Credit Losses – Not Credit Impaired £000	Lifetime Expected Credit Losses – Simplified Approach £000	Total £000
Opening Balance at 1 April 2020	0	293	62	355
New Financial Assets Originated or Purchased	0	0	0	0
Amounts Written Off	0	(74)	(9)	(83)
Changes in Model/ Risk Parameters	421	(19)	29	431
As at 31 March 2021	421	200	82	703

	12-Month Expected Credit Losses £000	Lifetime Expected Credit Losses – Not Credit Impaired £000	Lifetime Expected Credit Losses – Simplified Approach £000	Total £000
Opening Balance at 1 April 2019	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
As at 31 March 2020	0	293	62	355

The Council has the following exposure to credit risk at 31 March 2021

Basis for Calculation of Expected Credit Loss	Gross Carrying Amount 31 March 2021 £000	Gross Carrying Amount 31 March 2020 £000
12-Month Expected Credit Losses	1,797	741
Lifetime Expected Credit Losses – Not Credit Impaired	200	293
Lifetime Expected Credit Losses – Simplified Approach	1,306	1,593

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 2021 are due within one year, apart from long term borrowings and finance lease liabilities. The maturity analysis of long term borrowing is as follows:

	31 March 2021 £000	31 March 2020 £000
Between 5 and 10 years	2,000	2,000
Between 10 and 15 years	2,500	2,500
Between 30 and 35 years	3,300	3,300
Total	7,800	7,800

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

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

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

The Council’s treasury management officers play a pro-active role in assessing interest rate exposure that feeds into the Council’s annual budget setting process and which is used to revise budget projections as necessary during the financial year. The assessment procedures indicate that if interest rates were one percentage point higher, with all other variables held constant, the effect in 2020/21 would have been an increase in income of £90,000 (£51,000 reduction in 2019/20).

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 2020/21 suggests a sensitivity analysis of one percentage point.

20. INVENTORIES

	Total (General &Vehicle)	
	2020/21 £000	**2019/20 £000**
Balance outstanding at start of year	53	76
Purchases	343	332
Recognised as an expense in the year	(331)	(355)
Balance outstanding at year-end	**65**	**53**

21. SHORT TERM DEBTORS

	31 March 2021 £000	31 March 2020 £000
Central Government bodies	4,386	1,633
Trade Receivables	914	1,236
Other	4,675	2,279
Total	**9,975**	**5,148**

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

22. CASH AND CASH EQUIVALENTS

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

	31 March 2021 £000	31 March 2020 £000
Cash held by the Council	19,002	9,308
Bank Current Accounts	(1,037)	961
Total Cash and Cash Equivalents	**17,965**	**10,269**

23. SHORT TERM CREDITORS

	31 March 2021 £000	31 March 2020 £000
Central Government bodies	8,556	1,942
Trade	2,200	1,332
Other entities and individuals	3,023	2,925
Total	**13,779**	**6,199**

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 included within the 'Other Entities and Individuals' category in the table above at a value of £1,927,291 (2019/20 £1,787,110).

24. RECEIPTS IN ADVANCE

	31 March 2021 £000	31 March 2020 £000
Central Government Bodies	618	1,535
Council Tax receipts in advance	262	231
Business Rates receipts in advance	141	60
Trade	78	21
Garden Waste receipts in advance	699	640
Other	30	47
Total	**1,828**	**2,534**

25. PROVISIONS

	31 March 2021 £000	31 March 2020 £000
Balance at 1 April	1,671	1,101
Additional Provision	681	570
Utilised in Year	0	0
Balance at 31 March	**2,352**	**1,671**

Included within Provisions are amounts set aside to meet potential future liabilities for Business Rates Appeals and amounts set aside in respect of exit packages associated with decisions taken by the Council prior to 31 March 2021.

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 2021 £000	31 March 2020 £000
Revaluation Reserve	19,058	17,082
Capital Adjustment Account	31,887	32,613
Financial Instruments Adjustment Account	(285)	(303)
Pensions Reserve LGPS	(68,044)	(49,115)
Collection Fund Adjustment Account	(4,162)	(376)
Accumulated Absences Account	(491)	(212)
Total	**(22,037)**	**(311)**

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.

	2020/21 £000	2019/20 £000
Balance at 1 April	**17,082**	**17,894**
Upward revaluation of assets	3,732	1,827
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	(1,618)	(2,303)
Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services	2,114	(476)
Difference between fair value depreciation and historical cost depreciation	(134)	(171)
Accumulated gains on assets transferred, sold or scrapped	(4)	(165)
Amount written off to the Capital Adjustment Account	(138)	(336)
Balance at 31 March	**19,058**	**17,082**

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.

	2020/21 £000	2019/20 £000
Balance at 1 April	**32,613**	**31,732**
Charges for depreciation of non-current assets	(1,743)	(1,595)
(Deficit)/Surplus arising from revaluation and impairment of Property, Plant and Equipment	(332)	58
Amortisation of intangible assets	(10)	(21)
Revenue expenditure funded from capital under statute	(1,289)	(1,674)
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	0	(184)
Adjusting amounts written out of the Revaluation Reserve	134	171
Use of the Capital Receipts Reserve to finance new capital expenditure	37	445
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,621	1,472
Application of grants to capital financing from the Capital Grants Unapplied Account	7	165
Transfer from Revaluation Reserve in respect of Non-Current assets transfers and assets sold or scrapped	4	166
Statutory provision for the financing of capital investment charged against the General Fund Balance	349	242
Capital expenditure charged against the General Fund Balance	760	1,539
Movements in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement	(264)	97
Balance at 31 March	**31,887**	**32,613**

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.

	2020/21 £000	2019/20 £000
Balance at 1 April	**(303)**	**(303)**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	19	14
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	(1)	(14)
Balance at 31 March	**(285)**	**(303)**

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.

	2020/21 £000	2019/20 £000
Balance at 1 April	**(49,115)**	**(65,232)**
Re-measurements of the net defined benefit liability	(17,204)	19,052
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,110)	(5,240)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,385	2,305
Balance at 31 March	**(68,044)**	**(49,115)**

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.

	2020/21 £000	2019/20 £000
Balance at 1 April	**(376)**	**(264)**
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	(3,786)	(112)
Balance at 31 March	**(4,162)**	**(376)**

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.

	2020/21 £000	£000	2019/20 £000	£000
Balance at 1 April	**(212)**			**(197)**
Settlement or cancellation of accrual made at the end of the preceding year	212		197	
Amounts accrued at the end of the current year	(491)		(212)	
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	(279)		(15)	
Balance at 31 March		**(491)**		**(212)**

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.

	2020/21 £000	**2019/20 £000**
Depreciation	1,743	1,595
Impairment & downward/upward revaluations	332	(58)
Amortisation	9	21
Increase/(decrease) in impairment for bad debts	86	(21)
Increase/(decrease) in Creditors	8,232	527
(Increase)/decrease in Debtors	(3,573)	(1,166)
Decrease/(Increase) in inventories	(12)	24
Movement in pension liability	1,725	2,935
Contribution to/(from) provisions	681	570
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	0	185
Movement in fair value of investment properties	264	(97)
Other non-cash transactions	483	4
	9,970	**4,519**

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

	2020/21 £000	**2019/20 £000**
Capital grants credited to the deficit on the provisions of services	(7,256)	(1,504)
Proceeds from the sale of property, plant and equipment and repayment of loans	(43)	(413)
	(7,299)	**(1,917)**

c) Interest received and interest paid.

	2020/21 £000	**2019/20 £000**
Interest received	71	216
Interest paid	(496)	(503)
	(425)	**(287)**

29. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2020/21 £000	2019/20 £000
Purchase of property, plant and equipment, investment property and intangible assets	(5,295)	(3,053)
Purchase of short-term investments	(14,000)	(24,000)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets and repayment of grants and loans	75	381
Proceeds from short-term investments	18,000	27,500
Other payments for investing activities	(2)	(28)
Other receipts from investing activities	7,315	1,364
Net cash flows from investing activities	**6,093**	**2,164**

30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2020/21 £000	2019/20 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(163)	(157)
Other (payments)/receipts for financing activities	(5,200)	1,753
Net cash flows from financing activities	**(5,363)**	**1,596**

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 April 2020	Financing Cash Flows	31 March 2021
	£000	£000	£000
Long Term Borrowing	7,800	0	7,800
Lease Liabilities	406	(163)	243
Total Liabilities from financing activities	**8,206**	**(163)**	**8,043**

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.

	2020/21 £000	2019/20 £000
Expenditure	93	90
Income	(18)	(17)
Deficit Before Capital Charges	75	73
Capital Charges	4	4
Deficit Taken to General Fund	79	77

Port Undertaking

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

	2020/21 £000	2019/20 £000
Expenditure	1,053	1,155
Income	(865)	(901)
Deficit Before Capital Charges	188	254
Capital Charges	282	252
Deficit Taken to General Fund	470	506

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:

	2020/21 £000	2019/20 £000
Expenditure	1,082	1,146
Income	(719)	(857)
Deficit Before Capital Charges	363	289
Capital Charges	184	16
Deficit Taken to General Fund	547	305

Trade Waste

The financial results for Trade Waste were as follows:

	2020/21 £000	2019/20 £000
Expenditure	247	260
Income	(342)	(378)
(Surplus) taken to General Fund	(95)	(118)

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 and on the Council's website.

	2020/21 £000	2019/20 £000
Allowances	334	317
Expenses	2	16
Total	**336**	**333**

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/Officer	Note	Year	Gross Salary	Benefits in Kind (e.g. car allowance)	Total Remuneration (excl. Pension contributions)	Employers Pension Contributions	Total Remuneration (incl. pension contributions)
			£	£	£	£	£
Paul Medd, Chief Executive		**202021**	**150,053**	**2,000**	**152,053**	**26,109**	**178,162**
		2019/20	146,037	2,000	148,037	25,410	173,447
Corporate Director and Chief Finance Officer		**2020/21**	**90,156**	**9,450**	**99,606**	**15,687**	**115,293**
		2019/20	87,743	8,400	96,143	15,267	111,410
Corporate Director and		**2020/21**	**90,156**	**9,450**	**99,606**	**15,687**	**115,293**
Monitoring Officer	1	2019/20	81,489	8,400	89,889	15,217	105,106
Corporate Director	2	**2020/21**	**26,960**	**1,773**	**28,733**	**3,560**	**32,293**
		2019/20	87,743	8,400	96,143	15,019	111,162

Note 1: The post holder returned from maternity leave on 29 April 2019. Whilst the postholder was on maternity leave the Council paid Peterborough City Council £6,187 for the services of an Acting Monitoring Officer for the period 1 April 2019 – 28 April 2019 on the basis of three days per week.

Note 2: The post holder retired from their position on 16 June 2020. The position remains in the Council's Corporate Management Team structure but as at 31 March 2021 the Council had not recruited to the position.

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**	
	2020/21 Total	**2019/20 Total**
£50,000 - £54,999	6	9
£55,000 - £59,999	11	8
£60,000 - £64,999	6	4
£65,000 - £69,999	4	2
£85,000 - £89,999	0	1
£95,000 - £99,999	2	2
£145,000 - £149,999	0	1
£150,000 - £154,999	1	0

The band changes from 2019/20 to 2020/21 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**	
	2019/20	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20 £000**	**2020/21 £000**
£0 - £20,000	0	0	3	11	3	11	34	106
£20,001-£40,000	0	0	0	2	0	2	0	68
£40,001-£60,000	0	0	0	0	0	0	0	0
Total	0	0	3	13	3	13	34	174
Total cost included in Comprehensive Income and Expenditure							34	174

34. EXTERNAL AUDIT COSTS

In 2020/21 Fenland District Council incurred the following fees relating to external audit and inspection:

	2020/21 £000	2019/20 £000
Fees payable with regard to external audit services carried out by the appointed auditor	65	40
Fees payable for the certification of grant claims and returns	21	15
Total Audit Costs	**86**	**55**

The final fees for external audit services and grant certification work undertaken in relation to the 2019-20 financial year were agreed after the 2019-20 accounts had been published. The amounts disclosed in the 2020/21 column above include additional fees of £9,127 in respect of external audit services and £5,359 in respect of grant certification work which relate to the 2019/20 financial year.

35. GRANT INCOME

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

	2020/21 £000	2019/20 £000
Credited to Taxation and Non-Specific Grant Income		
Net Share of Business Rate Income	38	3,076
New Homes Bonus Grant	1,119	1,293
Capital Grants and Contributions	5,992	191
Business Rate Reliefs Funded by Government	4,806	1,486
Taxation Income Guarantee – Council Tax	2	0
Taxation Income Guarantee - NNDR	313	0
Government Income Compensation - Sales Fees and Charges	418	0
Covid-19 Non-Ring-Fenced Grant	1,794	0
Total	**14,482**	**6,046**
Credited to Services		
Housing Benefit Subsidy	186	22,706
Capital Grants and Contributions	1,174	1,172
Housing Benefits/Local Council Tax Support Admin	21,600	410
NNDR Cost of Collection	120	122
Homelessness Prevention	605	398
Controlling Migration	0	408
New Burdens Grant	262	117
Covid-19	6,095	73
Other	1,214	439
Total	**31,256**	**25,845**

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. With effect from 1st April 2019, following the mergers of Forest Heath and St Edmundsbury Councils (to form West Suffolk) and Waveney and Suffolk Coastal Councils (East Suffolk), ARP now consists of 5 partner authorities. The five 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 2020/21 was 13.53%. This Council's share of partnership transactions and balances are included within the relevant lines within the accounts.

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.

	2020/21 £000	2019/20 £000
Opening Capital Financing Requirement	**2,274**	**1,211**
Capital investment (as reported in notes 13-15)		
Property, Plant and Equipment	1,688	3,226
Investment Properties	3,699	0
Capital expenditure charged to Comprehensive Income and Expenditure Statement		
Revenue Expenditure Funded from Capital under Statute	1,289	1,673
Private Sector Housing Loans	2	27
Sources of finance		
Capital receipts	(37)	(445)
Government grants and other contributions	(1,629)	(1,637)
Sums set aside from revenue:		
Direct revenue contributions	(760)	(1,539)
Minimum Revenue Provision (MRP)	(349)	(242)
Closing Capital Financing Requirement	**6,177**	**2,274**
Explanation of movements in year		
Capital Expenditure Funded from Internal Borrowing	4,252	1,305
MRP charge to Revenue	(349)	(242)
Increase/(decrease) in Capital Financing Requirement	**3,903**	**1,063**

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 £273,801 (2019/20: £432,280).

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:

	2020/21 £000	2019/20 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	137	163
• non –current	106	243
Finance costs payable in future years	12	25
Minimum lease payments	**255**	**431**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
Not later than one year	145	176	137	163
Later than one year and not later than five years	110	255	106	243
Later Than 5 Years	0	0	0	0
	255	**431**	**243**	**406**

Operating Leases - Land and Buildings

The Council leases nine properties for homeless families.

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

	31 March 2021 £000	31 March 2020 £000
Not later than one year	52	51
Later than one year and not later than five years	0	0
	52	**51**

Lease payments for 2020/21 amounted to £51,225 (2019/20: £50,336).

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. Additionally, the Council entered into a long-term lease with a commercial tenant during the 2020/21 financial year.

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

	31 March 2021 £000	31 March 2020 £000
Not later than one year	312	81
Later than one year and not later than five years	978	44
Later than five years	4,986	411
	6,276	**536**

39. DEFINED BENEFIT PENSION SCHEMES

(i) The Local Government Pension Scheme

Participation in pension scheme

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

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

Transactions Relating to Post-Employment Benefits

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

	Local Government Pension Scheme	
Comprehensive Income and Expenditure Statement	**2020/21 £000**	**2019/20 £000**
Cost of Services:		
• Current service cost	**2,963**	**3,589**
• Past Service Cost (including curtailments)	**0**	**75**
• Effect of settlements	**0**	**0**
Financing and Investment Income and Expenditure		
• Interest income on scheme assets	**(1,628)**	**(1,861)**
• Interest cost on defined benefit obligation	**2,775**	**3,437**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**4,110**	**5,240**

Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount included in the net interest expense)	**(16,550)**	**7,147**
• Actuarial gains and losses arising on changes in demographic assumptions	**1,776**	**(3,062)**
• Actuarial gains and losses arising on changes in financial assumptions	**33,221**	**(11,383)**
• Other	**(1,243)**	**(11,754)**
Total Remeasurement (Gains)/Losses	**17,204**	**(19,052)**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**21,314**	**(13,812)**
Movement in Reserves Statement:		
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	**(1,725)**	(2,935)
Actual amount charged against General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	**4,259**	**1,474**

Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme	
	2020/21	**2019/20**
	£000	**£000**
Present value of funded liabilities	**(156,215)**	**(119,545)**
Present value of unfunded liabilities	**(1,162)**	**(1,047)**
Fair value of plan assets	**91,207**	**71,477**
Net liability arising from defined benefit obligation	**(66,170)**	**(49,115)**

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

	Local Government Pension Scheme	
	2020/21	**2019/20**
	£000	**£000**
Opening fair value of scheme assets	**71,477**	**78,120**
Effect of Settlements	**0**	**0**
Interest income	**1,628**	**1,861**
Remeasurement gain/(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	**16,550**	**(7,147)**
Contributions from employer	**4,259**	**1,474**
Contributions from employees into the scheme	**565**	**543**
Benefits paid	**(3,272)**	**(3,374)**
Closing fair value of scheme assets	**91,207**	**71,477**

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2020/21	**2019/20**
	£000	**£000**
Opening balance at 1 April	**(120,592)**	**(142,521)**
Current service cost	**(2,963)**	**(3,589)**
Past service cost (including curtailments)	**0**	**(75)**
Effect of Settlements	**0**	**0**
Interest cost	**(2,775)**	**(3,437)**
Contributions from scheme participants	**(565)**	**(543)**
Re-measurement gains and (losses):		
• Actuarial gains/losses arising from changes In demographic assumptions	**(1,776)**	**3,062**
• Actuarial gains/losses arising from changes in financial assumptions	**(33,221)**	**11,383**
• Other experience	**1,243**	**11,754**
Benefits paid	**3,272**	**3,374**
Closing balance at 31 March	**(157,377)**	**(120,592)**

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets							
	2020/21				2019/20			
Asset Category	**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
Equity Securities:								
Consumer	**0**	**0**	**0**	**0%**	0	0	0	0%
Manufacturing	**0**	**0**	**0**	**0%**	0	0	0	0%
Energy and Utilities	**0**	**0**	**0**	**0%**	0	0	0	0%
Financial Institutions	**0**	**0**	**0**	**0%**	0	0	0	0%
Health and Care	**0**	**0**	**0**	**0%**	0	0	0	0%
Information and Technology	**0**	**0**	**0**	**0%**	0	0	0	0%
Debt Securities:								
UK Government	**0**	**3,677**	**3,677**	**4%**	0	3,698	3,698	5%
Private Equity:								
All	**0**	**8,481**	**8,481**	**9%**	0	5,858	5,858	8%
Real Estate:								
UK Property	**0**	**5,556**	**5,556**	**6%**	0	5,344	5,344	7%
Overseas Property	**0**	**1**	**1**	**0%**	0	1	1	0%
Investment Funds and Unit Trusts:								
Equities	**0**	**54,237**	**54,237**	**60%**	0	43,295	43,295	61%
Bonds	**0**	**10,083**	**10,083**	**11%**	0	4,844	4,844	7%
Infrastructure	**0**	**7,644**	**7,644**	**8%**	0	6,440	6,440	9%
Other	**0**	**0**	**0**	**0%**	0	0	0	0%

Derivatives:								
Other	**0**	**(1,078)**	**(1,078)**	**(1%)**	0	870	870	1%
Cash and Cash Equivalents:								
All	**2,503**	**0**	**2,503**	**3%**	1,078	0	1,078	2%
TOTALS	**2,503**	**88,600**	**91,103**	**100%**	1,078	70,350	71,428	100%

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2020/21	**2019/20**
Longevity at 65 for current pensioners		
Men	**22.2 years**	22.0 years
Women	**24.4 years**	24.0 years
Longevity at 65 for future pensioners		
Men	**23.2 years**	22.7 years
Women	**26.2 years**	25.5 years
Rate of increase in pensions	**2.85%**	1.90%
Rate of increase in salaries	**3.35%**	2.40%
Rate for discounting scheme liabilities	**2.00%**	2.30%

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 2019/20.

Change in assumptions at 31 March 2021	**Approximate % increase to Employer Liability**	**Approximate Monetary Amount £000**
0.1% decrease in real discount rate	2%	3,122
1 year increase in member life expectancy	4%	6,295
0.1% increase in the salary increase rate	0%	306
0.1% increase in the pension increase rate	2%	2,781

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.

Allowances for full Guaranteed Minimum Pensions (GMP) indexation and for the potential impact of the McCloud judgement were included by the actuary in the closing balance sheet position as at 31 March 2020 and these have been rolled forward and included in the liabilities as at 31 March 2021.

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £66.170m 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 £1.604m contributions to the scheme in 2021/22. In addition, an up-front payment of £2.687m was paid in April 2020 in respect of lump sums due for the 3-year period 2020/21 - 2022/23. This is 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.

41. GOING CONCERN

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on the going concern basis.

In carrying out its assessment that this basis is appropriate for the going concern period to 30 November 2022, management of the Council has undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting.

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

Date	General Fund	Earmarked reserves
31 March 2021	£2,000,000	£12,072,000

Based on current estimates our expected General Fund and Earmarked Reserve position has a predicted balance of £1.641 million and £10.823 million respectively as at 31 March 2022. Whilst the General Fund balance is below our target balance of £2 million, the Council has significant earmarked reserves as set out in the table. These reserves could be utilised if there was a short-term deterioration in the Council's financial health. Reserve balances are subject to regular review and where no longer required for their original purpose Cabinet can re-designate reserves as necessary. If the General Fund balance did fall below the minimum level set, that balance would be directly increased from Earmarked Reserves from the 1 April 2022.

Our cash flow forecasting and assessment of the adequacy of our liquidity position demonstrates positive cash balances throughout the going concern period, and no expectation of external borrowing other than to support the capital programme which is consistent with our plans and normal practice.

The key assumptions within this forecast included the achievement of savings of £295,000 as part of a corporate-wide transformation programme and the utilisation of budgeted contingencies set aside in recognition of financial pressures linked to the continuing impact of the pandemic on the contract between the Council and its leisure provider. Over half of the aforementioned savings have already been achieved through reductions in staffing implemented in the first quarter of the 2021/22 financial year. Management's judgment is that the remaining savings can be realised before the end of this financial year. We have, however, developed an alternative scenario whereby the remaining savings are not achieved. If this scenario were to transpire, management's view is that the above projections would not be materially affected although some re-designation of uncommitted earmarked reserves might be required. Detailed cash-flow forecasting indicates that liquidity would be maintained in all conceivable scenarios.

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

THE COLLECTION FUND

Total 2019/20 £000		Note	Council Tax 2020/21 £000	NNDR 2020/21 £000	Total 2020/21 £000
	INCOME				
57,358	Council Tax Receivable	2	58,536	0	**58,536**
0	S13A*1C* transfer from General Fund		871	0	**871**
25,401	Business Rates Receivable	3	0	17,377	**17,377**
82,759	**Total Income**		**59,407**	**17,377**	**76,784**
	EXPENDITURE				
	Precepts, Demands and Shares:				
12,001	Central Government		0	12,289	**12,289**
18,617	Fenland District Council		9,211	9,831	**19,042**
40,710	Cambridgeshire County Council		40,524	2,212	**42,736**
6,542	Cambs. Police & Crime Commissioner		6,936	0	**6,936**
2,318	Cambridgeshire Fire Authority		2,149	246	**2,395**
80,188			**58,820**	**24,578**	**83,398**
	Apportionment of Previous Year Surplus / (Deficit):				
(554)	Central Government		0	(389)	**(389)**
(384)	Fenland District Council		128	(311)	**(183)**
141	Cambridgeshire County Council		548	(70)	**478**
38	Cambs. Police & Crime Commissioner		93	0	**93**
2	Cambridgeshire Fire Authority		30	(8)	**22**
(757)			**799**	**(778)**	**21**
	Charges to Collection Fund:				
122	Cost of Collection Allowance		0	120	**120**
714	Increase in Bad Debts Provision	4	902	218	**1,120**
1,963	Increase/(Reduction) in Provision for Appeals	5	0	1,907	**1,907**
314	Renewable Energy Retention		0	319	**319**
3,113			**902**	**2,564**	**3,466**
82,544	**Total Expenditure**		**60,521**	**26,364**	**86,885**
(215)	**(Surplus)/Deficit for the Year**		**1,114**	**8,987**	**10,101**
	COLLECTION FUND BALANCE				
586	(Surplus)/Deficit b/fwd at 1 April		(819)	1,190	**371**
(215)	(Surplus)/Deficit for the year (as above)		1,114	8,987	**10,101**
371	**(Surplus)/Deficit c/fwd at 31 March**	6	**295**	**10,177**	**10,472**

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 29,815 in 2020/21 (2019/20: 29,380). The increase in Council Tax base in 2020/21 is a result of a combination of new builds and impact of the Council Tax Reduction Scheme approved by Council at its meeting on 20 February 2020.

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 £1,972.84 for 2020/21 compared to £1,912.38 for 2019/20) 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	7,699
Band B	7	7,747
Band C	8	6,597
Band D	9	4,143
Band E	11	2,539
Band F	13	823
Band G	15	242
Band H	18	25
		29,815

Income receivable from Council Taxpayers in 2020/21 was £58.536m (£57.358m in 2019/20)

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 2020/21 were estimated before the start of the financial year as £12.289m to Central Government, £2.212m to Cambridgeshire County Council, £0.246m to Cambridgeshire Fire Authority and £9.831m to Fenland District Council. These sums have been paid in 2020/21 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 £6.027m in 2020/21 (£5.931m in 2019/20) 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 2021. As such, authorities are required to make a provision for these amounts. The total provision charged to the Collection Fund for 2020/21 has been calculated at £1.907m.

The reduction in total NNDR income due in 2020/21 compared to 2019/20 is a result of the government's decision to provide 100% business rate relief in 2020/21 for all retail, leisure and hospitality properties and for all nursery education properties, as part of their response to assist businesses during the coronavirus pandemic. The total relief given as a result of these specific measures was £8.603m which reduced the total NNDR income due by the same amount.

The government has reimbursed local authorities for their share of the additional relief given in 2020/21 through S31 Grant. This grant is credited to the revenue account in year, which has subsequently created a 'surplus' which has been carried forward to 2021/22, via use of an earmarked reserve, to off-set the increased deficit in the Collection Fund (see above statement and note 6 below), created by the reduced NNDR income in 2020/21.

Business Rates Pooling Arrangement 2020/21

The Council has joined with the County Council, Peterborough City Council, Fire Authority, East Cambridgeshire and South Cambridgeshire District Councils, to become part of a pooling arrangement for business rates for 2020/21.

The benefit of being in a pool is that authorities will not be liable for levy payments to the government on their business rates growth. (The levy is set at 50% of the growth above the baseline level set by government). Instead, the combined levy payments of the pool are shared amongst the pooled authorities by a mutually agreed method. This is based on where the growth has originated from with an appropriate share allocated to the County Council and Fire Authority. The pool is administered by South Cambridgeshire District Council on behalf of the pooled authorities.

For 2020/21, the combined levy payments amounted to £5,909,564 (Fenland's levy was £535,099) and this Council's share was £356,750. The levy and pool share are charged to the revenue account and are not part of the Collection Fund.

The above pooling arrangements have continued into 2021/22.

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

2019/20 £000		**2020/21 £000**
2,503	**Balance at 1 April**	**2,704**
(301)	Write-offs during year for previous years	(141)
502	Increase in provision during year	902
2,704	**Balance at 31 March**	**3,465**

The Council's proportion of this provision at 31 March 2021 is £526,699 (£423,376 at 31 March 2020).

Non- Domestic Rates Bad Debts Provision

2019/20 £000		**2020/21 £000**
1,141	**Balance at 1 April**	**1,177**
(176)	Write-offs during year for previous years	(184)
212	Increase in provision during year	218
1,177	**Balance at 31 March**	**1,211**

The Council's proportion of this provision at 31 March 2021 is £484,177 (£470,623 at 31 March 2020).

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 2021.

2019/20 £000		**2020/21 £000**
2,752	**Balance at 1 April**	**4,177**
(538)	Write-offs during year for previous years	(678)
1,963	Increase/(Reduction) in provision during year	1,907
4,177	**Balance at 31 March**	**5,406**

The Council's proportion of this provision at 31 March 2021 is £2,162,395 (£1,670,695 at 31 March 2020).

6. DEFICIT/ (SURPLUS) ON COLLECTION FUND

Council Tax Collection Fund

The deficit of £295,200 at 31 March 2021 (£818,779 surplus at 31 March 2020), which related to Council Tax, will be reimbursed in subsequent financial years by 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 deficit £48,878 is reported within the Collection Fund Adjustment Account.

The total Council Tax Collection Fund deficit/(surplus) is therefore shared as follows:

	31 March 2021 £000	31 March 2020 £000
Fenland District Council	**49**	**(131)**
Cambridgeshire County Council	**203**	**(562)**
Cambridgeshire Police & Crime Commissioner	**32**	**(96)**
Cambridgeshire Fire Authority	**11**	**(30)**
Total Deficit/(Surplus)	**295**	**(819)**

Non-Domestic Rates Collection Fund

The deficit of £10,176,514 at 31 March 2021 (deficit of £1,189,987 at 31 March 2020), 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 (£4,070,605) is reported within the Collection Fund Adjustment Account.

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

	31 March 2021 £000	31 March 2020 £000
Fenland District Council	**4,071**	476
Cambridgeshire County Council	**916**	107
Cambridgeshire Fire Authority	**102**	12
Central Government	**5,088**	595
Total Deficit	**10,177**	**1,190**

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PROVISIONS AND RESERVES
Amounts set aside in one year to cover expenditure in the future. Provisions are for liabilities or losses which are likely or certain to be incurred but the amounts or the dates on which they arise are uncertain. Reserves are amounts set aside which do not fall

within the definition of provisions and include general reserves (or “balances”) which every authority must maintain as a matter of prudence.

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

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

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

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

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

ABBREVIATIONS USED IN THE ACCOUNTS

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

FENLAND DISTRICT COUNCIL

2020-21 ANNUAL GOVERNANCE STATEMENT

1. Scope of responsibility

Fenland District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

2. The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Fenland District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Fenland District Council for the year ended 31 March 2021 and up to the date of approval of the annual performance report and statement of accounts.

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 regular 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 Audit and Risk Management 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 Audit and Risk Management 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 Audit and Risk Management 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 Audit and Risk Management 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 an Audit and Risk Management 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 (Publically Available Specification 1998:2008 Whistle Blowing Arrangements – Code of Practice) and guidance from Public Concern at Work.

The Council operates a '3Cs' process which monitors the number of Compliments, Correspondence and Complaints received and the time taken to respond. Monitoring this information helps identify trends and enables the Council to provide an efficient service by adapting our service to the customer's needs.

Member and senior officer strategic training needs

The development of member and officers skills in relation to their roles is monitored and ensured via training and awareness sessions throughout the year identified from induction and through the staff annual appraisal system, which is linked to Corporate and Service Planning.

The Council promotes and provides regular training in respect of its Financial Regulations and Code of Procurement to aid financial control and effective expenditure.

The Council is committed to 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, community hubs, to consult on activities relevant to the community including planning, licensing, policy development. A revised and updated Corporate Consultation Strategy was considered by the Overview and Scrutiny Committee following which amendments were made prior to agreement by Cabinet.

Enhancing accountability and effectiveness of other providers

The Council works in partnership with other public sector bodies to share experience and bring local perspective to cross cutting work in Cambridgeshire. This helps to enhance the accountability for service delivery and effectiveness of other public service providers.

Good governance in partnership working

The Council has developed a number of successful partnerships and shared service arrangements. Examples include efficient delivery of services through the Anglia Revenues Partnership, Home Improvement Agency, CNC Building Control, shared planning and development and legal services with Peterborough, Bedford Borough Council Payroll Service, a Shared Audit Manager with 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.

3. 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 2020/21:

- The Commercial and Investment Strategy was approved by Full Council in January 2020 and implementation of this has commenced in 2020/21. As a result of this strategy an Investment Board was created and first met in September 2020.
- 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 adopted the Parson Drove Neighbourhood Plan and the Coates Conservation Area Appraisal and Management Plan
- Agreed the changes to the Polling Districts and Polling Places following review
- Agreed to adopt the Arts Council's Culture and Creative Strategy
- 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 2020/21 has placed the Council in a healthy financial position. The impact of Covid-19 however had substantial implications for the Council's finances in 2020/21 through additional expenditure and reduced income levels. Effective financial control resulted in the Council responding positively to the continuing impact of Covid-19. As a result of additional Central Government support, higher than anticipated fees and charges income and other cost savings, the Council achieved an under-spend in the revised General Fund budget. This was reported to Cabinet at its meeting on 15

July 2021. The Council's provisional General Fund services net under-spend is £167,326 for the financial year 2020/21.

The Council has benefited 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 2020-21;
- Annual report;
- Council Tax Support Scheme;
- Fees and charges 2020-21;
- My Fenland transformation programme;
- Capital Programme Update

Corporate Governance

The Corporate Governance Committee / Audit and Risk Management Committee has completed a work plan that helps monitor effective governance throughout. The Committee:

- approved and monitored the actions for improvement as required in the previous Annual Governance Statement;
- approved and monitored the Risk Management framework and corporate risk register;
- monitored performance of Internal Audit and approved the risk based internal audit plan and Charter including requesting quarterly update reports in relation to audit;
- noted the reports of External Audit, such as the Annual Governance Report, Annual Audit Letter, Annual Certification report and the External Audit Plan;
- approved the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and the Annual Investment Strategy;
- approved the Statement of Accounts 2019/20; 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, Community Corporate Objectives, Environmental Corporate Objectives, Wisbech 2020 and Wisbech Rail, Anglian Water Projects, Culture Strategy updates and Medium Term Financial Strategy and Fees & Charges;
- reviewed the Investments Board Annual Report; regularly reviewed the progress in delivering performance objectives of the Corporate Plan;
- Considered Covid-19 responses and future implication reports
- considered the Local Government Ombudsman's Annual Letter; and
- scrutinised external partners including Fenland Community Safety Partnership Freedom Leisure Contract, Clarion Housing, CPCA – Economic Development in Fenland, 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 Internal Audit review and Post and marine Services review;
- considered the Health and Safety Annual report

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 2020/21.

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;
- Undertaken additional consultancy activities to provide further assurances on the levels of internal control, to support the annual opinion in light of challenges faced due to the ongoing Covid-19 pandemic.
- 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 has presented the 2020/21 opinion on internal control to the Audit and Risk Management Committee as part of the Internal Audit outturn. Adequate assurance on the level of internal control, governance and risk management arrangements are in place.

Reviews by external inspectors:

The externally appointed auditors, Ernst & Young, issued their audit opinion in November 2020 which provided an unqualified opinion on the 2019/20 statement of accounts and the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Their audit results 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.

4. Impact of the Covid-19 pandemic on Governance

As the AGS assesses governance in place during 2020-21, the majority of the year was severely affected by coronavirus. The coronavirus pandemic has impacted governance throughout the year 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.
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. Additional costs to support Freedom Leisure during the year amounted to £442k.

There was little impact on the open spaces business, 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 business has run as normally 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 has actively supported and worked 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. Further updates throughout the year amended this figure to an estimated £221k shortfall as reported to Council in February 2021. As a result of additional Central Government support, higher than anticipated fees and charges income and other cost savings, the Council achieved an under-spend at financial year-end of £167k.

A balanced budget for 2021/22 was set by Council in February 2021, although this budget does rely on around £840k of agreed use of reserves. This will be updated as we progress through this year and the budget setting process for 2022/23 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 2021/22 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 has been developed and the Council continues to work with the local resilience forum.

5. Governance issues and action plan

The Council has considered the governance issues identified in the previous year's Annual Governance Statement which the Corporate Governance Committee approved at its meeting held on 2 November 2020.

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 2021/21 financial year.

	Issue Raised	Summary of action
1	Although in a healthy financial position, the Council still faces continuing financial challenges over the medium term, resulting from changes to central government funding. The Medium Term Financial Strategy presented to Council in February 2021 highlighted the need for further savings of £1.67m up to 2025/26. The impact of Covid-19 will however, continue to impact on both the current financial year, 2021/22 and over the Medium Term. This is likely to impact on the savings required over the Medium Term. 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 at the earliest, which will result in changes to Local Government Funding and presents a significant additional risk to this Council's MTFS.	The Chief Finance Officer, with the Chief Executive will review the impact of change upon the Council in conjunction with the Leader and Finance Portfolio Holder and the Cabinet. The Corporate Management Team has put in place heightened monitoring and response arrangements to provide the Cabinet with information regarding the impact of Covid-19 and of future Central Government funding changes. The Council's CSR process has placed the Council in a good position financially however, we will continue to look for more ways to become efficient and effective through looking at different service delivery models. The Corporate Management Team will monitor the available funding, balances and reserves, using robust financial controls to respond to any financial changes and identify joint opportunities for efficiency. The Corporate Management Team will monitor governance arrangements, and communicate shared risks, opportunities and assurance. The Corporate Management Team will respond to any consultations from Central Government on future funding.

2	The Council must be prepared to address any impacts that may arise as a result of changes in regulation, legislative powers and national policy. Examples that could affect governance arrangements over the Medium Term include: • Reforms to the New Homes Bonus, Business Rates and the Fairer Funding Review due in April 2022. • The UK's negotiations and exit from the EU following the referendum on the 23rd June 2016. • The Comprehensive Spending Review scheduled for Autumn 2021. • The Department for Environment, Food and Rural Affairs' consultation on Consistency in Household and Business Recycling Collections • Continuing discussion and an ongoing review by the National Audit Office of local authority's investment activity including investment in property	The Corporate Management Team will respond to changes and will continue, using heightened monitoring and response arrangements, to provide the Cabinet with information regarding the impact of Central Government Policy changes including responding to government consultations. Plans will be put in place to implement any new legislation.

3	The Covid-19 pandemic has given rise to unforeseen challenges in terms of this Council's decision-making machinery and its traditional meeting structure. The Council will be required to continually monitor the financial and operational impacts of Covid-19 throughout 2021/22 and beyond. This has a significant impact on the finances and the ability of the Council and its key delivery partners to maintain key services while business-as-usual status does now seem to be achievable, continuous monitoring of the national situation must continue. Likely consequences for governance will impact upon the immediate recovery of the organisation and the community. Economic recovery and public health impacts will be critical to the direction of the organisation in the future. In addition to this the Council will need to be prepared for mobilisation of the emergency response procedure in the event of a 'future waves' of the virus to protect staff and residents.	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. Where possible, key Council services continue to be provided (either directly or remotely) in line with its contingency arrangements. The Council has robust financial monitoring, recording and planning processes but these will need to be developed further to address this challenge. The Council monitors central government support initiatives and guidance and engages with its key partners to best provide essential services. Council business continuity arrangements have been mobilised for the maximum number of staff to work remotely in accordance with national guidance. The Corporate Management team, in conjunctions with members of the Council will produce and implement a recovery plan for the organisation, the community, the local economy and the health and wellbeing of the District.

6. Conclusion

Having completed the processes set out above to review the effectiveness of the Council's governance framework, we are satisfied that we have sufficient assurance regarding the effectiveness of the framework in place and the governance issues identified are as set out above. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

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 under constant review. 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 has operated during the year. Throughout this period, the Council has continued 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

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Agenda Item No:	**8**	Fenland CAMBRIDGESHIRE
Committee:	**Audit & Risk Management Committee**	
Date:	**29 November 2021**	
Report Title:	**Letter of Representation**	

Cover sheet:

1 Purpose / Summary

To agree the format and content of the Letter of Representation provided to the independent external auditor (EY) at the conclusion of the audit of the 2020/21 Statement of Accounts.

2 Key issues

- Written representation provides an acknowledgement of our responsibilities in relation to the Statement of Accounts.
- The letter required by the independent external auditor is attached.
- This includes the rationale and approval to not adjust the two Audit differences detailed in previous agenda items.
- The letter requires signing by the Chairman of this Committee and the Council's Chief Finance Officer and will be dated on the proposed audit opinion date (date to be advised by EY).

3 Recommendations

- It is recommended that members approve the content and form of the Letter of Representation to be signed by the Chairman of this Committee and the Council's Chief Finance Officer.

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

Mark Hodgson
Associate Partner
Ernst & Young LLP
One Cambridge Business Park
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CB4 0WZ

Peter Catchpole
Tel 01354 622201
e-mail: pcatchpole@fenland.gov.uk

29 November 2021

Dear Mark,

Fenland District Council – 2020/21 Financial Year
Letter of Representation

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

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

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Council the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the Council's financial statements. We believe the Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the Council financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. We believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in aggregate, to the financial statements taken as a whole.

   We have not corrected these differences identified and brought to our attention by you because we consider them to be immaterial, both individually and in aggregate and that the financial statements continue to present a true and fair view of the financial position of Fenland District Council at 31 March 2021 and its income and expenditure for the year then ended.

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of your assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

   - involving financial statements;

   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;

- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;

- involving management, or employees who have significant roles in internal controls, or others; or

- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement ;

   - Additional information that you have requested from us for the purpose of the audit; and

   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the Council financial statements, including those related to the Covid-19 pandemic.

3. We have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 29 November 2021.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Council's financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the Council's financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter to you, through to the date of this letter, we have disclosed to you any unauthorised access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the Council's financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the Council's financial statements (at Note 40) all guarantees that we have given to third parties.

E. Subsequent Events

1. There have been no events, including events related to the Covid-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2020-21.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

2 In respect of accounting estimates recognised or disclosed in the financial statements:

   - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.

   - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.

- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.

- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Expenditure Funding Analysis

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

I. Going Concern

1. The Council has prepared the financial statements on a going concern basis and that Note 41 to the financial statements discloses all of the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our future financial plans and the veracity of the associated future funding allocations from the Department of Housing, Communities and Local Government, the sufficiency of cash flows to support those financial plans.

J. Ownership of Assets

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

K. Reserves

1. We have properly recorded or disclosed in the Council's financial statements the useable and unusable reserves.

L. Valuation of Property, Plant and Equipment Assets

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

2. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

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

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

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

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

M. Retirement benefits

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

2. We agree with the findings of the specialists that we engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

3. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

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

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

N. Other estimates – NDR Appeals Provision

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the assumptions underlying the NDR Appeals provision are consistent with our knowledge of the business.

2. We agree with the findings of the specialists that we engaged to evaluate the NDR Appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

3. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

4. We confirm that the significant assumptions used in making the valuation of the NDR Appeals provision appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

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

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

O. Other Estimates – Expected Credit Losses

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the assumptions underlying the Expected Credit Losses are consistent with our knowledge of the business.

2. We agree with the findings of the specialists that we engaged to evaluate the Expected Credit Losses and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

3. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

4. We confirm that the significant assumptions used in making the valuation of the Expected Credit Losses appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

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

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

P. Specific Representations

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

As approved by the Corporate Governance Committee at its meeting on 29 November 2021.

Signed on behalf of Fenland District Council:

Peter Catchpole

(Corporate Director and Chief Finance Officer)

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Councillor Kim French

(Chairman of Corporate Governance Committee)

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Agenda Item No:	**9**	
Committee:	**Audit and Risk Management Committee**	
Date:	**29 November 2021**	
Report Title:	**Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review 2021/22**	

Cover sheet:

1 Purpose / Summary

The purpose of this report is to review the Council's Treasury Management activity for the first six months of 2021/22 and to provide members with an update on matters pertinent to future updates to the Council's Treasury Management Strategy.

2 Key issues

- The Council has operated within its Treasury Management Strategy Statement (TMSS), Annual Investment Strategy, treasury limits and prudential indicators set by Council for the first six months of 2021/22.
- Forecasts for Bank Rate now includes five increases, one in December 2021 to 0.25%, rising incrementally to 1.25% by Q1 2025.
- PWLB certainty rates are forecast to rise steadily over the next three-and-a-half years.
- The Prudential indicators for the Operational Boundary and Authorsied Limit have been adjusted reflecting the anticipated need for external borrowing to support the Council's Commercial and Investment Strategy.
- Due to the Council's long term debt portfolio (£7.8m at 31/03/21) currently attracting excessive premiums for early redemption of debt, as has been the case since 2007, it is not financially advantageous for the Council to comply with the Gross Borrowing and Capital Financing Prudential Indicator in 2021/22.
- No new external borrowing has been taken out to date in 2021/22. The current Medium Term Financial Strategy assumes that some external borrowing will be required over the three-and-a-half-year period to 31 March 2024.
- Investment income received for the first six months of 2021/22 is £21k. This is in line with the original estimate of £40k for the whole year.
- Property Funds formed part of the Council's Annual Investment Strategy approved in February 2021 as an instrument to increase investment returns from surplus cash balances. There has been a delay in accessing Property Funds whilst the impact of COVID-19 is fully understood and other commercial property acquisitions are considered, with a corresponding reduction in budgeted income this year of around £120k.

3 Recommendations

It is recommended that Members note the report.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Chief Finance Officer and Corporate Director Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Chief Finance Officer and Corporate Director Mark Saunders, Chief Accountant
Background Paper (s)	Link Asset Services template Council Report - 23 February 2021 - General Fund Budget 2021/22 and Capital Programme 2021-24 Cabinet Report – 15 July 2021 - Capital Programme Update

Report:

1 Context

1.1 The Council's responsibilities in relation to Treasury Management are defined as part of the Local Government Act 2003 ('the Act'). The Act requires the Council to have regard to the Treasury Management Code published by the Chartered Institute of Public Finance and Accountancy, (CIPFA). CIPFA updated the Treasury Management Code in December 2017 and this report has been prepared with reference to the requirements set out in the updated Code.

1.2 Additionally, there is a statutory requirement for the Council to comply with the Prudential Code which is also published by CIPFA and was also updated in December 2017. There is a close interaction between the Treasury Management Code and the Prudential Code. The Prudential Code establishes a framework for the Council to self-regulate the affordability, prudence and sustainability of its capital expenditure and borrowing plans whilst the Treasury Management Code is concerned with how the Council uses its Treasury Management function to progress the future plans developed with reference to the Prudential Code.

1.3 Reductions in central government funding for local government and declining returns on deposits invested with financial institutions has led some local authorities to explore other avenues for generating investment returns, including investment in non-financial assets. Local authority spending on commercial property takes place in the context of the prudential framework, made up of both powers and duties created by legislation and a set of statutory codes and guidance to which authorities must have regard. In particular, there is a recognition that all authorities need to ensure they can clearly identify the strategic considerations underpinning their investment strategies and effective governance frameworks are in place to protect and preserve each authority's long-term financial sustainability. Specifically, from 2019/20, all local authorities have been required to approve a Capital Strategy which is intended to provide the following:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

The Council's Capital Strategy for 2021/22 was approved by Full Council on the 23 February 2021.

1.4 The Council recognises that there is an ongoing consultation relating to changes to both the Prudential Code and the Treasury Management Code with new versions of both documents due to be published in December 2021. Whilst CIPFA has recently announced that full implementation of the updated codes will not be required until the 2023/24 financial year, the impact of changes to both documents will be considered when determining the Council's Treasury Management Strategy Statement and Capital Strategy for 2022/23 which are due to be approved in February 2022.

Treasury Management

1.5 Treasury management is defined as "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks."

1.6 The Council complies with the requirements of CIPFA's Code of Practice on Treasury Management (revised 2017).

1.7 The primary requirements of the Code applicable to the 2021/22 financial year are as follows:

- Creation and maintenance of a Treasury Management Policy Statement, which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices, which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by Full Council of an annual Treasury Management Strategy Statement, including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-year Review Report and an Annual Report covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies (including Mid-year Review Report) to a specific named body. For this Council the delegated body is the Audit and Risk Management Committee.

1.8 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management and covers the following:

- an economic update for the first six months of 2021/22 taking account of expert analysis provided by the Council's Treasury Management Advisors, Link Asset Services;
- a review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- the Council's capital plans;
- a review of the Council's investment portfolio for 2021/22;
- a report of the Council's borrowing strategy for 2021/22;
- a report of debt rescheduling during 2021/22;
- a review of compliance with Treasury and Prudential Limits for 2021/22.

2 Economic Update

MPC meeting 04.11.21

2.1 The Monetary Policy Committee (MPC) voted 7-2 to leave Bank Rate unchanged at 0.10% with two members voting for an increase to 0.25% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn by a vote of 6-3.

2.2 After the Governor and other MPC members had made speeches prior to the MPC meeting in which they stressed concerns over inflation, (the Bank is now forecasting inflation to reach 5% in April when the next round of capped gas prices will go up), thus reinforcing the strong message from the September MPC meeting, financial markets had confidently built in an expectation that Bank Rate would go up from 0.10% to 0.25% at this meeting. However, these were not messages that the MPC would definitely increase Bank Rate at the first upcoming MPC meeting as no MPC member can commit the MPC to make that decision ahead of their discussions at the time. The MPC did comment, however, that Bank Rate would have to go up in the short term. It is, therefore, relatively evenly balanced as to whether Bank rate will be increased in

December, February or May. Much will depend on how the statistical releases for the labour market after the end of furlough on 30th September 2021 turn out.

2.3 Information available at the December MPC meeting will be helpful in forming a picture but not conclusive, so this could cause a delay until the February meeting. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would, therefore, need to wait until the May meeting (although it also meets in March) when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation expected around that time. If the statistics show the labour market coping well during the next six months, then it is likely there will be two increases in these three meetings.

2.4 Over the next year the MPC will be doing a delicate balancing act of weighing combating inflation being higher for longer against growth being held back by significant headwinds. Those headwinds are due to supply shortages (pushing prices up and holding back production directly), labour shortages, surging fuel prices and tax increases. However, those headwinds could potentially be offset – at least partially - by consumers spending at least part of the £160bn+ of "excess savings" accumulated during the pandemic. However, it is also possible that more affluent people may be content to hold onto elevated savings and investments and, therefore, not support the economic recovery to the extent that the MPC may forecast.

2.5 The latest forecasts by the Bank showed inflation under-shooting the 3 years ahead 2% target (1.95%), based on market expectations of Bank Rate hitting 1% in 2022. This implies that rates don't need to rise to market expectations of 1.0% by the end of next year.

2.6 It is worth recalling that the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement after the MPC meeting in September yet at its August meeting it had emphasised a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. On balance, once this winter is over and world demand for gas reduces - so that gas prices and electricity prices fall back - and once supply shortages of other goods are addressed, the MPC is forecasting that inflation would return to just under the 2% target.

2.7 The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -

1. Raising Bank Rate as "the active instrument in most circumstances".
2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.

2.8 COVID-19 vaccines. These have been the game changer which have enormously boosted confidence that life in the UK could largely return to normal during the summer after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread. There is also a potential for the winter flu season combined with Covid to overwhelm NHS hospitals so the UK is not entirely in the clear yet.

2.9 World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those observed in prior decades.

3 Interest Rate Forecast

3.1 The Council's treasury advisor, Link Group, provided the following forecasts on 8th November 2021 (PWLB rates are certainty rates, gilt yields plus 80bps):

Link Group Interest Rate View 8.11.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.10	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.50	0.60	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
25 yr PWLB	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
50 yr PWLB	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50

3.2 The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.

3.3 As shown in the forecast table above, the forecast for Bank Rate now includes five increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

3.4 Gilt Yields / PWLB Rates - as the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US. However, there is likely to be exceptional volatility and unpredictability in gilt yields. PWLB rates and interest rates will both be kept under review by officers to inform the Council's strategy.

3.5 One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US before consideration would be given to increasing rates.

3.6 For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.

4 Treasury Management Strategy Statement and Annual Investment Strategy Update

4.1 The Treasury Management Strategy Statement (TMSS) for 2021/22 was approved by Council on 23 February 2021. There are no policy changes to the TMSS.

4.2 The Prudential indicators for the Operational Boundary and Authorsied Limit have been adjusted reflecting the anticipated external borrowing need to support the Council's Commercial and Investment Strategy (see paragraph 5.3 below).

5 The Council's Capital Position

5.1 This part of the report is structured to update:

- the Council's capital expenditure plans;
- how these plans are being financed;
- the impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- compliance with limits in place for borrowing activity.

5.2 At its meeting on 15 July 2021 the Cabinet approved revised estimates for the 2021/22 capital programme and the financing of that programme. The revised estimate addresses amendments to the programme since February, including re-profiling schemes from 2020/21 and a re-assessment of resources available in the period 2021-24.

5.3 The capital programme reflects the Council's decision to allocate a maximum of £25 million to take forward schemes in accordance with the Council's Commercial and Investment Strategy. Members will be aware that the Investment Board approved the first purchase of an Investment Property in March 2021. Originally, £10 million of borrowing to fund the Commercial and Investment Strategy was allocated to the 2021/22 financial year. This has been reduced in light of the purchase which took place in March 2021 after the 2021/22 budget had been approved.

5.4 The table below compares the revised estimates with the original capital programme which was incorporated into the 2021/22 Treasury Management Strategy Statement (TMSS).

Capital Programme	**2021/22 Original Estimate £000**	**2021/22 Revised Estimate £000**
Capital Programme (Excluding Commercial and Investment Strategy Schemes)	17,970	21,447
Commercial and Investment Strategy Schemes	10,000	6,302
Forecast Expenditure	**27,970**	**27,749**
Financed by:		
Capital Grants	14,449	16,327
Section 106's & Contributions	108	159
Capital Receipts	265	265
Capital Reserves	508	563
Total Financing	**15,330**	**17,314**
Borrowing Requirement	**12,640**	**10,435**

5.5 The table below shows the anticipated CFR at 31 March 2022, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period; this is termed the Operational Boundary. The revised estimated CFR is in line with the original forecast.

Prudential Indicators	2021/22 Original Estimate £000	2021/22 Revised Estimate £000
Capital Financing Requirement as at 31 March 2022	**15,409**	**15,409**
External Debt / Operational Boundary		
Borrowing	12,000	12,000
Other Long Term Liabilities Finance Leases	1,000	1,000
Commercial Activities/ Non Financial Investments	25,000	21,302
Total Debt 31 March	**38,000**	**34,302**

5.6 The Council has made provision to repay all 'borrowing' liabilities through increased Minimum Revenue Provision (MRP) in the General Fund revenue budget.

5.7 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need. The policy permits borrowing in advance of need where it is prudent to do so. Members should note that the current limits and estimates set out below have been determined with reference to the existing capital programme.

Limits to Borrowing Activity	2021/22 Original Estimate £000	2021/22 Revised Estimate £000
Gross Borrowing (Excluding Commercial and Investment Strategy Schemes)	11,060	7,800
Plus Other Long Term Liabilities Finance Leases	106	106
Commercial Activities/ Non Financial Investments	10,000	10,000
Anticipated Gross Borrowing as at 31 March 2022	**21,166**	**17,906**

Anticipated Capital Financing Requirement as at 31 March 2022	**15,409**	**15,409**

5.8 As a result of the Council's long term Public Works Loan Board (PWLB) debt portfolio of £4.5m (31/03/2021) currently attracting excessive premiums (£2.570m at the time of writing this report) if it were prematurely repaid, it is not financially advantageous for the Council to fully comply with this prudential indicator. A similar issue applies to the fixed rate loan of £3.3m which the Council has with Barclays. This has been the case since the housing stock transfer in 2007 and has been acknowledged and approved by Council since then. In addition, the Council's external auditors have also acknowledged this situation and have not raised any issues with our strategy.

5.9 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit, which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level for borrowing which, while not desired could be afforded in the short term but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised Limit For External Debt	**2021/22 Original Estimate £000**	**2021/22 Revised Estimate £000**
Debt	17,000	17,000
Plus Other Long Term Liabilities Finance Leases	1,000	1,000
Commercial Activities/ Non Financial Investments	25,000	21,302
Total Borrowing	**43,000**	**39,302**

5.10 The Corporate Director & Chief Finance Officer reports that no difficulties are envisaged for the current year in complying with the above prudential indicators.

6 Investment Portfolio

6.1 In accordance with the Treasury Management Code, it is the Council's priority to ensure security of capital and liquidity and to obtain an appropriate level of return which is consistent with the Council's risk appetite.

6.2 As set out in section 2, it is now impossible to earn the level of interest rates commonly seen in previous decades as all short-term money market investment rates have only risen weakly since Bank Rate was cut to 0.10% in March 2020 until the MPC meeting on 24th September 2021 when 6 and12 month rates rose in anticipation of Bank Rate going up in 2022.

6.3 The current forecasts shown in paragraph 3.1, includes a forecast for a first increase in Bank Rate in December 2021 though there is a high risk that it could be delayed until quarter 1 or 2 of 2022. Investment returns are expected to remain low for the remainder of this year.

6.4 The Council held investments of £34.5m as at 30th September 2021 (£24m at 31st March 2021). The investment portfolio yield for the first 6 months of the year is 0.11% (7 day LIBID uncompounded rate -0.08%).

6.5 It should be noted that the value of investments remains high due to the distorting impact on working capital of some of the mechanisms government introduced to mitigate the liquidity impact of the pandemic on local authorities. Typically, this involved local authorities receiving significant funds up-front before the cost of implementing policies to support local businesses could be accurately determined. The relevant government departments are still working through the various reconciliations which will result in the Council repaying funds received in excess of those required. Likewise, the Council received significant up-front grant funding in respect of capital schemes approved prior to the implementation of a new wave of restrictions in December 2020. Progress on these schemes is gathering pace and this result in the use of grants received in the coming months.

6.6 The Council has achieved investment income of £21k to 30th September 2021.The 2021/22 original estimate of £40k is projected to be achieved.

6.7 Property Funds formed part of the Council's Annual Investment Strategy approved in February 2021 as an instrument to increase investment returns from surplus cash balances. There has been a delay in accessing Property Funds whilst the impact of COVID-19 is fully understood and other commercial property acquisitions are considered, with a corresponding reduction in budgeted income this year of around £120k.

6.8 In line with the 2017 CIPFA Codes and guidance notes greater emphasis is placed on the enhanced importance of risk management. Should the Council decide to invest in a Property Fund(s) this increases the level of risk associated with the Council's treasury management activity as the value of investments can go down as well as up and the Council may get back less than they originally invested. During the previous five years property funds have generally generated better investment returns (through capital appreciation and income) than bank deposits, though past performance or future projections are not indicative of future returns. One of the main characteristics of investment in Property Funds, compared to bank deposits, is that the Council will need to be prepared to hold on to its investment for a longer period – typically at least five years – to benefit from capital appreciation in the underlying value of the investment. Officers are working with Link Asset Services to examine the opportunities and evaluate the risks associated with investing in this way.

6.9 The Corporate Director and Chief Finance Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2021/22.

7 Borrowing Strategy

7.1 The Council's estimated CFR for 2021/22 is £15.409m (including finance lease borrowing facilities). The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

7.2 No new external borrowing has been undertaken during 2021/22 to date. The Council has utilised surplus cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails.

7.3 The current Medium Term Financial Strategy assumes that some external borrowing will be required over the three-and-a-half-year period to 31 March 2024. Assumptions about the level of external interest payable are included within the budget. Responsibility for deciding when to borrow externally, together with details of the amount to borrow and the term and type of any loan, rests with the Chief Finance Officer. The Chief Finance Officer's decision will be informed by advice from the Council's treasury management advisors and information regarding the progress of schemes set out in the capital programme. Any borrowing decisions will be reported to Cabinet through the annual treasury management report.

8 Debt Rescheduling

8.1 Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken or is anticipated in the current financial year.

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Agenda Item No:	**10**	Fenland CAMBRIDGESHIRE
Committee:	**Audit and Risk Management**	
Date:	**29 November 2021**	
Report Title:	**Internal Audit Plan 2021-22 Progress Report Q2**	

1 Purpose / Summary

To report progress against the Internal Audit Plan 2021-21 for the period 01 April 2021 including planned work until 30 September 2021 and the resulting level of assurance. To provide an update to members on the resourcing issues of the internal audit team.

2 Key issues

- The Council's Internal Audit plan is produced on an annual basis. It is an estimate of the work that can be performed over the financial year. Potential areas of the Council for audit are prioritised based on a risk assessment, enabling the use of Internal Audit resources to be targeted at areas of emerging corporate importance and risk.

- The format of the plan reflects the Public Sector Internal Audit Standards (PSIAS) which were introduced in April 2016 and applicable from April 2017. It also incorporates the governance and strategic management arrangements of Internal Audit resources.

- Performance Standard 2060 of the PSIAS requires the Audit Manager to report to the Committee on the internal audit activity and performance relative to this plan.

- Audit and Risk Management Committee approved the Internal Audit Plan 2021-22 on 21st June 2021.

- Members of the Audit and Risk Management Committee are keen to receive proactive performance reporting in relation to progress against the Internal Audit plan on a quarterly basis.

- Proactive quarterly monitoring of the Internal Audit plan will enable the Committee to understand the audit activity which has successfully taken place and the associated assurance level.

3 Recommendations

- For Members of Audit and Risk Management Committee to consider and note the activity and performance of the internal audit function.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Councillor Kim French - Audit and Risk Management Committee Chairman
Report Originator(s)	Kathy Woodward – Internal Audit Manager
Contact Officer(s)	Kathy Woodward - Internal Audit Manager kwoodward@fenland.gov.uk 01354 622230 Peter Catchpole - Corporate Director & CFO pcatchpole@fenland.gov.uk 01354 622201
Background Paper(s)	Annual Risk Based Internal Audit Plan 2021-22 Internal Audit Outturn and Quality Assurance Review 2020-21

1 Background / introduction

1.1 This report includes details of the audit activity undertaken for the period 01 April 2020 to 30 September 2021.

1.2 The annual internal audit plan is formulated in advance, following an assessment of risks inherent to services and systems of the Council based on internal audit and management knowledge at that time. During the period that follows, changes in the control environment may occur due to, for example: -

- introduction of new legislation/regulations,
- changes of staff,
- changes in software,
- changes in procedures and processes,
- changes in service demand,

1.3 To date the Internal Audit team have achieved a satisfactory level of planned audits and remain on course to successfully deliver the audit plan for 2021-22.

1.4 The team have also been providing advice to ongoing council projects, particularly Covid 19 Business Grants, Future Hight Street Fund projects and a review of the council's Corporate Debts policy.

1.5 Audit work includes testing of system controls and 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 the appropriate service manager. The table outlined in **Appendix A** provides a generalised indication of the corporate themes identified as a result of the internal audit projects. To date we have only issued one recommendation of a 'High'- priority, which is currently being addressed. All of the other recommendations identified fall outside the 'High' priority rating indicating that control measures across the organisation are effective.

1.6 A key performance objective of the team is to complete 'fundamental' audits, which are considered key financial systems. For 2021-22 there were 6 fundamental audits included in the plan. The internal audit team at Fenland has 3 'fundamental' audits to be reviewed as part of this year's cycle. Included within the auditing arrangements with ARP we will also receive completed audit reviews on Housing Benefits, Council Tax, Business rates and Overpayments that have been completed by other partners in the ARP group. Housing Benefits, Council Tax and Business rates are 'fundamental' audits.

2 Staffing Update

2.1 The restructure proposals of the Internal Audit team were approved by Staff Committee in September 2020. The proposals are outlined below:

- Reinstate the Internal Audit Manager to a full-time post.
- Appoint a full-time apprentice internal auditor.
- Retain the existing part time internal auditor.

2.2 Following the implementation of the restructure of the Internal Audit team, improved productivity of the team is being achieved and it is on track to deliver the Internal Audit Plan by the end of the year.

2.3 With the increase in capacity of the Internal Audit team, an additional strand of the revised staffing proposals including seeking to explore opportunities for income generation from the internal audit team. An opportunity has presented itself to us and we are currently investigating this opportunity. An update will be provided to the committee in the next progress report.

3 Monitoring

3.1 The Internal Audit Plan 2021/22 was approved by the Committee in June 2021. This is later than would normally be expected, but due to committee dates being revised as a result of the Coronavirus pandemic this was the earliest opportunity to present the plan. The delay in presenting the plan did not affect the work of the team and work commenced in April on delivering the Internal Audit Plan for 2021/22.

3.2 The exiting arrangements for the Shared Internal Audit Manager with the Borough Council of Kings Lynn and West Norfolk, resulted in a short delay during the first quarter of this year on completion of some Internal Audit reports. The impact of this delay is minimal and is being constantly monitored and continues to have very little impact upon the completion of the Audits as at the end of Quarter 2.

3.2 On completion of each audit a formal report is issued to the relevant Service Manager and Corporate Director. A copy is also sent to the Corporate Director – Finance (S151 Officer). Each report contains a management action plan, with target dates, that have been agreed with managers to address any observations and recommendations raised by the Internal Auditor. Progress on recommendations is monitored throughout the year.

3.3 The following audits have been completed during the first half of 2021-22. (Appendix A)

- ARP Enforcement (20/21)
- Business Rates * (20/21)
- Council Tax Billing and Benefits * (20/21)
- Council Tax Recovery and Housing Benefit Overpayments* (20/21)
- Safeguarding
- Land Charges
- Taxi Licensing
- VAT
- Port Assets and Maintenance

3.4 The following audits are currently ongoing and will be reported to the committee in future progress reports:

- Cemeteries (draft stage)
- Housing Grants – PSR / DFG (draft stage)

- Income / Debt Management Review
- Corporate Finance – Management Accounting Systems
- Housing Standards (draft stage)
- Trading Operations – Port, Commercial and Marine
- Legal Services
- Stores – Works
- Garden Waste
- Housing Strategy
- ARP Enforcement
- Procurement
- Business Unit Lettings
- S106
- Covid-19 Business Grants – Post Payment Assurance

3.5 In the first quarter of the year other work that the internal audit team have been involved to assist with and to provide additional assurance are detailed below:

- Covid-19 Business Grants
- Covid-19 Discretionary Business Grants
- Fraud Investigation work
- National Fraud Initiative work
- Future High Streets Project
- External Audit appointment process

Appendix A: Audits completed

Audit	Overall opinion	Recommendations High	Medium	Low	Recommendation Theme
Anglia Revenues Partnership – Enforcement (20/21)	Substantial	-	-	-	
Business Rates (20/21)	*Adequate*	*3*	*5*	*10*	*The High risk recommendations relate to reliefs, exemptions and discounts that have been brought into focus as a result of the Coronavirus busines grants. A new process for the award of Small Business Rate Relief has been brought into effect from May 2021 and a data cleansing exercise and review of existing ratepayers is underway.*
Council Tax Billing and Benefits (20/21)	*Adequate*	-	*8*	*7*	
Council tax Recovery and Housing Benefit Overpayments (20/21)	*Adequate*	-	*5*	*2*	
Safeguarding To gain assurance that that the Council has robust controls in place that comply with Section 11 of the Children Act 2004. The Care Act 2014 sets out a clear legal framework for how local authorities should protect children and adults at risk of abuse or neglect.	Adequate	1	7	7	The High-risk recommendation relates to ensuring the public have access to the information to enable them to report safeguarding concerns for vulnerable adults. The main focus of the other medium recommendations relate to ensuring the policies are up to date and reference current legislation and monitoring our progress with other agencies is completed, accurate and up to date.
Land Charges To gain assurance that there are adequate internal	Substantial	-	-	2	Land Charge procedural manual needs to be reviewed and updated as appropriate to

controls and procedures in place for the processing and monitoring of land charge searches and that they are charged for appropriately					reflect current working practices, ensuring business continuity and consistency. The transfer to the digitalised Local Land Charge Register is monitored and progressed to agreed timescales.
Taxi Licensing To gain assurance that that the Council has robust procedures and guidance in place demonstrating appropriate issuance of Licenses for Hackney Carriages, Private Hire, and Operators within the Council.	Adequate	-	3	2	The recommendations include ensuring that the procedures for checking licences is followed consistently. Security of unissued plates and badges should be reviewed. The website link needs to be updated to the correct fees and a review of the cost recovery analysis should be planned to capture the implementation of Digital Journey.
VAT To gain assurance that that the Council has robust procedures and guidance in place demonstrating appropriate treatment of VAT within the Council.	Substantial	-	-	-	There were no procedural or control issues identified during the course of the audit.
Port Assets and Maintenance To gain assurance that that the Council has robust procedures and guidance in place demonstrating appropriate policies with regards to the procurement and disposal of port assets and maintenance.	Substantial	-	-	5	The low-risk recommendations relate to ensuring value for money is obtained for all contracts. A review of the maintenance work schedule is required and ensuring that all documentation is retained for disposals of assets.

* *Audits conducted by ARP partner authorities*

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Agenda Item No:	**11**	
Committee:	**Audit and Risk Management Committee**	
Date:	**29 November 2021**	
Report Title:	**Corporate Risk Register review**	

Fenland
CAMBRIDGESHIRE

11 Purpose / Summary

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

12 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.
- The Audit and Risk Management 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.

13 Recommendations

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

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

14 Background / introduction

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

15 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
- Audit and Risk Management 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 Corporate Risk Register is very much a "living document"; the Audit and Risk Management Committee reviews it quarterly.

5.7 Where exceptional new risks present themselves, they can be referred to Audit and Risk Management Committee urgently as appropriate.

5.8 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.

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.

5.9 Risk awareness is embedded across the Council and it is important that risk awareness and management is integral to the Council's culture. To achieve this, risk awareness and training are important.

5.10 It is important that Members have regard for risk when considering matters and making decisions at Council, Cabinet and Committees. In addition, Audit and Risk Management Committee must take a strategic overview of risk and consider the highest risks to the Council as set out in the Corporate Risk Register.

16 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 all recommended changes highlighted in green. 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.

17 Next steps

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

18 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.

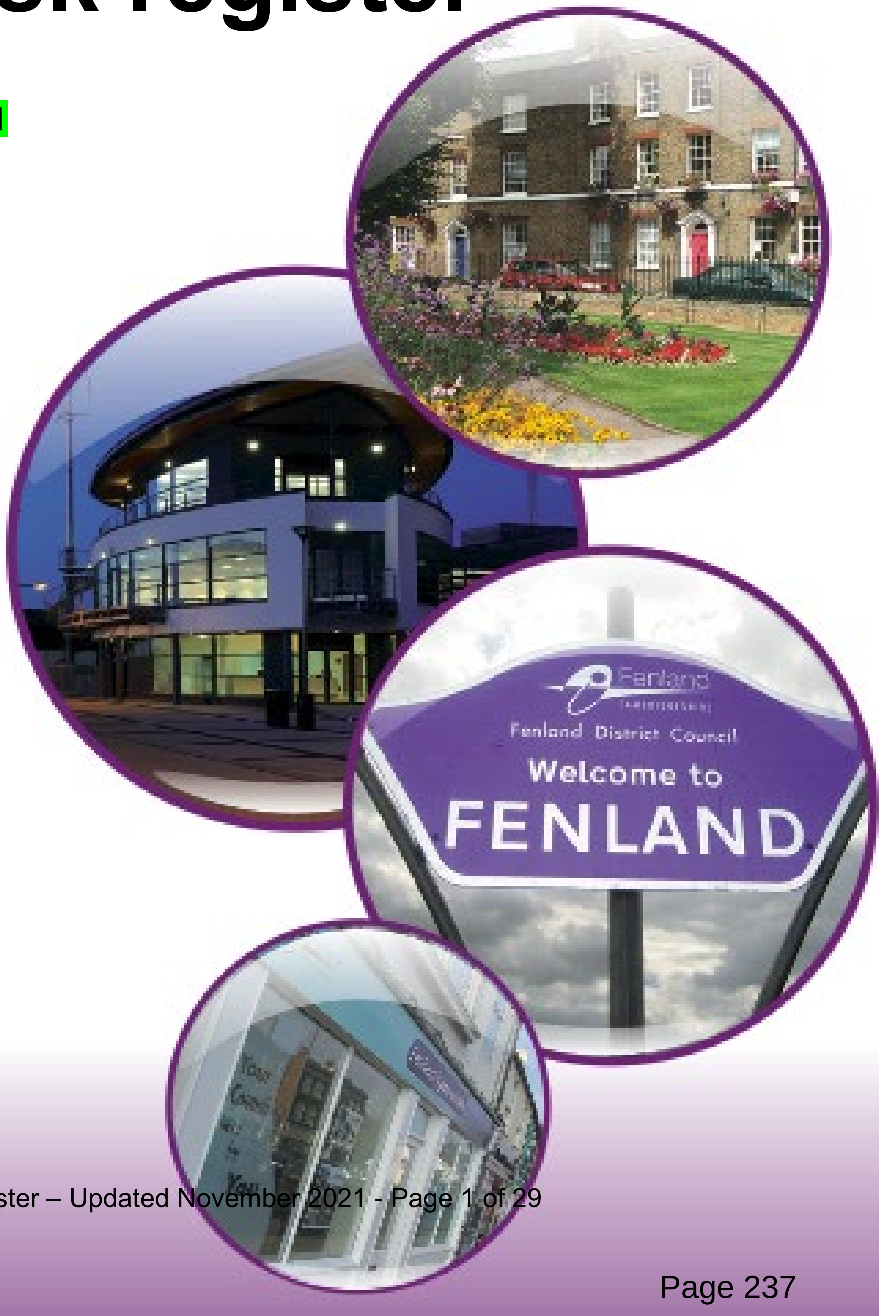
8.2 Regular review (and updating as appropriate) of the Risk Management Strategy and Corporate Risk Register will further build the assurance required above.

Fenland District Council

100% people driven

Corporate risk register

Reviewed and updated November 2021



CUSTOMER SERVICE EXCELLENCE

INVESTORS IN PEOPLE

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 Audit and Risk Management Committee at least twice each year in the form of the attached Corporate Risk Register. 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:

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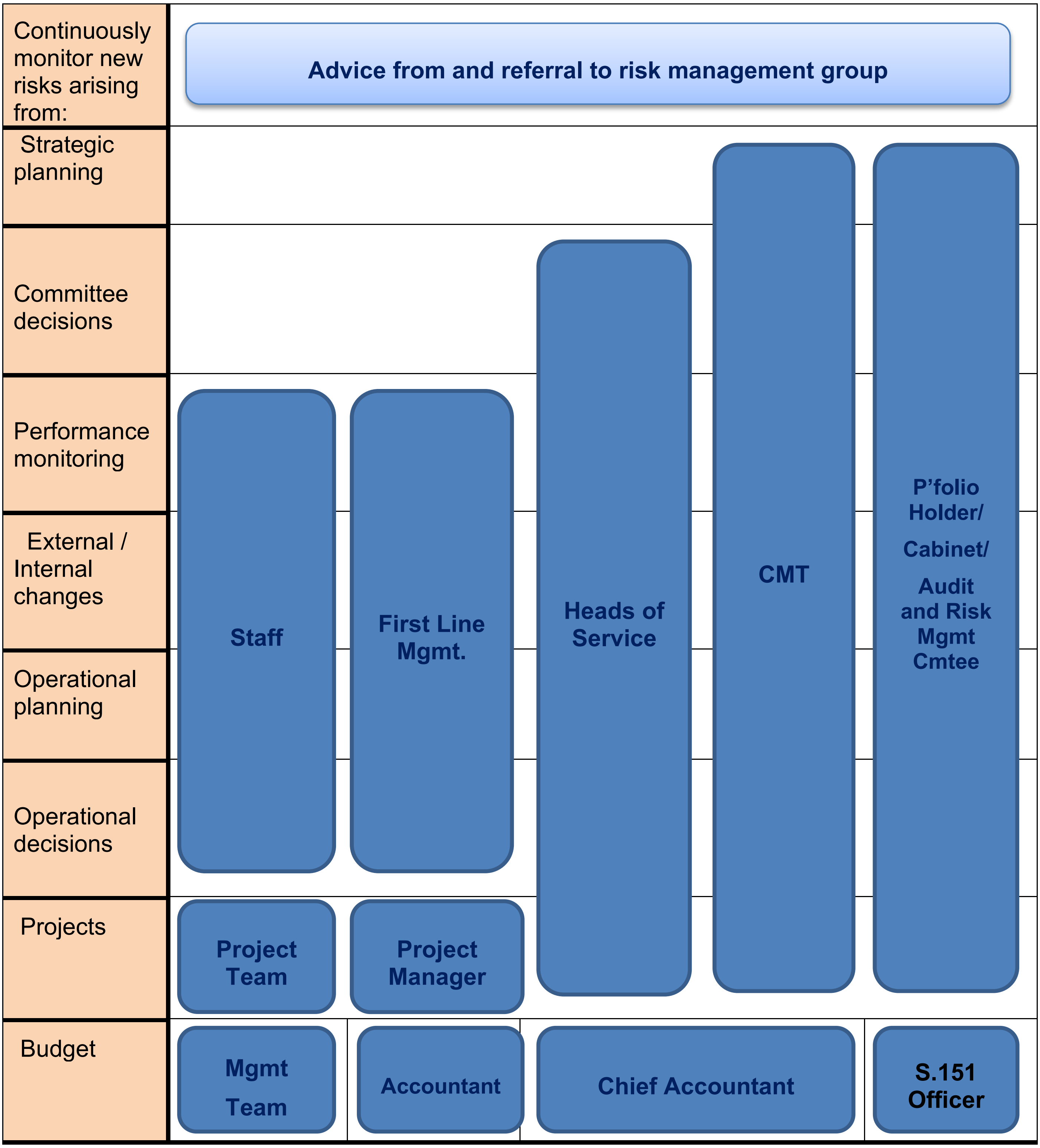

5.0 Risk appetite and tolerance levels

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 (CMT) 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.

5.7 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	
8	Funding changes make Council unsustainable	5	5	25	4	5	20	8
9	The Council's ability to cope with a natural disaster	5	4	20	4	4	16	9
3	Failure of contractors and suppliers working on the Council's behalf	4	4	16	3	4	12	10
4	Failure of IT systems	5	5	25	4	3	12	11
6	Breach of ICT security causes loss of service	5	5	25	4	3	12	12
16	Service provision affected by organisational change	4	5	20	3	4	12	13
17	Political changes in national priorities	5	4	20	3	4	12	14
1	Legislative changes	5	5	25	2	5	10	15
10	Major health and safety incident	4	4	16	3	3	9	16
11	Fraud and error committed against the Council	5	4	20	3	3	9	17
13	Failure of Governance in major partners or in the Council as a result of partnership working	4	5	20	3	3	9	18
14	Failure to achieve required savings targets	4	5	20	3	3	9	19
18	Capital funding strategy failure	5	4	20	3	3	9	20
19	Poor communications with stakeholders	4	5	20	3	3	9	21
20	Failure of the Council's Commercialisation and Investment Strategy	5	4	20	3	3	9	22
21	The Council's failure to deal with Covid and/or a pandemic situation	5	5	25	2	4	8	23
12	Failure of external investment institutions	5	4	20	2	4	8	24
2	Brexit	5	5	25	2	3	6	25
5	Insufficient staff to provide Council services	4	5	20	2	3	6	26
7	Lack of access to Council premises prevents services being delivered	5	5	25	2	3	6	27
15	Over-run of major Council projects in time or cost	4	5	20	3	2	6	28

7 Corporate risk register

Reference	Risk and effects	Risk if no action: Impact	Risk if no action: Likelihood	Risk if no action: Score	Mitigation	Current risk: Impact	Current risk: Likelihood	Current risk: Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
8	Risk: - Funding changes make Council unsustainable Effects: - Economic changes, imposed savings requirements, changes to local government funding systems, uncertainties of pilot pension fund. Financial Mgt of NNDR, CTS leads to change in income /spending making Council unsustainable.	5	5	25	• S151/ Chief Finance Officer • Financial Regulations & Standing Orders • Appropriately trained staff • MTFS • Professional economic forecasts • Community consultation on service priorities • Our Council for the Future programme • Political decisions linked to budget strategies • CMT efficiency planning • The My Fenland Transformation Programme • Executive steer of service /capital priorities. • Review fees /changes. • Reserves • Financial Mgt System • Budget monitoring.	4	5	20	Peter Catchpole	• Using intelligence to model and plan for future changes and risks and move away from reliance on Govt funding to balance our budget. • Regular monitoring of current position and reporting to Members. • Workforce planning covers all scenarios. • Inclusion in national working groups, modelling and lobbying for funding system after RSG ceases. • Sharing Council's Efficiency Plan with the Government allows guaranteed multi-year grant settlement raising funding certainty. • Shared services and partnership working • Pursuing all opportunities for external funding • Commercial Investment Strategy	The likelihood rating has been reviewed/amended in light of the ongoing pandemic situation. The impact has decreased with mitigation, but the likelihood remains high as it this outside the Council's sphere of control We are closely monitoring 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. The Fair Funding Review and Business rate Retention Scheme are still delayed due to the Pandemic; 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. The Council has an agreed Commercialisation and Investment Strategy which will enable the Council to generate additional income. Each service is required to review and identify any opportunities for transformation, commercialisation, and efficiency. The Council has delivered Phase 2 of the 'My Fenland' transformation programme, which will deliver significant savings over the Council's current MTSP period and is now looking at the next phase for Council for the Future (CFF) Transformation. The Council's income has been significantly impacted by the pandemic, with Council Tax, Business Rates income, and most other income streams reduced. The Council has received Government funding to address these deficits in some areas, but there is a likelihood that there will be an additional adverse impact on the Council's future financial deficit.

Reference	Risk and effects	Risk if no action: Impact	Risk if no action: Likelihood	Risk if no action: Score	Mitigation	Current risk: Impact	Current risk: Likelihood	Current risk: Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
9	Risk:- The Council's ability to cope with a natural disaster or any emergency event Effects:- Natural disaster: malicious or accidental incident affects support required by civilians or disrupts existing Council services. Failure to maintain robust emergency planning	5	4	20	• Emergency plan • Emergency planning exercises beyond the district • Business continuity plans • Regular exercise and joint public sector workshops for Emergency Planning • Emergency Planning Communication s Strategy • Review of approach with partner organisations as a result of lessons learned from 'near miss' flood events. • Local Resilience Forum	4	4	16	CMT	• Regularly test Emergency Plan • Test Service Business Continuity Plans • Ensure key emergency planning staff attend regular liaison meetings and training • Ongoing management response group and regular conference call and action planning • The risk assessments for all Council buildings have been reviewed and updated as aa result of Covid-19, and all workplaces are Covid secure. •	The likelihood rating has been reviewed in light of the ongoing pandemic being identified as a separate risk. Management Team conduct periodical exercise to test the Council's readiness for an emergency. 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. The Council will retain the use of each of the four Leisure Centres for rest centre sites. The Council has implemented a rota for senior officers to be 'on call' at Gold (Strategic), Silver (Tactical) and Bronze (Operational) levels in the event of an emergency. The Council's response to any emergency will complement and support the coordinated CPLRF and Public Sector response to any such incident. CPLRF are leading on the County's response to the current pandemic and key senior staff attend regular multi-agency briefing and planning meetings.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
3	Risk: - Failure of contractors and suppliers working on the Council's behalf, including the impact of the Pandemic Effects: - Failure of contractor or partners to deliver services or meet agreed performance objectives leads to additional costs or failed objectives.	4	4	16	• Procurement processes – including financial aspects/ contract standing orders/ equality standards • Contract process – creation of robust contracts • Accountability and risk ownership documented • Service Level Agreements • Contract monitoring • Trained/skilled staff • Project management • Relationship Management • Business Continuity Plans	3	4	12	CMT	• Regular monitoring of contracts and performance by Managers. • Ensure that contracts have risk registers and mitigation in event of contract failure. • Ensure all contractors have reviewed and refreshed their business continuity arrangements and plans in light of the pandemic • 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. • Potential contractors and suppliers are always checked for financial stability and business continuity by the Accountancy/ Procurement teams before contracts are let.	FDC's Contract Manager manages/monitors the performance of the main Grounds Maintenance contract and the Leisure Service contract. All other shared services/contracts have a full review and governance process in place to ensure ongoing delivery and performance standards. The Leisure service (outsourced) contact includes the requirement for contingency in case of service failure. Covid-19 has had a profound impact on the leisure industry, including impacting on Freedom Leisure. FDC has supported the contract (according to the terms of the contract) 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 maintaining contact with other Freedom contracted Councils, working with the LGA, and working with independent industry consultants and Sport England. As we emerge from the pandemic, financial support to Freedom will ease as they return to pre-Covid levels of income to the centres. A promising start has been made since reopening following lockdown. Refresher training on procurement to be delivered to all awarding managers Process of due diligence checks to be implemented for all relevant contracts and/or suppliers. We will be proactively reviewing contracts, preparing for new contracts/the renewal of existing contracts and monitoring the performance of our suppliers against agreed KPIs. The procurement plan has been updated and we are currently in the process of quality assuring all data held with service leads The impact score has been reviewed and amended in light of the additional mitigation actions

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
4	Risk: - Failure of IT systems 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.	5	5	25	• Data protection policy and procedure • Freedom of Information publication scheme • Data retention policy and procedure for archive and disposal • Information breach response plan • Monitoring Officer role comprises Senior Information Risk Officer function • Business continuity plans • ICT system security • Public Services Network compliance • Paperless office project • Countywide information sharing framework	4	3	12	Carol Pilson / Peter Catchpole	• Effective auditing of systems and data held. • Data backed-up securely off-site. • Regular penetration testing. • Regular review of business continuity plans • Disaster Recovery testing is undertaken at regular intervals • Additional ICT resource has been recruited	An additional internet feed to Fenland Hall has been installed to improve resilience. The likelihood score reflects the increase globally of cyber crime The Council's internet and email protocols have been updated. All Council employees are undertaking Cyber security training As a result of the Covid-19 pandemic, 60% of staff have been homework enabled, which has proved the resilience of the Council's ICT infrastructure

Reference	Risk and effects	Risk if no action: Impact	Risk if no action: Likelihood	Risk if no action: Score	Mitigation	Current risk: Impact	Current risk: Likelihood	Current risk: Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
6	Risk: - Breach of ICT security causes loss of service 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.	5	5	25	• Anti-virus software • Geographically distributed servers • Tested disaster recovery plan • Back-ups stored off site • Secondary power supply • Revised security policies • Critical services' business continuity plans include manual operation	3	4	12	Peter Catchpole	• Effective auditing of systems and data held. • Data backed-up securely off-site. • Regular penetration testing. • Likelihood of a breach is reduced by above mitigation	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. 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. The likelihood score reflects the increase globally of cyber crime All Council employees are currently undertaking Cyber security training. Elected Members to undergo GDPR refresher training The impact score has been reviewed and amended in light of the additional mitigation actions

Reference	Risk and effects	Risk if no action: Impact	Risk if no action: Likelihood	Risk if no action: Score	Mitigation	Current risk: Impact	Current risk: Likelihood	Current risk: Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
16	Risk:- Service provision affected by organisational change. Effects:- Service provision and performance affected by organisational change, industrial action and/or staff sickness resulting in complaints, poor performance and possible further costs.	4	5	20	• Working environment / org culture • Audit & Risk Management Committee • Consultation with Management, Trade Union, and Staff Partnership group (MTSP) • Flexible working • Established suite of people policies & procedures • Business continuity plans • Management training • "Springboard" appraisal for all staff support and development • Robust human resource management procedures, which are considered at CMT level. • Regular performance monitoring and management • Access to interim arrangements • Robust sickness absence management • Project management processes	3	4	12	Peter Catchpole	• Robust management of all organisational change. • Business continuity plans for each service. Culture of Council remains effective • Workforce planning, which includes succession planning for key roles and talent management • A comprehensive programme of health surveillance for groups of employees who work in certain service areas (e.g., refuse drivers, workshop, port staff, etc.) • Trained Mental Health First Aiders in place • Stress awareness training • Resilience training • Staff engagement and consultation processes	Plans are regularly checked and tested. 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. All organisational changes must be supported by a full rationale and business cases and are present to and considered by the senior management; If approved, the proposed change is subject to consultation process, and then progressed and managed by 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, and is supported by communication, engagement and training support for staff groups affected. 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: • A dedicated Occupational Health Advice and guidance support service available for all colleagues. • 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.) • A confidential Employee Assistance Programme (EAP), which provides a counselling service to staff where needed. • A dedicated online platform offering a wide range of support and advice for all employees of a comprehensive range of issues.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
17	Risk: - Political changes in national priorities 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.	5	4	20	• Financial & workforce planning • Monitoring by CMT and resultant Cabinet reports • Clear corporate planning and regular performance monitoring • Effective service & financial planning • Respond to national consultation on key policy changes Membership of LGA as a Council Outside Body	3	4	12	Paul Medd	• Understanding and acting on intelligence from LGA, CIPFA and other local government sources. • Resources identified, approved, and implemented without delay. • Constant monitoring • Horizon scanning via professional bodies • Joint/collaborative working	The likelihood of legislative change remains high due to the current ongoing pandemic situation, and as a result of Brexit, albeit that Brexit itself has been identified as a risk to the Council. (see reference number 2)

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
1	Risk: - Legislative changes/ significant legal challenge 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. Risk of GDPR breach and ICO sanction/fine Risk of administrative or other challenge in relation to the Council's overall governance/acts/ omissions.	5	5	25	• Monitoring Officer • Horizon scanning by Legal/CMT/Mgt Team • Service Manager responsibilities • Financial & workforce planning • Membership of professional/ Local Govt bodies aids horizon scanning • Mgt of change approach to mitigate significant impact to the organisation and its staff • Detailed project plans to change implementation • Respond to consultations on new legislation • Insurance	2	5	10	Carol Pilson/ CMT	• Use intelligence to identify impending changes and their effects. • Ensure staff trained and procedures changed. • Use professional networking to identify best practice for responding to change. • We respond to government consultations on changes to legislation or policy to influence its development. • Operate in accordance with best practice. • Seek specialist external legal advice where required.	Officers continue to horizon-scan for legislative changes and their effects. The Council has in house senior legal advice as well as through its links with external organisations such as EM Lawshare and PCC Legal. Specialist external advice will be sought in relation to complex/technically challenging matters as appropriate. The Council has compiled an Information Asset Register of all records it holds 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. The majority of information held by the Council is held with a legal basis for holding such as election and Council Tax records. All staff undergo GDPR training, and opportunities for further Member training in this area are currently being explored The Council now has a dedicated GDPR Officer, and each service is required to have a dedicated GDPR lead Waste and Resources Strategy (Environment Bill) changes to waste collection and treatment to the corporate risk register. These changes lack full detail yet, this will come in the Autumn, but it will involve changes in how we are funded and what is expected of us as a local authority. The lack of clarity is part of the risk at present.

Reference	Risk and effects	Risk if no action: Impact	Likelihood	Score	Mitigation	Current risk: Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
10	Risk: - Major health and safety incident Effects: - Major Health & Safety incident at Council leads to costs for inquiry, disruption to service and possible prosecution	4	4	16	• Health & Safety (H&S) Panel • All service areas are represented at H&S Panel, and raise H&S issues as required • H&S procedures – addressed at every service area • H&S audits in all services • Specialist H&S advisor • Corporate wide H&S training • Insurance • Aligned Port Health and Safety arrangements • Port Management Group and annual independent audit • Robust sickness management processes	3	3	9	CMT	• Ensure health and safety is discussed at relevant team meetings. • Ensure service updates are given at each H&S Panel meeting • Ensure equipment inventory and inspections are up to date. • Review Risk Assessments and Action Plans. • Capture Port near misses and asses learning points • Work with partners such as Lincs CC to manage risk associated with Port Operations including Crosskeys Bridge • All high-risk areas have increased systems of management in place, e.g., the Port Safety Management Group	A thorough Health and Safety regime at the Council ensures that the residual risk remains carefully managed Programme of targeted health and safety refresher training is in place as per service specification. Health and Safety performance is monitored regularly, and accident statistics remain low. All site risk assessments have recently been fully reviewed and updated in light of the Covid-19 pandemic. Specific measures have been put in place to ensure all sites are 'Covid-19 Safe', and these are reviewed regularly. Flu jabs are being provided for employees In light of all the contingency measures being taken, the impact rating has been reviewed and revised. Ongoing feasibility work is ongoing in relation to emergency moorings near to Crosskeys Bridge.

Reference	Risk and effects	Risk if no action: Impact	Likelihood	Score	Mitigation	Current risk: Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
11	Risk: - Fraud and error committed against the Council Effects: - Potential for fraud, corruption, malpractice, or error, by internal or external threats. In additional to immediate financial loss, this could harm reputation and lead to additional inquiry costs and penalties.	4	4	16	• Anti-fraud & corruption policy/ strategy • Financial Regulations / Standing Ord • Codes of conduct • Appropriately trained staff • Appropriate culture and risk awareness • Segregation of duties • Supported financial mgt system • Budget monitoring regime • Internal Audit review of sys /and controls • Bribery & corruption / fraud risk assessments • Indemnity insurance • Whistle-blowing procedure • Annual Governance Statement • ARP fraud resource • National Fraud Initiative	3	3	9	Peter Catchpole / Carol Pilson	• Increase staff vigilance • Fraud awareness training for Managers • Raise profile internally and externally for successful prosecutions Robust processes are in place in relation to the Business Grants processes	The likelihood reflects the number of additional grants the Council is now administering as a result of the pandemic. The Council is working with the NFI on assurance. The Council has assisted with each annual National Fraud Initiative, cross-matching information with records held nationally. The Fraud team within the Anglia Revenues Partnership (ARP) continue to work on this area. The Council's Anti-Fraud and Corruption Strategy is currently being reviewed. A fraud awareness training programme for all staff is being finalised and is planned to be delivered virtually. The Council's ICT systems have also been reviewed and updated to provide better protection against potential fraud – please see risk 6 (Page 21) The initial impact has been revised based on the assumed value of and potential loss being major and not catastrophic. The mitigating actions therefore also reduce the likelihood.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
13	Risk:- Failure of Governance in major partners or in the Council as a result of partnership working 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, CCTV	4	5	20	Cabinet and O&S, bi-annual stakeholder events ensure accountability • ARP Joint Committee and Operational Improvement Board, Cabinet, O&S, joint risk registers • CNC Joint Members Board, Cabinet plus O&S • Shared Planning Board, Cabinet plus Overview and Scrutiny, joint performance indicators • Project plans / perf' monitoring shared risk registers PCCA Membership.	3	3	9	Carol Pilson / Peter Catchpole	• Assurance that governance models correctly followed and in the Council's interests. • Support Members in governance of partnership bodies. • Ensure that the Council's interests are protected as Members of the Combined Authority and as Officers working on joint projects. • Ensure all Partners have robust Business Continuity Plans in place • GDPR compliance Robust ICT governance processes	The Annual Governance Statement being reported to Corporate Governance Committee shows the Council is in a strong governance position. 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. The Covid-19 pandemic continues to further our good relationships with countywide colleagues through the Covid response groups, the CPLRF etc., with opportunities for mutual aid being actively explored.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
14	Risk:- Failure to achieve required savings targets 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.	4	5	20	• Heightened analysis of budgets and services by CMT • Implement Service Transformation • Implement Procurement Strategy • Corporate plan • Pursue action to increase income streams • Performance Management Framework • Budget and performance monitoring • Robust Workforce planning • Project Management processes • Our Council for the Future programme • The My Fenland Transformation Programme •	3	3	9	CMT	• Robust control of corporate Transformation Plan. • Regular progress reports and assurance to Members. • Organisational and Service transformation programme • Commercialisation and Investment Strategy • Transformation and Recovery Plans	Delivery of Council Efficiency targets continue including delivering savings planned for in the Council's annual budget and medium-term financial strategy. Cabinet have considered the Council's projected positive financial outturn position. The Council has implemented Phase 2 of the 'My Fenland' transformation programme, which is on target to deliver significant savings over the Council's current MTSP period and is now looking at the next phase for Council for the Future (CFF) Transformation. The Council's income has been significantly impacted by the pandemic, with Council Tax, Business Rates income, and most other income streams reduced. The Council has received Government funding to address these deficits in some areas, but there is a likelihood that there will be an additional adverse impact on the Council's future financial deficit As part of the Council's Transformation Programme, the Council has recognised that this is an opportune time to commence a full Accommodation Review, which could contribute significantly to future savings requirements. The pandemic has seen around 60% of the Council's workforce successfully moved to remote working models. In addition to this, the Council has undertaken a conditions survey for Fenland Hall, which is likely to require some significant investment in terms of repair and remedial work.

Reference	Risk and effects	Risk if no action: Impact	Likelihood	Score	Mitigation	Current risk: Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
18	Risk: - Capital funding strategy failure 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	5	4	20	• Asset mgt plan • Asset disposal linked to capital programme • Corporate Asset Team • CMT monitoring of capital receipts/effect on capital prog' • Regular Cabinet review of the capital prog', member with responsibility for assets • Additional funding opp's identified and pursued where possible • Project lead monitors site valuations linked to econ' dev' proposals. • Marketing and identification of potential land purchasers, flexibility of planning guidance aligned to market needs • Continued consultation with econ ptners	3	3	9	Peter Catchpole	• Forward planning and horizon scanning. • Regular high-level monitoring of direction of travel and mitigation required. • Asset Management Plan. Asset disposal strategy	The Council's capital funding programme is regularly reviewed by Officers and by Cabinet. 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. 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. Reviews of the programme and resources available are carried out regularly during the year.

Reference	Risk and effects	Risk if no action: Impact	Risk if no action: Likelihood	Risk if no action: Score	Mitigation	Current risk: Impact	Current risk: Likelihood	Current risk: Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
19	Risk: - Poor communications with stakeholders 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	4	5	20	• Internal and external regular publications • Staff and management meetings • Regular staff communication from the Chief Executive • Key stakeholder networks for consultation • Forums for perceived hard to reach groups • Co-ordinated press releases • Comments, Compliments and Complaints monitoring and reporting procedure • Customer Service Excellence accreditation • Consultation strategy • MTSP	3	3	9	Carol Pilson	• CSE Action Plan. • Staff survey and Wellbeing survey • Public consultations on key issues. • 3cs refresher training • Team meetings • "What's Breaking" communication and "Horse's Mouth" updates from the Chief Executive to all staff • Use of social media communication mediums Fully updated website	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. All change projects are supported by a robust project management approach, which includes a communication programme to ensure that stakeholders are fully informed. The ongoing Covid-19 pandemic had led to increased and improved communication mechanisms and methods

Reference	Risk and effects	Risk if no action: Impact	Risk if no action: Likelihood	Risk if no action: Score	Mitigation	Current risk: Impact	Current risk: Likelihood	Current risk: Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
20	Risk: - Commercial uncertainties associated with decisions taken as part of the Council's Commercial and Investment Strategy. Effects: - Reputational damage Financial loss Impact on services, staff, and community	5	4	20	• Robust oversight and governance arrangements • Expert professional advice • Robust budget management • Thorough project management and business cases process	3	3	9	CMT	• All governance requirements have been put in place and will be robustly reviewed going forward • Fenland Future Ltd (FFL) has been constituted, with all appropriate governance requirements in place • Dedicated external expert resources are identified and procured to support where required • Annual audit on all governance arrangements	This risk will be closely monitored to enable any new actions for mitigation to be identified and put in place. The Council's Commercial and Investment Strategy has a scoring matrix to inform all potential investment opportunities, which are considered fully by the Investment Board before they are ratified. Full business cases for all identified opportunities are taken to the Investment Board for consideration. This will also include a full appraisal of the potential risks and issues for each investment opportunity, as well as recommendations on the delivery methodology. i.e., FDC or FFL and resource required to deliver each project. FFL's Business Plan has now been approved.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
21	The Council's failure to deal with Covid and/or a pandemic situation Includes the adverse impact on all aspects of service delivery	5	5	25	• Additional resources • Covid Gold group • Working with key partner agencies (Public Health, CPLRF, ARP etc.) • Supporting delivery of Business grants and self - solation payments • Agile working, 60% of staff are home-work enabled, and all services have split into 'bubbles' to maintain resilience and business continuity • ICT infrastructure • Ongoing communications to public and workforce	2	4	8	CMT	• Regularly test Emergency Plan • Test Service Business Continuity Plans • Ensure key emergency planning staff attend regular liaison meetings and training • Ongoing management response group and regular conference call and action planning • Support of vaccination programmes • Enduring transmission programmes • Additional temporary resources have been identified to support key services • Weekly update on current epidemiology statistics	The Council has implemented a rota for senior officers to be 'on call' at Gold (Strategic), Silver (Tactical) and Bronze (Operational) levels in the event of emergencies. The Council's response to any such situation will complement and support the coordinated CPLRF and Public Sector response to any such incident. CPLRF are leading on the County's response to the current pandemic and key senior staff attend regular multi-agency briefing and planning meetings. On 1ST November 2021, Cambridgeshire and Peterborough Counties entered an Enhance Response Area Status (ERA), in light of the transmission rates of Covid-19 within these areas. The ERA status allows us to push for additional support to: • Accelerate & target 12-15 vaccination roll out to key areas and schools where infections are highest • Accelerate booster vaccinations for eligible groups who have had their second vaccination more than six months ago • Increase vaccination rate in areas with the lowest uptake In addition, as part of ERA status the area will enter into further discussions with the DfE about additional measures it can use in schools, but in the meantime, it will continue to: • Encourage secondary school teachers or pupils who are household contacts of positive cases to take daily LFT tests • Continue with advice given to schools before the half term that face coverings should be worn in secondary school communal areas, and that meetings happen virtually where possible • Encourage anyone who is a household contact of a positive case to take daily rapid tests until a negative PCR test is received

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
12	Risk: - Failure of external investment institutions Effects: - Failure of external investment institutions affecting availability of funds or return on investment reducing cash flow and resource availability	5	4	20	• Policy for maximum investment/ borrowing levels limits liability • Credit ratings • Financial management • Reserves • Insurance • Medium Term Financial Strategy Treasury Management Strategy	2	4	8	Peter Catchpole	• Effective Treasury Management strategy. • Robust auditing of processes and policies.	The Council's treasury management position is regularly reviewed and is currently showing a good position. The Treasury Management Strategy was considered is currently being reviewed. Updates are provided to Cabinet and Council on a half-yearly basis.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
2	Risk: - Brexit 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.	5	5	25	• Horizon scanning by Legal Services / CMT / Heads of Service • Financial & workforce planning • Membership of professional and Local Govt bodies aids horizon scanning • Management of change approach to mitigate against significant impact to the organisation and its staff • Detailed project plans to manage implementation of changes	2	3	6	Peter Catchpole / Carol Pilson	• Understanding and acting on intelligence from LGA, CIPFA and other local government sources. • Identifying policies that require changing, their effects and governance as Brexit effects start.	The Council has fully reviewed information on its workforce and the requirements for any EU workers; and has also liaised with all partners to ensure their preparedness in this area. The Council continues to monitor progress and take account of any effects on local government as they emerge. The Council has a Corporate Brexit Project group; and 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). The Council have also promoted Community awareness in this area by providing signposting information via Community Support teams.

Reference	Risk and effects	Risk if no action: Impact	Risk if no action: Likelihood	Risk if no action: Score	Mitigation	Current risk: Impact	Current risk: Likelihood	Current risk: Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
5	Risk:- Insufficient staff to provide Council services Insufficient leadership and/or management capacity to deliver Council priorities 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.	4	5	20	• Learning & Development framework / Training • Working environment /culture • Staff Committee • MTSP • Flexible working • Established suite of people policies & Procedures • Business continuity plans • Management training • 121s /Springboard staff development and appraisals • Service planning process • Access to interim staff via frameworks • Effective sickness management • Effective Governance structures	2	3	6	CMT	• Ensure all services have effective Workforce plans incorporated into Service Plans, which ensure all work is prioritised • Effective succession planning. • Effective use of project management approaches/ principles when delivering priorities/ strategies	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. 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. 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. A mapping exercise of all key processes is continuing to automate and e-enable where possible to increase and further improve Council resilience. Aware of potential skills shortages (nationally) in HGV drivers – but this is not currently an issue here. We will continue to monitor this.

Reference	Risk and effects	Risk if no action: Impact	Likelihood	Score	Mitigation	Current risk: Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
7	Risk:- Lack of access to Council premises prevents services being delivered Effects:- Disruption of service provision.	5	5	25	• Alarm and security systems • Fire drills • Business continuity plans • Emergency planning network • ICT disaster recovery and offsite testing • Relocation procedures - critical and support services • Geographically distributed sites • Remote working • Statutory building inspection and checks Corporate Business Continuity Plans	2	3	6	Peter Catchpole	• Regularly test Emergency Plan • Test service Business Continuity Plans • Ensure key emergency planning staff attend regular liaison meetings and training • Provision of 'drop down' facilities for staff	Emergency plans – ongoing programme of review, testing and training of staff involved in a response Plans regularly checked and tested with emergency planning exercise conducted at intervals. Improved ICT systems provide better/increased opportunities for remote/agile working 60% of the workforce has been homework enabled, with access to Council's systems, which continues to maintain the delivery of a significant number of Council services. All key/priority services have individual Business Continuity measures in place to maintain service delivery. The Covid-19 situation has demonstrated that access (lack of/limited) to the building has not impacted the Councils ability to deliver services. The Council has introduced virtual meetings and remote/agile working to minimise this risk. The Council has implemented Pay Point, which has enabled our resident to pay their bills (by cash or card) in a much greater number of more local rural locations across the district.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
15	Risk:- Over-run of major Council projects in time or cost Effects: - Failure to manage projects effectively leads to overruns on time or cost and failure to achieve project aims. Reputational damage	4	5	20	• Project Management methodology • Contract Standing Orders & Financial Regulations • Service plans • Budgetary control • Management and Portfolio Holder oversight • Forecasting • Horizon scanning Amended ways of working; models have changed with remote working but remain effective.	3	3	9	CMT	• Robust project management. • Effective risk registers for projects. • All projects have a CMT sponsor with experienced management membership • Project Management Board oversight • Legal due diligence around Grant Agreements	The likelihood rating reflects the ongoing pandemic situation and the impact of this. Effective project management remains a Council priority. Major projects are closely monitored by CMT and Cabinet members and progress is reported to Council via Portfolio Holder briefings. These include Future High Street Fund, Levelling Up Fund, etc.) The impact of the pandemic has inevitably delayed the delivery of some projects (e.g., High Street, Wisbech), but this is factored into the revised project plans going forward. The Council has now delivered Phase 2 of the 'My Fenland' transformation programme, which is on target to deliver significant savings over the Council's current MTSP period and is now looking at the next phase for Council for the Future (CFF) Transformation.

Heat Map – Residual Risk

	1	2	3	4	5
5		1-Legislative changes		8-Funding changes make Council unsustainable	
4		12-Failure of external investment institutions	4-Failure of IT systems 16-Service provision affected by organisational change 17-Political changes in national priorities 3- Failure of contractors and suppliers working on the Council's behalf	9–The Councils ability to cope with a natural disaster	
3		5-Insufficient staff to provide Council services 7-Lack of access to Council premises prevents services being delivered 2-Brexit	13-Failure of Governance in major partners/the Council as a result of partnership working 14-Failure to achieve required savings targets 18-Capital funding strategy failure 19-Poor communications with stakeholders 20-Failure of Commercialisation & Investment Strategy. 10-Major health and safety incident 15-Over-run of major Council projects in time or cost 11-Fraud & error committed against Council	4-Failure of IT systems 6-Breach of ICT security causes loss of service	
2					
1					

LIKELIHOOD SCORE

IMPACT SCORE

This heat map illustrates where the corporate risks reside within the organisations risk appetite

Risk Appetite

Risk Appetite

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AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2021/22

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
29 November 2021	Treasury Management Strategy Statement and Annual Investment Strategy Mid-year review	Progress report	Mark Saunders	To review the activity for first 6months of the year and to provide members a update on matters pertinent to the Councils TM Strategy
	Audit Results Report (ISA 260)	Annual	External Audit	Consider and note the Audit results report
	Statement of Accounts 2020-21	Annual	Mark Saunders	Review and approve the Statement of Accounts 2020-21
	Letter of Representation	Annual	Mark Saunders	Agree format and content of the Letter of Representation provided to the External Auditors at the conclusion of the 20-21 Statement of Accounts audit. To be signed by Chairman of CGC and S151 officer
	Internal Audit Plan 2021/22 Progress report Q2	Progress report	Kathy Woodward	To consider and note the activity and performance of the Internal Audit function.
	Risk Register - Quarterly update	Quarterly	Sam Anthony	To review and approve the quarterly risk register.
14 February 2022	Annual Audit Letter 2020-21	Annual	External Audit	To note the independent external auditors, Ernst &Young (EY), Annual Audit Letter
	External Audit Appointment Process	5 Year	Kathy Woodward	To update members on the procedure for appointing External Auditors and to recommend the approach for 2023/24 – 2028/29 to be considered by Full Council. This process needs to be completed by 11 March 2022.
	Treasury Management Strategy Statement, Capital Strategy, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2022/23	Annual Cabinet / Council	Mark Saunders	To Endorse the strategy to be included in the final budget report.
	Internal Audit Plan 2021/22 Progress report Q3	Progress report	Kathy Woodward	To consider and note the activity and performance of the Internal Audit function.

Agenda Item 12

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2021/22

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
	Risk Register – Quarterly update	Progress report	Sam Anthony	To review and approve the quarterly risk register.
	Annual Governance Statement 6-month update	Progress report	Kathy Woodward	To review progress on the AGS action plan
14 March 2022	External Audit Plan 2021/22	Annual	External Auditor	To note the external audit plan for the new financial year.
	Risk Based Internal Audit Plan 2022/23	Annual	Kathy Woodward	To approve the internal audit plan and resources for the forthcoming year
	RIPA Annual Update	Annual	Amy Brown	To review and note the use of RIPA in the previous year.
	Risk Management Strategy and Corporate Risk Register	Annual	Sam Anthony	To consider and note the annual review of risk management and corporate risk register.

Future items (when to be brought to the committee to be determined)

- Anti-Fraud and Corruption Policy and Strategy
- Anti-Money Laundering Policy
- Corporate Debt Policy

Audit and Risk Management Committee Training sessions 2021/22

- Risk Management Training 29 November 2021
- External Auditor Appointment Process 14 February 2021

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2021/22

Audit and Risk Management Committee Action Plan

Title	Comments	Due by	RAG
Independent Member appointment	The Committee decided in August 2020 to review the need for an independent member as part of the committee.	November 2021	Not due
Committee Training	Committee Members to discuss training requirements and provide officers with suggested training topics for future meetings.	21 June 2021	Ongoing

Abbreviations Used in Audit & Risk Management Committee

AGS	Annual Governance Statement
ARG	Additional Restrictions Grant
ARP	Anglia Revenue Partnerships
BCP	Business Continuity Planning
BEIS	The Department for Business, Energy and Industrial Strategy
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CIS	Commercial Investment Strategy
CMT	Corporate Management Team
CNC	CNC Building Control
CPCA	Cambridgeshire & Peterborough Combined Authority
CPE	Civil Parking Enforcement/
CPLRF	Cambridgeshire & Peterborough Local Resilience Forum
CTS	Council Tax Support
DFG	Disabled Facilities Grants
DPA	Data Protection Act
CSR	Comprehensive Spending Review
FFL	Fenland Future Ltd
GDPR	General Data Protection Regulations
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard
LGA	Local Government Association
LGSS	Local Government Shared Services
LRSG	Local Restrictions Support Grants
MHCLG	Ministry of Housing Communities and Local Government
MoU	Memorandum of Understanding
MRP	Minimum Revenue Provision
MTFP	Medium Term Financial Plan
MTSP	Management, Trade Union & Staff Partnership
NFI	National Fraud Initiative
NNDR	National Non-Domestic Rates
OIB	Operational Improvement Board (ARP)
OLTL	Other Long-Term Liabilities
PPA	Post Payment Assurance
PSAA	Public Sector Auditor Appointments
PSIAS	Public Sector Internal Audit Standards
PWLB	Public Works Loan Board
RIPA	Regulation of Investigative Powers