EAST CAMBRIDGESHIRE DISTRICT COUNCIL

THE GRANGE, NUTHOLT LANE,
ELY, CAMBRIDGESHIRE CB7 4EE
Telephone: 01353 665555

MEETING: **FINANCE & ASSETS COMMITTEE**
TIME: 4:30pm
DATE: Thursday, 26th November 2020
VENUE: **PLEASE NOTE: Due to the introduction of restrictions on gatherings of people by the Government due to the Covid-19 outbreak, this meeting will be conducted remotely facilitated using the Zoom video conferencing system. There will be no access to the meeting at the Council Offices, but there will be Public Question Time at the commencement of the meeting in accordance with the Council's Public Question Time Scheme, as modified for remote meetings. Details of the public viewing arrangements for this meeting are detailed in the Notes box at the end of the Agenda.**
ENQUIRIES REGARDING THIS AGENDA: Tracy Couper
DIRECT DIAL: (01353) 665555 EMAIL: tracy.couper@eastcambs.gov.uk

Membership:

Conservative Members

David Brown (Chairman)
David Ambrose Smith
Ian Bovingdon (Vice Chair)
Bill Hunt
Alan Sharp

Liberal Democrat Members

Alison Whelan (Lead Member)
Charlotte Cane
Simon Harries
John Trapp

Substitutes:

Dan Schumann
Josh Schumann
Jo Webber

Substitutes:

Matt Downey
Gareth Wilson
Christine Whelan

Lead Officer:
Emma Grima, Director Commercial

Quorum: 5 Members

AGENDA

1. **Public Question Time**
The meeting will commence with up to 15 minutes public question time

2. **Apologies and Substitutions** **[oral]**

3. Declarations of Interest
To receive declarations of interest from Members for any items on the Agenda in accordance with the Members Code of Conduct. **[oral]**

4. Minutes
To confirm as a correct record the Minutes of the meeting of the Committee held on 24th September 2020

5. Chairman's Announcements

ACCOUNTS & AUDIT ITEMS

6. External Audit - Audit Results Report

7. Statement of Accounts 2019/20
Due to their size, the Statement of Accounts at Appendix 1 has been printed separately to the Agenda and a copy is available with the Agenda on the Council's website www.eastcambs.gov.uk

8. External Audit – Financial Reporting Council (FRC) Report on Inspection Results of Major Local Audit

9. External Audit – Initial View on Redmond Review

10. PSAA Audit Fees Consultation Response

11. Internal Audit Progress Report

ITEMS FOR DECISION

12. Local Council Tax Reduction Scheme (LCTRS) Review & Discretionary Business Rates Relief

13. Nomination of Trustee to East Cambs CLT

14. Palace Green Homes (ECTC) - Office Accommodation Review (Interim Report)

15. Treasury Management Mid-Year Review

16. East Cambridgeshire Bus Services Review
(i) Notes of Working Party Meetings held on 8 October and 12 November 2020
(ii) Draft Submission to CPCA (Printed Separately)
(iii) Revised Terms of Reference Bus Services Review Working Party

17. CIL Allocation

ITEMS FOR NOTING

18. Gender Pay Reporting

19. Finance Report

20. Assets Update

21. COVID-19 Working Party Notes

To receive the Notes of the meeting held on 30 September 2020

22. ARP Joint Committee Minutes

To receive the Minutes of the meeting of the ARP Joint Committee held on 15 September 2020

23. Forward Agenda Plan

EXCLUSION OF THE PUBLIC INCLUDING REPRESENTATIVES OF THE PRESS

That the press and public be excluded during the consideration of the remaining item because it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the items there would be disclosure to them of exempt information of Categories 1 & 3 of Part I Schedule 12A to the Local Government Act 1972 (as amended).

24. ECTC Management Accounts

25. Asset Management Matter, Ely

26. Exempt Minutes

To receive the Exempt Minutes of the meeting of the Finance & Assets Committee held on 24th September 2020

NOTES:

1. Since the introduction of restrictions on gatherings of people by the Government in March 2020, it has not been possible to hold standard face to face public meetings at the Council Offices. This led to a temporary suspension of meetings. The Coronavirus Act 2020 now has been implemented, however, and in Regulations made under Section 78 it gives local authorities the power to hold meetings without it being necessary for any of the participants or audience to be present together in the same room.
   The Council has a scheme to allow Public Question Time at the start of the meeting using the Zoom video conferencing system. If you wish to ask a question or make a statement, please contact Tracy Couper, Democratic Services Manager tracy.couper@eastcambs.gov.uk by 5pm on Tuesday, 24 November 2020. If you are not able to access the meeting remotely, or do not wish to speak via a remote link, your question/statement can be read out on your behalf at the Committee meeting.

2. A live stream of the meeting will be available via YouTube at https://www.eastcambs.gov.uk/meetings/finance-assets-committee-26112020

3. Reports are attached for each agenda item unless marked "oral".

4. If required all items on the agenda can be provided in different formats (e.g. large type, Braille or audio tape, or translated into other languages), on request, by calling Main Reception on (01353) 665555 or e-mail: translate@eastcambs.gov.uk

5. If the Committee wishes to exclude the public and press from the meeting a resolution in the following terms will need to be passed:

   "That the press and public be excluded during the consideration of the remaining items no. X because it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the item there would be disclosure to them of exempt information of Categories X Part I Schedule 12A to the Local Government Act 1972 (as amended)."

EAST
CAMBRIDGESHIRE
DISTRICT COUNCIL

Agenda Item 4

Minutes of a remote meeting of the Finance & Assets Committee facilitated via the Zoom Video Conferencing System on Thursday, 24th September 2020, at 4.30pm.

P R E S E N T

Cllr David Brown (Chairman)
Cllr Ian Bovingdon
Cllr Charlotte Cane
Cllr Simon Harries
Cllr Bill Hunt
Cllr Josh Schumann (Substitute for Cllr David Ambrose Smith)
Cllr Alan Sharp
Cllr John Trapp
Cllr Gareth Wilson (Substitute for Cllr Alison Whelan)

OFFICERS

Emma Grima – Director Commercial
Maggie Camp – Legal Services Manager
Spencer Clark – Open Spaces & Facilities Manager
Richard Kay – Strategic Planning Manager
Janis Murfet – Democratic Services Officer (Committees)
Nicole Pema – HR Manager
Ian Smith – Finance Manager, ECDC

IN ATTENDANCE

Nigel Ankers – Finance Manager, ECTC
Rachel Ashley-Caunt – Head of Internal Audit
John Hill, Managing Director, ECTC
Paul Remington – Chairman, ECTC
Phil Rose – Head of Development, Palace Green Homes

43. PUBLIC QUESTION TIME

There were no public questions.

44. APOLOGIES AND SUBSTITUTIONS

Apologies for absence were received from Councillors David Ambrose Smith and Alison Whelan.

It was noted that Councillor Josh Schumann would substitute for Councillor Ambrose Smith, and Councillor Wilson for Councillor Whelan, for the duration of the meeting.

45. **DECLARATIONS OF INTEREST**

Further to Agenda Item No.12 (Custom & Self-Build Housing Supplementary Planning Document), Councillor Trapp queried whether he needed to declare an interest, saying that he might be putting forward a self-build proposal. However, his questions on this item were generic and not specific to himself. The Legal Services Manager advised that at best, Councillor Trapp's interest would be personal, but he could stay in the meeting and vote on the item.

Further to Agenda Item No.13 (Natural Environment Supplementary Planning Document) Councillor Cane wished to explain why she would not be declaring an interest. She had previously declared an interest in the ECDC Environment & Climate Change Strategy & Action Plan, but having taken advice on when to declare an interest, she was now satisfied that she did not need to do so.

46. **MINUTES**

Further to Minute No.31 (ECDC Environment & Climate Change Strategy & Action Plan – Consideration of Resources Required), Councillor Cane asked that the record of the meeting be amended to show that she had left the meeting prior to the consideration of, and voting on this item.

Further to Minute No.32 (Equality, Diversity & Inclusion Policy 2020 – 2023), Councillor Cane said that the video footage was shown on YouTube rather than on television.

It was resolved:

That subject to an amendment to reflect that Councillor Cane had left the meeting prior to consideration of the ECDC Environment & Climate Change Strategy & Action Plan, the Minutes of the meeting held on 23rd July 2020 be confirmed as a correct record and signed by the Chairman.

47. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman made the following announcements:

- During the last meeting of the Committee several concerns were raised relating to the Council decision to provide a payment to ECSS and to agree a new loan with ECTC. Following the meeting external legal advice was sought which was extensive and concluded that the Council has acted lawfully and in accordance with its Financial Procedure Rules and State Aid Regulations. All Members were provided with a briefing and a copy of the advice was also provided.

- To aid discussions he had invited Paul Remington, Chairman, John Hill, Managing Director, Phil Rose, Head of Development and Nigel Ankers, Finance

Manager at East Cambs Trading Company to this meeting and to contribute to relevant items.

- A meeting of the Bus Review Working Party has been arranged, a report from that meeting will come to a future meeting of this Committee.

- Members can raise items for future meetings at Item 16 – Forward Agenda Plan.

- This was the final meeting of the Finance and Assets Committee for Janis Murfet who was retiring after many years of sterling service to the Council. On behalf of all members of the Committee the Chairman thanked her for all her work and wished her a long, happy and healthy retirement.

48. **DRAFT ANNUAL GOVERNANCE STATEMENT**

The Committee received a report (reference V61, previously circulated) containing the Annual Report on the work of Internal Audit during the financial year 2019/20.

Rachel Ashley-Caunt, Head of Internal Audit, reminded Members that consideration of the Statement had been deferred at the meeting on 23rd July 2020, to allow for issues that had been raised to be addressed. Having taken on board Members' comments, senior management had been asked to consider those issues and clarification was now provided regarding the governance of both trading companies

A Member said they had been given to believe that the MoA with ECSS had been amended and wished to see it, but they could only see the old version. The Director Commercial replied that the MoA had not been amended; the Council had agreed to make a payment of £91k which was an in-year adjustment. This was in line with legal advice received. The Member continued, saying it was their understanding that it was within the contract, because the contract was amended. The Director Commercial said she had answered the question.

The Member asked for it to be recorded that they were not satisfied with the Director Commercial's answer, and then asked the Finance Manager what his recommendations were in the light of making an additional payment that was not contractually required. He stated that his recommendation had been to make the payment, Council had agreed the additional payment and the legal advice received was clear that they could do this.

Another Member asked the Director Commercial if there was any reason why this matter could not have been brought up between publication of the agenda and prior to this meeting. She reminded them that any Member could ask a question at Committee. A further Member commented that Committee was the right place for questions; the legal advice regarding the payment was contingent on the Agreement being updated and as this had not been done, the advice was irrelevant.

A further Member remarked that senior officers had confirmed that they were content that the actions and decisions taken were in line with the legal advice provided, and the Auditors had given the Council a clean bill of health.

Members raised a number of other points:

- Page 5 of the Annual Governance Statement made no reference to East Cambs CLT Ltd. As the Council was a custodian member, they would have expected to see something in there. The Director Commercial replied that there was no governance requirement for the CLT, unless it changed its constitution, and the Council would have to be informed of this. As such, there was no ongoing oversight of the CLT. The Member responded, saying that as the Council had the right to appoint trustees, it had a role to play and should be kept informed as to how the CLT was performing.

  The Chairman asked the Democratic Services Officer to have East Cambs CLT Ltd added to the Council's list of outside bodies. The Director Commercial reiterated that the CLT was an independent body and there was no significant control function by the Council. It was suggested that the CLT be requested to submit an annual report for Members;

- They noted that on page 11, the document stated that the Director Commercial stood down as Lead Officer for the Finance & Assets Committee when matters relating to the Trading Company were discussed. However, there was no mention of the Director Operations doing the same and standing down as Lead Officer for the Operational Services Committee. The Director Commercial explained that James Khan, Head of Street Scene, usually presented the reports and took any questions; the Director Operations represented the Council;

- The review of the effectiveness of the Governance Framework had provided a satisfactory level of assurance, but a Member felt it conflicted with the statement in Section 8 of the AGS, which stated that the Council had 'strong governance arrangements' in place;

- Referring to Business Continuity on page 13, a Member asked whether decisions were being made by the Business Continuity Covid-19 Group together, or individually and who was making those decisions. Mr Hill, speaking as Chief Executive, provided an explanation; the Group brought together intelligence and decisions then were taken within the individual organisations. A decision log was created after decisions had been made to record issues and to inform staff.

The Member replied that they felt the AGS was not one that the Council could sign up to, as it lacked clarity; it was not a good Statement and should be improved.

It was resolved:

That the draft Annual Governance Statement for the financial year 2019/20, as detailed in Appendix 1 to the report, be noted.

49. INTERNAL AUDIT PROGRESS REPORT

The Committee considered a report (reference V62, previously circulated) which advised Members of the work of Internal Audit completed during the period April 2020 to August 2020, and the progress made against the Internal Audit Plan.

Rachel Ashley-Caunt, Head of Internal Audit LGSS, highlighted the key areas of progress and responded to comments and questions from Members.

A Member noted that compliance in respect of Disabled Facilities Grants was found to be good but there were some areas where controls could be improved to demonstrate the rotation of contractors invited to submit quotations for works. Ms Ashley-Caunt advised the Committee that further procurement advice was being sought with a view to revising the procedures.

Another Member, referring to Table 3 on page 8 of the document, asked why there was a need to consult with Unison for the audit trail. Ms Ashley-Caunt replied that the Recruitment Handbook was to be revised and the starting salary form had not been applied consistently. The Absence Management Policy had yet to be reviewed and the control depended on this. The audit trail around new appointments would be subject to a wider review.

Further Members thanked Ms Ashley-Caunt for a well written report and her in-depth explanation. It was agreed that there was a necessity to review contracts and it was suggested that perhaps the Chairman could be involved; this would be taken up outside of the meeting.

Referring back to their query about the Absence Management update, the Member asked whether the delay was due to consultation with Unison, or the need to prioritise other matters. The Director Commercial said there had been a need to focus on the Inclusion Policy, and things were then further delayed due to the Covid-19 pandemic. Officers were now consulting with Unison for a date to continue the consultation process.

It was resolved unanimously:

That the progress made by Internal Audit in the delivery of the Internal Audit Plan and the key findings be noted.

50. CORPORATE RISK MANAGEMENT – POLICY AND UPDATE

The Committee considered a report (reference V63, previously circulated) which sought approval of the updated Risk Management Policy and to provide Members with a copy of the latest Corporate Risk Register and framework.

Ms Ashley-Caunt reminded Members that updates on the Corporate Risk Register were provided on a six monthly basis, and the Committee had last received an update in February 2020. The updates to the Register were facilitated by Internal Audit but remained the responsibility of senior management. The Corporate Risk Register had been updated to reflect the latest risks for the Council, including those posed by the Covid-19 pandemic.

It had been three years since the policy had been adopted and a review had therefore been undertaken by senior management, with guidance from Internal Audit to ensure that it remained fit for purpose.

A Member asked when formal management training had last been carried out. Ms Ashley-Caunt said she would have to check this and would confirm with Members.

Another Member believed the document was a really good blend in that it was inclusive in capturing risks but also struck a good balance. This was echoed by a further Member who thought it was a very powerful document; it highlighted the risks and mitigated them. In particular, the score and RAG for Risk No. A4 (Homelessness in the District) was coded green and they considered that this was due to the fantastic work carried out by the Council; it was a reflection of where the Council found itself.

A Member said they could not find risk appetite in the Policy and believed that a definition should be included. The Policy was too two dimensional and officers were being asked to manage a high level of risk.

A Member contended that a number of the scores should be red rather than green, and with reference to A4, queried why the term ‘genuine’ affordable housing had been used. There was a cumulative effect with one of the Trading Companies posing a financial risk. They felt that there was a flaw in the way that the Register had been put together and this needed to be addressed.

Another Member made the point that with the pandemic likely to last another six months, people were being encouraged to work from home. As Council staff were already doing so, there must surely be an additional risk from them using their own equipment, and there did not seem to be a specific risk description to address this.

With regard to B3 (Failure to plan for and accommodate the impact of Brexit), a Member said they had been told by senior people in the equine industry that there was a quite detailed plan for post-December.

A further Member considered B1 (Inability to balance the Council’s budget) to be understated and they could not see how it was under control. The Medium Term Financial Strategy (MTFS) said there was a high risk and they queried why it had been coded amber. The Finance Manager replied that there was a balanced budget for 2021/22 and there was time to find savings for 2022/23.

The Member continued, highlighting their concerns regarding Risks C2, C4, C6 and D8 and said they would be interested to know what was being done to bring them more into the green score. Ms Ashley-Caunt said the General Data Protection Regulation (GDPR) was an area of concern; she had an action to check progress and would report back to the Committee. With regard to contracts, she wanted consistent advice, but there was not a fundamental concern about contracts.

In connection with affordable housing, a Member made the point that it was governed by the National Planning Policy Framework (NPPF). Whilst the Council would like to see 30 or 40% deliverability, viability had to be a consideration. It was not just affordable housing that was struggling to be built, but also private housing.

A Member responded, saying that the Policy was 30% affordable housing in Ely and 40% in the south of the District. This was not being delivered and there needed to be work to mitigate this. The Register had to be honest and actions must be taken to do this.

It was resolved:

(i) **To recommend to Full Council that the updated Risk Management Policy, as set out in Appendix 3 of the report, be approved.**

(ii) That the Corporate Risk Register, as set out in Appendix 2 of the report, be noted.

51. **EAST CAMBS TRADING COMPANY ACCOUNTS 2019/20**

The Committee received a report (reference V64, previously circulated) which detailed the East Cambs Trading Company (ECTC) accounts 2019/20.

The Finance Manager, ECTC said that Price Bailey had issued an unqualified opinion on the statements, and confirmed that they gave a true and fair view of the state of ECTC's affairs as at 31st March 2020. They also confirmed that they had been prepared in accordance with the relevant laws and regulations.

The Auditors had pointed out that these were unprecedented times for everyone and there was still large uncertainty over the economy as a whole. At this stage nobody could predict the full effects with any certainty, therefore Price Bailey had included a paragraph titled 'Material uncertainty relating to going concern', to point this out to shareholders.

The last sentence stressed that the audit opinion was not modified in respect of this matter; that it was still valid to produce the accounts on a going concern basis. This was because the forecasts produced by ECTC showed that the additional time to complete the projects in the plans would enable the business to become profitable and repay the loans when they fell due.

With regard to the Statement of Comprehensive Income on page 6, the comparison column for 2019 was headed 'restated'. This was due to a change in accounting for leases under IFRS16, which was adopted by the Company in April 2019. ECTC had two leases, the office at Fordham and the Market Square, Ely, that fell under IFRS16 and were classed as 'right to use assets'. Note 23 (on pages 27 – 29) detailed the adjustments made in respect of IFRS16 in 2019.

`It was noted that a loss of £513k had been posted for 2019/20.

It had been expected that the year would show a profit as the original Business Plan had revenues of £10.4 million from the Palace Green Homes (PGH) side of the business, including a revenue receipt for the project at Kennett and the sale of 24 homes. However, the Kennett receipt did not occur in 2019/20 and only 5 homes were sold. As a result, revenues were only £2.27 million for PGH and this reduction in revenue was the major factor behind the loss that was posted for the year.

Right to use assets were valued at £263k at the end of March 2020, which represented the value left in the leases at Fordham and the Market Square, Ely.

Inventories included MoD Ely at £25.4 million, Haddenham at £3.3 million, and Note 13 on page 21 detailed the financial liabilities. The loans to ECDC were categorised as current (due within one year). A new loan had been agreed in principle with ECDC to repay this loan so it was still due at the end of March 2021 and thus fell under the current category.

For the CPCA loans, a principle of substance over form had been used to take account of the fact that although formal deeds of variation for the loans were still in the process of being drawn up, it had been agreed in principle to extend the repayment dates. It was the extended dates that were being used in these accounts. The split of the loans was based on the latest estimate of when properties would be sold rather than saying it was all due for repayment at the end of March 2023.

This left ECTC with a net liability of £572k at the end of March 2020. Although it was a large net deficit, it was not unexpected given the delay in property sales. The deficit would return to a net asset position once the projects were all completed and the profits realised.

The statement of changes in equity (page 9 refers) effectively confirmed that there were no other movements in earnings apart from those discussed in the Profit & Loss page. Cash flow (on page 10) reconciled the opening balance of £1.4 million at 1st April 2019 to the closing £89k at the end of March 2020.

The notes to the accounts were set out on pages 11 – 29 and provided additional detail to aid understanding. Note 3 on page 18 related to employees and Directors; the increase in wages and salaries paid reflected an increase in the number of people employed directly by the Company rather than seconded from ECDC in Markets and Parks & Open Spaces.

Credit risk was minimal as property only transferred when the Company had the funds; most grounds maintenance customers were local authorities and Markets comprised a lot of smaller debtors, many of whom had a long history with ECTC and ECDC prior to that.

Note 22 on page 26 detailed post balance sheet events, including Covid-19 and confirming the changes to the loans.

A Member, having noted that the accounts showed that payments due were more than the total of cash held and outstanding debtors, asked the Directors of the Company to comment on Note 15 and also wished to know how the S151 Officer viewed the Company's finances. They expressed surprise at the large impact that Covid-19 had on the accounts and queried why there had been such a major change in the forecast in such a short time.

The Finance Manager ECTC replied that at the point the accounts were drawn, there was still loan capacity to draw down sufficient to pay liabilities. With the new loan, the forecast showed how those liabilities would be repaid. In respect of the drop in margin, there was a much higher margin in 2019/20 on the developments at Barton Road and Soham, and this would continue to drop away in percentage as the Ely MoD project had lower margins. The predicted revenue receipt at Kennett for 2019/20 did not happen because the market slowed.

The net position currently was a very similar deficit, but there was plenty of head room on the loans. The Finance Manager added that the Company had the ability to access cash; he did not have the exact information to hand on the current deficit but would provide Members with the details.

Until it was absolutely certain that projects would go ahead, development costs had been written off into Profit & Loss. The difference in the auditor's remuneration was due to the audit and additional tax work carried out in the year.

Another Member reminded the Committee that Price Bailey were very creditable auditors. The Business Plan had been remodelled to take into account the change in the market and the Company only drew down when necessary; it was managed well and prudently.

It was resolved unanimously:

That the East Cambs Trading Company accounts 2019/20 be noted.

52. **ECTC BUSINESS PLAN 2020/21 (REVISED)**

The Committee considered a report (reference V65, previously circulated) from which Members were asked to consider the ECTC Business Plan 2020/21 (Revised).

Members were reminded that Appendix 1A was exempt and the meeting would have to go into closed session if they wished to discuss it.

The Director Commercial said she was speaking in her capacity as a Director of ECTC. The Business Plan had been revised to deal with the impact of Covid-19 and she would just deal with the key changes.

The profile for Markets had been changed to reflect that they had closed in March and did not reopen until 11th June 2020. Although it was thought that the Markets Service would be posting a loss for 2020/21, a profit was now projected, based on prudent assumptions.

Premises costs were substantially lower as there would not be a business rates liability for the Market Square offset by a £5k budget for improvements on the Square.

There was nothing to report from the original Plan in respect of Grounds Maintenance, and the team had continued to operate throughout the pandemic as their client base still needed work to be done.

Phil Rose, Head of Development PGH, spoke of the key changes in respect of the Plan relating to property.

The table set out on page 24, paragraph 8.6 (Revised build & sale completion forecasts at Ely and Haddenham), had been extended to 2022/23. This was a deliberately cautious approach as Covid-19 restrictions on day to day business would continue to impede and slow normal estate agency, mortgage and conveyancing processes. However, if the economic outlook improved, the Company would be able to respond positively to meet additional demands.

Risk management had been revisited, the overview at paragraph 8.2 had been updated and Company targets had been revised to reflect the latest position. The financial information had been updated to reflect revised project forecasts and loan arrangements.

A Member asked if the loss was as a result of rephasing, or underachievement in sales and if the Company was looking to recoup it in future years. The Finance Manager replied that it was not lost as it would be realised in future periods.

Another Member asked about the percentage of affordable housing for Stretham Community Land Trust (CLT) and was advised by the Head of Development PGH that he believed it met the policy requirement of 30%. The Member then asked about the requirements for Haddenham and Ely, and was told it was 30% for the former; the new build at Ely was at least 30% but the Company was seeking to enhance this.

A further Member expressed their genuine gratitude to the ECTC staff for the way in which all aspects of their work had been managed during the pandemic. The Managing Director said that this would be passed on to all concerned. The Member then went on to raise the following points:

- They thought it odd that there were no financial implications in the covering report;
- When would the review of the PGH offices be coming back to Committee?
- The contractual commitment to the MoD;
- It was important that the members of Finance & Assets Committee received the minutes of the ECTC Board meetings so they could understand what was going on;
- In connection with the loss in 2019/20, did the level of profit justify the risks

- Why engage in property development if the returns were so marginal?

- They were surprised at the number of times an officer was shown as the owner of a risk. They expected the Company to manage its own risks. Was the Business Plan deliverable, or did it need to be revised again in short order?

Officers provided the following responses:

- They were satisfied with conservative assumptions in respect of the level of profit;

- The term 'commercialism with community' was used;

- The Business Plan was reviewed and considered deliverable within caveats and the current difficult position;

- Approved minutes of the ECTC Board meetings were provided to members of the Finance & Assets Committee wherever possible, but there were times when commercial sensitivities had to be respected;

- A commitment had been made to Committee that the PGH offices would be reviewed by December 2020. This was just starting and a date had been chosen that would allow PGH to alter the terms of the lease or step out of it;

- The contractual commitment to the MoD obliged the Company to seek to achieve further residential development. There were discussions before every business case;

- The Business Plan was deliverable and kept constantly under review. The Company was cautious in its expectations, but able to respond quickly;

- Because of the nature of the risks, some were in the Company's control, but it was about who would help maintain the risk on the other side as Shareholder. The S151 Officer might point out something that needed to be brought to the attention of the Company, so it was about recognising who owned that risk.

A Member wished to make it clear that when issues were raised, Members did so as 'critical friends', it was coaching, not criticism. It was for the greater good of the District and the Trading Companies and there was a balance to be struck. They had a number of concerns:

- More information was requested about the MoD contract, for without it how could Members judge it – clarity was needed;

- The Risk Register had a large number of extremely important issues that would justify a whole meeting and killer risk issues that could prove fatal for the Company. There was a balance to be struck between implementing the policies of the Council, doing the right thing for the community and trying to make money along the way;

- ➢ They did not like the way the section on Kennett was mentioned. At the last meeting of the Planning Committee they, along with other Members spoke about the need to have public consultation about highly contentious developments. The Chairman of Planning Committee had said that the Sunnica proposal might have an impact on Kennett. The Council's PR should therefore stop writing 'gushing copy' about something that was causing hurt, pain and upset to the people of the village.

Another Member raised the following points:

- ➢ The top graphic on page 1 referred to delivering 'quality' and this should be qualified;
- ➢ Estate agents were talking of unprecedented sales, so why was the Company experiencing delays in completing housing?
- ➢ Referring to the table on page 17, the management fee might have been reduced, but the £100k would not bridge the gap between EBITDA in subsequent years;
- ➢ Why were S106 payments, CIL and Council Tax shown as a profit on page 22?

Officers provided the following responses:

- The turnover shown on page 17 reflected the position for 2019/20 and 2020/21. Turnover was reduced mostly because of the markets being closed;
- The Head of Development PGH did not recognise the reference to any delays in sales. Building had continued since June and progress was very good; the figures demonstrated that the Company had now secured a number of properties under offer. When taking reservations on a property, completions were normally within 3 months, but in the current situation with Covid-19 restrictions being in place, conveyancing was taking longer;
- With regard to financial benefits, there had been discussions in previous Committee meetings as to why these items had been included. Projects had been taken on and financial benefits were accruing. It was a statement of fact and a consistent approach was being taken.

A Member noted that a previous speaker had questioned whether lower margins were worth the risk. The Company was delivering affordable homes and ploughing the money earned into delivering more homes or saving costs. As private developers were not bringing forward affordable housing or were trying to circumvent having to bring it forward, they believed the risk was worth taking.

It was resolved:

That the ECTC Business Plan 2020/21 (Revised), as set out in Appendix 1 to the report, be approved.

There followed a comfort break between 7.06pm and 7.20pm

53. **EQUALITY, DIVERSITY & INCLUSION POLICY 2020 - 2023**

The Committee considered a report (reference V66, previously circulated) from which Members were asked to consider the Council's draft Equality, Diversity & Inclusion Policy 2020 – 2023 for consultation.

Members were reminded that the first draft of the Policy was brought to Committee on 23rd July, where a number of changes were requested. The comments made by Members had been reflected in the amended draft attached as Appendix 1 to the report.

The Chairman wished Members to know that 23rd September was a very important day for the Council's web team; it was deadline day for public sector organisations to make their existing websites accessible. Accessibility was not just about disability, it was also about inclusivity, meaning that content and design should be clear while supporting those who may need help.

In February 2020 the Council was rated 'poor' with a score of only 40%, but yesterday the rating was 'excellent', with a score of 95%. This was a remarkable achievement in such a short time and the team had worked very hard. On behalf of the Committee, the Chairman asked that 'huge congratulations' be passed on to the team.

A Member agreed that it was a spectacular achievement and also congratulated the team. They recalled being very rude to the HR Manager at the last meeting and offered a sincere apology, adding that the amended document was much better. They suggested that the protected characteristics might be cut and pasted from the Equalities Act, and that it would be a good thing if, as well as anti-Semitism, Black Lives Matter could be included in the document. Another Member thanked other members of the Committee for their collaborative approach to what they now believed was an excellent document. Anti-Semitism had been included because it defined what it meant, and was a bit different to Black Lives Matter. However, they were sure that it would be supported by all members.

The Chairman said he would be happy to work with the HR Manager regarding the protected characteristics.

Another Member considered the document to now be fit for purpose and wished to know what plans were there to encourage wide consultation, and what the Council's plans were for supporting Black History Month. The HR Manager replied that she was happy to take Members' suggestions about the means of consultation, but she was thinking of a Survey Monkey Questionnaire and then contacting voluntary groups to who else should be included. The Chairman asked that she did not delay doing this, but once everything was put together, it also be sent to Members, as had been done by the Covid-19 Working Party in respect of arts and leisure.

The Director Commercial said that Members would be contacted very shortly regarding Black History Month.

A Member, referring to page 21, paragraph 3.2 (Ensure that the Council's policies and practices are non-discriminatory and compliant with Equalities legislation), stressed the importance of assessing candidates' potential rather than just what they had attained. A Member concurred adding that his was an active document to be monitored and reviewed.

One Member wished to endorse all that had been said, saying the document was an excellent piece of work. They had a real hope that the declaration signed by the Chief Executive and the Leader of the Council was an indication of the Council was, and hoped to be, and it filled them with joy.

Members noted that the week commencing 28th October 2020 was National Inclusion Week. It was suggested that there be a press release to support it, and it could also draw attention to the forthcoming consultation.

It was resolved unanimously:

i. To approve the draft Equality, Diversity & Inclusion Policy 2020 – 2023, as set out in Appendix 1 of the report, for consultation in accordance with paragraphs 3.6 and 3.7 of the submitted report; and

ii. Delegate authority to the HR Manager, in consultation with the Chairman of the Finance & Assets Committee, to make minor amendments prior to consultation.

54. CUSTOM & SELF-BUILD HOUSING SUPPLEMENTARY PLANNING DOCUMENT

The Committee received a report (reference V67, previously circulated) from which Members were asked to adopt the Custom & Self-Build Housing Supplementary Planning Document (SPD), which would then become a material consideration in making planning decisions.

Members noted that this was a new SPD, prepared in order to help local residents that had a desire to build their own home. It would also provide guidance to large scale developers that were obliged to meet the Local Plan policy to provide self-build plots; Community Land Trusts that were interested in providing self-build plots and parishes that were interested in including such plots in their Neighbourhood Plans.

The Strategic Planning Manager reminded Members of the basic steps towards producing an SPD and reiterated that SPD's could not supersede any policy in the Local Plan; the Local Plan remained the starting point. (This would also apply to Agenda Items 13 and 14.)

He continued saying that the consultation for this SPD had been carried out and a number of issues were raised in the representations received; these were summarised in paragraph 3.12 of his report. The Consultation Report responded to the issues in more detail, but the changes to the SPD, which were very limited in nature, were set out in the next paragraph.

During the course of discussion, Members expressed their support for the document, finding it to be extremely easy to follow with a very clear process.

One Member asked how many people were on the East Cambs Self-Build Register. They were concerned that developers might come forward with a percentage of self-build, find there was no demand because of the low numbers of people on the Register, and then convert to market value homes; this abuse should not be allowed. The Chairman responded, referring to a plot on Newmarket Road, Burwell saying he was aware of there being far more people on the Register than plots available and he was sure this was the same elsewhere in the District.

A Member said they found the table of comments and Council's responses to be extremely illuminating, but had concerns that there might be some issues going forward arising from these disagreements. Councillors were being made aware of groups and a particular developer who were very active in fostering self-build through associations. The Member wanted to be sure that this was on the Strategic Planning Manager's radar and would welcome his thoughts on his first point.

A further Member said it would be useful to know the number of people on the Register and believed that once planning permission had been granted for a development with self-build plots, those plots should be marketed straight away.

Councillor Wilson left the meeting at 7.45pm.

The Vice Chairman stated that having been involved in self-build, there were rules and regulations regarding what could or could not be done and timescales. At present the demand was greater than the supply and he believed there would be no problem in satisfying the policy of 5% self-build homes on developments of over 100 dwellings.

The Strategic Planning Manager informed the Committee that the numbers of people on the Register was updated and published every year in the Annual Monitoring Report and he would circulate the link to Members. With regard to the point about developers trying to abuse the system, the policy had a reasonable fall-back position, but it was accepted that there were times when a developer had tried but had failed to sell self-build plots.

In connection with a Member's remark about disagreements, the Strategic Planning Manager said he was used to receiving hard edged comments. It was not unusual, but one had to be very careful when writing policies and wording responses and he was very mindful of the legalities. On another point, he advised the Committee that self-build homes did not attract CIL payments; however, it was set in legislation that the property had to be the person's primary home and they had to live in it for a minimum of 3 years. Developers could advertise when they wanted and the policy made sure that they did sufficient marketing.

It was resolved:

That the Custom & Self-Build Housing SPD be adopted as a formal Supplementary Planning Document.

55. **NATURAL ENVIRONMENT SUPPLEMENTARY PLANNING DOCUMENT**

The Committee received a report (reference V68, previously circulated), from which Members were asked to adopt the Natural Environment Supplementary Planning Document (SPD), which would then become a material consideration in making planning decisions.

It was noted that this SPD had been prepared to provide advice on policy requirements relating to the natural environment and it had been a specific comment (amongst others) in the 'Climate Change' Motion passed by Full Council in October 2019.

Following Committee approval of a draft on 6th February, consultation was carried out between 18th February and 30th March 2020. All the comments received were carefully considered and where it was appropriate, changes were proposed to be made to the SPD. As part of the process, a Consultation Statement report was produced, including all comments received and the Council's responses. It would be published on the Council's website alongside the adopted version of the SPD.

The Strategic Planning Manager said a number of issues had been raised in the representations received. The main issues raised (in the order of the document) and the changes made were summarised in paragraph 3.15 of his report.

The SPD would endeavour to reverse the decline in biodiversity and instead promote a 'net gain'. It was expected that Government would introduce mandatory biodiversity 'net gain' via the Environment Bill, but this was not certain in terms of scope and timing. In the meantime, the SPD provided guidance how all development could contribute to achieving a net gain, but it contained a clause saying that the applicable SPD policy would not be applied if an Environment Act established a net gain mechanism in law.

A Member stated that they worked for the Bedfordshire, Cambridgeshire & Northamptonshire Wildlife Trusts, who were consultees, but did not consider themselves to have a pecuniary interest in this item. They wished to thank everyone who responded to the consultation and accepted that there were some things that could not be done, or had to be reined back. However, they would keep the consultation document to hand so that when the next Local Plan was being prepared, they could have a stronger environmental section. They made the point that as much of East Cambridgeshire was chalk, it would be important to ensure that the right trees were planted in the right places. They concluded by expressing their wholehearted support for the SPD.

Other Members expressed their support, one saying it was a pleasure to vote for something that did the Council credit. Another Member thought it encouraging that the response to the consultation had been so good, concurring with the comment about trees being planted in the right place.

It was resolved:

That the Natural Environment SPD be adopted as a formal Supplementary Planning Document.

56. **CLIMATE CHANGE SUPPLEMENTARY PLANNING DOCUMENT (SPD) – CONSULTATION DRAFT.**

The Committee received a report (reference V69, previously circulated) from which Members were asked to determine whether to approve the Climate Change SPD for public consultation.

The Strategic Planning Manager informed Members that this new SPD aimed to help the planning system achieve development which had a lower impact on the climate and a commitment to the preparation of the document was in the Council's recent Environment Plan (June 2020).

The Council already had a good framework in place to seek development that had a lower impact on the environment and climate, but there was scope via this new SPD to provide further guidance and encouragement on the issue. However, there was a legal framework, including planning policy and Building Regulations preventing the Council from going too far. The Strategic Planning Manager believed that this SPD would be a positive step forward and subject to consultation, should make a difference.

A Member declared themselves to be slightly confused about some of the detail in CC3, especially adaptability and interior design, as they were not sure it was the issue of the moment. Builders needed no encouragement to build with stud walls, and they were surprised there was not more about insulation because we were trying to encourage a move towards something like a Passivhaus standard.

Another Member remarked that Reach Parish Council had already discussed renewable energy and there was concern in the village about the cumulative impact of renewable energy applications. They wondered if there was any way to include something in the SPD about how cumulative impacts would be considered.

The Chairman said he had raised this at the last Planning Committee meeting as they were centred around Burwell, and the Planning Team Leader had replied that they were almost at the tipping point of cumulative impact. The Vice Chairman added that he had received an interesting document from the Chartered Institute of Housing which said that the housing associations were taking a lead on the issue; he would circulate the document to Members.

A further Member found the reference to current SPDs very useful; whilst they appreciated that it was not possible to be more onerous than what was in the Local Plan, they thought that things should be pushed as far as we could. This was supported by a Member who believed that much more should be mandatory. The need for solar farms should be reduced and dwellings to be Carbon Zero by 2050.

The Strategic Planning Manager replied that he would like to push things as far as possible, but he had to be mindful of current legislation which set the parameters; the SPD must not make developments unviable. Building Regulations set minimum standards and today's new build homes were quite energy efficient. The Regulations had not yet been amended, but standards would go up. The issue of cumulative impact was very tricky but it was taken into consideration by the planners and the tipping points could be quite high. Andrew Phillips, Planning Team Leader, could help on this.

It was resolved:

That the draft Climate Change SPD be approved for the purpose of public consultation (with any minor editorial or presentation improvements delegated to officers, in consultation with the Chairman, prior to publication), with public consultation anticipated to be for 6 weeks over the period mid-October to end of November.

57. RECOMMENDATION FROM COVID-19 WORKING PARTY

The Committee received a report (reference V70, previously circulated) from which Members were asked to consider a recommendation from the COVID-19 Working Party.

The Director Commercial reminded Members that the COVID-19 Working Party had expressed a desire for the Council to make available a capital grant of up to £3k per business, to any business in the District that employed 5 people or less. The purpose of the grant would be for the purchase of making the business COVID-19 Safe; paragraph 3.2 of the report gave examples of such purchases.

The grant would only be available to businesses that were not currently open; it would not be available to businesses that had currently received a grant from the various grants that had been available during the pandemic period.

It was noted that the Council had now launched a survey that could be completed by any business in the District, and it was due to close on 16th October 2020. The purpose of the survey was to gather data on the impact of the pandemic to date and to provide the Council with an insight as to what measures could further support business to recover from this current climate.

There was currently no budget for this potential grant being made available and without detailed analysis of how many businesses could potentially benefit from this grant, it was not possible to try and create a total fund amount that could be made available.

It was therefore recommended that the Council awaited the results of the business survey and then take the feedback from the business community back to the COVID-19 Working Party for consideration. The Council could then work in partnership with other organisations to assess what interventions were available.

One Member thought that if help was not required, that would be great, but if it was, then this could be looked at and Members of the Working Party should be encouraged to come forward with suggestions.

Another Member said things had moved on and they had a problem with the recommendation as it stood. The paper highlighted that there was no budget or a mechanism for how to spend a budget. They wished officers to bring a paper to the November meeting of Committee to say where funds would be found and how to deliver them speedily and in good governance. The comment was also made that it should be recognised what the Combined Authority had in its coffers.

A further Member felt that funds should not be raised without a specific reason. However, they agreed with the recommendation to await the results of the business survey.

Speaking in his capacity as Chairman of the COVID-19 Working Party, Councillor Bovingdon thanked its Members and the Director Operations for all the work they had done. The Council awaits the results of the survey and he looked forward to seeing them in October. In the meantime, the Working Party’s next meeting was on 30th September and the comments made at this Committee would be kept in mind.

It was resolved unanimously:

(i) That the recommendation made by the COVID-19 Working Party, as set out in paragraph 3.2 of the report, be noted; and

(ii) That the course of action, as set out in paragraph 4.3 of the report, be approved.

Councillor Wilson returned to the meeting at 8.32pm.

58. **MEDIUM TERM FINANCIAL STRATEGY UPDATE**

The Committee considered a report (reference V71, previously circulated) which provided Members with an update on the Medium Term Financial Strategy (MTFS) since the 2020/21 budget was approved in February 2020.

In summarising his report, the Finance Manager ECDC said the long term implications of the COVID-19 pandemic were far from clear, especially for local government and the impact on local taxation in the years to come. Section 5 set out the assumptions made in arriving at the figures presented.

The Council ended the 2019/20 financial year with an under spend of £1,690,450; this had been added to the Surplus Savings Reserve and was available to support the MTFS in future years.

Government had announced a further delay to the Fair Funding Review because of the pandemic, and this had the potential to provide the Council with some upside in 2021/22. However, with Business Rates receipts likely to be lower overall due to COVID-19, some of that benefit might be lost.

The Government's Comprehensive Spending Review was still planned to go ahead in the autumn and this would determine the overall resources made available to all of the Departments of Government, including local government.

Members were reminded that at the last meeting of Committee, the Finance Report suggested that the Council would overspend by £496k in 2020/21, mainly as a consequence of the pandemic. This was now considered a high estimate as the Council had received a third tranche of un-ringfenced Government funding and would be able to recover some of the income lost via a Government compensation scheme.

A Member thanked the Finance Manager and his team for trying to keep up with everything that was going on. They asked what was being done to meet the MTFS in future years and how much would be brought in if there was to be a 1% increase in Council Tax. They thought there should be an update given at every Committee meeting, with Members being emailed in between. They also suggested that it would be useful for the Budget 2020/21 to have a revised forecast column.

The Finance Manager understood there would be a Comprehensive Spending Review. His assumption regarding inflation was a 2% increase in pay in April 2021 and the same for major contracts. He would look at this in the light of revised forecasts and another budget monitoring report would come to the November meeting. The current assumption was that the Council would break even due to Government funding and the Authority was very fortunate to be in such a robust position. A 1% increase in Council Tax would bring in about £50k.

Another Member found it interesting that when looking at the budget gap, the first question was about Council Tax. They hoped an increase would not be necessary as the Council had always taken the strategy of looking for savings. They offered their thanks to the Finance Team and senior officers, believing it was due to good management rather than good fortune that the Council had a balanced budget. They could not remember many times when the Authority did not have challenges in the future, and it would be down to Members to meet them again.

One Member asked if the draw from the Surplus Savings Reserve would be needed if the Council broke even in 2020/21; the Finance Manager confirmed it would still be required.

A Member commented that when they looked ahead at the way in which finances were being managed, they had no problem in endorsing good people doing good work. However, there was still a high level of risk and big problems were coming up. Members should not be overly optimistic as there would come a time when the reserves would be gone and the housing projects would not deliver a pot of gold every year.

A Member wished to know what work was being done to balance the budget, when this would come back to Committee and how consultation was to be carried out with local residents about finding the budget deficit of £4.4 million. They were concerned that services would be reduced or Council Tax increased and did not believe a balanced budget would be achieved through efficiencies; there should be proper consultation. The Chairman replied, reiterating that there was an obligation to consult.

A further Member said the pandemic was not going away anytime soon; people were losing their jobs and businesses were going bust. In view of this, it would be important to think about long term problems very carefully.

When put to the vote, the motion was declared carried, with one Member stating that they noted the report with concern.

It was resolved:

That the contents of the report be noted.

59. **HEALTH & SAFETY ANNUAL REPORT 2019/20**

The Committee considered a report (reference V72, previously circulated) which provided Members with the Corporate Health & Safety Annual Report for 2019/20.

The Open Spaces & Facilities Manager introduced his report by reminding Members that as well as providing a summary of the Council's health and safety performance for 2019/20, it also set out the commitments for 2020/21. Dealing with the COVID-19 pandemic was proving to be challenging, but the Council was managing quite well. Although this was not his field of expertise, he oversaw health and safety and would answer questions where possible.

A Member wished it to be minuted that although health and safety was not the Council's business, in some respects it was part of its business. He considered that to get such a fine 'clean bill of health' was an absolute testament to the Open Spaces & Facilities Manager and his team for going over and above what was expected of them.

Another Member raised the following points:

- It was really pleasing that incidents were very low, as this did not come without much work behind it;
- It was disappointing that Section 5 (Health & Safety Actions for 20/21) did not mention COVID-19;
- They would like reassurance that there was a system in place to ensure a First Aider was in the building when staff were present;
- Had equipment been updated to take account of Covid-19?
- Were there health & safety checks for people working from home?

- In view of the Government's change of guidance regarding people being asked to go back to working from home rather than going into the office, were appropriate structures in place to facilitate people working from home?

Other Members offered their congratulations on the low accident rates, saying the figures were 'spectacular' when one considered what activities the Open Spaces & Facilities Manager and the Head of Street Scene oversaw between them.

The Chairman reminded the Committee that they were looking at the figures for 2019/20. However, he was sure everyone shared the concerns raised and an interest in what was happening to the staff. He recalled something being circulated fairly recently, but in the light of rapidly changing Government guidance, he asked the Director Commercial to send a briefing note to all Members of Council. She confirmed that she would do this and also speak to the Health & Safety Officer to provide extra assurance.

It was resolved unanimously:

That the Health & Safety Annual report for 2019/20 be noted.

60. **BREXIT GRANT UPDATE**

The Committee considered a report (reference V73, previously circulated) which updated Members on the Brexit Grant.

The Director Commercial informed Members that the Council received £34,968, paid in two equal instalments, and the purpose of the Grant was to assist the Council in its Brexit preparations.

It was noted that information, including the relevant links to government websites were provided on the Enterprise East Cambs website.

In addition to ensuring that the relevant information was available to businesses, the Council hosted two themed workshops in February 2020: Import and Export, and EU Settlement. The workshops were funded by the CPCA Business Board. Paragraphs 3.5 and 3.6 of the report set out the topics covered.

The Council would continue to engage with businesses in the District and ensure that they had access to as much information as possible. The Economic Development Team and Communications Team were currently working on a communications strategy and a briefing note would be provided to Members once it had been formalised. It would be kept up to date to ensure that key messages and information was available to businesses.

If there were additional resources required by the Council, it would be able to utilise the grant funding that had been provided by Government.

A Member wished to know if the money would go back to the Government if it was not spent, and the Finance Manager ECDC advised that as it was an un-ring fenced grant, it would go into the Council's balances.

When put to the vote, the motion was declared carried, there being 7 votes for and 2 abstentions. Whereupon,

It was resolved:

That the update provided be noted.

61. **ASSETS UPDATE**

The Committee considered a report (reference V74, previously circulated) which provided Members with an update on Council owned assets.

The Director Commercial informed Members that she had written to the City of Ely Council as instructed, and a response had been now been received. They would undertake the work set out in the instruction and a further survey would be carried out. It was anticipated that a paper would come to the next meeting of Committee.

70 Market Street, Ely, was being actively marketed but the response rate was low. It was expected that a recommendation would come to Finance & Assets Committee in November.

The Council had now completed all of the risk assessments and changes that were needed to ensure that the buildings were COVID-19 compliant and all measures were in place.

The Kingsley Walk, Ely playground had undergone a complete refurbishment, the costs totalling £34,070.72. In Jubilee Gardens, Ely the multi-play units had been refurbished at a cost of £8,745.17. The cost of both the projects was met by Section 106 contributions.

The ticket machines at the Angel Drove Commuter Car Park, Ely were now contactless.

A Member recalled that at the last meeting, it had been raised that the environmental sustainability of 70 Market Street was only just adequate and the Committee was told that consideration would be given as to what could be done to improve it. They wished to know what had come from the consideration, and what did ‘interest was low’ mean. They wondered if interest was low because the building’s environmental sustainability was so low.

With regard to the Council’s operational buildings, the Member asked what had been done about sustainable ventilation in connection with COVI-19 safety measures.

The Director Commercial replied that in respect of energy efficiency, it would be really important to identify who the user of 70 Market Street might be so that energy inefficiency could be overcome. However, she wished Members to be aware that the building had generated no income for a significant period of time. It might be for the Committee to consider who the tenant was (if any), and what work needed to be done once the building was occupied.

The Open Spaces & Facilities Manager responded to the question about ventilation, saying that procedures were ongoing. One of the first things to be put in place was the use of air conditioning in the building being stopped. This had been monitored as it happened during the summer and the caretakers used to go round the building opening windows every day. When offices became too warm, users were being advised to open windows and use fans.

There was about to be an audit of the building's efficiency and provision for Covid-19 safety measures would be added into the Plan.

Another Member asked about playgrounds and whether there were safety notices displayed and if hand sanitiser was provided. The Open Spaces & Facilities Manager said the playgrounds had been closed at the start of the pandemic and authorities were later invited to re-open them. Risk assessments were carried out prior to re-opening and there was now signage regarding safe usage of the playgrounds across the District. Hand sanitiser was not provided by the Council; people would be expected to bring their own. The same advice had been sent out to the Parish Councils.

A Member said they had not yet been given an answer regarding the 'low interest' in 70 Market Street, Ely. The Director Commercial replied that there had been one formal offer and two viewings.

Another Member commented that the work of officers should never be underplayed, but East Cambridgeshire was in one of the most rural areas of the country. Whilst the low rate of Covid-19 was a good thing, nobody should be complacent.

It was resolved unanimously:

That the update on Council owned assets be noted.

62. **<u>COVID-19 WORKING PARTY MINUTES</u>**

The Committee received the minutes of the meetings of the Covid-19 Working Party held on 9th July and 29th July 2020.

A Member said they had received some feedback from a local business about the staff going out to advise them about Covid-19 safety and the latest guidelines. In this case, it was about the 'Rule of 6' and a Wake that they had taken a booking for. They found the staff to have been been extremely helpful and clear in their advice and extremely prompt in calling to see them.

The Member wished her thanks to be passed on to those involved.

It was resolved:

That the Minutes of the meetings of the COVID-19 Working Party held on 9th & 29th July 2020, be noted.

63. **FORWARD AGENDA PLAN**

The Committee received the Forward Agenda Plan.

A Member made the following points:

- They noted that the Minutes of the Bus Services Review Working Party and the Covid-19 Working Party were not listed on the Plan. It was important to receive the Minutes so that Members could be satisfied that the Working Parties were doing what was expected of them;

- They felt a report on the feedback from the Bus & Cycling consultation should come to the next meeting;

- The ECTC management accounts should come to the meeting on 25th March 2021, and include a forecast to 31st March 2022, so that Members could assure themselves that the business was robust before making any loans to it.

Another Member thought there were too many items on this agenda and that too few Committee meetings had been scheduled. It was not sensible to have such long meetings and asked that consideration be given to how to do things in a more sensible way.

It was resolved:

That the Forward Agenda Plan and the comments made thereon, be noted.

64. **EXCLUSION OF THE PUBLIC INCLUDING REPRESENTATIVES OF THE PRESS**

It was resolved:

That the press and public be excluded during the consideration of the remaining items because it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the item there would be disclosure to them of exempt information of Categories 1, 2 & 3 of Part I Schedule 12A to the Local Government Act 1972 (as amended).

65. **ECTC BUSINESS PLAN 2020/21 (REVISED) – EXEMPT APPENDIX 1A**

The Committee considered the exempt appendix to the East Cambs Trading Company Business Plan for 2020/21 (Revised).

It was resolved:

That the exempt appendix to Report No. U65 be noted.

66. **ECTC MANAGEMENT ACCOUNTS – 4 MONTHS TO JULY 2020**

The Committee considered an exempt report from which Members were asked to note the ECTC Management Accounts for the period April – July 2020.

The Finance Manager ECTC summarised the key points of the report and officers responded to Members' comments and questions.

It was resolved:

That the ECTC Management Accounts (April – July 2020) be noted.

67. **WRITE OFF OF UNRECOVERABLE DEBT**

The Committee considered an exempt report regarding the write off of a Business Rates debt owed by a company referred to in the submitted report.

Members were also asked to note the other Business Rates debts and general debts that had been written off using delegated powers.

It was resolved:

1) That the write off of £33,143.31 owed by the company referred to in the submitted report, be approved; and

2) That the other Business Rates debts and general debts that had been written off using delegated powers, be noted.

68. **ASSET MANAGEMENT MATTER IN THE PARISH OF BURROUGH GREEN**

The Committee considered an exempt report from which Members were asked to consider the proposed course of action as set out in the submitted report.

The Open Spaces & Facilities Manager summarised the key points of the report and advised Members of the proposed course of action.

It was resolved:

That subject to the agreed amendment to the recommendation, to approve the proposed course of action, as set out in the submitted report.

69. **EXEMPT MINUTES**

The Committee received the Exempt Minutes of the meeting of the Finance & Assets Committee held on 23rd July 2020.

It was resolved:

That the Exempt Minutes of the meeting of the Finance & Assets Committee held on 23rd July 2020 be confirmed as a correct record and signed by the Chairman.

The meeting closed at 10.28pm.

Chairman:……………………………………….

26 November 2020

Agenda Item 6

East Cambridgeshire District Council Audit results report

Year ended 31 March 2020

16 November 2020

Building a better working world

16 November 2020

Dear Finance and Asset Committee Members,

We are pleased to attach our audit results report for the forthcoming meeting of the Finance and Assets Committee (the Committee). This report summarises our preliminary audit conclusion in relation to the audit of East Cambridgeshire District Council (the Authority) for 2019/20.

At the date of this report our audit of the Authority's accounts for the year ended 31 March 2020 is substantially complete. However, subject to concluding the outstanding matters listed in our report, we anticipate issuing an unqualified audit opinion on the financial statements in the form at Section 3 of this report. As set out on page 5, as per our update to the Committee in June 2020, the Covid-19 pandemic has impacted the statements and our audit opinion. We have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

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

We would like to thank your staff for their help during the engagement given the additional pressures they have faced responding to the pandemic and working remotely.

We welcome the opportunity to discuss the contents of this report with you at the meeting on 26 November 2020.

Yours faithfully

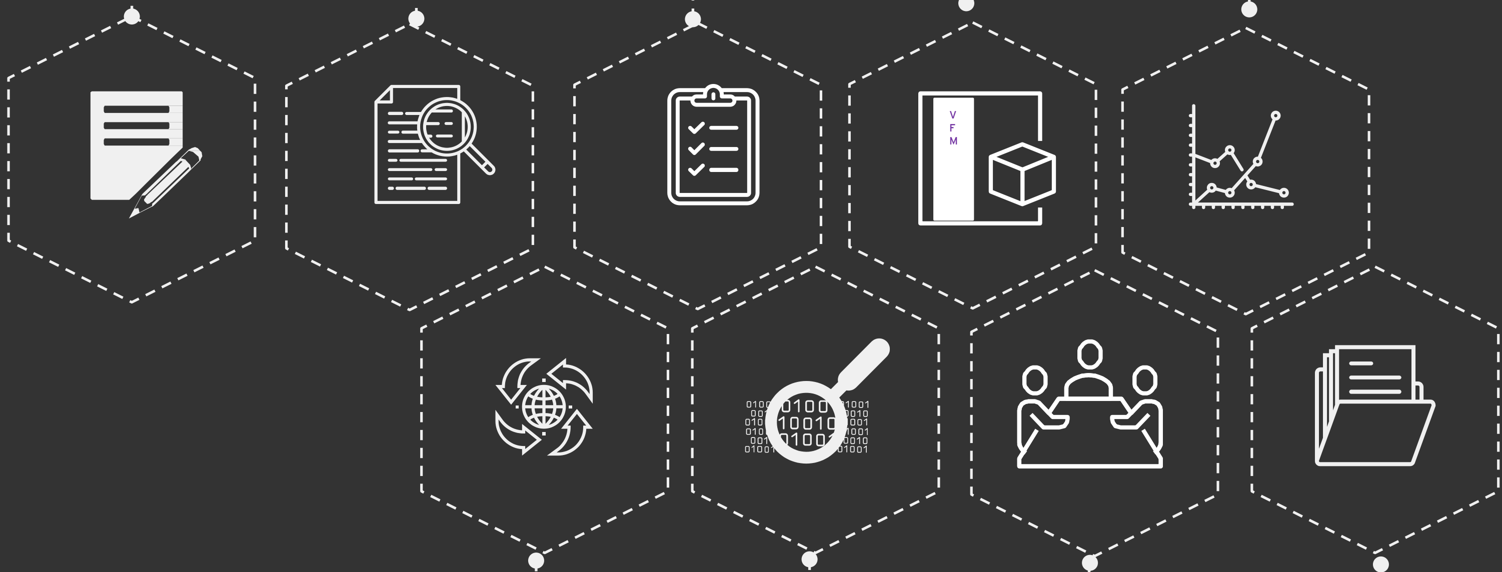
Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a ‘Statement of responsibilities of auditors and audited bodies’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

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

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

01 Executive Summary

Executive Summary

Scope update

In our audit planning report tabled at the June 2020 Finance and Assets Committee meeting, 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 to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of Covid-19

- **Valuation of Property Plant and Equipment -** The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty were included in the year-end valuation report produced by the Authority's external valuer. We considered that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment. This is particularly relevant for assets valued at fair value, existing use value (EUV) or value of land on which specialised assets sit because of the scarcity of reliable market information available at 31 March 2020 upon which to give those valuations.
- **Disclosures on Going Concern** – The pandemic has had a significant impact on the Authority's finances and as a result there was a need for the Authority to revisit and update financial plans for 2020/21 and the medium term financial plan. We determined that the unpredictability of the current environment gave rise to a risk that the Authority would not appropriately disclose the key factors relating to going concern. We have therefore performed procedures to ensure the going concern assumption is underpinned by management's assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance.
- **Events after the balance sheet date** – We identified an increased risk that further events after the balance sheet date concerning the Covid-19 pandemic would need to be disclosed. The amount of detail required in the disclosure needs to reflect the specific circumstances of the Authority.
- **Adoption of IFRS16** – The adoption of IFRS 16 has been deferred until 1 April 2021. We therefore no longer considered this to be an area of audit focus for 2019/20.

Executive Summary

Scope update

Changes in materiality - We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of 2% of gross expenditure on provision of services, we have updated our overall materiality assessment to £0.790m (Audit Planning Report – £0.828m). This results in updated performance materiality, at 50% of overall materiality, of £0.395m, and an updated threshold for reporting misstatements of £0.039m.

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 Authority'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
- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19.
The continued impact of the Covid-19 pandemic increases the risks to the material accuracy of financial statements and disclosures. To ensure we are providing the right assurances to the Authority and its stakeholders the firm has introduced a rigorous consultation process for all auditor reports to ensure that they include the appropriate narrative.

The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We will determine the impact on our audit fee and discuss with the Finance Manager at the conclusion of the audit.

Executive Summary

Status of the audit

We have substantially completed our audit of East Cambridgeshire District Council financial statements for the year 31 March 2020 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Completion of procedures on group accounts
- Completion of procedures on reserves testing
- Completion of procedures on income testing
- Completion of procedures on Collection Fund
- JP Morgan and Goldman Sachs investment confirmations; and
- Whole of Government accounts procedures

- Completion of EY internal consultation process
- Clearance of queries arising from review by Associate Partner and Manager
- Review of the final version of the financial statements
- Completion of our final review processes
- Completion of subsequent events review
- Receipt of the signed management representation letter.

Our audit opinion will emphasise the following:

- Valuation of other land and buildings valued using market data - We will include an "emphasis of matter" paragraph to draw users attention to the valuation uncertainty disclosure in Note 5 of the accounts. This is not a modification to the audit report.

In addition, we are currently considering that for Going concern, we will not include an emphasis of matter paragraph given the limited financial impact on the Authority of the Covid-19 pandemic. This is subject to internal EY consultation.

Executive Summary

Audit differences

Unadjusted differences

Pension Liability (IAS 19): There has been an increase of £0.169 million in the pension liability (as a result of the updated pension fund asset valuations) and a decrease of £0.083 million due to the impact of McCloud. As such, the overall pension liability is understated by £0.086 million. Given the changes are immaterial, management have chosen to not amend the original figures in the accounts.

Adjusted differences

At the time of writing there is one adjusted difference we wish to highlight. Our work on the valuation of other land and buildings identified that an incorrect uplift had been applied to the valuation of the Hive Leisure Centre. This resulted in an overvaluation of £0.160m which has been adjusted for by the Authority.

During the audit we have identified some minor disclosure audit amendments in the draft financial statements which management have chosen to adjust. We have judged that the majority of these do not warrant flagging to the Finance and Assets Committee in this report. There are two that we do believe merit the attention of the Committee:

1. Going Concern – Covid-19 has substantial implications for the Authority's finances. We therefore assessed the work performed by the Finance Manager to assess the impact of Covid-19 on the 2020/21 budget and future finances of the Authority. We then considered the adequacy of the associated new disclosure that the Finance Manager has now made in the statement of accounts at Note 32.

2. Estimation Uncertainty - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Council's external valuer. We consider that the material uncertainties disclosed by the valuer give rise to an increased risk relating to disclosures on the valuation of property, plant and equipment using existing use value or fair value and thus have requested that further disclosure is included within Note 5 & Note 12.

Until our work is complete, further amendments may arise. We will update the Finance and Assets Committee should any further adjustments arise from our remaining work.

Executive Summary

Areas of audit focus

Our audit plan identified significant risks and areas of focus for our audit of the Authority's financial statements. We summarise below our latest findings:

Significant risk	Findings & conclusions
Misstatements due to fraud or error - management override of controls	We have completed our testing and found no indications that management have overridden controls and have no matters to report.
Misstatements due to fraud or error - the incorrect capitalisation of revenue expenditure	We have completed our testing and found no indications that revenue expenditure has been inappropriately charged to capital.

Other area of audit focus	Findings & conclusions
Property, plant and equipment (PPE) valuations	We have completed our work in response to this risk. We identified the need for the Council to decrease the value of PPE by £0.160m.
Pension Valuation and Disclosures	We have completed our work and identified a net impact of £0.086 million on the pension liability as a result of the updated Cambridgeshire Pension Fund asset valuations and the impact of McCloud.
Group Accounting	Our work in this area is in progress, and we are to conclude work through our review of the work of the component auditor.
Implementation of new auditing and accounting standards - Going Concern	The draft accounts did not include a detailed disclosure note relating to going concern. However, the Finance Manager has carried out an assessment of the impact of the Covid-19 pandemic on the Authority's income, expenditure, balances and reserves. We reviewed the assessment, focusing on the reasonableness of the financial impact assessment, cashflow and liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions.. We also discussed with management the need to make specific disclosures in the 2019/20 statements. Subsequently, the Authority has included a going concern disclosure in the statement of accounts. We are satisfied that the disclosure appropriately reflects the impact of the Covid-19 pandemic on the Authority's finances. We are currently not planning to include an emphasis of matter paragraph in our audit report given the limited financial impact reported. This is subject to final EY internal consultation.

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

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

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

Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. However, from the results of substantive procedures performed we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statement.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we did not identify a significant risk in respect of value for money. We have no matters to include in the auditor's report about your arrangements to secure economy, efficiency and effectiveness in your use of resources, and have considered the Council's response to our recommendations raised in the Audit Planning Report.

Other reporting issues

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

Our work on Related Party Transactions identified that 16 out of 49 Members and Senior Officers had not returned Declaration of Interest forms as at 31 March 2020 as part of the annual process to identify related party transactions. We have performed the following procedures to identify undisclosed or unidentified interests, which has not identified any issues with the Statement of Accounts:

- Searches on Companies House for interests held by new members and officers
- Read minutes of Council and Committees
- Checks of bank confirmations obtained

We have also confirmed with officers the extent of mitigating procedures they have performed to assure themselves of the completeness of the disclosure, which has also included searches on Companies House. Our recommendation is that all Members and Senior Officers return Declaration of Interest forms on an annual basis, and appropriate procedures are put in place to ensure this is the case.

Subject to the finalisation of the areas in the Status of Audit work section, we have no other matters to report.

Independence

We have no matters relating to our Independence to bring to your attention. Please refer to Section 9 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error – management override of controls

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.

We have not identified a heightened risk of management override overall, but we have identified a specific area where management override might occur: incorrect capitalisation of revenue spending. Our specific response to this risk is set out in the next slide.

What judgements are we focused on?

We have considered the risk of management override and the areas of the financial statements that may be most susceptible to this risk.

What did we do?

- Identified fraud risks during the planning stages.
- Asked management about risks of fraud and the controls put in place to address those risks.
- Understood 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.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements
- Reviewing critical judgements made by management in applying accounting policies.

What are our conclusions?

- We have not identified any material weaknesses in controls or evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied.
- We have not identified any other transactions during our audit which appear unusual or outside the Authority's normal course of business.

Significant risk

Misstatements due to fraud or error – the incorrect capitalisation of revenue expenditure

What is the risk?

The Authority is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We consider the risk applies to capitalisation of revenue expenditure. Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charge to the comprehensive income and expenditure account.

What judgements are we focused on?

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

We have focused on the Authority's judgement that an item is capital expenditure in nature.

What did we do?

Our approach focused on:

- Sample testing additions to property, plant and equipment to ensure that they had been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised; and
- Using our data analytics tool to identify and test journal entries that moved expenditure into capital codes.

What are our conclusions?

- Our sample testing of additions to property, plant and equipment found that they had been correctly classified as capital and included at the correct value.
- Our sample testing of additions to property, plant and equipment did not identify any revenue items that were incorrectly classified.
- Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

Significant Risk

Areas of Audit Focus

Other Areas of Audit Focus – Valuation of Other Land and Buildings

Property, Plant and Equipment (PPE) 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 judgmental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet for land and buildings in particular.

The Authority engages an internal expert valuer who applies a number of complex assumptions. Annually, PPE assets are assessed to identify whether there is any indication of impairment (i.e. a reduction in their carrying value). ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- Considering the work performed by the Authority's external valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Reviewing and sample testing the key asset information provided by the Authority to the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre, leasing agreements for the estimated rental income);
- Reviewing and sample testing the key assumptions used by the valuers in performing their valuation, by cross referencing to available market data for similar properties within the region (e.g. value of developed and undeveloped land)
- Considering the annual cycle of valuations to ensure that assets have been valued within a five year rolling programme as required by the Code. We have also considered whether any specific changes to assets (which would impact its value) have been communicated to the valuer;
- Performing a reasonableness review on the valuation of assets not included in the 2019/20 valuation cycle. This is performed to confirm that the remaining asset base is not materially misstated;
- Considering changes to useful economic lives as a result of the most recent valuation;
- Considering whether asset categories held at cost have been assessed for impairment and are materially correct; and
- Testing that the accounting entries have been correctly processed in the financial statements, including the treatment of impairments.

Findings and conclusions:

- We did not identify any issues with the Authority's valuer, their scoping of work, professional capabilities or results of their valuation procedures;
- Our sample testing of key asset information used in the valuations did not identify any material differences;
- Our testing of assets not subject to valuation in 2019/20 identified one difference above the reporting threshold relating to an incorrect uplift applied to the valuation of the Hive Leisure Centre, resulting in an overstatement of £0.160m;
- Our review of the valuer's report identified the inclusion of caveats around material uncertainty, which has required enhanced disclosure in the Statement of Accounts;
- Our testing confirmed that assets had been valued within the appropriate timeframe and those valued in the year had been performed correctly; and
- No issues were identified with the useful economic lives of assets or the accounting entries disclosed in the financial statements and supporting notes.

Areas of Audit Focus

Other Areas of Audit Focus – Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2020 this totalled £21.6 million (£27.1 million at 31 March 2019).

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

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- Liaising with the auditors of Cambridgeshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to East Cambridgeshire District Council;
- Assessing 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 NAO for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Reviewing and testing the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

An additional consideration in 2019/20 will be the impact of Covid-19 on the valuation of complex (Level 3) investments held by Cambridgeshire Pension Fund (for example private equity investments) where valuations as at 31 March 2020 will have to be estimated. This is likely to impact on the IAS19 reports provided by the actuary and the assurances over asset values that are provided by the pension fund auditor, and consequently the assurance we are able to obtain over the net pension liability.

Findings and conclusions

We have received assurances from the Cambridge Pension Fund auditor, which states that there is a £0.169m increase in net pensions liability from the original IAS19 report provided, as a result of the valuation of investment assets. In addition, there is a £0.083m decrease due to the impact of McCloud. As the amounts are immaterial, Management will not be updating the figures in the statement of accounts, and as such this will be an unadjusted audit difference.

Other Areas of Audit Focus – Group accounting

The Authority consolidates East Cambridgeshire Trading Company and East Cambs Street Scene into its group accounts. The Local Authority Accounting Code of Practice requires the Authority to prepare group financial statements to consolidate the Authority's interests, unless these interests are considered not material. Group accounting is a complex accounting method, and therefore there is an increased risk of material misstatement due to error.

Our approach has focused on:

- Testing the consolidation of entries relating to the subsidiary into the Council's Group Statement of Accounts
- Checking that group disclosures are complete and accurate.
- As we identified ECTC as a significant component we also carried out procedures to gain assurance over the work of the auditor of ECTC.

Findings and conclusions

At the time of writing, our work on group accounting is in progress. Overall the Authority's group financial statements have been prepared on an appropriate basis. However work completed needs to be reviewed.

Areas of Audit Focus

Going concern disclosure

There is presumption that the Authority will continue as a going concern. However, the current and future uncertainty over government funding and other sources of Authority revenue as a result of Covid-19 increases the need for the Authority to undertake a detailed going concern assessment to support its assertion. In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we requested that management provide a documented consideration to support their assertion regarding the going concern basis. We also reviewed the Authority's subsequent new disclosure note.

Our approach has focused on:

- Assessing the adequacy of disclosures required in 2019/20;
- Discussing with management the going concern assessment and challenging management's underlying assumptions;
- Considering the impact on our audit report, including completing the EY consultation requirements.

Findings and conclusions

The draft accounts did not include a going concern disclosure but the Finance Manager has carried out an assessment of the impact of the Covid-19 pandemic on the Authority's income, expenditure, balances and reserves. We reviewed the assessment, focusing on the reasonableness of the financial impact assessment, cashflow and liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions, particular around reductions in fees and charges. We also discussed with management the need to make specific disclosures in the 2019/20 statements.

The Authority is forecasting that in 2020/21 it will utilise £1.391 million of Unallocated Surplus Savings Reserves. This is at a similar level to pre-Covid budget forecasts, due to the additional income the Authority will receive as support in the year, including through the Income Compensation Scheme. The £1.391 million compares to an Unallocated Surplus Savings balance as at 31st March 2020 of £7.017 million, a General Fund of £1.046 million and further Earmarked reserves of £4.781 million. We therefore note that the Authority has headroom within the General Fund to absorb the estimated financial impact of the Covid-19 pandemic in the short to medium-term.

We have now reviewed the new going concern disclosure included in the statement of accounts, and are satisfied that it adequately reflects the Authority's assessment and informs the reader of the impact of the pandemic on the Authority's finances.

Given the limited financial impact reported we are currently not planning to include an emphasis of matter paragraph in the audit report. This is subject to EY internal consultation.

03 Audit Report

Draft audit report

This is an example report – our audit report will not be completed and issued until the work and internal consultation on opinion is complete.

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST CAMBRIDGESHIRE DISTRICT COUNCIL

Opinion

We have audited the financial statements of East Cambridgeshire District Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement and the related notes 1 to [x].
- Collection Fund and the related notes 1 to [x]

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 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of East Cambridgeshire District Council as at 31 March 2020 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 2019/20.

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.

Emphasis of matter – Property, Plant and Equipment and Investment Property valuation

We draw attention to Note 5 – Assumptions made about the future and other major sources of estimation uncertainty and Note 12 Property, plant and equipment as a result of the coronavirus pandemic, which describe the valuation uncertainty the Council is facing as a result of COVID-19 in relation to the valuation of its land and buildings. Our opinion is not modified in respect of this matter.

Draft audit report

This is an example report – our audit report will not be completed and issued until the work and internal consultation on opinion is complete.

Our opinion on the financial statements

Conclusions relating to going concern

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

- the Finance Manager and Section 151 Officer 's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Finance Manager and Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2019/20, other than the financial statements and our auditor's report thereon. The Finance Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

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

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, East Cambridgeshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

Draft audit report

This is an example report – our audit report will not be completed and issued until the work and internal consultation on opinion is complete.

Our opinion on the financial statements

Responsibility of the Finance Manager and Section 151 Officer

As explained more fully in the Statement of the Responsibilities set out on page 1, the Finance Manager and Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Finance Manager and Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether East Cambridgeshire District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East Cambridgeshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

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

Draft audit report

This is an example report – our audit report will not be completed and issued until the work and internal consultation on opinion is complete.

Our opinion on the financial statements

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

Certificate

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

Use of our report

This report is made solely to the members of East Cambridgeshire 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.

Suresh Patel (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Cambridge Date

04 Audit Differences

Audit Differences

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

Summary of adjusted differences

1. Reduction in the value of the Hive Leisure Centre by £0.160m due to an incorrect uplift percentage being applied for 2019/20.

Summary of un-adjusted differences

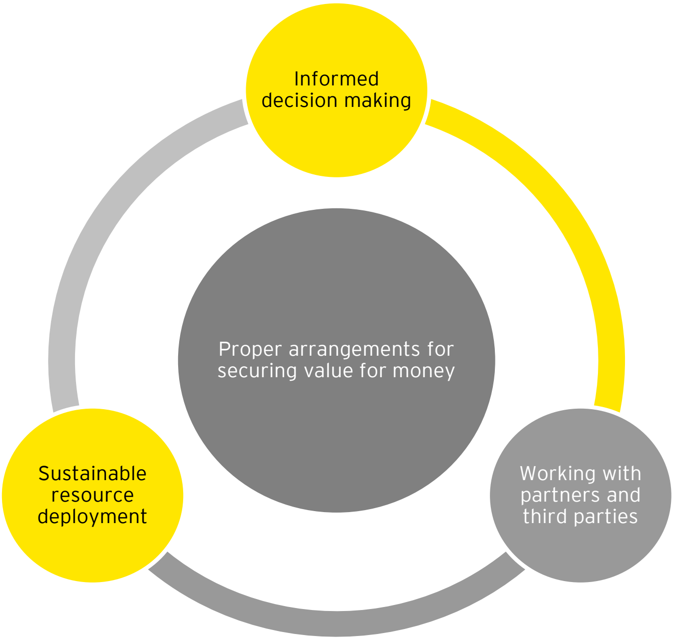
We highlight the following misstatement which has not been corrected by management. The Finance and Assets Committee should consider management's rationale as to why they have not corrected the misstatement. This should be included in the management Letter of Representation.

We have received assurances from the Cambridgeshire Pension Fund auditor around the IAS19 report, which states there is a £0.169m difference in respect of the investment assets, meaning the net liability is understated by this amount. Further to this, there is a £0.083m overstatement due to the impact of McCloud.

The Authority have decided not to update the financial statements for this difference, an explanation for which will be provided in the letter of representation.

05 Value for Money

Value for Money



Background

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

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

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

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

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

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

Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

Overall conclusion

We did not identify a significant risk around these arrangements.
We have no matters to include in the auditor's report about your arrangements to secure economy, efficiency and effectiveness in your use of resources
In our 2018/19 Audit Results Report, we presented recommendations in respect of the Authority's Value for Money arrangements. These are revisited on page 27.

Value for Money

Prior year recommendation to follow up	What are our findings?
	Our prior year recommendations were raised in our 2018/19 Audit Results Report shared at Finance and Assets Committee on the 6th February 2020. As a result, management have had limited opportunity to implement the recommendations during the 2019/20 year, but have addressed these during the period of audit.
Sustainable resource deployment: Achievement of savings needed over the medium term • The Authority should consider increasing the frequency that it considers and updates its MTFS and the underlying assumptions.	• On 24th September 2020, the revisited MTFS was shared with the Finance and Assets Committee. This was a direct response to the recommendations in our audit report, and reflects the significant changes as a result of the outbreak of Covid-19.
Matters highlighted by the correspondence • The Authority should consider obtaining legal advice on the changes it has made to the composition of the ECTC Board to ensure that the new arrangements enable the Board to mitigate any conflicts of interest that the two Authority officers may face when making decisions as Board Directors.	• The Authority obtained legal advice about the role of the Directors at ECTC and potential conflicts of interest arising. This did not raise concerns about conflicts of interest arising, and has addressed our recommendation in seeking legal advice for the matter.
• The Authority should document its consideration of the risk associated with ECTC defaulting on repaying its loan. The risk should be regularly revisited and updated as appropriate.	• The Finance Manager has considered the ability of the Company to repay the loan as at 1 April 2020, and did not raise any concerns. However, this was caveated that a further judgement would be required in light of Covid-19. A further consideration was made on 6 August 2020, following the Authority's decision on the 16 July 2020 to provide new funding to replace previous loan facilities. In light of the ongoing pandemic, we would expect this to be revisited regularly.
• The Authority should ensure that the challenge made by the Finance Manager as to the financial performance (current and future) of ECTC is documented and shared with the Finance and Assets Committee in its role as Shareholder Committee.	• At Full Council on 16 July 2020 a further loan facility was approved. At Council, the Finance Manager has made clear that the revised Business Plan has been reviewed & considered in line with discussions with the trading company, and the Finance Manager was content with the overall financial position of the trading company
• The Authority should ensure that the ECTC loan repayment schedule is made available to the Finance and Assets Committee (in its role as Shareholder Committee) as part of the assurances that they should obtain to support ECTC's ability to repay its loan to the Authority.	• Details of the repayment timings, including the replacement of previous loan facilities as a direct response to Covid, have been shared as part of the trading company's business plan, on the 24 September with the Finance & Assets Committee.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements Management has agreed to update the statement to include Covid-19 related considerations as required by CIPFA. We have no other matters to report.

Whole of Government Accounts

The Authority is below the threshold for requiring audit procedures on its WGA submission however as the WGA timetable has been moved to later in the year we have yet to review the Authority's consolidation pack for consistency with the audited statements.

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 also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We have had no reason to exercise these duties.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

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

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

We have, however, identified a finding in respect of the related party disclosure process and the receipt of Declarations of Interest to support the accounts production and the monitoring of related parties. Our recommendation is that all Members and Senior Officers return Declaration of Interest forms on an annual basis, and appropriate procedures are put in place to ensure this is the case.

We considered whether circumstances arising from Covid-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

08 Data Analytics

Data analytics – Journal Entry Analysis and Payroll Analysis

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis
We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis
We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

Journal Entry Testing

What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

Journal entry data criteria – 31 March 2020

What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated. We have also gained insights from review of our key journal screens, including the above.

From a high level review of the journal entry data, whilst 14.2% of the volume of journals posted are manual, this accounts for 88.7% of the value of journals. Whilst this is not uncommon given the value of journals posted manually, in particular as part of the closedown process, this does emphasise the attention and audit work required on these journals to ensure appropriate audit work has been performed.

09 Independence

Independence

Confirmation

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning report dated March 2020.
We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Finance and Assets Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Finance and Assets Committee on 26 November 2020.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements in relation to our work.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.
There are no relationships from 1 April 2019 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 table overleaf includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

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.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2020.

We have included the fees paid by the Authority in engaging us as a reporting accountant on DWP's the housing benefits assurance programme. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

In our Audit Plan and subsequent reporting to the Finance and Assets Committee, we have communicated our proposal to increase the scale fee for 2019/20. Our proposed increased scale fee is £50,764. This proposal is currently being considered by PSAA as part of their national consideration of EY's fee proposals. The table below does **not** reflect those proposals.

All fees exclude VAT	Final fee 2019/20	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£	£
Code work – scale fee	31,955	31,955	31,955	31,955
Additional code work:				
• Going concern disclosure (Note 1)	2,000-3,000	-	-	-
• Asset valuations impacted by Covid-19 (Note 2)	3,000-4,000	-	-	-
• EY consultations on auditor report (Note 3)	1,000-2,000	-	-	-
• Group consolidation	5,900	4,000-6,000	-	6,425
• 50% performance materiality	6,250	4,000-7,000	-	6,666
• Correspondence from the public	-	-	-	2,005
Total audit	**50,105-53,105**	**39,955-44,955**	**31,955**	**47,050**
Other non-audit services not covered above (HB)	TBC	14,960	N/A	17,155
Total other non-audit services	TBC	14,960	N/A	17,155
Total fees	TBC	54,915-59,915	31,955	**64,205**

Notes: These items are outside of the PSAA scale fee and will be subject to agreement with the Finance Manager and then PSAA.

1. *We have carried out additional work to review, assess and challenge the Authority's going concern assessment and associated disclosure.*
2. *We have carried out additional work in response to the material uncertainty reported by the Authority's valuer on other land and buildings valuations. This has led to an emphasis of matter paragraph in the audit report.*
3. *To ensure that we are giving the right assurance to the Authority, EY have instigated a consultation process involving the Firm's Professional Practice Directorate.*

Independence

New UK Independence Standards

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

Summary of key changes

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

Next Steps

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

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019: https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf

10 Appendices

Appendix A

Required communications with the Finance and Assets Committee

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

Required communications	What is reported?	Our Reporting to you When and where
Terms of engagement	Confirmation by the Finance and Assets committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan – March 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan – March 2020
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 – November 2020

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about East Cambridgeshire District Council's ability to continue for the 12 months from the date of our report
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit Results Report – November 2020
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 – November 2020
Fraud	▸ Enquiries of the Finance and Assets committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Finance and Assets Committee responsibility.	Audit Results Report – November 2020

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority	Audit Results Report – November 2020
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Plan – March 2020 and Audit Results Report – November 2020

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
	▸ 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 ▸ Details of any contingent fee arrangements for non-audit services ▸ 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	
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	**We are awaiting external confirmation in relation to two investments.**
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit Results Report – November 2020

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Group Audits	▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Audit Plan – March 2020 and Audit Results Report – November 2020
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 – November2020
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 – November 2020
Auditors report	▶ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – November 2020
Fee Reporting	▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work	Audit Plan – March 2020 and Audit Results Report – November 2020

Appendix B

Management representation letter

Management Rep Letter

Building a better working world

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

INVESTOR IN PEOPLE

Ian Smith
Finance Manager
East Cambridgeshire District Council
The Grange
Nutholt Lane
Ely
CB7 4EE

X November 2020

Ref:
Your ref:

Direct line: 020 7951 2340

Email: spatel22@uk.ey.com

Dear Ian,

East Cambridgeshire District Council – 2019/20 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 East Cambridgeshire District Council ("the Authority") for the year ended 31 March 2020.

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 Authority as of 31 March 2020 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 2019/20.

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, 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 2019/20.

2. That you acknowledge as members of management of the Authority, your responsibility for the fair presentation of the Authority's financial statements. We believe the Authority 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 Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. We have approved the Authority financial statements.

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

4. As members of management of the Authority, we believe that the Authority 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 2019/20, 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, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

Management representation letter (continued)

Management Rep Letter

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

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

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

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

4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Authority (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 Authority'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 Authority's activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:

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

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

3. That you have made available to us all minutes of the meetings of the Authority 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: 26 November 2020.

4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

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

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

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 financial statements.

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

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

E. Subsequent Events

1. That other than the disclosure described in Note 7(insert Note) to the Authority'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. Accounting Estimates

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

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

Management representation letter (continued)

Management Rep Letter

- 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.

G. Expenditure Funding Analysis

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

H. Going Concern

1. That the Authority has prepared the financial statements on a going concern basis and that Note 32 (insert note) to the financial statements discloses all of the matters of which you are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, your future financial plans, the veracity of the associated future funding allocations and the sufficiency of cash flows to support those financial plans.

I. Ownership of Assets

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

J. Reserves

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

K. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the values of the Authority's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Authority'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 2019/20.
3. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the Authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority financial statements due to subsequent events.
6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. You confirm that for assets carried at historic cost, that no impairment is required.

L. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Authority 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 2019/20.
4. You confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the consolidated and Authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and Authority financial statements due to subsequent events.

Management representation letter (continued)

Management Rep Letter

M. Use of the Work of a Specialist – Pension Liabilities

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

N. Valuation of Pension Liabilities

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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

3. You confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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

O. 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 2019/20".

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

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

Yours sincerely

Suresh Patel
Associate Partner
Ernst & Young LLP
United Kingdom

EY | Assurance | Tax | Transactions | Consultancy

2019/20 STATEMENT OF ACCOUNTS

Committee: Finance and Assets Committee

Date: 26th November 2020

Author: Finance Manager

[V]

1.0 ISSUE

1.1 To approve the 2019/20 Statement of Accounts.

2.0 RECOMMENDATION

2.1 That the 2019/20 Statement of Accounts as set out in Appendix 1 be approved subject to the Section 151 Officer, in conjunction with Ernst & Young (EY) and Chairman of Committee, being authorised to make any final changes, as required, this prior to final sign-off by EY on or around the 30th November 2020.

3.0 BACKGROUND/OPTIONS

3.1 The Audit and Accounts Regulations 2015 (as amended) which apply to the preparation, approval and audit of the Statement of Accounts for the year ending 31st March 2020 require the following process to be followed. Deadlines were extended this year, as a consequence of the coronavirus to allow both authorities and their auditor additional time to complete the necessary work:

- The draft Accounts must be certified by the Council's Responsible Financial Officer (Section 151 Officer) by 31st July following the end of the financial year. It is confirmed that the accounts were signed off by this statutory deadline, being signed and loaded onto the Council's website on the 17th July 2020.

- The draft accounts and any associated financial documentation are made available for public inspection for a period of 30 working days. The accounts were available for public inspection from the 20th July to the 30th August 2020, but during this period neither the Council nor EY received any communications from the public.

- By the 30th November:
  - The Accounts must be re-certified by the Responsible Financial Officer before Member approval is given
  - The Accounts must be approved by Members
  - The Accounts must be published together with any certificate, opinion or report issued by the appointed auditor.

3.2 Under the Council's Constitution, it is the Finance and Assets Committee's function to approve the Statement of Accounts 2019/20.

4.0 FORMAT OF THE ANNUAL FINANCIAL REPORT 2019/20

4.1 The format of the Statement of Accounts is prescribed by a range of regulations and reporting requirements together with a code of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

4.2 Since 2010/11, as part of the wider public sector move towards international accounting standards, all local authorities in the UK are required to produce their annual financial statements using International Financial Reporting Standards (IFRS).

5.0 CHANGES SINCE THE DRAFT ACCOUNTS

5.1 Members will note that Ernst & Young, our appointed auditors, identified a small number of issues during the course of their audit. These are detailed in the Audit Differences section of their Audit Results Report, as discussed previously on the agenda.

5.2 The version attached as appendix 1 to this report includes all the necessary adjustments as identified in the Audit Results Report.

5.3 However, as Members would have also noted from the Audit Results Report, EY had not finished their review of the Statement at the point of drafting both their and this report, appendix 1 does therefore remain subject to further Audit review and so there remains the possibility that further minor changes will be needed. As detailed in the recommendation, these will be discussed by EY, the Finance Manager and Chair of Committee and only brought back for further discussion if felt material.

6.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT ASSESSMENT

6.1 This report presents details of the Council's financial position for the year ended 31st March 2020 in the prescribed format.

6.2 Equality Impact Assessment (INRA) not required.

6.3 Carbon Impact Assessment (CIA) not required.

7.0 APPENDICES

7.1 Appendix 1 – Statement of Accounts 2019/20 (printed separately)

Background Documents	**Location**	**Contact Officer**
The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code). The Prudential Code for Capital Finance in Local Authorities published by CIPFA Final Accounts working papers.	Room 104 The Grange Ely	Ian Smith Finance Manager and Section 151 Officer Telephone: (01353) 616470 E-mail: ian.smith@eastcambs.gov.uk

APPENDIX 1

EAST CAMBRIDGESHIRE DISTRICT COUNCIL

DRAFT STATEMENT OF ACCOUNTS 2019/20

Contents

Narrative Report

By the Finance Manager

As the Council's Responsible Financial Officer, I am pleased to present the Council's 2019/20 Annual Financial Report which outlines the Council's financial performance for the year ended 31 March 2020.

The purpose of this foreword is to provide a guide to the most significant matters reported in the Council's accounts and is in three sections.

- Commentary and review of 2019/20.
- The Financial Statements
- Technical information

Commentary and Review of 2019/20

Review of the Year

2019/20 has been another challenging year for the Council with the reduction of grant funding from Central Government as austerity measures continue. However, our strong Medium Term Financial Strategy (MTFS) etc., has enabled balanced budgets to be set for 2020/21 and 2021/22.

The Council set a net budget for 2019/20 of £8.917 million (2018/19; £8.215 million), a net increase of £0.702 million (8.5%). After the application of the following government grants and collection fund funding:

- Revenue Support Grant of £0.012 million (2018/19; £0.354 million),
- Business Rates Retention scheme (NNDR) of £4.352 million (2018/19; £3.478 million),
- Collection Fund surpluses of £0.329 million (2018/19; £0.224 million)

This left the Council to raise £4.224 million (2018/19; £4.159 million) from Council Tax. This equated to a Council Tax of £142.14 (2018/19; £142.14) for a Band D equivalent property, freezing the Council Tax for the sixth year in a row.

Review and Commentary on the Council's services and performance during 2019/20

Within the Corporate Plan 2019-2023, there are 5 priority areas;

(1) Sound Financial Management
(2) Improving Transport
(3) Housing
(4) Cleaner, Greener East Cambridgeshire
(5) Social & Community Infrastructure

The following information details the outcomes against the promises over the past 12 months:

<u>Sound Financial Management</u>

Keep Council Tax and fees low; keep delivering great services

Council Tax was frozen for 2019/20 and continues to deliver great services.

Be more commercial, but within reason: 'commercial for community'

This is an ongoing commitment and is at the heart of commercial decisions that are taken.

Continue service reviews to minimise bureaucracy, increase efficiency and provide excellent 'can do' and 'open for business'

The Council continues to keep services under review to ensure that it is providing the best possible service to meet the needs of the community.

Maximise the benefits of devolution for all our residents, businesses and visitors within East Cambridgeshire

The Council continues to work proactively with the Combined Authority to maximise the benefit arising from Combined Authority initiatives.

Improving Transport

Support better bus services: more frequent, more rural routes

During 2019/20 a full public consultation was undertaken. The results of this consultation will be used to provide an evidence based to submit a scheme to the Combined Authority during 2020/21.

Improve the East Cambs Strategic Cycle/Footpath Network

During 2019/20 a full public consultation was undertaken. The results of this consultation will be used to develop a strategy which will used to enable the Council to secure funding opportunities for the Cycleway and Footpath Network in the district.

Support the A14/A142 junction upgrade at Exning

The Council is working with West Suffolk Council, Suffolk County Council and Cambridgeshire County Council to establish how improvements can be made at this junction.

Support the A10 dualling project, including an off road cycle path from Ely to Cambridge, the upgrade of the BP and Lancaster Way roundabouts and other junction improvements

In 2019/20 the Council engaged with the Combined Authority and Cambridgeshire County Council to ensure that the A10 project meets the current and future need of the district.

Support Soham Railway Station

During 2019/20 the Council received the prior approval application for Soham Railway Station. The Council approved the application in June 2020.

Work with Suffolk County Council to improve rail connectivity and frequency in the south of the district

The Council continues to work with stakeholders to highlight the importance of improved rail connectivity and frequency in the south of the district.

Work to retain road access in the Ely North railway junction upgrade

The Council continues to highlight the importance of retaining road access for any scheme solution for Ely North railway junction upgrade as part of the Ely Area Capacity Enhancement Project.

Keep free car parking in our city and town centre car parks

The Council is committed to keeping free parking in our city and town centre car parks. This is an ongoing commitment which has been enshrined in the constitution.

Seek land to further extend car parking at Angel Drove/The Dock

The Council continues to explore opportunities to extend car parking at Angel Drove/The Dock.

Housing

Continue to support existing Community Land Trusts across the district

In 2019/20 construction commenced at the CLT development in Haddenham, refurbishment commenced at the MoD site in Ely and planning permission was issued for the development of 500 new homes, including 150 affordable housing units in Kennett.

Encourage communities to set up new Community Land Trusts

The Council has continued to support local communities to develop new CLTs and offer guidance in areas such as project planning, fundraising and housing management.

Complete the purchase and deliver new homes at the Princess of Wales (PoW) site in Ely - with the CLT homes being reserved for local working people

ECTC completed the purchase of the former MoD, Ely site and has commenced refurbishment of the homes with 8 of the homes being rented.

Begin delivery of Kennett Garden Village

Planning permission has been secured for the Kennett development of 500 homes including 150 affordable housing units. ECTC is now working on a delivery model, working with the CLT who will take up to 150 of the affordable housing units.

Work with the Combined Authority to deliver £100k homes

The Council has worked with the Combined Authority to secure the first £100k Homes scheme in Cambridgeshire and Peterborough. The scheme is being delivered by Scotsdale LLP and is programmed for occupation during 2020/21, will be delivered in Fordham.

Continue to secure well designed high quality places to live, including seeking developer contributions for open spaces, and walking and cycling infrastructure

During 2019/20 the Council consulted on two Supplementary Planning Documents; Natural Environment and Custom & Self Build. These will be presented for adoption by the Finance & Assets Committee during 2020/21.

Cleaner, Greener East Cambridgeshire

Develop and deliver an Environment and Climate Change Strategy, Action Plan and Communications Plan

During 2019/20 the Council developed the Environment and Climate Change Strategy, Action Plan and Communications Plan. This was adopted by the Operational Services Committee in

June 2020. The Council also launched its Environment & Climate Change Ideas Forum and has so far received in excess of 250 ideas from residents. The forum will remain open and can be found on the Councils website.

Aim for a consistent 65% recycling rate, with the help of our residents

The Council continues to work with residents to promote clean recycling, especially concentrating on low performing areas. Promoting the benefits of recycling via media campaign and education.

Continue to clamp down on fly-tipping, graffiti and litter and prosecute where there is evidence to do so

The Council continues the Michael Recycle Campaign, including education in schools across the district and targeting of areas with low rates of recycling. The Council has successfully prosecuted and fined those found to be fly-tipping.

Deliver a great street cleaning service

ECSS continues to deliver a great street cleaning service and continues to exceed the stretch targets set out in its agreement with the Council.

Continue our Purge on Plastics campaign - to reduce single use plastics and encourage others across the district to do the same

The Council continues to deliver the actions set out in the Purge in Plastics Campaign.

Support the Doubling Nature campaign

The Council continues to work with stakeholders for the Doubling Nature Campaign and has reflected this in the draft Supplementary Planning Guidance for the Natural Environment.

Expand Ely Country Park

In October 2019 the Council changed the CIL Governance arrangements to enable Community Infrastructure Levy contributions to be set aside for the Country Park, Ely.

Social & Community Infrastructure

Continue to run a great homelessness prevention service

In 2019/20 the Council improved its Housing Service and now provides a most holistic service with a focus on preventing homelessness. The Council has not placed anyone in Bed and Breakfast Accommodation in 2019/20.

Support the delivery of a new hospital at the Princess of Wales site in Ely, including a full Local Urgent Care Service and new GP provision

The Council continues to meet with the relevant stakeholders to highlight the importance of health provision and articulate the need for additional GP provision.

Implement a 33% business rates cut for local High Street retailers - funded by Central Government

This was implemented in 2019/20.

Develop Market Town Strategies in Littleport, Ely and Soham - funded by the Combined Authority, worked up locally

During 2019/20 the Vision for Littleport was approved, by the Finance & Assets Committee, for submission to the Combined Authority. The Ely and Soham Masterplans were worked up during 2019/20 and were approved by the Finance & Assets Committee in June 2020.

Support improvements to sporting and leisure facilities

The Council continues to work with our sport and leisure providers across the district to assist them with strengthening their business models to deliver service to the community.

General

I would also like to take this opportunity to express my thanks to the finance team and the many other officers across the Council involved in budget management, for the support and enthusiasm that they have brought to the many and challenging tasks they have faced, and the hard and dedicated work undertaken by the team to close the accounts in such demanding circumstances.

Revenue Spending and Sources of Income

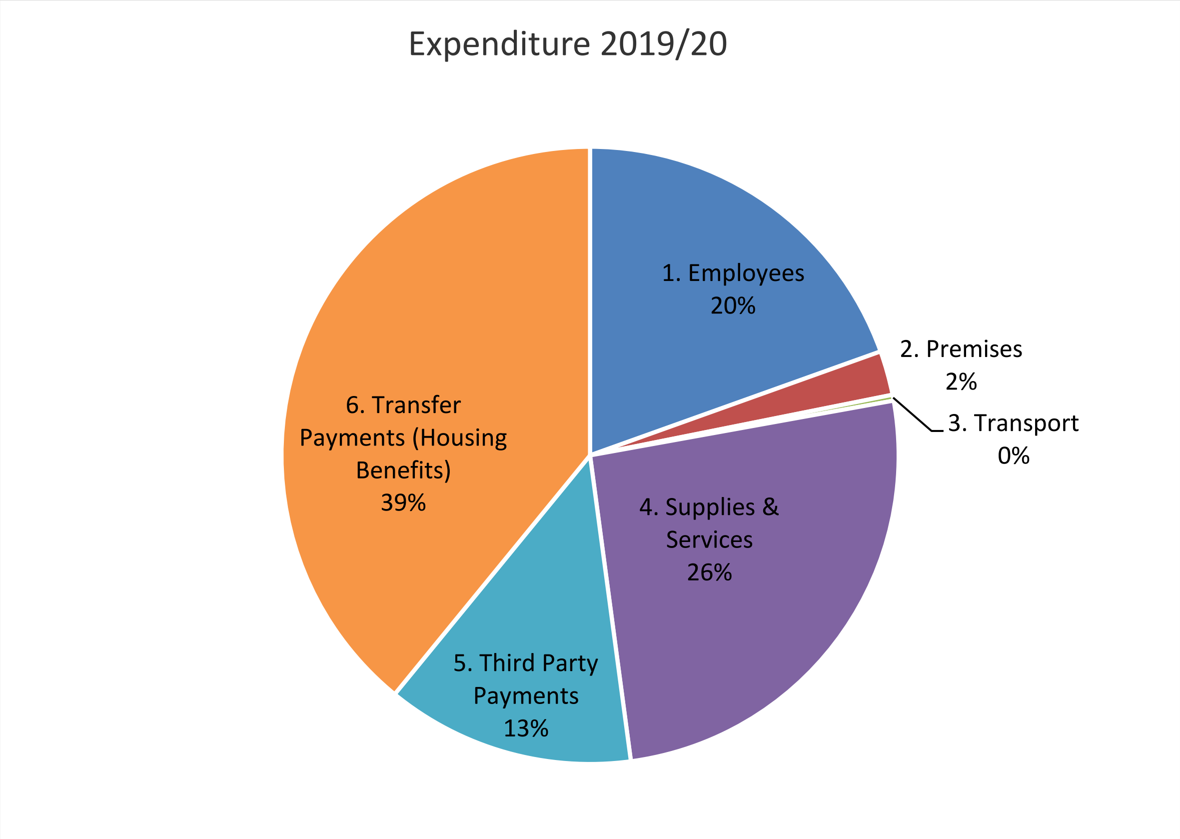
The Table below sets out the Council's budget for 2019/20 and how it performed against this and details out the main sources of income the Council receives to pay for its services.

	2019/20		
	Budget	Outturn	Variance
	£000	£000	£000
Service			
Finance & Assets	5,182	4,374	(808)
Operational Services	5,516	5,394	(122)
Service Net Revenue Expenditure	10,698	9,768	(930)
Land Drainage	492	492	0
Parish Precepts	2,255	2,255	0
Total Net Revenue Expenditure	**13,445**	**12,515**	**(930)**
Financing			
Council Tax	(6,562)	(6,562)	(0)
Non Domestic Rates	(4,599)	(5,299)	(700)
Revenue Support Grant	(12)	(12)	0
Other Government Grants	(734)	(794)	(60)
Budget - draw from Surplus Savings Reserve	(1,539)	(1,539)	0
Total Financing	**(13,446)**	**(14,206)**	**(760)**
Transfer to Surplus Savings Reserve			**(1,690)**
Net (Increase)/Decrease in Earmarked Reserves			**3,489**
Total Reported General Fund Movements			**1,798**
Adjustment between funding & accounting basis			**(969)**
Reported (Surplus) upon Services in Income & Expenditure Account			**829**

The net cost of individual committees in the above table are different to those in the formal Statement of Accounts due to the statutory charges that are applied to the formal Accounts and the treatment of movements to and from reserves. The above table however reflects the structure of the accounts as presented to Council throughout the year and in the Outturn report reported to Finance and Assets Committee on 23rd July 2020. Reasons for yearend variances can be found in this report, for both revenue and capital.

Analysis of Revenue Expenditure

The Council spent £38.767 million in 2019/20 and the chart below shows the type of expenditure this was spent on.



Balance Sheet Summary and Capital Outturn

Reserves

The table below shows the movement in the useable reserves during the year.

Usable Reserves 2019/20	Brought Forward £'000	Contributions To £'000	Contributions From £'000	Carried Forward £'000
General Fund	1,011	35	0	1,046
Surplus Savings & Earmarked	10,037	6,169	(4,408)	11,798
TOTAL GENERAL FUND	11,048	6,204	(4,408)	12,844
Capital Receipts Reserve	1,362	532	(509)	1,385
Capital Grants Unapplied	0	527	(527)	0
Total Usable Reserves	**12,410**	**7,263**	**(5,444)**	**14,229**

Capital Spending

The final capital budget for 2019/20 was £11.136 million and the table below shows the movement from the original capital programme approved in February 2019.

Capital Programme	£'000	£'000
Original Approved Capital Programme 2019/20	10,267	
Approved slippage from 2018/19	854	
Approved Additions	15	
Updated Capital Programme for 2019/20		11,136
Capital outturn		2,364
Underspend against revised budget		8,772

Spend in 2019/20 was as shown below:

2018/19 £'000	Capital Spending	2019/20 £'000
438.4	Refuse vehicles	0.0
698.9	Housing Grants	1,040.2
851.6	Leisure Centre	0.0
1,485.0	Loan to subsidiary company	1,300.0
23.2	Additional Car Parking	0.0
(17.8)	IT Projects	10.1
0.0	Wheelie Bins	13.4
3,479.3	Gross Expenditure	2,363.7
	Funded From	
113.9	Capital Receipts Reserve Applied	523.7
939.7	Grants	540.0
1,318.6	CIL Earmarked Reserve Contribution	1,832.0
1,062.2	Internal Borrowing Contributions	(532.0)
9.2	Other Revenue Contributions	0.0
35.7	Section 106	0.0
3,479.3		2,363.7

Treasury Management

East Cambridgeshire District Council was in cash surplus during the whole of the 2019/20 financial year. The Council invested this “surplus” cash in both fixed, short term investments and in Money Market funds during the year, this to maximise interest receipts, but while ensuring, as its main focus, the security and availability of the invested funds.

Looking to the Future

The Council's Medium Term Financial Strategy (MTFS) sets a robust financial framework for the Council's plans over the next four years which support the delivery of the Council's priorities within a context of an annual balanced budget. Specifically, the MTFS:

- Looks to the longer term to help plan sustainable services within an increasingly uncertain external economic and funding environment;
- Maximises the Council's financial resilience and manage risk and volatility, including managing adequate reserves;
- Helps ensure that the Council's financial resources are directed to support delivery of the Council's priorities over the medium term.

The current MTFS covers the period 2020/21 to 2023/24. The 2019/20 financial year was initially expected to be the final year of the current Government core grant scheme, however, initially because of Brexit and more recently the coronavirus pandemic this has now been deferred until at the earliest April 2022. However, the MTFS plans still go beyond this time frame and should therefore be treated with great caution until greater clarity is known about the Government's Spending Review, the Fair Funding Review for local government; the new 75% Business Rate Retention Scheme and the new burdens which are expected to accompany this.

The current MTFS, which was built before the second deferral, shows the budgets for 2020/21 and 2021/22 are fully funded – by use of the Surplus Savings Reserve - based on the assumptions detailed below. However, there are significant budget shortfalls projected in the subsequent years (£3,266,854 in 2022/23, rising to £4,391,777 in 2023/24). Clearly many things will change between now and then, not least the funding we receive from Central Government as detailed above, but it will be necessary to continue to identify and implement strategies around commercialisation and transformation to meet these shortfalls. While the Council does have time to put plans in place, the need for these are becoming increasingly important and urgent.

The Council also has access to a good level of reserves, although these are expected to reduce over the MTFS period as money is withdrawn from in particular the Surplus Savings Reserve.
The assumptions in the current MTFS (as approved in February 2020) include:

- Government funding through Revenue Support Grant and Rural Services Grant end in 2020/21;
- New Homes Bonus (NHB) remains part of the overall funding package from Government for the next three years, before being removed. However, while remaining in the funding package, the benefit of NHB reduces considerably over this period, before being stopped completely in 2023/24 (see paragraph 5.4);
- The Council's Business Rate growth continues;
- 2% inflation is added to the Waste contract on an annual basis, however additional budget is provided from 2021/22 when new recycling vehicles will be purchased. The vehicles purchased by the Council using the weekly collection grant from Government will reach the end of their useable life in 2020/21 so will need to be replaced, adding this additional cost. (This cost increase would have occurred regardless of whom is undertaking the contract at this point);
- The loan to ECTC is planned to be repaid in March 2021, the interest received by the Council on this loan will therefore stop at this point.
- The Council has a track record of delivering cost reductions; it is anticipated therefore that a contribution to the budget deficit forecast in future years will be achieved during the term through general efficiencies and income generating opportunities; however, to be prudent, no account of these are shown within the forecasts within this report.
- Further, while ECTC is anticipated to start making profits in the period of the MTFS, it remains unclear how much of this will need to be retained by the Company as working capital, so at this point, no account of this income being paid to the Council as a dividend is assumed in the budget.

Covid Impact Statement

The Covid-19 pandemic has had a major impact on the Council, both generally and specifically in this regard on its finances. The initial financial impact, increased costs and reduced fees and charges will be in 2020/21, but there is expected to be significant on-going implications on Council Tax and Business Rates for some time into the future, depending on the long term implications for businesses and the employment that they generate. The most significant impacts in 2020/21 have been loss of income from leisure facilities, car parking income, commercial rent deferrals and other fees and charges. The Council has also incurred additional expenditure to ensure that key services such as waste collection has been maintained and providing the necessary IT to allow staff to work predominantly from home.

The Council has received Government funding towards the additional costs and reduced income. The final financial impact will depend on the level of Government funding received and how quickly services are able to return to something near pre Covid-19 operating levels.

Over the past months, officers have reviewed and up-dated the Medium Term Financial Strategy, taking into account the 2019/20 final outturn, the financial impact of Covid-19 and other decisions made by the Council, with an up-date presented to Finance and Assets Committee for information on the 24th September 2020. Further work will continue until the budget will finally put to Full Council for approval in February 2021.

See also note 32 in the main accounts, the Council's going concern statement for further detail.

The Financial Statements

The Council's financial statements for 2019/20 have been prepared in accordance with the:

- Standard format for local authority accounts recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2019/20 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 based on International Financial Reporting Standards.

- Accounts and Audit Regulations 2015.

The primary financial statements are supported by explanatory notes, including details of the accounting policies adopted by the Council.

The Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement.

Movement in Reserves Statement

The CIES differs from the Council's management accounts, as it contains a number of transactions that are required for accounting purposes but disregarded for management reporting purposes as they are deemed not to be covered by Council Tax. A reconciliation is presented at Notes 1 & Note 8 to the accounts.

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

Balance Sheet

The Balance Sheet shows the value at the 31 March 2020 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 useable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are unusable reserves and include unrealised gains and losses *(*for example the Revaluation Reserve), where amounts would only become available to provide services if the asset to which they relate was sold; and reserves that hold timing differences shown in the Movement in Reserves Statement at the line entitled 'Adjustments between accounting basis and funding basis under regulations'.

31 Mar 19 £'000		31 Mar 20 £'000
41,435	Long Term Assets	42,028
7,634	Current Assets	14,191
(6,150)	Current Liabilities	(9,156)
(29,481)	Long Term Liabilities	(23,901)
13,438	Net Assets	23,162
12,410	Useable Reserves	14,229
1,028	Unusable Reserves	8,933
13,438	Total Reserves	23,162

The Council's Balance Sheet has moved from a position at 31st March 2019 of £13.438 million to £23.318 million at 31 March 2020. The principle reasons for this movement of £9.880 million is largely attributable to the actuarial gain on Pension Reserves and the increase in Treasury investments. The full Balance Sheet is on page 24 of the Accounts.

At this time, the statutory arrangements for funding the Pension deficit mean that the financial position of the Council continues to 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 and actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The Cash Flow Statement

The Cash Flow Statement shows the changes in "cash" (cash and cash equivalents) of the Council during the reporting period. The statement shows how the Council generates and uses "cash" 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.

Net Cash Flows from:	**31 March 2020 £'000**
Operating activities	5,215
Investing activities	128
Financing activities	(243)
Net Increase or Decrease in cash and cash equivalents	5,100
Cash and cash equivalents	
At the beginning of the reporting period	5,852
At the end of the reporting period	10,952

The Collection Fund Revenue Accounts

The Collection Fund Accounts are separate accounts into which are paid amounts raised from local taxation. There are two accounts detailing the amounts collected in respect of Council Tax and National Non-Domestic Rates (NNDR).

The NNDR amount collected is then distributed subject to a predetermined Government set formulae.

The Council Tax Account is distributed based on the requested value of the preceptors across the District, these preceptors are:

- Cambridgeshire County Council
- Cambridgeshire Fire Authority
- Cambridgeshire Police and Crime Commissioner
- East Cambridgeshire District Council
- Parish Councils

Technical Information

East Cambridgeshire's financial statements for 2019/20 have been prepared in accordance with the:

- Standard format for local authority accounts recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2019/20 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 based on International Financial Reporting Standards.

- Accounts and Audit Regulations 2015.

International Financial Reporting Standards
The Council has reported its financial position based on the requirements of International Financial Reporting Standards (IFRS) and this is encapsulated within the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Statement of Accounting Policies

The accounting polices applicable to the 2019/20 Statement of Accounts are, in the main, the same as those that were applied to the 2018/19.

True and Fair View Override
As required by the Accounts and Audit Regulations 2015, paragraph 8.2, it is noted that the Responsible Financial Officer has not had to use the "true and fair view override".

Changes to the Statement of Accounts

There are no material changes to the Statement of Accounts.

Material and Unusual Charges or Credits in the Accounts

There are no material and unusual charges or credits in the accounts.

Material Events after the Reporting Date

There have not been any material events after the reporting date.

Material Assets Acquired or Liabilities Incurred

There have not been any material assets acquired or liabilities incurred during the year.

Changes in Statutory Functions

There were no changes in statutory functions in 2019/20.

Ian Smith - CPFA
Finance Manager & Section 151 Officer

Independent auditor's report to the members of East Cambridgeshire District Council

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Finance Manager & Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the authority'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 Section 151 Officer has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Section 151 Officer has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at 31 March 2020 and its income and expenditure for the year ended 31 March 2020

Ian Smith - CPFA
Finance Manager & Section 151 Officer

COUNCIL Comprehensive Income and Expenditure Statement

2018/19					2019/20		
GROSS EXPENDITURE £000	GROSS INCOME £000	NET EXPENDITURE £000			GROSS EXPENDITURE £000	GROSS INCOME £000	NET EXPENDITURE £000
27,048	(20,758)	6,290	*Finance & Assets		24,643	(19,766)	4,877
11,122	(7,758)	3,364	*Operational Services		11,472	(8,500)	2,972
38,170	**(28,516)**	**9,654**	**Cost of Services**	8	**36,115**	**(28,266)**	**7,849**
2,113	0	2,113	Parish Council Precepts		2,255	0	2,255
480	0	480	Internal Drainage Board		492	0	492
(26)	0	(26)	Interest on soft Loans		0	(8)	(8)
0	0	0	Loss/(Gain) on disposal of non-current assets		0	0	0
2,567	**0**	**2,567**	**Other Operating Expenditure**		**2,747**	**(8)**	**2,739**
0	(364)	(364)	Interest Receivable & Investment Income		0	(333)	(333)
612	0	612	Net Interest on the net Pension Liability		660	0	660
612	**(364)**	**248**	**Financing & Investment Income & Expenditure**	21	**660**	**(333)**	**327**
0	(6,348)	(6,348)	Council Tax Income		0	(6,564)	(6,564)
0	(3,853)	(3,853)	Non Domestic Rates income & Expenditure		0	(4,434)	(4,434)
0	(1,229)	(1,229)	Non Ring Fenced Government Grants	8	0	(746)	(746)
	(11,430)	**(11,430)**	**TAXATION & NON SPECIFIC GRANT INCOME**		**0**	**(11,744)**	**(11,744)**
41,349	**(40,310)**	**1,039**	**(Surplus)/Deficit on Provision of services**	8	**39,522**	**(40,351)**	**(829)**
(1,441)	0	(1,441)	(Surplus) or deficit in the revaluation of non-current assets		0	(2,026)	(2,026)
3,494	0	3,494	Actuarial losses (Gains) on pension assets & liabilities	21	0	(6,872)	(6,872)
2,053	**0**	**2,053**	**Other comprehensive income & expenditure**		**0**	**(8,898)**	**(8,898)**
43,402	**(40,310)**	**3,092**	**TOTAL COMPREHENSIVE INCOME & EXPENDITURE**		**39,522**	**(49,249)**	**(9,727)**

*2018/19 figures restated to reflect committee restructure

COUNCIL Movement in Reserves Statement

MOVEMENT WITHIN THE YEAR

2018/19	Opening Balance	General Fund and Earmarked	Adjustments between Accounting Basis and funding basis - Capital	Adjustments between Accounting Basis and funding basis - Pension and other purposes	Other comprehensive Income and Expenditure - Capital	Other comprehensive Income and Expenditure - Pension	Closing Balance	Note Ref
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Surplus/(Deficit) on provision of services		(1,039)					(1,039)	CI&E
Adjustments between Accounting Basis and funding basis		284	427	(711)			0	11
General Fund	11,803	(755)					11,048	9
Capital Receipts Reserve	769		593				1,362	10 & 11
Capital Grants Unapplied	0						0	10 & 11
TOTAL USEABLE RESERVES	**12,572**	**(755)**	**593**	**0**	**0**	**0**	**12,410**	
Capital Adjustment Account	17,482		647				18,129	11
Revaluation Reserve	7,483		(79)		1,441		8,845	12
Deferred Capital Receipts Reserve	1,115		(733)				382	11
Financial Instrument Adjustment Reserve	(130)			26			(104)	
Pensions Reserve	(22,366)			(1,228)		(3,494)	(27,088)	21
Collection Fund Adjustment Reserve	455			490			945	
Accumulated Absences Reserve	(82)			1			(81)	
TOTAL UNUSEABLE RESERVES	**3,957**	**0**	**(165)**	**(711)**	**1,441**	**(3,494)**	**1,028**	
TOTAL RESERVES	**16,529**	**(755)**	**428**	**(711)**	**1,441**	**(3,494)**	**13,438**	Bal Sheet

Adjustments between Accounting Base and Funding Base			427	(711)			(284)	11	
Total Movement in Reserves		(755)	428	(711)	1,441	(3,494)	(3,092)	CI&E	

COUNCIL Movement in Reserves Statement

MOVEMENT WITHIN THE YEAR

2019/20	Opening Balance	General Fund and Earmarked	Adjustments between Accounting Basis and funding basis - Capital	Adjustments between Accounting Basis and funding basis - Pension and other purposes	Other comprehensive Income and Expenditure - Capital	Other comprehensive Income and Expenditure - Pension	Closing Balance	Note Ref
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	
Surplus/(Deficit) on provision of services		829					829	CI&E
Adjustments between Accounting Basis and funding basis		969	1,305	(2,274)			0	11
General Fund	11,048	1,798					12,844	9
Capital Receipts Reserve	1,362		23				1,385	10 & 11
Capital Grants Unapplied	0						0	10 & 11
TOTAL USEABLE RESERVES	**12,410**	**1,798**	**23**	**0**	**0**	**0**	**14,229**	
Capital Adjustment Account	18,129		1,386				19,515	11
Revaluation Reserve	8,845		(102)		2,026		10,769	12
Deferred Capital Receipts Reserve	382		(2)				380	11
Financial Instrument Adjustment Reserve	(104)			8			(96)	
Pensions Reserve	(27,088)			(1,418)		6,872	(21,634)	21
Collection Fund Adjustment Reserve	945			(864)			81	
Accumulated Absences Reserve	(81)			0			(81)	
TOTAL UNUSEABLE RESERVES	**1,028**	**0**	**1,282**	**(2,274)**	**2,026**	**6,872**	**8,934**	
TOTAL RESERVES	**13,438**	**1,798**	**1,305**	**(2,274)**	**2,026**	**6,872**	**23,162**	Bal Sheet

Adjustments between Accounting Base and Funding Base			1,305	(2,274)			(969)	11
Total Movement in Reserves		1,798	1,305	(2,274)	2,026	6,872	9,727	CI&E

Balance Sheet

31 Mar 19 £'000		Note	31 Mar 20 £'000
	LONG TERM ASSETS		
35,806	Property, Plant and Equipment	***12***	37,351
105	Heritage Assets	***14***	105
59	Intangible Assets		44
496	Investments in Subsidiaries		0
4,969	Long Term Debtors	***16***	4,528
41,435	**TOTAL LONG TERM ASSETS**		**42,028**
	CURRENT ASSETS		
	Investments (Short Term)		
1,748	Short Term Debtors	***17***	3,207
34	Inventories		32
5,852	Cash and Cash Equivalents	***18***	10,952
7,634	**TOTAL CURRENT ASSETS**		**14,191**
49,069	**TOTAL ASSETS**		**56,219**
	CURRENT LIABILITIES		
(5,048)	Short Term Creditors & Receipts in Advance	***19***	(7,707)
(1,102)	Provisions	***20***	(1,449)
(6,150)	**TOTAL CURRENT LIABILITIES**		**(9,156)**
1,484	TOTAL CURRENT ASSETS/LIABILITIES		5,035
42,919	**TOTAL ASSETS LESS CURRENT LIABILITIES**		**47,063**
(2,393)	Capital Grants Received in Advance		(2,267)
(27,088)	Net Pensions Liability	***21***	(21,634)
(29,481)			**(23,901)**
13,438	**NET ASSETS**		**23,162**
	FINANCED BY:		
12,410	USABLE RESERVES		14,229
1,028	UNUSABLE RESERVES		8,933
13,438	**TOTAL RESERVES**		**23,162**

Ian Smith – CPFA
Section 151 Officer

Cash Flow Statement

Council 31 March 2019 £'000		Council 31 March 2020 £'000
(1,039)	**Net Surplus/(Deficit) on the Provision of Services**	**825**
	Adjustments for Non-cash items:	
(364)	Interest Receivable	(333)
1,249	Depreciation & Amortisation, Impairment	1,195
1,228	Pension Liability	1,418
1,521	Change in Debtors, Creditors and provisions and inventories (excluding collection Fund)	2,110
3,634	**Total Adjustments**	**4,390**
2,595	**Net Cash Flows from Operating Activities**	**5,215**
(1,295)	Purchase of PPE & Intangibles	(701)
(784)	Change in Long Term Debtors	496
0	Net (purchase) of Investments	0
364	Interest Received	333
(1,715)	**Investing Activities**	**128**
(172)	Net Receipt/(application) of Capital Grants	(125)
614	Change in Collection Fund agencies, Debtors & Creditors	(118)
442	**Financing Activities**	**(243)**
1,322	**Net increase (decrease) in cash and cash equivalents**	**5,100**
4,530	**Cash and cash equivalents at the beginning of the reporting period**	**5,852**
5,852	**Cash and cash equivalents at the end of the reporting period**	**10,952**

Note 1 Expenditure & Funding Analysis

The Expenditure and Funding Analysis is complementary to the Movement in Reserves Statement. The latter defines which of the Authorities Reserves align to the categories of 'General Fund and Earmarked', 'Capital Purposes' and 'Pension and Other Purposes'. The 'General Fund and Earmarked' category reflects the financial outturn of the Council in accordance with statutory reporting requirements. The 'Capital Purposes' and 'Pension and Other Purposes' categories reflect the Movements from the Statutory base of accounting to the Full Accounting base required under IFRS. The 'Total Movement in Year' reflects the latter and equates to the Total Income and Expenditure for the year as reported in the Comprehensive Income & Expenditure Account. The overall purpose of the Expenditure and Funding Analysis is to analyse the amounts reported in the Comprehensive Income and Expenditure Account as operating reporting segments across specific purpose headings. * Items represent 'Adjustments between Accounting basis and Funding Basis under regulation.'

2018/19	General Fund Core £'000	Earmarked £'000	General Fund and Earmarked £'000	Charges to Capital Reserves £'000	Charges to other non-General Fund £'000		Total Movement in year £'000
Finance & Assets	6,921	(425)	6,496	(817)	612		6,291
Operational Services	3,122	(246)	2,876	487			3,363
NET COST OF SERVICES	**10,043**	**(671)**	**9,372**	**(330)**	**612**		**9,654**
Other Operating Expenditure plus Taxation & Grant Income	(10,045)	1,437	(8,608)	(99)	92		(8,615)
TOTAL SURPLUS(DEFICIT) upon PROVISION OF SERVICES	**(2)**	**766**	**764**	**(429)**	**704**		**1,039**
Other Comprehensive I&E				(1,441)	3,494		2,053
TOTAL	**(2)**	**766**	**764**	**(1,870)**	**4,198**		**3,092**

2019/20	General Fund Core £'000	Earmarked £'000	General Fund and Earmarked £'000	Charges to Capital Reserves £'000	Charges to other non-General Fund £'000		Total Movement in year £'000
Finance & Assets	4,201	1,756	5,957	(1,838)	758		4,877
Operational Services	1,906	40	1,946	1,026			2,972
NET COST OF SERVICES	**6,107**	**1,796**	**7,903**	**(812)**	**758**		**7,849**
Other Operating Expenditure plus Taxation & Grant Income	(9,700)		(9,700)	(493)	1,515		(8,678)
TOTAL SURPLUS(DEFICIT) upon PROVISION OF SERVICES	**(3,593)**	**1,796**	**(1,797)**	**(1,305)**	**2,273**		**(829)**
Other Comprehensive I&E				(2,026)	(6,872)		(8,898)
TOTAL	**(3,593)**	**1,796**	**(1,797)**	**(3,331)**	**(4,599)**		**(9,727)**

Note 2. Explanation of order of Notes to the Financial Statements

Following on from the Expenditure & Funding Analysis, the Notes to the main Financial Statements are organised in 4 distinct groups:

(i) Introductory Notes explaining current context issues (Notes 2 to 7, Pages 28 to 31).

(ii) Notes directly supporting the prime Financial Statements (Notes 8 to 21, Pages 32 to 48).

(iii) Notes containing memorandum notes in support of the Accounts (Notes 22 to 30, Pages 49 to 60).

(iv) Accounting Policies (Note 31, Pages 61 to 71).

In relation to section (ii) above, the Notes are organised as follows:

(a) Note 8 in support of the Comprehensive Income and Expenditure Account.

(b) Note 9 supplementary information in support of the General Fund Statutory Outturn.

(c) Notes 10 & 11 in support of the Movement in Reserves Statement and the Reserves section of the Balance Sheet.

(d) Notes 12 to 21, Pages 40 to 48 in support of the Assets and Liabilities sections of the Balance Sheet.

Note 3. Accounting Standards that have been issued but have not yet been adopted

It is not anticipated that the above amendments will have a material impact on the information provided in the financial statements, i.e. there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services or in upon the Council’s retained Reserves.

The standards that may be relevant for additional disclosures that will be required in the 2019/20 financial statements in respect of accounting changes that are introduced in the 2020/21 Code are:

- Amendments to IAS 28 Investments in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits

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

Note 4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 31, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- In line with the Code of Practice on local authority accounting in the United Kingdom 2019/20, based on International Financial Reporting Standards, the Council has not charged depreciation on land, investment properties, community assets, assets held for sale and assets under construction. For all assets subject to valuation, the total value for 2019/20 for Land and Buildings (NBV) is £33.403 million (2018/19; Land and Buildings (NBV) is £31.075 million).

- The Council has taken professional advice from the Pension Fund's actuary, Hymans Robertson LLP, to determine the overall net liability of the fund which is £21.634 million for 2019/20; this has decreased by £5.454 million since 2018/19. However:

    - This does not adversely affect the financial position of the Council as the actuarial valuation is based on a number of assumptions about the future, as shown in Note 4.

    - The revenue impact of the deficit is formally reviewed by the actuary on a triennial basis who determines revised employer contributions for the forthcoming 3-year period. Further, fluctuations in pension assets and liabilities occur due to movements in market investments.

- The participants in the Council's Non-Domestic Rates Collection Fund share the costs of any successful appeals to reduce the rateable value of a property. This includes the cost of any outstanding appeals which may be backdated prior to 1 April 2010.

  To estimate the provision for outstanding appeals, the Council has reviewed the outstanding appeals as at 31 March 2020. An estimated provision of £3.297 million has been included in the Collection Fund in respect of successful appeals costs. The Council's share of any such Collection Fund costs is 40% or £1.319 million of the total provision and this is included in the General Fund balance.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or 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 items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property	All Property is reviewed on a 4 year rolling basis. Where an asset has not been specifically reviewed a “table-top” analytical review is undertaken to determine if the principle valuation indexes show a material change in the current assets valuation. In addition, an annual impairment review is undertaken to determine if any of the Council’s assets have been impaired. Because of Covid-19 the portfolio will be kept under frequent review	86% of the Council’s assets are valued at fair value, so the impact of changes in market is significant. If there was a 1% fall in market value, it is estimated that the value of the Council’s property assets would reduce by £0.334 million.
Plant and Equipment	Plant and Equipment are valued on an historic cost basis.	There will not be any changes to this valuation due to market conditions because the valuation approach reflects costs at acquisition or similar situations.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of 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, as provided by the actuary, can be measured. For instance a: • 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £5.507 million. • 0.5% increase in the salary increase rate would result in an increase in pension liability of £0.420 million. • 0.5% increase in the pension increase rate would result in an increase in pension liability of £5.050 million.

Provision – Rateable Value Appeals	Appeals by non-domestic ratepayers for a reduction in the rateable value of their premises are outstanding. Appeals are determined by the Valuation Office and are not within the Council's control. However, expert independent advice has been sought in arriving at an estimated provision.	The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable herediments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of the estimated outcome of appeals calculated by a weighted average of the historic outcomes. It should be noted that the impact on the Council of appeals, as well as other NNDR, is limited by Safety Net calculation (the calculation of which is limited by regulation). A 10% variation in the estimated provision would be £0.329 million for the Collection Fund of which £0.132 million would be attributable to the General Fund.

Note 6. Material Items of Income and Expenditure

The primary purpose of this note is to disclose those material items of income and expenditure that are not part of the ordinary course of business or events of the Council (i.e. extraordinary). During 2019/20 no such items of income or expenditure were incurred (2018/19 was also nil.)

Note 7. Events after the Balance Sheet Date

The Annual Financial Report, incorporating the Statement of Accounts, was authorised for issue by the Section 151 Officer on 31st July 2020.

With regard to 2019/20:

- **Adjusting Events**
  The financial statements and notes have not been adjusted for any such material events which took place after the 31 March 2020.

- **Non-Adjusting Events**
  The financial statements and notes have not been adjusted for any such material events which took place after the 31 March 2020.
  During the final quarter, there has been a dramatic downturn in global markets as a result of the Covid-19 pandemic, causing disruption to many businesses and economic activity. The Pension fund will be monitored closely.

Note 8 Expenditure & Income by Nature

2018/19 General Fund	2018/19 Other Reserves	2018/19 Total		2019/20 General Fund	2019/20 Other Reserves	2019/20 Total
7,125	*612*	*7,737*	Employees *	*7,572*	*758*	*8,330*
30,521	*(1,333)*	*29,188*	Other Service Expenses *	*29,138*	*(2,376)*	*26,762*
0	*1,244*	*1,244*	Depreciation, Amortisation & Impairment *	*(43)*	*1,064*	*1,021*
(699)	*699*	*0*	REFCUS*	*(1,026)*	*1,026*	*0*
	612	*612*	Interest payable		*660*	*660*
99	*(99)*	*0*	Statutory Minimum Provision	*493*	*(493)*	*0*
2,594	*0*	*2,594*	Precept Payments	*2,747*	*0*	*2,747*
39,640	***1,735***	***41,375***	**TOTAL EXPENDITURE**	***38,881***	***639***	***39,520***
(22,140)	*(940)*	*(23,080)*	Government Grants (Services)*	*(21,082)*	*(527)*	*(21,609)*
(1,229)	*0*	*(1,229)*	Government Grants (Central)	*(746)*	*0*	*(746)*
(5,436)	*0*	*(5,436)*	Sales Fees & Charges *	*(6,657)*	*0*	*(6,657)*
(365)	*(25)*	*(390)*	Interest Receivable	*(333)*	*(8)*	*(341)*
(6,364)	*16*	*(6,348)*	Council Tax	*(6,563)*	*(2)*	*(6,565)*
(3,348)	*(505)*	*(3,853)*	Business Rates	*(5,298)*	*865*	*(4,433)*
(38,882)	*(1,454)*	***(40,336)***	**TOTAL INCOME**	*(40,679)*	*328*	***(40,351)***
758	***281***	***1,039***	**NET EXPENDITURE**	***(1,798)***	***969***	***(829)***
9,371	*282*	*9,653*	COST OF SERVICES *	*7,902*	*(55)*	*7,847*

Note 8a. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2018/19 £000		2019/20 £000
	Credited to non-specific income	
(354)	Revenue Support Grant	(12)
(713)	New Homes Bonus	(573)
(162)	Rural Services Grant	*(161)*
(1,229)	**TOTAL**	***(746)***
	Credited to services	
(17,498)	Benefits	*(15,283)*
(308)	Section 106	(235)
(578)	Disabled Facilities	(64)
(3,223)	Community Infrastructure Levy	(4,953)
(76)	Waste Recycling Credits	(0)
(361)	Sport England Grant	(0)
(90)	Homelessness	(658)
(177)	Collection Costs	(187)
(769)	Other	(229)
(23,080)	**TOTAL**	***(21,609)***

NOTE 9 STATUTORY OUT-TURN

General Fund Balance (Useable Reserve)

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 under IFRS as presented in these Financial Statements. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

The elements of the General Fund Balance at the Balance Sheet date are as follows:

Other Earmarked	31 March 2018 £'000	Transfers In 18/19 £'000	Transfers Out 18/19 £'000	31 March 2019 £'000	Transfers In 19/20 £'000	Transfers Out 19/20 £'000	31 March 2020 £'000
General Fund Core and Surplus Savings	**6,953**	**2,186**	**(1,894)**	**7,245**	**2,357**	**(1,539)**	**8,063**
Community Infrastructure Levy	1,527	441	(9)	1,958	3,470	(1,982)	3,446
Medium Term Financial Strategy	1	0	(1)	0	0	0	0
Weekly Waste Collection	225	0	(225)	0	0	0	0
Enterprise Zone NNDR	1,268	34	(1,226)	76	287	(109)	254
New Homes Bonus	578	0	0	578	0	(533)	45
Change Management	295	100	(11)	384	0	(47)	337
Affordable Housing	253	41	0	294	52	0	346
Asset Management	27	0	0	27	0	(27)	0
Vehicle Replacements	60	29	0	89	0	0	89
Housing	81	5	0	86	5	0	91
Building Control	23	0	0	23	0	0	23
Community Land Trusts	135	0	(36)	99	1	0	100
Environmental	0	0	0	0	0	0	0
Crematorium Feasibility	0	0	0	0	0	0	0
Leisure Centre	0	0	0	0	0	0	
Other Earmarked	377	11	(199)	189	44	(183)	50
Total Earmarked	**4,850**	**661**	**(1,707)**	**3,803**	**3,859**	**(2,881)**	**4,781**
TOTAL	**11,803**	**2,846**	**(3,601)**	**11,048**	**6,216**	**(4,420)**	**12,844**

Note 10a. Useable Reserves other than General Fund

Capital Receipts Reserve

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

Capital Grants Unapplied Reserve

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects yet to take place where there are no obligations for the Council to make repayments in any circumstances.

Note 10b. Un-useable Reserves

Capital Adjustment Reserve

The Asset Historic Cost (Capital Adjustment) Reserve together with the Revaluation Reserve represent the Council's financial interest in its' own assets. The balance of the Reserve is determined by taking account of the Revaluation Reserve requirements defined below.

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment arising from the annual valuation process. It is identified at individual asset level.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Depreciation is applied each year whilst any disposed assets are written out in the year. Accumulated gains arising before that date are consolidated into the balance on the Asset Historic Cost (Capital Adjustment) Reserve.

Financial Instruments Adjustment Reserve

The Financial Instruments Adjustment Reserve absorbs the differences between accounting for the fair value of loans given to individuals and organisations, and the actual income credited to the General Fund.

Deferred Capital Receipts Reserve

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

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for valuating Pension Liabilities for the purpose of producing the Financial Statements and for funding such liabilities in accordance with statutory provisions.
Further information is found in Note 22 in respect of Defined Benefit Pension Scheme.

Collection Fund Adjustment Reserve

The Collection Fund Adjustment Reserve identifies the element of the Collection Fund balance that is due to the Council at the Balance Sheet date but which will be settled to the Council in accordance with statutory General Fund requirements in the next financial year.

Accumulated Compensated Absences Adjustment Reserve

The Accumulated Compensated Absences Reserve accounts for the financial value of staff entitlements at the financial year end. I.e. annual leave entitlement and accrued flexitime carried forward at 31 March. This accrual is not permitted to the General Fund.

Note 11. Analysis of Capital Reserve Movements & Adjustments Between Accounting Basis & Funding Basis under Regulation

The following definitions are applicable to the subsequently presented Tables of Capital Reserve Movement for the year:

Transfers between Reserves –The Capital Receipts Reserve makes a contribution to the Capital Adjustment Reserve to fund a portion of new Capital Investment.

General Fund (GF) Contribution to Capital – A portion of new Capital Investment is funded by General Fund Contributions. The General Fund does not incur any Depreciation or Impairment charges

Capital Grant Receipts – These are applied to the Capital Grants Unapplied Reserve when received then transferred to the Capital Adjustment Reserve when utilised for new investment. The overall balance in any one year may therefore be either positive or negative.

Expenditure Grants to Third Parties – The Grants are to provide long term benefit to the recipients therefore they are financed by Capital Grants.

Profit Upon Sale of Assets – Receipts upon Sale are credited to the Capital Receipts Reserve or Deferred Capital Receipts Reserve as appropriate whilst the book value of the Asset at the time of sale is written off to the Capital Adjustment Reserve or Revaluation Reserve as appropriate.

Depreciation - This represents a charge for the diminution of the value of the Asset through use according to a pre-determined schedule. The historic cost element of the charge (calculated in accordance with book value of the asset at 31 March 2020 or the actual incurred cost of subsequent additions or enhancements) is charged to the Capital Adjustment Reserve whilst the remainder (relating to the portion of the upward asset value arising from post 31 March 2020 Annual Revaluations) is charged to the Revaluation Reserve.

Impairment – When Annual Valuation takes place the historic cost base arising from the Depreciation exercise referred to above is further adjusted. The charge or credit shown here reflects that adjustment but only up to the level of the original historic cost base at individual asset level. The overall balance in any one year may therefore be either positive or negative.

Revaluation – When Annual Valuation takes place some assets are identified as having a value above their historic cost base. The charge or credit shown here reflects the adjustment upon valuation of such assets in the current financial year though in the case of any downward valuations the adjustment is applied only to the extent that the holding balance of the Revaluation Reserve at individual asset level is reduced to zero at the year end. The overall balance in any one year may therefore be either positive or negative.

Note 11.

Capital Movements in 2018/19	**Usable Capital Receipts Reserve**	**Usable Capital Grants Unapplied Reserve**	**Un-usable Capital Adjustment Reserve**	**Un-usable Revaluation Reserve**	**Un-usable Deferred Capital Receipts**	**Capital Outturn for the year TOTAL**
Transfers between reserves	*114*		*(114)*			*0*
GF Contributions to Capital			*(1,364)*			*(1,364)*
Capital Grants Receipts			*(940)*			*(940)*
Revenue expenditure funded from capital under statute			*699*			*699*
Deferred Capital Receipts	*(690)*				*690*	*0*
Repayment of Soft Loans	(8)				*39*	*31*
Mortgages	(4)				*4*	*0*
Depreciation			*646*	*56*		*702*
Amortisation			*15*			*15*
Impairment			*527*			*527*
Statutory Minimum Provision			*(99)*			*(99)*
TOTAL ADJUSTMENTS BETWEEN ACCOUNTING BASE & FUNDING BASE	*(588)*	*0*	*(630)*	*56*	*733*	*(429)*
Revaluation				*(1,441)*		*(1,441)*
TOTAL RESERVES MOVEMENT	*(588)*	*0*	*(630)*	*(1,385)*	*733*	*(1,870)*

Note 11.

Capital Movements in 2019/20	Usable Capital Receipts Reserve	Usable Capital Grants Unapplied Reserve	Un-usable Capital Adjustment Reserve	Un-usable Revaluation Reserve	Un-usable Deferred Capital Receipts Reserve	Capital Outturn for the year TOTAL
Transfers between reserves	*509*		*(509)*			*0*
GF Contributions to Capital			*(1,846)*			*(1,846)*
Capital Grants Receipts			*(527)*			*(527)*
Revenue expenditure funded from capital under statute			*1,026*			*1,026*
Deferred Capital Receipts	*(517)*				*2*	*(515)*
Repayment of Soft Loans	(14)					*(14)*
Mortgages	(1)				*1*	*0*
Depreciation			*1,086*	*102*		*1,188*
Amortisation			*24*			*24*
Impairment			*(147)*			*(147)*
Statutory Minimum Provision			*(493)*			*(493)*
TOTAL ADJUSTMENTS BETWEEN ACCOUNTING BASE & FUNDING BASE - Balance Sheet Side	*(23)*		*(1,386)*	*102*	*3*	*(1,304)*
Revaluation				*(2,026)*		*(2,026)*
TOTAL RESERVES MOVEMENT	***(23)***		***(1,386)***	***(1,924)***	***3***	***(3,330)***

Please refer to Movement in Reserves Statement for opening & closing Balances upon each Reserve.

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

2018/19 £'000		2019/20 £'000
(429)	**Total Capital Items from previous page**	***(1,304)***
612	Net interest on the Pension Liability	*660*
616	Current & Past Cost Pension Adjustment	*758*
1,228	**Pensions Reserve (see Note 21 for detail)**	***1,418***
16	Change in Council Tax Entitlement	*(2)*
(15)	Change in Business Rates entitlement	*356*
(490)	Change in renewable Energy NNDR	*509*
(489)	**Collection Fund Adjustment Account (see Collection Fund Note 7 for detail)**	***863***
(26)	**Other Items**	***(8)***
284	**TOTAL ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION**	***969***
(1,039)	**SURPLUS UPON PROVISION OF SERVICES**	***829***
(755)	**GENERAL FUND OUT-TURN UNDER STATUTE (including Earmarked Items)**	***1,798***

Adjustments between Accounting Basis and Funding under Regulation refers to those items chargeable to Reserves other than the General Fund. The latter being the budget monitoring vehicle of the Council as defined by Statute. The items charged to Other Reserves as listed above are those required to convert the 'Surplus or Deficit upon the Provision of Services' as shown on the 'Comprehensive Income & Expenditure Statement' to the General Fund Out-turn (including Earmarked items) as defined by Statute.

Note 12a. Property, Plant and Equipment – Council – Prior year

Movement of Property, Plant and Equipment 2018/19	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Assets £'000
Cost or valuation						
At 1 April 2018	14,976	7,117	720	877	14,980	38,670
Transfers	15,692				(15,692)	0
Additions in Year	23	581			712	1,316
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,392					1,392
Revaluation increases / (decreases) recognised in the CI&ES	(645)					(645)
Disposals						0
At 31 March 2019	**31,438**	**7,698**	**720**	**877**	**0**	**40,733**
Accumulated Depreciation & Impairment						
At 1 April 2018	**(369)**	**(3,952)**	**(64)**			**(4,385)**
Depreciation Charge in year	(161)	(544)	(4)			(709)
Depreciation restated to the Revaluation reserve Upon Revaluation	49					49
Depreciation restated to the Income & Expenditure Account Upon Revaluation	118					118
Adjustment for disposal						0
At year end	**(363)**	**(4,496)**	**(68)**	**0**	**0**	**(4,927)**
Balance Sheet Value at year end	**31,075**	**3,202**	**652**	**877**	**0**	**35,806**
Balance Sheet Value at year start	**14,607**	**3,165**	**656**	**877**	**14,980**	**34,285**

Note 12b. Property, Plant and Equipment – Council – year

Movement of Property, Plant and Equipment 2019/20	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Assets £'000
Cost or valuation						
At 1 April 2019	**31,438**	**7,698**	**720**	**877**	**0**	**40,733**
Transfers						0
Additions in Year	678	13				691
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,143					1,143
Revaluation increases / (decreases) recognised in the CI&ES	87					87
Disposals		(38)				(38)
At 31 March 2020	**33,346**	**7,673**	**720**	**877**	**0**	**42,616**
Accumulated Depreciation & Impairment						
At 1 April 2019	**(363)**	**(4,496)**	**(68)**	**0**	**0**	**(4,927)**
Depreciation Charge in year	(508)	(598)	(4)			(1,110)
Depreciation restated to the Revaluation reserve Upon Revaluation	753					753
Depreciation restated to the Income & Expenditure Account Upon Revaluation	19					19
Adjustment for disposal						
At year end	**(99)**	**(5,094)**	**(72)**	**0**	**0**	**(5,265)**
Balance Sheet Value at year end	**33,247**	**2,579**	**648**	**877**	**0**	**37,351**
Balance Sheet Value at year start	**31,075**	**3,202**	**652**	**877**	**0**	**35,806**

Capital Commitments

At 31 March 2020 the authority had a retention amount of £0.188 million with the Pellikaan contract on the Hive Leisure Centre to be paid in 2020/21.

Revaluations

Land and buildings
The Authority carries out a rolling programme that ensures that all Property required to be measured at fair value is revalued at least every four years. All valuations were carried out externally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.
The Council's current valuers are Wilks, Head & Eve, 6th Floor, Fairgate House, 78 New Oxford Street, London WC1A 1HB.

The specific assumptions applied in estimating current values in respect of Land and Buildings by the Council's valuer were as follows:

- that exchange takes place on the date of valuation and after proper marketing,
- that there is a willing buyer and a willing seller, i.e. not forced or compelled,
- that it is an "arm's-length" transaction, i.e. not between parties that have a particular or special relationship, e.g. parent and subsidiary companies,
- and that the parties acted knowledgeably and prudently.

Vehicles, Plant, Equipment and Infrastructure assets are valued at historic cost, as at the date of acquisition and subsequent capital enhancement expenditure less depreciation. Community Assets and Assets Under Construction are valued at historic cost at the date of acquisition and subsequent capital enhancement. Consequently there is no on-going revaluation review for these assets.
In addition to the Professional Valuations undertaken, the Authority has conducted any necessary impairment reviews. In the light of these the Authority considers the quoted value of its assets to constitute a fair and objective valuation of future Service Delivery potential. Assets Held for Sale are valued at lower of carrying value and fair value less cost of sale.

Revaluation Profile	**Land and Buildings £'000**	**Vehicles Plant Furniture & Equipment £'000**	**Infrastructure Assets £'000**	**Community Assets £'000**	**Total £'000**
Carried at Historic Cost	0	2,579	648	877	4,104
Valued at Fair Value as at:					
31st March 2020	10,333				10,333
31st March 2019	18,962				18,962
31st March 2018	3,952				3,952
31st March 2017					
Assets below de-minimis					
Total Cost of Valuation	33,247	2,579	648	877	37,351

Note 13. Capital Enhancement and Capital Financing

The total amount of capital enhancement 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 these. Where capital enhancement is to be financed in future years by charges to revenue as assets are used by the Council, the spend results in an increase in the Capital Financing Requirement (CFR); a measure of the capital spend incurred historically by the Council which has yet to be financed. The CFR is analysed in the second part of this note.

A net increase in the CFR would reflect the Council's need to borrow to finance capital enhancement. Any borrowing would be repaid from an annual revenue charge (MRP) which reflects the use of the assets over their useful lives.

2018/19 £000		2019/20 £000
12,749	**Opening Capital Financing Requirement**	**13,711**
	Capital Expenditure	
1,315	Property, Plant and Equipment	*13*
1,485	Loan to Subsidiary Company	*1,300*
(20)	Intangible Assets	*10*
699	Revenue Expenditure Funded from Capital under Statute	*1,026*
3,479	**TOTAL CAPITAL EXPENDITURE**	**2,349**
	Sources of Finance	
(114)	Capital receipts	*(509)*
(940)	Grants and other contributions	*(527)*
(1,364)	Direct Revenue Financing – Other	*(1,846)*
0	Repayment of Loan from Subsidiary Company	*(1,700)*
(99)	Minimum revenue provision	*(493)*
(2,517)	**TOTAL SOURCES OF FINANCE**	**(5,075)**
13,711	**Closing Capital Finance Requirement**	**10,985**

Note 14. Heritage Assets

Cultural Heritage Assets

The Authority's collection of themed displays is reported in the Balance Sheet at historic cost, which is also used for the insurance valuation.

These heritage assets are located at Oliver Cromwell's House and are held to increase the knowledge, understanding and appreciation of the house and local area during the time when Oliver Cromwell resided in the District. The collection is relatively static and acquisitions and donations are rare. Where they do occur, acquisitions are initially recognised at cost.

The displays are themed rooms and include a painting of Oliver Cromwell, as well as reproduction furniture, models, firearms and wall hangings.

The displays are reviewed annually and replaced or renewed if necessary as per the three year Business Plan for Oliver Cromwell's House. These would be low cost items. The collection is on display and open to the public throughout the year in the Museum.

Note 15. Intangible Assets

The Council accounts for its software as intangible assets, where the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to software are generally five years.

Note 16. Long Term Debtors

2018/19 £'000		2019/20 £'000
4,670	Loan to Trading Companies	4,220
299	Loans to Individuals & Private Sector	308
4,969	**Total Financial Instruments definition**	**4,528**

Interest rate on the loan to the trading company is fixed at 5.2%.

Other long term loans are not charged interest.

Note 17. Debtors

Council 2018/19 £000		Council 2019/20 £000
402	Council Taxpayers	363
159	Non-Domestic Rate Payers	212
561	**Sub total Local Taxation**	**575**
188	Trading Company	424
2,121	Sundry Debtors & Accruals	2,421
2,309	**Sub Total Financial Instruments definition**	**2,845**
90	Payments in Advance	141
(1,324)	Bad Debt Provisions	(1,216)
76	Housing Act Advances	666
	Local Govt.	188
36	Central Govt. – Customs & Excise	8
0	Central Govt. – DWP	0
1,748	**TOTAL**	**3,207**

Note 18. Cash and Cash Equivalents

Council 2018/19 £'000		Council 2019/20 £'000
5,930	Short term investments repayable on notice	*10,783*
	Bank Account - Investments	
(78)	Bank Account - Operational	*169*
	Cash in Transit	
5,852	**Total**	**10,952**

Note 19. Creditors

Council 2018/19 £000		Council 2019/20 £000
(215)	Payroll Creditors	(218)
(874)	Sundry Creditors	(96)
(191)	Trading Company	(201)
(372)	National Practitioners	(0)
(1,652)	**Sub Total Financial Instruments Definition**	***(515)***
(1,153)	Local Govt. - Collection Fund Account	(1,092)
(1,537)	Central Govt. – Collection Fund Account	(1,481)
	Other Local Government	(877)
(139)	Central Govt. – DWP, DCLG	(2,958)
(567)	Receipts in Advance	(784)
(5,048)	**TOTAL**	***(7,707)***

Note 20. Provisions, Contingent Assets and Liabilities

Provisions

2018/19 £'000		2019/20 £'000
(150)	Maintenance of Amenity Areas	(98)
(32)	Sports, Recreation & Historic	(32)
(920)	Business Rate Appeal	(1,319)
(1,102)	**Total**	**(1,449)**

1. Maintenance of Amenity Areas

Amounts received which are used to fund the maintenance of amenity areas over a period of 15 years.

2. Sports, Recreation & Historic Buildings Grants

Grants committed by Committee which will be paid over the next two years.

3. NNDR Appeals Provision

As a consequence of the Government initiative in the localisation of Non-Domestic Rates (NDR), the Government transferred the risk of appeals against Rateable Values to local authorities. Following a review, a provision for appeals outstanding was estimated to be £3.297 million at the end of 2019/20 of which £1.319 million would have to be met by the Council, and £1.978 million by other Collection Fund participants.

Contingent Liabilities

The Council only has one on-going Contingent Liability as detailed in the table below:

Position at 31st March 2019	31st March 2020
Single Status Exercise The Council has not yet formally completed a Job Evaluation Project to determine the salaries of all posts under the National Single Status Agreement. Any cost is not expected to be material.	The council implemented its Job Evaluation Project in 2019/20. Therefore no liability at the end of this financial year.

No new contingent liabilities were identified as at 31st March 2020.

Contingent Assets

There were no material contingent assets at the 31st March 2020.

Note 21. Pension Fund Net Long Term Liability & Reserve

31 March 2019 £'000	Gross Liabilities	31 March 2020 £'000
(60,074)	**Opening Balances as at 1 April**	(67,251)
(1,629)	[I] Interest Cost	(1,627)
(4,956)	[A] Actuarial losses /(gains) from changes in financial assumptions	11,657
(1,711)	[C] Past Service Cost	(2,186)
(196)	[C] Current service cost	
(298)	[N] Contributions from scheme participants	(329)
1,536	[N] Benefits paid	1,609
77	[N] Estimated unfunded benefits paid	79
(67,251)	**Closing balance at 31 March**	**(58,048)**

31 March 2019 £'000	Gross Assets	31 March 2020 £'000
37,708	**Opening fair value of scheme assets balance as at 1 April**	40,163
1,017	[I] Interest Income on plan assets	967
1,462	[A] Return on assets excluding amounts included in net Interest	(4,785)
1,214	[C] Contributions by the employer	1,349
77	[C] Contributions for unfunded (Discretionary benefits)	79
298	[N] Contributions by employees into the scheme	329
(1,536)	[N] Benefits paid	(1,609)
(77)	[N] Unfunded (Discretionary benefits)	(79)
40,163	**Closing balance at 31 March**	**36,414**
(27,088)	**TOTAL NET LIABILITIES**	**(21,634)**

Net Movement 2018/19 £'000		**Net Movement** 2019/20 £'000
1291	**General Fund Charge - Employer Contributions**	**1,428**
616	[C] Other items to net cost of services	758
612	[I} Interest cost minus return on plan assets to financing income & expenditure	660
2,519	**Charge to Surplus/(Deficit) upon Provision of Services**	**2,846**
3,494	[A] Actuarial Gains/Losses to other income & expenditure	(6,872)
6,013	**Charge to Comprehensive Income &Expenditure Account for the Year**	**(4,026)**
(1,291)	Less General Fund Charge - Employer Contributions	(1,428)
4,722	**TOTAL MOVEMENT IN PENSION RESERVE**	**(5,454)**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Note 22. Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make payments and this needs to be disclosed at the time that employees earn their future entitlement.

Employees of East Cambridgeshire District Council may participate in the Cambridgeshire Pension Fund, part of the Local Government Pension Scheme (LGPS). The fund is administered as a defined benefit final salary scheme by Cambridgeshire County Council in accordance with LGPS Regulations 1997, as amended.

Valuation of Pension Fund

The contribution rate is determined by the Fund’s actuary based on triennial valuations. The last valuation took place as at 31 March 2019.

In 2019/20 the Council paid an employer's contribution of £1.34 million representing 26.8% of employees’ pensionable pay (2018/19 £1.29 million @ 28.5%) into the Cambridgeshire County Pension Fund. The contribution rate is set to meet 100% of the pension fund's liabilities. The scheme provides members of the Fund with defined benefits related to pay and service.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. Our actuary has allowed for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum for post-April service.

As a consequence of the triennial valuation, the asset value in the intervening period is an estimate calculated by the actuary using a model. Any differences between the estimate and actual figures are adjusted at the next full valuation.

Transactions Relating to Post-Employment Benefits

The Council charges the cost of retirement benefits to the cost of services when they are earned by employees as distinct from than when the benefits are eventually paid as pensions. However, the charge the Council is required to make to the General Fund is based on the cash payable in the year. The difference between the two different methods is charged to the Pension Reserve.

Assets and Liabilities in relation to Post-employment Benefits

The Reconciliation of present value of the scheme liabilities in respect of East Cambridgeshire District Council is shown at Note 21 to the Accounts.

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £21.634 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contribution expected to be made to the scheme by the Council in the year to 31 March 2020 is £1.349 million.

Basis for estimating Liabilities and Assets

Liabilities, for the purposes of IAS19, 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, longevity etc. The liabilities have been assessed by Hymans Robertson LLP, the independent firm of actuaries to the County Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2019. The results of this valuation were projected forward using approximate methods.

The main assumptions used by the actuary are as shown below.

2018/19	County Fund – Main Assumptions	2019/20
2.80%	Rate of increase in salaries	2.40%
2.50%	Rate of increase in pensions	1.90%
2.40%	Rate of discounting scheme liabilities	2.30%
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
22.4 Years	Men	22.0 Years
24.4 Years	Women	24.0 Years
	Longevity at 65 for future pensioners	
24.0 years	Men	22.7 years
26.3 Years	Women	25.5 Years

Local Government Pension Scheme Assets Comprised:

Pension fund assets consist of the following categories, by value of the total assets held:

31-Mar-19 £'000		31-Mar-20 £'000
622	Cash and cash equivalents	550
	Equity instruments by industry:	
1,209	Consumer	0
772	Manufacturing	0
945	Energy and utilities	0
1,567	Financial institutions	0
246	Health and care	0
244	Information technology	0
0	Other	0
4,986	Sub-total equity	0
	Private equity:	
3,338	All not in active markets	2,987
3,338	Sub-total private equity	2,987
	Other investment funds:	
3,920	Bonds	2,470
22,263	Equity	22,072
1,016	Debt Securities – UK Government	1,885 3,283
0	Infrastructure	2,725
0	Real Estate UK Property	0
4,744	Other	443
31,943	Sub-total other investment funds	32,878
40,889	**Total Assets**	**36,414**

Sensitivity analysis:

Increase in assumption 31-Mar-19 £'000	Impact on the defined benefit obligation in the Scheme	Increase in assumption 31-Mar-20 £'000
755	Rate of increase in salaries (increase or decrease by 0.5%)	420
6,028	Rate of increase in pensions (increase or decrease by 0.5%)	5,050
6,881	Rate for discounting scheme liabilities (increase or decrease by 0.5%)	5,507

Further information

Further information may be found in the Cambridgeshire County Pension Fund Annual Report, available from the Director of Resources, Cambridgeshire County Council, Shire Hall, Castle Hill, Cambridge, CB3 0AP.

Note 23. Financial Instruments

The financial assets and liabilities included on the Balance Sheet comprise the following categories of financial instruments.

Long Term			Current	
2018/19 £'000	2019/20 £'000		2018/19 £'000	2019/20 £'000
		(Measured at Amortised Cost) Investments and Cash & Cash Equivalents		
496	*0*	Investment in subsidiaries		
		Short term Investments	*5,930*	*10,783*
		Cash & Cash Equivalents	*(78)*	*169*
		Total Investments and Cash & Cash Equivalents	***5,852***	***10,952***
		Debtors	*2,309*	*2,845*
4,969	*4,528*	Loans & Investments	0	0
4,969	**4,969**	**TOTAL FINANCIAL ASSETS**	**8,161**	**13,797**
		Borrowings	*0*	*0*
		TOTAL BORROWINGS	*0*	*0*
		(Measured at Amortised Cost) Creditors	*(1,652)*	*(515)*
		Financial Liabilities at amortised cost		
		TOTAL CREDITORS	*(1,652)*	*(515)*
		TOTAL FINANCIAL LIABILITIES	**(1,652)**	**(515)**

Fair value of assets and liabilities carried at amortised cost

Financial assets classified as available for sale are carried in the Balance Sheet at fair value taken from the market price.

Financial liabilities and financial assets classified as loans and receivables are recorded on the Balance Sheet at their amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using spreadsheets provided by our advisors or by using the following assumptions:

- There were no long or short term borrowings at the yearend so no estimated rates were needed.
- 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 fair value.
- The fair value of debtors is taken to be the invoiced or billed amount.
- No changes in the classification of financial instruments were required as part of the implementation of IFRS 9.

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

Risk management is carried out by the Finance Team with due regard to the Annual Treasury Management Strategy approved by the Council.

Credit risk

Credit risk arises from investments with banks and other financial institutions, as well as credit exposures to the Council's customers.
The Council's theoretical maximum exposure to credit risk in relation to its investments in banks and the money markets is equivalent to its total cash holding £10.78 million (2018/19; £5.93 million). However, in reality the true risk cannot be assessed, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to that individual institution. The risk of not being able to recover the principal sums applies to all of the Council's deposits but there was no evidence as at 31 March 2020 that this was likely to occur and there are no investments that as at 31 March 2020 were with institutions that had failed.
In relation to the sums owed by the Council's customers and contractual debtors, the Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts whilst maintaining a robust approach to the collection of debts. The older the debt, the greater is the provision for bad debts. The bad debt provision has taken into account the current economic climate and the increased likelihood of debtors not being able to settle their debts.

The Council does not generally allow credit for its customers, such that £230k (£114k in 2018/19) of the £1,265K (£843k in 2018/19) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2019 £000	31 March 2020 £000
Less than three months	32	92
Three to six months	6	10
Six months to one year	9	79
More than one year	67	50
Total	114	231

Collateral – During the reporting period the Council held no collateral as security

Liquidity risk

The Council's current liquidity risk is low, as it has significant cash holdings. The authority has a comprehensive cashflow management system that seeks to ensure that cash is available as needed. However, if unexpected movements happen, the authority has ready access to borrowings from the PWLB and money markets, so there is no significant risk that it will be unable to meet its commitments under financial instruments.

Market risk – Interest Rate Risk

The Council currently has cash surpluses and has no external borrowing. Its interest rate exposure is therefore limited to the interest rate movements on its investments.

Price risk

The Council invests in shares in two wholly owned companies to provide a local service. There is no intention to sell these shares and there is no other source of valuation of them so the risk is minimal.

Foreign Exchange Risk

The Council does not hold foreign currencies and has no intention of doing so; consequently it has no exposure to loss arising from movements in exchange rates.

IFRS 9 Disclosure

ECDC's core treasury management investments is not material. The risk of default should be virtually zero and therefore any potential expected credit loss impairment under IFRS 9 should not be required. The Council has reviewed its loan to the LATC and does not expect any credit loss.

Note 24. Acquired and Discontinued Operations

There are no acquired or discontinued operations during 2019/20 (There were also none in 2018/19).

Note 25. Trading Operations

From a local authority context, a trading operation is one where a Council is trading and taking operational risks and could, if the economic environment so dictated, expose the Council to a financial loss on the service provided.
The Council owns a number of industrial sites in the District, the biggest being East Space North in Littleport. The profits (or losses) on these trading operations were as follows:

Trading Operations	**2018/19**		**2019/20**	
	Turnover	Surplus/(Loss)	Turnover	Surplus/(Loss)
Business Units	*27,740*	*25,518*	*17,681*	*9,359*
E Space South	*0*	*0*	*129,798*	*0*
E Space North	*295,375*	*138,650*	*279,604*	*175,671*
Building Control	*279,761*	*83,507*	*270,686*	*77,335*
Total	**602,876**	**247,675**	**697,769**	**262,365**

Note 26. Members' Allowances

The Authority paid the following amounts to Members of the Council during the year:

2018/19 £		**2019/20** £
252,664	Allowances	*216,583*
8,392	Expenses	*6,487*
261,056		**223,070**

Note 27. Senior Officer and Staff Remuneration over £50,000

The number of employees whose remuneration in the year was £50,000 or more is shown in the table below. It includes pay, redundancy payments and other employee benefits but not employer's pension contributions.

2018/19				2019/20
2	*50,000*	but less than	*55,000*	*4*
3	*55,000*	but less than	*60,000*	*1*
0	*60,000*	but less than	*65,000*	*2*
2	*65,000*	but less than	*70,000*	*0*
0	*70,000*	but less than	*75,000*	*1*
0	*75,000*	but less than	*80,000*	*0*
0	*80,000*	but less than	*85,000*	*0*
0	*85,000*	but less than	*90,000*	*0*
1	*90,000*	but less than	*95,000*	*0*
0	*95,000*	but less than	*100,000*	*0*
0	*100,000*	but less than	*105,000*	*1*
1	*105,000*	but less than	*110,000*	*0*
0	*110,000*	but less than	*115,000*	*1*
0	*115,000*	but less than	*120,000*	*0*
0	*120,000*	but less than	*125,000*	*0*
0	*125,000*	but less than	*130,000*	*0*
0	*130,000*	but less than	*135,000*	*0*
0	*135,000*	but less than	*140,000*	*0*
0	*140,000*	but less than	*145,000*	*0*
1	*145,000*	but less than	*150,000*	*0*
0	*150,000*	but less than	*155,000*	*0*
0	*155,000*	but less than	*160,000*	*0*
0	*160,000*	but less than	*165,000*	*0*
0	*165,000*	but less than	*170,000*	*1*
10				***11***

Included in the banding table above are those Senior Officers who are separately disclosed in the following Remuneration of Senior Employees table.

The remuneration of Senior Employees is shown in the table below.

2018/19	Salary including allowances	Additional Payments	Benefits and fees	Total remuneration	Employer Pension contributions	Remuneration including pension contributions
Post Holder	**£**		**£**	**£**	**£**	**£**
John Hill Chief Executive	141,933	14,454	-	**156,387**	25,730	**182,117**
Director Operations	98,561	11,743	-	**110,304**	18,617	**128,921**
Director Commercial	92,599			**92,599**	15,927	**108,526**
Legal Services Manager	59,388			**59,388**	10,215	**69,603**
Finance Manager	59,388	325		**59,713**	10,215	**69,928**

Key – 2018/19
Note 1 All staff detailed above were in post throughout the 2018-19 financial year

2019/20	Salary including allowances	Additional Payments	Benefits and fees	Total remuneration	Employer Pension contributions	Remuneration including pension contributions
Post Holder	**£**		**£**	**£**	**£**	**£**
John Hill Chief Executive	167,484		7,338	**174,822**	28,807	**203,629**
Director Operations	107,301	5,988	1,355	**114,644**	19,486	**134,130**
Director Commercial	101,566			**101,566**	17,469	**119,035**
Legal Services Manager	64,102			**64,102**	11,026	**75,128**
Finance Manager	64,102		332	**64,434**	11,026	**75,460**

Key – 2019/20
Note 1 All staff detailed above were in post throughout the 2019-20 financial year

The numbers of exit packages committed in the year with total cost per band and total cost of the compulsory and other redundancies are set out in the table below

2018/19 Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages agreed		2019/20 Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages agreed
	1	1	£0 to less than £20,000		1	1
	1	1	£20,000 to less than £40,000		0	0
	2	2	**Total**		1	1
		Cost £'000				Cost £'000
		12	£0 to less than £20,000			6
		33	£20,000 to less than £40,000			0
		45	**TOTAL**			**6**

Note 28. External Audit Related Costs

These figures show the amounts included in the accounts which include any adjustments made for previous years.

2018/19 £000		2019/20 £000
45	External Audit	*50*
14	Grant Claim Certificate	*14*
59		**64**

Note 29. Related Parties

The Council must disclose in the accounts any material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently.

Central Government has significant influence over the general operations of the Council, it is responsible for providing the statutory framework within which the Council operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties, for example Council Tax bills.

Grants received from Government departments are set out in the analysis in Note 8a on "Grant Income".

The Council has a significant operational relationship with Cambridgeshire County Council. The County Council is the administering authority for the East Cambridgeshire's pension fund, and many of the Council's services work with County Council services on a day-to-day basis, for example, the Council is the statutory waste collection authority whereas the County Council is the statutory waste disposal authority, but each of the Councils has to pay the other in respect of certain types of waste.

Two of the Councils management team were seconded to Cambridge & Peterborough combined authority during 2019/20

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 26. Some Council members are also:

1. Elected members of other Councils, including the County Council, Parish and Town Councils.
2. Nominated representatives of Cambridgeshire County Council on various organisations.

In respect of 2019/20, there were no known material transactions with related parties when the accounts were produced that are not disclosed elsewhere in the accounts.

Entities Controlled or Significantly Influenced by the Authority

The Council fully owns East Cambs Trading Company Limited and East Cambs Street Scene Ltd

East Cambridgeshire Trading Company Ltd

East Cambridgeshire Local Authority Trading Company (LATC) Ltd formally started trading on the 1st April 2016. ECTC has two functional divisions; Commercial Services and Property and CLT Development.
The Commercial Services arm of the Trading Company manage the Ely markets on behalf of the Council and undertake grounds maintenance works for external customers within the District.
The Property and CLT Development arm, known as Palace Green Homes, are responsible for progressing the development of small scale house building, including the development of CLTs, within the District.
Income £1,368K, Expenditure £1,281K

East Cambs Street Scene Ltd
East Cambs Street Scene is responsible for the delivery of the waste and street cleansing service.
Income £1,152K Expenditure £3,218K

Group Accounts have been produced as the figures for both the above companies are material to the overall accounts of the Council. The Council's financial relationship with the companies is shown in the Group Accounts section of the Financial Statements.

Anglia Revenue Partnership

The Council became a partner in the Anglia Revenue Partnership (ARP) on 13 October 2010. Breckland Council, East Cambridgeshire District Council, Fenland District Council, East Suffolk Council and West Suffolk Council, work together to provide their Revenues and Benefits services through the ARP. The Council pays ARP for the services it provides; this payment is included in the service costs in the CI&E Account.

Note 30. Leases

Council as Lessee

Finance Leases

The only material Finance Leases held by the Council as lessee are:

2018/19 £000 (restated)		**2019/20 £000**
349	Public Conveniences, Car Park, Open Space	327

The Authority was committed to making minimum payments under these leases through the service payment to the main contractor in settlement of the effective long-term liability for the interest in the vehicles. The minimum lease payments are made up of the following:

2018/19 £000		2019/20 £000
	Finance lease liabilities (net present value of minimum lease payments)	
11	Current	17
30	Finance costs payable in future years	41
41	**Minimum lease payments**	**58**

There will be no rent reviews or other adjustments (therefore no contingent rents apply). Consequently, the minimum rentals is directly equal to the Finance Lease liability above.

As these amounts are immaterial, they have not been included in the Comprehensive Income & Expenditure Statement.

Operating Leases

The Authority has no material operating leases as lessee.

<u>Council as Lessor</u>

Finance leases

The Council has no finance leases as lessor.

Operating Leases

The Authority leases out property and equipment under operating leases for the following purposes:
- for the provision of public open space, recreation and public conveniences
- to provide for Citizens Advice Bureau
- to encourage small businesses
- and other minor items.

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

2018/19 £000		2019/20 £000
21	Not later than 1 year	0
109	Later than 1 year and not later than 5 years	59
170	Later than 5 years	827
300		**886**

The minimum lease payments receivable include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 £0 contingent rents were receivable by the Authority (2018/19 £0).

Note 31. Accounting Policies

Accounting Policies in respect of Concepts and Principles

➢ General Principles

The Statement of Accounts summarises the Council's transactions for the **2019/20** financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom **2019/20** and the Service Reporting Code of Practice **2019/20,** supported by International Financial Reporting Standards (IFRS).

The underlying concepts of the accounts include the:

- Council being a 'going concern' – all operations continuing
- Accrual of income and expenditure – placing items in the year they relate, rather than the year the cash transaction takes place
- Primacy of legislative requirements – legislation overrides standard accounting practice

The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the Council.

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

The accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity.

➢ Changes in Accounting Policies, Prior Period Adjustments, Estimates and Errors

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, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, if material, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

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

➢ Exceptional Items

When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

➢ Accruals of Income and Expenditure as shown in Comprehensive Income and Expenditure Account

Income and expenditure is accounted for in the year in which resources are consumed or when entitlement arises. The principles applied are as follows:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where the Council is acting as an agent for another party (e.g. in the collection of NNDR and Council Tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services provided or the Council incurs expenses directly on its own behalf in providing the services.
- Government Grants are recorded as Income when they are received provided there is reasonable assurance that the conditions of receipt are complied with or at a later date should the conditions be met at that later date.
- In relation to the Local Government Pension scheme the liability that the Authority has for meeting the future cost of retirement benefits arising from service provided by employees up to the Balance Sheet date net of the contributions paid into the fund and the investment income generated.
- Changes in fair values of Investment Properties are recognised.
- The Statutory basis of accounting for the Council differs from that reported in the Comprehensive Income & Expenditure Account as required under IFRS. Details are provided on the following page:

The differences between the Statutory Basis of Accounting and the IFRS Accounting base are as follows:

Income or Expense	**Basis of Statutory Charge to General Fund**	**Basis of Accounting Charge or Credit**	**Other Funds utilised to represent enhancement from Statutory Outturn to Accounting Outturn**
Consumption or usage of Long Term Assets	Contribution to the reduction in borrowing requirement in accordance with statutory guidance.	Full accrual principle determined by Depreciation, Amortisation & Impairment	Capital Adjustment Account with small portion to Revaluation Reserve in relation to Current Cost Element of Depreciation
Grant receipts relating to Long Term Assets	None	All Grants received in year providing no conditions are attached and/or conditional grants from prior years that were applied in year.	Unapplied Capital Grants Reserve
Disposal Receipts or entitlements relating to Long Term Assets	None	Net Profit	Capital Receipts Reserve (deferred if cash not received) minus Capital Adjustment Account (or Revaluation Reserve) in relation to holding value of asset at time of sale.
Financing of new Capital Investment	Contributions made where otherwise not funded by Capital Receipts or designated Capital Grants	None	Capital Adjustment Account
Upward Valuation of Assets	None	Credited	Revaluation Reserve or, where reinstating past Impairment, Capital Adjustment Account
Pension Scheme Costs	Direct amounts paid in relation to the scheme	Full accrual principles including actuarial valuation	Pension Reserve
Staff Costs	Direct amounts paid	Accrual made for leave entitlement deferred forwards	Accumulated Absences Adjustment Account
Council Tax Receipts & Business Rates	Pre-planned demand plus prior year surplus	Full accrual income principle	Collection Fund Adjustment Account
Revenue Expenditure Financed by Capital Under Statute	None	Full accrual principles	Capital Adjustment Account
Minimum Statutory Provision For Capital Debt Repayment	Charge as required under statute	None	Capital Adjustment Account

➢ Reserves

The Council's Reserves represent the accumulation of surpluses (and deficits) upon the Comprehensive Income & Expenditure account overall years up to and including the Balance Sheet Date. It also equals the Total Value of the Council's assets less its' liabilities.

Reserves are classified into Useable (when currently available for application) and Un-useable (when there is no current liquidity).

The Notes to the Accounts upon the Reserves explains fully the purpose of each Reserve and the uses to which they are applied.

➢ Value Added Tax

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.

➢ Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes, detailing the nature of the event and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Accounting Policies in respect of Non-Current Assets

➢ Property, Plant and Equipment (IAS 16)

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

- Recognition

  Spend 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 associated with the item will flow to the Council and the cost of the item can be measured reliably. There is a de minimis level of £10,000 however, where the cumulative value of individual assets is greater than £10,000 and they meet the criteria for recognition they will be capitalised.

- 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

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

  - Fair Value: Land and Buildings, Investment Properties
  - Depreciated Historic Cost: Vehicles, Plant and Equipment, Infrastructure, Intangibles
  - Historic Cost: Community Assets, Assets Under Construction Assets Held for Sale

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

  Assets included in the Balance Sheet at fair value are revalued regularly to ensure that their carrying value is not materially different from their fair value at the yearend, but as a minimum every four years.

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

- Components

  The Council will separately account for components where the cost of the component is significant in relation to the overall total cost of the asset, and the useful economic life of the component is significantly different from the useful economic life of the asset. Individual components with similar useful lives and depreciation methods will be grouped.

  For this purpose, a significant component cost would be 10% of the overall total cost of the asset but with a de-minimis component threshold of £100,000.

  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 there is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

  The incidence of charge to the Capital Adjustment and Revaluation Reserve is detailed above.

- Disposals and Non-Current Assets Held for Sale

  When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and

Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

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

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

Amounts received for a disposal 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)

- Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by allocating the value of the asset over its useful live. An exception is made for assets where the finite useful life cannot be determined, (i.e. land and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated as follows:

Asset Type	Depreciation basis	Useful Economic Life
Operational Buildings	Straight-line allocation over the estimated life of the building or component where identified separately	5 years to 99 years
Community Assets	Straight line allocation over the estimated life of the asset	16 years to 99 years
Intangible Assets	Straight line allocation over the estimated life of the asset	1 year to 5 years
Vehicles, Plant, Furniture & Equipment	Straight line allocation over the estimated life of the asset	1 year to 48 years
Infrastructure		5 years to 99 years

Where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the asset, the components are depreciated separately.

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

The residual value of the assets is reviewed at least every four years and the depreciation adjusted to match any change in the life of the asset.

Year of depreciation charge

The depreciation charge will generally commence in the year after the addition of the asset, unless the in-year depreciation charge would have a material impact.

➢ Heritage Assets

Heritage Assets (those Assets of cultural, environmental or historic importance) are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to heritage assets.

➢ Intangible Assets

Expenditure, on an accruals basis, for assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) are capitalised where they will bring benefit for more than one year. The balance is amortised (charged) to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

➢ 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 elements are considered separately for classification.

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

- The Council as Lessee

  - <u>Finance leases</u>

    Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

    Lease payments are apportioned between:

    - a charge for the acquisition of the interest in the property, plant and equipment, applied to write down the lease liability, and
    - a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

    Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life

(where ownership of the asset does not transfer to the Council at the end of the lease period.)

- Operating leases.

  Rentals paid under operating leases are debited to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

- The Council as Lessor

  - Finance Leases

    Where the Council grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal whilst an appropriate debtor balance is created to reflect the amount owed to the Council.

  - Operating Leases.

    Where the Council grants an operating lease over a property 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.

Current Value Measurement (IFRS 13)

Previously, all assets and liabilities were valued under the principle of "fair value" which was defined as "the amount for which an asset could be exchanged or liability settled between knowledgeable, willing parties in an arm's length transaction".

Although "fair value" remains as the approach to valuation for a number of assets and liabilities, in respect of Operational Assets IFRS 13 introduces "current value". This means such assets have to be measured in a way that recognises their "service potential".

Accounting Policies in respect of Employee Benefits

Benefits payable during employment

To the extent that the Council has an outstanding liability for these at the Balance Sheet Date, the amount is shown in the Accumulated Absences Reserve.

➢ 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.

Termination benefits are charged to the appropriate service line in the Comprehensive Income and Expenditure Account when the Council can demonstrate that it is committed to either terminating the employment of an officer or has made an offer of voluntary redundancy even if the officer has not left the Council by 31 March.

- **Post-Employment Benefits (Pensions)**

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

- The liabilities of the LGPS 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 projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bonds as identified by the actuary).

- **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.

Accounting Policies in respect of Financial Instruments

- **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 the 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 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),
- fair value through other comprehensive income (FVOCI)

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

- Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument, are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principle receivable. The Interest credited to the Comprehensive Income and Expenditure Statement for the loans is the amount receivable for the year in the loan agreement. Any gains or losses that arise on the derecognition of an asset are credited or debited to the Financing and Investments income and expenditure line in the Comprehensive Income and Expenditure Statement.

➢ **Financial Liabilities**

- Financial liabilities are initially measured at fair value and are subsequently carried at their amortised cost.
  Annual charges to 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. For most borrowing that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principle 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 or 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 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.

➢ **Provisions and Contingent Liabilities**

- Provisions

  Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires a financial settlement and a reliable estimate of the obligation can be made. Provisions are debited to the Comprehensive Income and Expenditure Statement and are measured at the best estimate of the expenditure that is likely to be required. When payments are made they are charged to the provision.

- Contingent Liabilities

  A contingent liability arises from an event which is too uncertain or the amount of the obligation cannot be reliably estimated. The liability is disclosed as a contingent liability within the notes to the accounts. 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.

Note 32. Going Concern – East Cambridgeshire District Council

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

The Council's accounts for 2019/20 include the very early impacts of Covid-19 on its financial position, which mainly relate to reduced car parking income during the final weeks of March 2020. The Council is carrying out regular reviews of its forecast financial position during 2020/21 and the impact on these of the Covid-19 pandemic. The Council is further completing the monthly information request from Government detailing the costs to the Council of the pandemic, these indicate the following:

- Forecast loss of income (sales, fees and charges) for a number of services across the Council, particularly impacted being the leisure centre management fee and car parking.

  Government have announced an income compensation scheme, which will allow us to recover 75pence in the pound of lost income (after an initial top-slice), thus allowing us to recover a significant proportion of this loss.

- Forecast additional expenditure on some services, including the additional costs of continuing to run Council services in a Covid-19 safe way, while members of the workforce may be away from the office shielding or self-isolating.

  The Council has received £1,059,532 of un-ringfenced grant from Government to meet these costs, and while we remain far from clear how the pandemic will impact over the coming months, indications at this time, suggest this will be sufficient to cover costs incurred.

- The additional costs of implementing Government policy in relation to additional Business Rate Reliefs; Small Business Grants; Retail, Hospitality and Leisure Grants; and Discretionary Business Grants.

  These costs have been off-set by new burdens funding of £130,000 received by the Council.

- The overall estimated impact on the Council's General Fund balance.

  As suggested above, while the future impact of the pandemic remains unclear, the current view is that the additional costs of this to the Council, will be met from the additional funding being provided by Government. This is also stated in the Medium Term Financial Strategy (MTFS) up-date presented to Finance and Assets Committee on the 24th September 2020.

The Council's up-dated MTFS report as mentioned above, also discusses the forecast position for 2021/22 and future years. The assessments carried out in preparation for this considered the potential for impacts on key areas of income and expenditure continuing into 2021/22. The report should be referred to in conjunction with this note, and covers areas such as:

- Deficits on the Collection Funds in 2020/21 that would need to be funded in later years.

- The implications of a decline in Business Rate income.

- Changing the assumptions around growth in the Council Tax base, due to reductions in the building of new properties and increased eligibility of residents to the Council Tax Reduction Scheme.

The Strategy shows that the impact is affordable in 2021/22 by an increased use of the Surplus Savings Reserve. The figures suggest that £1.7 million of the Surplus Saving Reserve will be rolled into 2022/23, so even if the situation proved worse than my prudent forecast, the Council still has a significant amount of additional coverage in order to balance 2021/22.

This gives the Council some time to focus on recovery and hopefully get more certainty around funding (in relation to tax base and on-going Central Government funding) before embarking on a strategy to achieve a balanced budget for the forthcoming MTFS period. It should be noted that the modelling continues to show a zero increase in Council Tax, which will be reviewed during the coming months, so further flexibility could be obtained from this source if members decided upon such a strategy.

It is therefore the case that there is significant headroom within the General Fund to absorb the estimated financial impact of Covid-19 in the short to medium-term. Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

Cashflow

The Council has also considered its cashflow forecast for the coming period. The Council is not expecting any specific, significant cash outflows during the next twelve months, and as such, the level of cash reserves held is expected to remain adequate, and there is considered minimal chance that the Council will need to borrow externally.

Loan to East Cambs Trading Company (ECTC)

The Council has agreed to provide a further loan facility to ECTC from 31st March 2021, when the initial loans granted to the Company will be repaid. In approving these new loan facilities the Council has reviewed the on-going finances of ECTC and formed the opinion that the revised business plan for the Company is robust. This is also the opinion arrived at by Cambridgeshire and Peterborough Combined Authority who have extended the payback period for the loans they have awarded to ECTC. And, further Price Bailey, ECTC's external auditors, have made reference to, but provided an unmodified opinion, based on the Company's going concern disclosure statement detailed in its 2019/20 accounts.

On this basis, the Council believes that the initial loans will be repaid in March 2021 and then the new loan facilities repaid in line with the agreements for these loans.

Ian Smith
Finance Manager & Section 151 Officer
East Cambridgeshire District Council

Collection Fund

2018/19 Non Domestic Rates £'000	2018/19 Council Tax £'000	2018/19 TOTAL £'000		2019/20 Non Domestic Rates £'000	2019/20 Council Tax £'000	2019/20 TOTAL £'000
			Income			
	(51,397)	(51,397)	Council Tax Payers		(54,738)	(54,738)
(21,355)		(21,355)	Business Rate Payers	(21,538)		(21,538)
(1,146)		(1,146)	Transitional relief	(526)		(526)
(22,501)	**(51,397)**	**(73,898)**	**Total Income**	**(22,064)**	**(54,738)**	**(76,802)**
			Expenditure			
			Repay Previous Years Surplus			
165		165	Central Government	308		308
132	92	224	East Cambridgeshire District Council	247	82	329
30	526	556	Cambridgeshire County	56	481	537
	83	83	Cambridgeshire Police		77	77
3	30	33	Cambridgeshire Fire	6	26	32
330	**731**	**1,061**		**617**	**666**	**1,283**
			Precepts and Demands			
10,189		10,189	Central Government	10,259		10,259
8,178	6,273	14,451	East Cambridgeshire District	8,233	6,480	14,713
1,840	36,570	38,409	Cambridgeshire County	1,853	38,995	40,848
	5,814	5,814	Cambridgeshire Police		6,617	6,617
205	2,011	2,216	Cambridgeshire Fire	206	2,103	2,309
20,412	**50,668**	**71,080**		**20,551**	**54,195**	**74,746**
			Charges to Collection Fund			
(79)	(93)	(172)	Less Write off of Uncollectable Amounts	(141)	(324)	(465)
35	208	243	Less Increase/(Decrease) in Bad Debt Provision	63	154	217
797		797	Less Increase/(Decrease) in Provision for Appeals	995		995
95		95	Less Costs of Collection	95		95
841		841	Renewable Energy Retentions	634		634
33		33	Enterprise Zone Retentions	139		139
1,722	**115**	**1,837**		**1,785**	**(170)**	**1,615**
22,464	**51,514**	**73,9787**	**Total Expenditure**	**22,953**	**54,691**	**77,644**
(37)	**117**	**80**	**(Increase) / Decrease in Collection Fund Balance**	**889**	**(47)**	**842**
(817)	(877)	**(1,694)**	Fund Balance - (Surplus) / Deficit at 1 April	(854)	(760)	**(1,614)**
(854)	**(760)**	**(1,614)**	**Fund Balance - (Surplus) / Deficit at 31 March**	**35**	**(807)**	**(772)**

Notes to the Collection Fund

1. Purpose of Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for the Council as a billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Until it is distributed, the tax collected is held in a statutory Collection Fund which is separate from the General Fund of the Council. The accounts are however, consolidated into the Council's accounts. They have been prepared on an accruals basis.

Parish and Town Council precepts are transferred to the General Fund before being paid to the Parish or Town Council. Interest is not payable / chargeable to the Collection Fund on cash flow variations between it and the General Fund.

There is no requirement for a separate Collection Fund Balance Sheet. The assets and liabilities of the Collection Fund at the end of the year are apportioned between East Cambridgeshire District Council and the major preceptors in proportion to their demand on the fund for the year. The major preceptors' share of the assets and liabilities of the Collection Fund are shown as a debtor in East Cambridgeshire District Council's accounts. East Cambridgeshire District Council's share of the assets and liabilities are held in the Collection Fund Adjustment Account reserve.

2. Council Tax

Tax Base at 31 March 2020					
Tax Band	**Properties**	**Exemptions & Discounts**	**Chargeable Dwellings**	**Band D Multiplier**	**Band D equivalent**
A	4,743	(1,686)	3,057	6/9	2,038
B	11,165	(2,419)	8,746	7/9	6,802
C	7,770	(1,004)	6,766	8/9	6,014
D	6,927	(684)	6,243	9/9	6,243
E	4,583	(385)	4,198	11/9	5,131
F	2,151	(153)	1,998	13/9	2,886
G	734	(56)	678	15/9	1,131
H	87	(13)	74	18/9	148
Total	**38,160**	**(6,400)**	**31,760**		**30,393**

Council Tax charge per band D property for 2019/20 £1,823.53
Council Tax charge per band D property for 2018/19 £1,731.68.

3. Non Domestic Rates (NNDR)

The standard business rate multiplier set by the Government for 2019/20 was 50.4p (2018/19 49.3p). The small business multiplier, for business with a rateable value of under £18,000 was 49.1p (2018/19 48.0p)

Total rateable value at 31 March 2020 £58.029 million.
Total rateable value at 31 March 2019 £57.607 million.

4. Non Domestic Rates Appeals

The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of the estimated outcome of appeals calculated by a weighted average of the historic outcomes. It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by Safety Net calculation (the calculation of which is limited by regulation).

5. Collection Fund Balance Sheet

Non Domestic Rates 31 Mar 19 £'000	Council Tax 31 Mar 19 £'000	TOTAL 31 Mar 19 £'000		Non Domestic Rates 31 Mar 20 £'000	Council Tax 31 Mar 20 £'000	TOTAL 31 Mar 20 £'000
3,074	965	4,039	Cash held by ECDC	2,962	903	3,865
970	2,694	3,664	Debtors	755	2,633	3,388
(601)	(1,365)	(1,966)	Receipts in Advance	(247)	(1,365)	(1,612)
(286)	(1,535)	(1,821)	Impairment Provision	(208)	(1,364)	(1,572)
(2,302)	0	(2,302)	Appeals Provision	(3,297)	0	(3,297)
(855)	(759)	(1,614)	Fund Surplus	35	(807)	(772)
0	(0)	0	**TOTAL**	0	0	0

6. Collection Fund Representation of Debtor, Creditor & Appeals Balances in ECDC Accounts

The Debtor, Creditor and Provisions entries are recorded in the Council's Accounts in accordance with the proportion of the fund attributable to East Cambridgeshire for its own purposes. The relevant proportions are 40% for Non-Domestic Rates and 13% for Council Tax. The entries are therefore as follows:

Non Domestic Rates 31 Mar 19 £'000	Council Tax 31 Mar 19 £'000	TOTAL 31 Mar 19 £'000		Non Domestic Rates 31 Mar 20 £'000	Council Tax 31 Mar 20 £'000	TOTAL 31 Mar 20 £'000
388	341	729	Debtors	302	312	614
(240)	(173)	(413)	Receipts in Advance	(99)	(162)	(261)
(114)	(194)	(308)	Impairment Provision	(83)	(162)	(245)
(921)	0	(921)	Appeals Provision	(1,319)	0	(1,319)
(308)	(845)	(1,153)	Creditors - Local Government	(296)	(795)	(1,091)
(1,537)	0	(1,537)	Creditors - Central Government	(1,481)	0	(1,481)
(342)	(94)	(436)	Fund Surplus to Collection Fund Adjustment Account	14	(96)	(82)
(3,074)	**(965)**	**(4,039)**	**TOTAL**	**(2,962)**	**(903)**	**(3,865)**

7. Collection Fund Adjustment Reserve

The Collection Fund Adjustment Reserve identifies the element of the Collection Fund balance that is due to this Council.

2018/19 £'000	Collection Fund Adjustment Account	2019/20 £'000
455	Opening Balance	945
490	Movement in Year	(863)
945	Closing Balance	**82**
94	Council Tax	96
342	Non Domestic Rates - Core	(14)
509	Non Domestic Rates - Renewable Energy	0

GROUP Comprehensive Income & Expenditure Account

2018/19 GROSS EXPENDITURE £000	GROSS INCOME £000	NET EXPENDITURE £000		2019/20 GROSS EXPENDITURE £000	GROSS INCOME £000	NET EXPENDITURE £000
29,073	(23,572)	5,501	Finance & Assets	28,580	(23,227)	5,353
16,056	(12,752)	3,304	Operational Services	12,635	(9,669)	2,966
45,129	**(36,324)**	**8,805**	**Cost of Services**	**41,215**	**(32,896)**	**8,319**
2,568	0	2,568	Other Operating Costs	2,747	(8)	2,739
612	**(59)**	553	Financing & Investment Items	660	(98)	562
0	(11,430)	(11,430)	Taxation & Grant Income	0	(11,744)	(11,744)
48,309	**(47,813)**	**496**	**Net Surplus/Deficit on provision of services**	**44,622**	**(44,746)**	**(124)**
	2,053	**2,053**	**Other comprehensive income & expenditure**		**(8,898)**	**(8,898)**
48,309	**(45,760)**	**2,549**	**TOTAL**	**44,622**	**(53,644)**	**(9,022)**

GROUP Movement in Reserves Statement

2018/19 Opening Balance £'000	Adjusts between Account basis and fund basis £'000	Other income & Expenditure £'000	Closing Balance £'000	Council	2019/20 Adjusts between Account basis and fund basis £'000	Other income & Expenditure £'000	Closing Balance £'000
11,863	284	(1,039)	11,108	General Fund	969	124	12,131
768	593		1,361	Capital Receipts Reserve	23		1,384
0	0		0	Capital Grants Unapplied	0		0
12,631	**877**	**(1,039)**	**12,469**	**Total Useable**	**992**	**124**	**13,514**
17,482	647		18,129	Capital Adjustments Account	1,386		19,515
7,483	(79)	1,441	8,845	Revaluation Reserve	(102)	2,026	10,769
(21,007)	(1,444)	(3,494)	(25,946)	Other Unusable	(2,276)	6,872	(21,351)
3,958	**(877)**	**(2,053)**	**1,028**	**Total Unusable**	**(992)**	**8,898**	**8,983**
16,589	**0**	**(3,092)**	**13,497**	**TOTAL**	**0**	**9,022**	**22,448**

Group Balance Sheet

Group 31 March 2019 £'000		Group 31 March 2020 £'000
36,618	Property, Plant and Equipment	37,504
105	Heritage Assets	105
59	Intangible Assets	44
0	Investments in Subsidiaries	0
349	Long Term Debtors	308
37,131	**LONG TERM ASSETS**	**37,961**
	Short Term Investments	
3,022	Inventories	30,234
1,788	Short Term Debtors	3,134
7,492	Cash and Cash Equivalents	11,245
12,302	**CURRENT ASSETS**	**44,613**
	Cash and Cash Equivalents	
(5,422)	Short Term Creditors	(8,357)
(1,102)	Provisions	(1,449)
0	Borrowings	(3,614)
0	Lease Liability	0
(6,524)	**CURRENT LIABILITIES**	**(13,420)**
(2,393)	Capital Grants Received in Advance	(2,267)
	Long Term Borrowing	(22,814)
	Lease Liability	0
(27,088)	Net Pensions Liability	(21,634)
(29,481)	**LONG TERM LIABILITIES**	**(46,715)**
13,428	**NET ASSETS**	**22,439**
	FINANCED BY:	
12,400	USABLE RESERVES	13,506
1,028	UNUSABLE RESERVES	8,933
13,428	**TOTAL RESERVES**	**22,439**

Ian Smith - CPFA
Section 151 Officer

Group Cash Flow Statement

Council 31 March 2019 £'000		Council 31 March 2020 £'000
(360)	**Net Surplus / (Deficit) on the Provision of Services – (i)**	**(25,702)**
(60)	Interest receivable	(333)
	Adjustments for Non-cash Items:	
1,256	Depreciation & Amortisation	1,195
0	Impairment	0
1,228	Pension Liability	1,418
227	Change in Inventories	
1,528	Change in Debtors & Creditors	2,047
4,179	**Total Adjustments (ii)**	**4,327**
3,820	**A- Net Cash Flows from Operating Activities (i)+(ii)**	**(21,375)**
(1,440)	Purchase of Property, Plant & Equipment	(757)
2	Change in Long Term Debtors	496
0	Net (Purchase) of Investments	0
60	Interest Received	333
(1,378)	**B- Investing Activities**	**72**
(172)	Net receipt / (application) of Capital Grants	(125)
614	Change in Collection Fund agencies Debtors & Creditors	(118)
	Loans advanced/repaid	26,028
	Leasing Liabilities	(45)
	Interest Paid	(688)
442	**C- Financing Activities**	**25,052**
2,883	**Net (decrease) in cash and cash equivalents (A+B+C)**	**3,749**
4,618	**Cash and cash equivalents at the beginning of the reporting period**	**7,501**
7,501	**Cash and cash equivalents at the end of the reporting period**	**11,250**

Notes to Group Accounts

The Council has three Trading Companies East Cambridgeshire Business Centres Limited, East Cambs Trading Company Limited and East Cambs Street Scene. As a result a set of Group Accounts for the group as a whole are produced. The accounts have been consolidated on a line by line basis, as per IFRS10.

The impact of the Companies activities upon the Reserves of the Group are as follows;

	31 March 2019 **£'000**	**In Year Movement 2019/20** **£'000**	**31 March 2020** **£'000**
Surplus Savings Reserve - Profit & Loss Account	679	(1,175)	(496)
Revaluation Reserve	130	(130)	0
Total Company Reserves portion of Group Balance Sheet	809	(1,305)	(496)
Represented by:			
East Cambs Trading Company Profit & Loss	663	(1,165)	(502)
East Cambs Street Scene Profit & Loss	1	5	6
East Cambs Business Centres Profit & Loss	15	(15)	0
East Cambs Business Centres Revaluation Reserve	130	(130)	0

The Assets & Liabilities of the Company's at the Balance Sheet Date are as follows:

	Trading Company	Street Scene	Inter Company	Total Change upon Council
Property Plant & Equipment	121	32	30,342	30,495
Company Share - Capital Council Investment	0	0	0	0
Long Term Debtor/Creditor	(4,220)	0	4,220	0
Debtors & Cash	365	346	(197)	514
Inventories	30,342	28	(30,342)	28
Creditors	(742)	(400)	295	(847)
Borrowings	(26,428)		(4,220)	(30,648)
Lease Liability				
Long Term lease liability				
TOTAL ASSETS NET OF COUNCIL SHARE	**(562)**	**6**	**98**	**(458)**

East Cambs Trading Company and East Cambs Street Scene report leases under IFRS16 for 2019/20 but for group consolidation this has been rolled back to IAS17

Glossary of Terms and Abbreviations

GLOSSARY OF TERMS

Accrual
The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

Actuarial Assumptions
These are predictions made for factors that will affect the financial condition of the pension scheme.

Amortisation
The gradual write off of the initial cost of assets.

Asset
An item having value to the Council in monetary terms.

Capital Enhancement
Enhancement on the acquisition of non-current assets which will be used in providing services beyond the current accounting period, or spend on non-current assets.

Capital Receipts
Income received from selling non-current assets.

Carrying amount
The value of an asset or liability in the Balance Sheet.

CIPFA
This is the Chartered Institute of Public Finance and Accountancy which is an institute that represents accounting in the Public Sector.

Collection Fund
A separate fund that records the income and expenditure relating to council tax and non-domestic rates.

Community Infrastructure Levy (CIL)
An amount payable by developers (commercial and domestic) in respect of new buildings created within the District. The Levy must be used to provide infrastructure; decisions on which are taken by District and Parish Councils.

Contingent Liabilities
These are amounts that the Council may be, but is not definitely, liable for.

Council Tax
A tax paid by residents of the District that is based on the value of the property lived in and is paid to the Council and spent on local services.

Creditors
These are people or organisations which the Council owes money to for goods or services which have not been paid for by the end of the financial year.

Current Assets
These are assets that are held for a short period of time, for example cash in the bank, inventories and debtors.

Debtors
Sums of money owed to the District Council but not received by the end of the financial year.

Earmarked Reserves
Money set aside for a specific purpose.

Exceptional Item
A material item in the Comprehensive Income and Expenditure Statement that falls within the ordinary activities of the Council but which needs to be disclosed separately by virtue of its size to give a fair presentation of the accounts.

Fair value
The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in arms-length transaction.

Finance Lease
A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. A finance lease transfers substantially all of the risks and rewards of ownership of an item of property, plant and equipment to a lessee.

Impairment of debts
This recognises that the real value of debt is less than the book value.

Intangible Assets
A non-physical item which provides future economic benefits. This Council's intangible assets comprise computer software licences.

Liabilities
Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Liquid Resources
Current asset investments held as readily disposable stores of value, either readily convertible into cash, or traded in an active market.

Minimum Revenue Provision (MRP)
The minimum amount that must be charged to the revenue account each year to provide for the repayment of monies borrowed by the Council.

Non Domestic Rates
Rates which are levied on business properties. From 1st April 2013, as a consequence of The Local Government Finance Act 2012, a local Non Domestic Rating regime was introduced that included the business rates retention scheme. See also **Tariff** and **Safety Net**.

Operating Leases
A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. An operating lease is where the ownership of the non-current asset remains with the lessor.

Precept
A payment to the Council's General Fund, or another local council, from the Council's Collection Fund.

Prior Year Adjustments
These are material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors.

Property, Plant and Equipment
Non-current assets that give benefit to the District Council and the services it provides for more than one year.

Provisions
Monies set aside for liabilities or losses which are likely to be incurred but where the exact amounts or dates on which they will arrive are uncertain.

Reclassification
Where comparative (prior year) figures are reclassified into new categories of income or expenditure, and the change has not been the result of a material error or accounting policy but the amount is "material" then this is a reclassification.

Responsible Financial Officer
The designated post within the Council, as determined by the Accounts and Audit Regulations 2011, which holds the statutory S.151 responsibility (Local Government Act 1972). This responsibility is in respect of ensuring the proper administration of the Council's financial affairs. This post was formerly known as Chief Financial Officer.

Restated
Where there has been a material error in the accounts or a new accounting policy has been applied, then the comparative (prior year) figures have to be "restated" as if the correction or policy had been in place as at the end of the previous financial year.

Revenue Expenditure Funded from Capital under Statute
Spending on items normally classed as revenue but which are defined by statute as capital e.g. improvement grants.

Revenue Support Grant
A grant from Central Government towards the cost of providing services.

Safety Net
The scheme for localising Non Domestic Rates (NDR) includes a safety net provision. Where the actual NDR after Tariff is less than 92.5% of the funding baseline, Central Government makes a safety net payment to the Council equal to the difference between the actual NDR and the funding baseline.

Section 106
Under planning regulations developers can be requested to make contributions to on and off-site facilities required as a result of their development.

Tariff
The scheme for localising Non Domestic Rates (NDR) includes baselines for both the amount of NDR the Council receives and the amount of Council funding from NDR. The Council pays Central Government a Tariff equal to the difference between the two baselines.

True and Fair View Override
As required by the Accounts and Audit Regulations 2011, paragraph 8.2, the Responsible Financial Officer is required to certify that the Statement of Accounts presents a true and fair view of the financial position of the Council. However, as a consequence of IFRS, this has introduced the principle of the "true and fair view override". This means, where the Responsible Financial Officer considers that to give a true and fair view would actually require the Council to provide misleading information i.e. to provide an actual outturn figure would actually show to the reader an unexpected financial position, the Responsible Financial Officer is permitted to provide alternative figures providing such divergence from the "true and fair view" is appropriately acknowledged in the notes to the accounts.

ABBREVIATIONS

CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance and Accountancy
CPFA	Chartered Public Finance Accountant
DCLG	Department for Communities and Local Government
DRC	Depreciated replacement cost
FTE	Full Time Equivalent
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
LEP	Local Enterprise Partnership
LGPS	Local Government Pension Scheme
LLPG	Local Land and Property Gazetteer (UK)
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
NBV	Net Book Value
NDR	Non Domestic Rates
NHB	New Homes Bonus
NNDR	National Non Domestic Rates (Business Rates)
PWLB	Public Works Loans Board
RICS	Royal Institution of Chartered Surveyors
RSG	Revenue Support Grant
S106	Section 106
SOLACE	Society of Local Authority Chief Executives

Building a better working world

Financial Reporting Council (FRC) report on the inspection results of major local audit

On 30 October 2020 the FRC published for the first time the results of inspection of local audit, i.e. the work that auditors do on local government and NHS entities like yourselves under the NAO Code. We were very pleased that the three EY audits they reviewed were rated as good or only needed limited improvements (for the second year running), which compares extremely favourably to the other providers in this market. The results support the efforts we have made in focusing on audit quality and the investments in training and developing our audit methodology, including the use of specialists such as internal valuers and our attention to asset valuations which is highlighted as an example of good practice.

A link to the report is here - **(LINK).**

Summary: Findings from the FRC's inspection of major local audits in England, for the financial year ended 31 March 2019, were published on Friday last week. The FRC explains that its report focuses on the key areas local audit activity requiring action from across the firms. The FRC's primary aim is to safeguard and enhance the quality of local audits.

Of the 271 major local audits in the FRC's inspection scope, the FRC reviewed 15 across the seven largest audit firms, covering both the financial statement opinion and the Value for Money (VfM) arrangements. For the financial statement opinion two audits reviewed by the FRC required significant improvements and seven required improvements. None of the VfM conclusions reviewed required more than limited improvement.

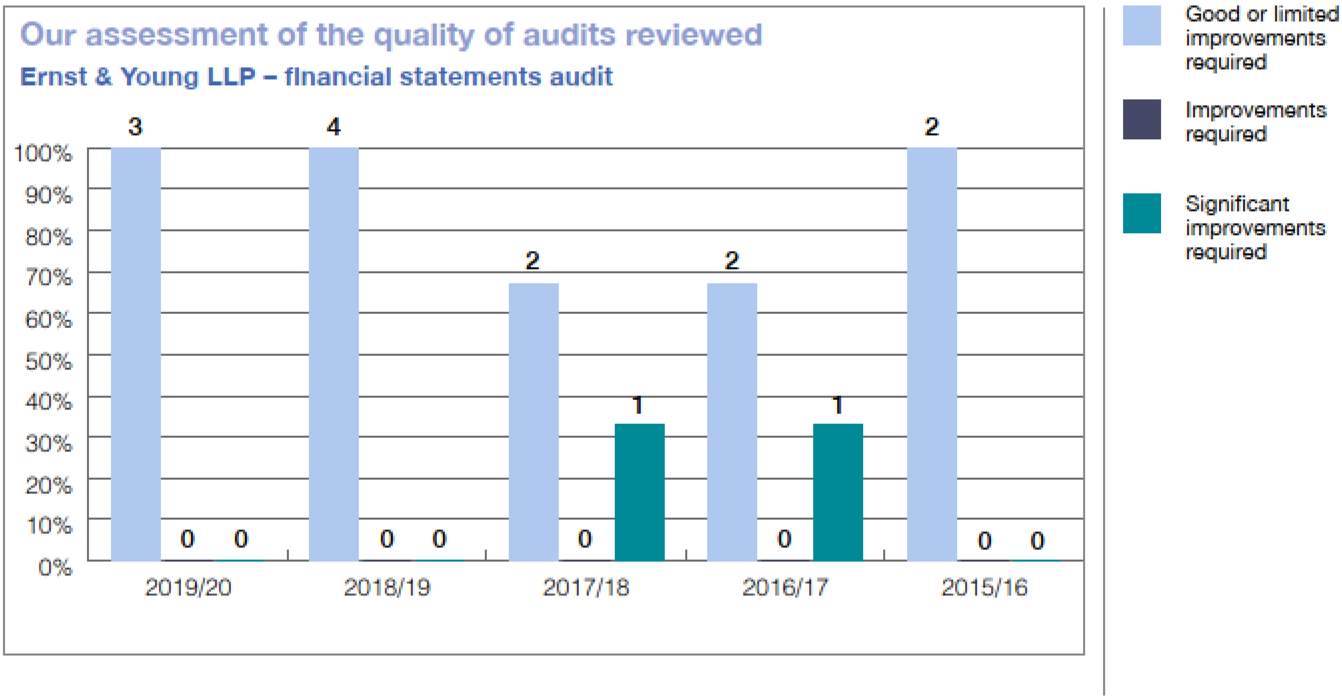
FRC states that 'some firms are still not consistently achieving the necessary level of audit quality and therefore need to make further progress.' For two firms, Grant Thornton and Mazars, the level of audit quality requires significant improvement, and those firms should perform a detailed Root Cause Analysis (RCA) of the issues the FRC has identified and put in place, with an audit quality action plan across local audits to address the FRC's findings.

The key areas of concern requiring action by some audit firms are as follows:

- the valuation of property (including investment property);
- sufficiency of audit procedures over the occurrence and completeness of expenditure;
- the response to fraud risks;
- the impairment of receivables;
- valuation of pension assets; and
- the effectiveness of the Engagement Quality Control review.

Financial statements audit – review trends

EY results



END

Reflections from the Redmond review

Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting

Published on the 8th September 2020, Sir Tony Redmond's findings and recommendations from his independent review provides a significant opportunity to shape the future sustainability of local government financial reporting and auditing. We believe this will help ensure audit continues to meet the evolving needs of local authorities, the public, and the public interest.

Guiding principles for reform

We believe reforms should be guided by the following principles:

- Reforms should enhance, or at least should not create risks to, the quality of financial reporting and external audit.
- The importance of the multidisciplinary audit firm model, to enable local auditors to respond efficiently and effectively to the increased reporting complexity, risks and financial resilience pressures we have seen facing the public sector pre and post Covid-19.
- There should not be a two-tier system of generally accepted accounting and auditing standards between the public and corporate sectors.
- To be effective and sustainable, reforms need to focus on the public sector financial reporting and external audit ecosystem as a whole.

What impact will the Redmond review have on East Cambridgeshire DC?

- The proposed Office for Local Audit Regulation (OLAR), aimed to be a "system leader", will apply to the Council's external auditor. The transition from the current arrangements to OLAR may increase audit requirements.
- The publishing deadline for accounts is recommended to be 30 September.
- All stakeholders in the ecosystem have a role to play to improve accountability, transparency and sustainability of financial reporting. In particular, improving the effectiveness of Audit Committees, strengthening the training skills, capacity, capability and the attractiveness of public sector finance and audit professions.
- The review highlights the importance of the auditors work to critically assess the financial resilience and viability of public sector bodies and has proposals on how this assessment could be enhanced within the NAO's code of audit practice. This may lead to a change to how auditors consider financial resilience.
- Changes to how you account for and report on your property, plant and equipment and pension liability will require CIPFA to change its Code and may take some time.
- You may be required to prepare a 'standardised statement of service information and costs' which can be compared with the budget agreed to support the council tax/precept/levy and presented alongside the accounts.

Reflections from the Redmond review – a complicate eco-system

Reflections from the Redmond review – our initial views

Taking our guiding principles, we broadly welcome the Redmond review and proposals, in particular:

Quality of financial reporting and external audit

- The recognition that all stakeholders in the ecosystem have a role to play to improve accountability, transparency and sustainability. This includes improving the effectiveness of Audit Committees, strengthening the training skills, capacity capability and attractiveness of the public sector finance and audit professions.
- His conclusion that the current procurement and fee structure does not support sustainable audit quality. We have provided you with our perspectives on how baseline audit fees need to change to take account of your risk profile, complexity as well as the regulatory and professional context which drive our audits.

Reforming the public sector financial reporting and external audit ecosystem

- Establishing the Office for Local Audit Regulation (OLAR), which provides a “system leader” and will bring clarity to the existing framework for local authority audit.
- The importance of MHCLG establishing a liaison committee of all key stakeholders to oversee reforms. To begin with MHCLG should take urgent action to implement primary legislation to establish OLAR, revise the timetable for financial reporting and revisit the procurement and fee structure for public sector audit.

Multidisciplinary audit firm model

- The importance of the auditors work to critically assess the financial resilience and viability of public sector bodies and his proposals on how this assessment could be enhanced within the NAOs code of audit practice.

Safeguarding professional accounting and auditing standards

- The need for CIPFA/LASAAC to revisit the accounting code and introduce summarised accounts. We agree that there is a need for more proportionality in the Code which also sets out the expectations of practitioners and auditors and how this could be applied in areas such as pensions and asset valuations. However, we believe that any future proposals on the accounting code should not create a two-tier system.

What are we doing in the meantime?

- Planning for a 30 September financial reporting target date for local government 2020/2021 accounts, integrated with our NHS work.
- Implementing the new NAO code and changes to our VFM conclusion work and reporting for 2020/2021 audits. We will also work with the NAO and other audit suppliers on any refinements to how auditors assess financial resilience.
- Continuing to engage with and influence MHCLG, NAO, PSAA CIPFA/LASAAC, FRC and other key stakeholders on the actions required to implement the Redmond proposals as swiftly as possible and how these effectively align to the broader package of audit reforms which BIES will consult on later this year.

AGENDA ITEM 10

PSAA CONSULTATION

Committee: Finance and Assets Committee

Date: 26th November 2020

Author: Finance Manager

[V]

1. ISSUE

1.1 The PSAA (Public Sector Audit Appointments) have issued a consultation on a proposed new system for fee variations for local authorities for their external audit service.

2. RECOMMENDATION

2.1 Members are requested to authorise the Finance Manager, in consultation with the Chairman, to reply to the consultation in line with the responses detailed below.

3. BACKGROUND/OPTIONS

3.1 Members will recall that the external audit fee for 2019-20 was increased, this following discussion between EY and the Finance Manager, regarding the scope / size of the audit and how this had been impacted by changes in audit requirements nationally and specific local requirements (such as the additional audit work required around Group Accounts).

3.2 In an effort to streamline this process a formal consultation by the PSAA was recently launched with a response date of 1st December 2020. The full consultation is attached as appendix 1 to this report and the Council's proposed response is detailed immediately below.

3.3 Question 1

Do you agree that fee variation arrangements should be changed to improve the efficiency of the process and to help manage the pressure on senior finance staff and auditors?

Yes

3.4 Question 2

Do you agree that a system based on two distinct categories – national variations and local variations – would be a logical approach?

Yes

3.5 Question 3

Do you agree that PSAA should lead on national variations, carrying out research to enable it to assess appropriate additional fees for groups of bodies with similar characteristics, with appropriate consultation?

Yes

3.6 Question 4

Do you agree that local discussions between the auditor and the audited body should continue to be a requirement in relation to additional audit work arising from factors which are specific to a particular audited body?

Yes

3.7 Question 5

Do you agree that the fee rates applicable to fee variations should be increased in recognition of the importance of maintaining a sustainable local audit market?

Yes

3.8 Question 6

Any other comments?

None

4. FINANCIAL IMPLICATIONS / EQUALITY IMPACT ASSESSMENT

4.1 There are no financial implications to this report.

4.2 Equality Impact Assessment (INRA) not required.

4.3 Carbon Impact Assessment (CIA) not required.

5. APPENDIX

5.1 PSAA Formal Consultation Document

Background Documents	Location	Contact Officer
	Room 206 The Grange Ely	Ian Smith Finance Manager Tel: (01353) 616470 E-mail: ian.smith@eastcambs.gov.uk

Public Sector
Audit Appointments

Proposed new system for fee variations

Opted-in local government and police bodies

November 2020

Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government authorities for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

From 2018/19 PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme.

Contents

Summary

1 This consultation sets out our proposed new approach for determining fee variations in respect of local audits of opted-in bodies from 2020/21 onwards.

2 Fee variations are the mechanism by which Public Sector Audit Appointments (PSAA) approves additional fees for audit work. Additional fees are required when an auditor needs to undertake substantially more work than was envisaged when the fee scale for the audit was set by PSAA. This is an increasingly common occurrence in the current climate. Since PSAA's contracts with audit suppliers were let in 2017, audits have been subject to increased scrutiny and regulatory pressures following a number of controversial financial failures in the private sector. Additional work has been required in the majority of audits to enable a safe audit opinion on the financial statements. The new Code of Audit Practice will apply from 2020/21 and further additional audit work will be needed to deliver the requirement for a commentary on the body's arrangements for value for money.

3 The current fee variations process requires the auditor to discuss all proposed variations with the audited body before submitting them to PSAA for determination. Feedback from both auditors and audited bodies frequently refers to the practical challenges and limited value of local discussions about proposed variations which relate to factors which affect most or all audited bodies. Many contributors have asked PSAA to take a national lead on additional fees, where possible removing the need for local negotiations. PSAA is also engaging with MHCLG to facilitate the proposed approach outlined in this consultation.

4 PSAA therefore proposes introducing a new approach to fee variations for audits of 2020/21 and subsequent accounts, based on two types of variation:

- **national variations**, required for changes that relate to the conduct of all or most audits, such as changes to the auditing and accounting codes, standards and regulatory requirements, where a standard cost can be reasonably estimated; and

- **local variations**, required for issues that relate to local factors arising from the conduct of the particular audit, such as the additional audit work required if accounts reflect complex transactions that are not built into the scale fee, or where working papers are poorly prepared, or for work relating to an auditor's statutory responsibilities such as objections, statutory recommendations or public interest reports.

5 Wherever possible PSAA will calculate and determine national variations. Local discussions between the auditor and the audited body will not be necessary. In order to reach fair determinations, PSAA will carry out research into each of the variations which arise in this category. This will include engagement with representatives of both audit suppliers and audited bodies. We will also consult as appropriate with bodies such as the National Audit Office and the Financial Reporting Council. Implementation of new arrangements will necessarily be influenced by how MHCLG chooses to respond to the recent Redmond Review recommendations.

6 Local variations will continue to be the subject of local discussions. We think this is appropriate in the context that these relate to matters which are specific and frequently unique to the particular audit. The relevant auditor and the chief finance officer should

therefore be well aware of the issues and able to bring valuable knowledge and insights to bear.

7 The detailed methodology for calculating the value of fee variations uses PSAA's rate card, which prescribes different hourly rates for different levels of audit staff. The Redmond report has recently documented significant challenges in local government auditing, acknowledging that the market is fragile and lacks resilience and highlighting issues in relation to the adequacy and sustainability of audit fees. Against this backcloth we are proposing to increase the relevant hourly rates for fee variations by 25% for 2020/21 audits. The resulting new rates continue to be keenly competitive compared to those payable in other sectors. The cost to local bodies of the rate card increase will vary depending on the scale of any fee variations arising. By way of illustration, if a body experiences fee variations equivalent to say 10% of its scale fee, calculated using current rates, the overall cost of its audit will rise by approximately 2.5% as a result of the rate card change. Current rates will continue to apply for audit years before 2020/21

8 We recognise that local bodies are managing hugely challenging budgets and that any increase in the rates for fee variations will be unwelcome. However, in the context of the need to maintain a sustainable audit market going forward, we believe that this is an important and necessary step to take.

9 Fee variations often relate to additional audit work which is of a recurring nature. Ideally in these circumstances the scale fee for the relevant body would be updated to reflect the cost of the work concerned in subsequent audits. However, current regulations hamper how quickly this can be done. PSAA is therefore in active discussions with MHCLG with a view to amending the regulations to enable scale fees to be updated more promptly where appropriate.

10 We look forward to receiving your comments on our proposals.

Responding to the consultation

We welcome comments on the proposals contained in this document. Please send feedback using this link:

https://www.surveymonkey.co.uk/r/MGZPNBJ

The link is to is to an online survey, using the questions set out below (there is an option to make additional comments on each question).

The consultation will close on **Tuesday 1 December 2020**.

Consultation response questions

1. Do you agree that fee variation arrangements should be changed to improve the efficiency of the process and to help manage the pressures on senior finance staff and auditors?
2. Do you agree that a system based on two distinct categories - national variations and local variations - would be a logical approach?
3. Do you agree that PSAA should lead on national variations, carrying out research to enable it to assess appropriate additional fees for groups of bodies with similar characteristics, with appropriate consultation?
4. Do you agree that local discussions between the auditor and the audited body should continue to be a requirement in relation to additional audit work arising from factors which are specific to a particular audited body?
5. Do you agree that the fee rates applicable to fee variations should be increased in recognition of the importance of maintaining a sustainable local audit market?
6. Any other comments.

PSAA's new fee variations system

Background

11 The Local Audit (Appointing Person) Regulations 2015 require PSAA to consult on and set a scale of audit fees for opted-in authorities before the start of the financial year to which the fees apply[1]**.** In addition, a fee scale cannot be altered after the start of the financial year.

12 In some cases substantially more audit work may be required than was envisaged when the fee scale was set. In these circumstances the local audit framework allows PSAA to consider and ultimately determine a fee variation claim from the relevant auditor[2]. The volume and aggregate value of such claims has risen significantly in the past two years as all audits have become subject to increased scrutiny and regulatory pressure following a number of controversial financial failures in the private sector. As a result, additional work has been required in the vast majority of local audits to enable a safe audit opinion on the financial statements. The new Code of Audit Practice will apply from 2020/21 and further additional audit work will be needed to deliver the requirement for a commentary on the body's arrangements for value for money.

13 Firms are required to share the details and explain the circumstances of any proposed fee variation with the relevant local body and, in submitting a claim to PSAA, to confirm whether the body has agreed to the proposed variation. This arrangement helps to ensure a rounded, balanced process in which the views of both the auditor and the audited body are heard. This approach has worked well for a number of years, during which fee variations have been the exception rather than the rule. However, it has become more controversial during the recent period in which variations have become much more common. Increasingly, feedback from audit suppliers and audited bodies has questioned whether it is helpful for local discussions to take place in relation to variations which relate to changes which affect most or all bodies.

[1] **Regulation 16 includes:**

(1) An appointing person must specify, before the start of the financial year to which the scale of fees relates, the scale or scales of fees for the audit of the accounts of opted in authorities in relation to which the person is the relevant appointing person.

(2) A scale of fees must relate to a particular financial year, but may be set for more than one financial year at a time.

(3) An appointing person may vary the scale of fees which it has specified, but must not do so once the financial year to which the scale of fees relates has begun.

[2] **Regulation 17 includes:**

(1) Subject to paragraph (2), the fee for the audit of the accounts of an opted in authority must be set in accordance with the appropriate fee scale specified in accordance with regulation 16.

(2) If it appears to an appointing person, on the basis of information supplied by the local auditor which it has appointed

(a) that the work involved in a particular audit was substantially more or less than that envisaged by the appropriate scale, or

(b) any of the provisions mentioned in paragraph (3) apply,

the appointing person may charge a fee which is larger or smaller than that referred to in paragraph (1), as appropriate.

A new fee variations system

14 Encouraged by feedback from stakeholders, we have therefore considered options for redesigning the fee variations process to improve efficiency and to reduce the burden of local discussions on auditors and senior finance staff. As a result, we are now proposing a new system, commencing from audits of 2020/21 accounts, based on two types of variation:

a) **national variations** which will reflect national changes in audit requirements: that is, changes that relate to the conduct of all or most audits, such as changes to the auditing and accounting codes, standards and regulatory requirements, where a standard cost can be reasonably estimated; and

b) **local variations** which reflect local changes in circumstances: that is, issues arising from the conduct of a particular audit, such as the additional audit work required if accounts reflect complex transactions that are not built into the scale fee, or working papers are poorly prepared, or for work relating to an auditor's statutory responsibilities such as objections, statutory recommendations or public interest reports..

National variations

15 We propose that, with effect from the audit of 2020/21 accounts PSAA will lead on assessing the potential audit work and fee impact of new and updated audit requirements and standards applicable to local audit. These are changes that have the potential to affect the conduct of all or most audits, requiring more or less audit work to be carried out. However, their implications may vary between different types or groupings of local bodies.

16 PSAA has already commissioned a programme of work to consider the likely audit work and fee impact of expected changes in audit requirements. Some anticipated changes are unlikely to result in an increase in audit work, but others are potentially significant and may justify fee variations. The latter grouping includes:

- the Code of Audit Practice applicable from 2020/21, which contains new requirements in relation to reporting on value for money arrangements;
- ISA 220 (Revised): Quality control of an audit of financial statements (applicable from 2020/21 audits);
- ISA 315 (Revised): Identifying and assessing the risks of material misstatements (applicable from 2022/23 audits);
- ISA 540 (Revised): Auditing accounting estimates and related disclosures (applicable from 2020/21 audits);
- ISA 600 (Revised): Specific considerations – audit of group financial statements (applicable from 2020/21 audits); and
- IFRS 16 Leases (applicable from 2021/22 audits).

17 PSAA will undertake research to inform our understanding of each relevant standard or other change in requirements. In doing so we will consult with audit suppliers as well as seeking the views of audited bodies via relevant societies/associations of chief finance officers. Engagement with stakeholders such as the NAO and the FRC will also be

important to test our thinking and ensure that the resulting additional fees PSAA determines are reasonably consistent with any other relevant assessments. Our intention is to assess the additional work and consequent fee requirements for each relevant change driver, taking account of the differing needs of particular types or groups of authority.

18 In some cases, the nature of the change may be more significant for one type of local body than for another and our determinations will therefore need to be stratified accordingly.

19 We may find that at the outset a particular change cannot be assessed with the required level of confidence. In these circumstances we may initially specify a range rather than a precise figure for resulting fee variations, reserving final determinations until more information is available.

20 In dealing with national variations, PSAA will take particular care to identify ongoing audit work and costs which ultimately need to be consolidated in revised scale fees. This in turn requires careful earmarking of pre-implementation work, for example in relation to prior year disclosures for IFRS 16, as well as any one-off implementation year work which is not a continuing requirement, such as the first year of the new value for money arrangements reporting under the Code of Audit Practice. This work will qualify for a fee variation but is clearly not a recurring requirement.

21 A key assumption when determining any national variation will be that both the body and the auditor meet the requirements of the Statement of Responsibilities (see paragraphs 34-35 below).

22 We believe our proposed approach to national variations will obviate the need for a significant proportion of local fee variation discussions by relieving audited bodies and audit firms of much of the burden of dealing with system-wide issues at local level. In doing so it responds directly to stakeholders' expressed concerns and offers the prospect of improving both the efficiency of the fee variation process and the consistency of resulting determinations.

23 It is important to acknowledge that our proposed approach inevitably involves a degree of estimation. Fee variations will be considered and standardised for groups of bodies with similar characteristics, rather than being determined after assessing the position at the level of each individual body. The system will only realise the benefits outlined if audited bodies and audit suppliers accept that some estimation is implicit in this approach.

24 Potential national fee variations will be evaluated at the earliest opportunity, enabling to allow PSAA to build them into scale fees when it is possible to determine the ongoing impact of a change in requirements. Timing of implementation will be influenced by further engagement with MHCLG including how MHCLG chooses to respond to the recent Redmond Review recommendations.

Local variations

25 Auditors will continue to advise and enter into local discussions with audited bodies about the nature and circumstances of any potential fee variations arising from the conduct or local circumstances of the particular audit. This will ensure that the audited body is

informed about likely variations of this type and has an opportunity to seek any further information or explanations from the auditor. Local variations may relate to specific challenges which have emerged during the audit or they may relate to distinctive local developments such as a body implementing new financial systems.

26 Local fee variation requests must be made to PSAA by the auditor using a standard process, which PSAA is updating following recent review. The process will identify one-off and recurring implications so that each can be handled appropriately. The auditor should not invoice an audited body until PSAA has authorised it so to do. Further information on the fee variations process is available from the PSAA website.

Fee variations for ongoing requirements

27 As we have outlined, fee variations which are of a recurring nature, whether national or local, should be consolidated into scale fees at the earliest opportunity. Unfortunately, however, current regulations inhibit seamless early consolidation. This is best explained by way of an illustration. A variation relating to 2020/21 may be determined in say, September 2021, and be identified as recurring. By that stage the 2021/22 year has clearly started, and current regulations prohibit alteration of a scale fee after the start of the financial year. The variation will therefore have to be repeated in respect of 2021/22 and the earliest opportunity for consolidation will be 2022/23. PSAA is currently in discussions with MHCLG concerning the possibility of amendments to the regulations to enable earlier updating of scale fees.

28 In the meantime, we are currently finalising a detailed review of fee variations approved for 2018/19 to identify those which relate to ongoing audit requirements. Our next main fee consultation will propose the consolidation of these variations into 2021/22 scale fees.

Fee variation rates

29 The fee rates applicable specifically to fee variations are set by PSAA in the form of a rate card which prescribes hourly rates for different types of audit staff, for example partners, managers, and other staff. The rates represent an important part of the mechanism for determining both national and local variations. The rate card has been subject to successive fee reductions in recent years, linked to changes in scale fees. Over the same period, rates for audit work in other sectors have risen. This is an increasing concern to audit suppliers given the higher volumes of variations as a result of increased audit work now required.

30 The Redmond report has recently documented significant challenges in local government auditing, acknowledging that the market is fragile and lacks resilience and highlighting issues in relation to the adequacy and sustainability of audit fees. Against this backcloth we are proposing to increase the relevant hourly rates for fee variations by 25%. The resulting new rates, set out in the table below, continue to be keenly competitive compared to those payable in other sectors. Going forward we plan to review the rate card annually alongside scale fees.

Fee variation rates

Description	Hourly rates			
	Partner/ Director	Senior Mgr/ Mgr	Senior Auditor	Other staff
PSAA current rates	£132	£73	£47	£36
Proposed rates from 2020/21	£165	£91	£59	£45

31 The cost to local bodies of the rate card increase will vary depending on the scale of any fee variations arising. By way of illustration, if a body experiences fee variations equivalent to say 10% of its scale fee calculated using current rates, the overall cost of its audit will rise by approximately 2.5% as a result of the rate card change.

32 We recognise that local bodies are managing hugely challenging budgets and that any increase of this type will be unwelcome. However, in the context of the need to maintain a sustainable audit market going forward, we believe this is an important and necessary step to take.

33 In determining fee variations PSAA will continue to challenge the auditor's request for the variation in a variety of ways including:

- reviewing the justification and supporting documentation;
- considering the complexity and size of the variation including the time inputs of staff;
- comparing with similar variations for other bodies;
- confirming that the work is consistent with the auditor's responsibilities and PSAA's other records;
- confirming that the authority has agreed the fee variation (and if it has not, consulting with the body to understand concerns); and
- ensuring that the auditor has reported the variation to the relevant body in the required manner.

Statement of responsibilities

34 The statement of responsibilities of auditors and audited bodies sets out the expectations on which scale fees are based. The statement effectively represents the terms of engagement between appointed auditors and audited bodies and summarises their respective responsibilities. Scale fees are based on the expectation that audited bodies can provide the auditor with complete and materially accurate financial statements and supporting working papers within agreed timeframes. Where an authority is unable to fulfil these requirements, local fee variations may be required.

35 The same expectations will apply to the expected work covered by national fee variations. If an audited body does not meet its responsibilities, creating a need for further additional audit work, an additional local fee variation could also apply.

36 The statement of responsibilities also applies to auditors. Additional audit costs that arise due to auditors not meeting the expectations are ineligible for a fee variation.

Next steps

We welcome comments from audited bodies and stakeholders on the proposals outlined in this document. The closing date for comments is **Tuesday 1 December 2020.** Consultation feedback should be made using the survey at:

https://www.surveymonkey.co.uk/r/MGZPNBJ

37 Please send any questions on this consultation to: workandfeesconsultation@psaa.co.uk.

38 We will take account of the feedback to this consultation in setting out its fee scale proposals for 2021/22 early in 2021.

39 If you have complaints about the way this consultation has been conducted, these should be sent by email to generalenquiries@psaa.co.uk.

INTERNAL AUDIT PROGRESS REPORT

To: Finance & Assets Committee

Date: 26th November 2020

From: Chief Internal Auditor, LGSS

[V]

1. ISSUE

1.1. To advise Members of the work of Internal Audit completed during the period September 2020 to October 2020, and the progress against the Internal Audit Plan.

2. RECOMMENDATION

2.1. That the Committee notes the progress made by Internal Audit in the delivery of the Audit Plan and the key findings.

3. BACKGROUND/OPTIONS

3.1. The role of Internal Audit is to provide the Finance and Assets Committee, and management, with independent assurance on the effectiveness of the internal control environment. Internal audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve its objectives.

3.2. At the time of reporting, approximately 53% of assignments within the plan are either complete or in progress. This is despite the Internal Audit team agreeing to cease audit testing in any areas impacted by the pandemic response during quarter one, in order to minimise any disruption and support the Council during this difficult period.

3.3. Since September 2020, four actions arising from audit reports have been implemented by officers. There are four actions which remain overdue and are subject to ongoing follow up from Internal Audit.

3.4. The Internal Audit team deliver against a two year Internal Audit plan of assignments. Work on reviewing the Internal Audit plan for 2021/22 will commence in December. This will initially involve horizon scanning, assurance mapping against the risk register and corporate plan and consultation with senior management and risk owners. The Finance and Assets Committee are also invited to highlight areas where they consider assurance is required during the next two financial years, to feed into the risk based audit planning process. Members of the Committee can raise risk areas with the Head of Internal Audit or via the Chair of the Finance and Assets Committee before the end of January 2021.

4. ARGUMENTS/CONCLUSIONS

4.1. The attached report (Appendix 1) informs Members on the progress to date against the Audit Plan.

5. FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

5.1. There are no additional financial implications arising from this report. Equality and Carbon Impact Assessments are not required.

6. APPENDICES

- Appendix 1 – Internal Audit Update Report – November 2020

Background Documents	**Location**	**Contact Officer**
None	LGSS, Room 207 The Grange Ely	Duncan Wilkinson, Chief Internal Auditor duncan.wilkinson@milton-keynes.gov.uk Rachel Ashley-Caunt Head of Internal Audit RAshley-Caunt@rutland.gov.uk

Appendix A

EAST CAMBRIDGESHIRE DISTRICT COUNCIL

INTERNAL AUDIT PROGRESS & PERFORMANCE UPDATE

NOVEMBER 2020

Date**: 26th November 2020**

Introduction

1.1 LGSS provides the Internal Audit service for East Cambridgeshire District Council and has been commissioned to provide 210 days to deliver the 2020/21 Annual Audit Plan.

1.2 The Public Sector Internal Audit Standards (the Standards) require the Finance and Assets Committee to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting and an overview of the performance of the audit team.

Performance

2.1 **Delivery of the 2020/21 Audit Plan**

At the time of reporting, fieldwork on ten assignments from the 2020/21 Audit Plan is either complete or underway, representing 53% of the planned work.

Progress on individual assignments is shown in Table 1.

2.2 **Are clients satisfied with the quality of the Internal Audit assignments?**

To date, one survey response has been received in relation to feedback on completed assignments for the 2020/21 audit plan and results are summarised in Table 4.

2.3 **Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?**

Since the last Committee meeting, one audit report has been finalised. To date, the audit work has not highlighted any issues or weaknesses which would impact upon the overall Internal Audit opinion. The key findings from the report were as follows:

<u>Building control</u>

The Building Regulations are the minimum standards for the design, construction and alterations to virtually every building. An effective and efficient Building Control service ensures that buildings are properly designed and constructed so as to ensure the health, welfare and convenience of people using them. The Building Control service has two elements, fee earning and non-fee earning ring-fenced work. The fee earning element operates in accordance with the Building (Local Authority Charges) Regulations 2010 and CIPFA accounting requirements and must be self-financing over a continuous three-year rolling period. Local Authority Building Control is subject to competition from private sector building control bodies (approved inspectors) who provide the same service. For the financial year 2019/20 income from building control fees amounted to £265,102.11 compared to £273,064.83 in 2018/19. The overall objective of the audit was to provide assurance over the management of the Building Control service and the recovery of monies due.

There is a link to fees and charges for building control published in the Council's fees and charges register which for the financial year 2020/21 was approved by Full Council on 20th February 2020. It was noted, however, that electronic links to fees needed to be reviewed and this has been noted by officers to ensure links are accurate and up to date in future.

Sample testing of 25 building control applications during the period July 2019 to June 2020 identified 100% compliance with key controls including the correct fees being collected in accordance with the fees and charges applicable at the time of the application. Debt recovery is controlled centrally by Financial Services and, prior to changes to debt recovery procedures during the Covid 19 pandemic, was found to be operating effectively.

Based on the work performed during the audit, overall good assurance can be given that there are effective controls in operation. The assurance opinions given are as follows:

Assurance Opinion		
Control Environment	**Good**	●
Compliance	**Substantial**	●
Organisational Impact	**Minor**	●

2.4 **Implementation of audit recommendations by officers**

Where an Internal Audit review identifies any areas of weakness or non-compliance with the control environment, recommendations are made and an action plan agreed with management, with timeframes for implementation. In order to provide the Committee with assurances that these actions are being implemented in a timely and effective manner, a more robust follow up process has been implemented for the 2020/21 financial year.

Since the last Committee meeting, four agreed actions have been implemented by officers. An overview is provided in Table 2.

At the time of reporting, there are four actions which are overdue for implementation. Of these, two have been assessed as 'Medium' priority and has been overdue for more than three months. As such, further details are provided in Table 3.

Table 1 - Progress against 2020/21 Internal Audit Plan

Assignment		*Planned start*	*Status*		*Assurance sought*	*Assurance Opinion* *Control Environment*	*Assurance Opinion* *Compliance*	*Assurance Opinion* *Org impact*	*Comments*
Governance & Counter Fraud									
Counter Fraud Procedures		Q2	In progress			Consultancy			
National Fraud Initiative		Q3	**Complete**		Data upload in Q3	Consultancy			
Risk Management support		Q1 – Q4	In progress			Consultancy			
Annual Governance Statement		Q1	**Complete**		Not applicable	Consultancy			
Procurement compliance		Q4	*Not started*						
Key Financial Systems									
Bank Reconciliation		Q3	*Not started*						
Creditors		Q4	*Not started*						
Debtors		Q4	*Not started*						
Payroll		Q4	*Not started*						
Treasury Management		Q4	*Not started*						
Budgetary Control		Q3	*Not started*						

Assignment		*Planned start*	*Status*		*Assurance sought*	*Assurance Opinion* *Control Environment*	*Compliance*	*Org impact*	*Comments*
Key policy compliance									
Off contract spend		Q4	*Not started*						
Risk based audits									
Local Authority Trading Companies		Q3	Fieldwork underway						
Asset management		Q3	*Not started*						
Data protection/GDPR		Q3	Fieldwork underway						
S106 monitoring		Q2	Fieldwork underway						
Disabled facilities grants		Q1	**Final report issued**		*To provide assurance over the management of DFGs in relation to the application and verification process to manage the risk of fraud, and the delivery of value for money from spend.*	**Good**	**Good**	**Minor**	Summarised at September 2020 committee meeting
Building control		Q2	**Final report issued**		*To provide assurance over the efficient and effective delivery of the service and recovery of costs.*	**Good**	**Substantial**	**Minor**	See section 2.3
Cyber Security		Q3	Fieldwork underway						

Table 2 - Implementation of Audit Recommendations

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	**% of total**	**Number**	**% of total**	**Number**	**% of total**	**Number**	**% of total**
Actions due and **implemented** since last Committee meeting	-	-	2	40%	2	67%	4	50%
Actions **overdue by less than three months**	-	-	1	20%	-	-	1	13%
Actions **overdue by more than three months**	-	-	2	40%	1	33%	3	37%
Totals	**-**	**100%**	**5**	**100%**	**3**	**100%**	**8**	**100%**

Table 3 – Actions overdue more than three months (medium priority)

Audit plan	Audit title	Agreed action and context	Priority	Responsible officer	Date for implementation	Officer update / revised date
Information Governance						
2016/17	Payroll	Audit trail for new appointments' starting salaries *Sample testing highlighted inconsistent forms being used to document starting salaries. The template Starting Salary form was not being consistently applied, despite being included in the existing policy. The most efficient and effective means for capturing starting salary information is to be reviewed and confirmed as part of the Recruitment policy review.* *In the meantime, HR agreed to apply the existing template for all new appointments.*	Medium	HR Manager	31/03/2020	In total, nine updated HR policies were presented to a virtual Joint Consultative Committee (JCC) meeting with a consultation period from 01/10/20 to 30/10/20 – these included the Recruitment & Selection policy. Responses from Unison have been received and are now being considered before the policies are finalised.
2019/20	Absence Management	Updates to Managing Attendance & Stress at Work Policy and Procedure *The Council has in place a Managing Attendance and Stress at Work Policy and Procedure which was last reviewed in January 2016. Whilst significant amendments may not be necessary, the policy and procedure need to at least reflect changes in processes arising from the implementation of iTrent.*	Medium	HR Manager	31/10/2019	As above – Managing Attendance and Stress at Work policy included in the suite of policies subject to consultation in October 2020.

Table 4: Customer Satisfaction

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire (CSQ) to each client with whom there was a significant engagement during the assignment. There has been one survey response received during the year to date.

Responses	**Outstanding**	**Good**	**Satisfactory**	**Poor**
Design of assignment	-	1	-	-
Communication during assignment	-	1	-	-
Quality of reporting	-	1	-	-
Quality of recommendations	-	1	-	-
Total	-	**4**	**-**	**-**

Notes

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

Compliance Assurances		
Level	**Control environment assurance**	**Compliance assurance**
Substantial	There are minimal control weaknesses that present very low risk to the control environment.	The control environment has substantially operated as intended although some minor errors have been detected.
Good	There are minor control weaknesses that present low risk to the control environment.	The control environment has largely operated as intended although some errors have been detected.
Satisfactory	There are some control weaknesses that present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
Limited	There are significant control weaknesses that present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
No	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational Impact	
Level	**Definition**
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

Limitations and Responsibilities

Limitations inherent to the internal auditor's work

LGSS Internal Audit is undertaking a programme of work agreed by the Council's senior managers and approved by the Finance and Assets Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers.

There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to Internal Audit's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

AGENDA ITEM 12

LOCAL COUNCIL TAX REDUCTION SCHEME AND BUSINESS RATES DISCRETIONARY POLICY REVIEW 2020/21

Committee: Finance and Assets Committee

Date: 26th November 2020

Author: Finance Manager

[V]

1. ISSUE

1.1 Each year the Council is required to review its Local Council Tax Support Reduction Scheme (LCTRS). This report advises of the 2020 annual review and that for Business Rate discretionary reliefs.

2. RECOMMENDATION

2.1 Committee is asked to recommend to Full Council

- That the Council retain the 8.5% benefit scheme, i.e. the maximum benefit to working age claimants is 91.5% for the 2021/22 financial year.
- That Council's policies with regard to discretionary Business Rate reliefs also remain unchanged for 2021/22.

3. BACKGROUND

Local Council Tax Reduction Scheme

3.1 Councils are required to consider whether to review their LCTRS schemes annually. Where it is determined to retain the existing scheme for the forthcoming year this must be decided by 11 March.

3.2 Where Councils seek to amend their scheme it is necessary to consult preceptors and stakeholders along with a consultation to inform a final scheme design by 28 February.

3.3 We are now in the eighth year of LCTRS; a locally set scheme that replaced the nationally set Council Tax Benefits (CTB) scheme from April 2013.

3.4 In 2013-14 the Council took advantage of a one-off Government grant that compensated in part for the reduction in Government funding for the Working Age scheme that year. This meant that the maximum LCTRS awarded was the 91.5%.

3.5 For 2014-2015 to 2017-18 the Council retained the original scheme, except that allowances and premiums (the amounts of income from state-administered benefits such as Jobseekers' Allowance) were increased in line with other benefits such as Housing Benefit.

3.6 For the 2018-19 scheme the Council consulted on a proposal to harmonise the scheme to Department for Work and Pensions (DWP) welfare reforms introduced for Housing Benefit and LCTRS for Pensioners, and introduced closer links to Universal Credit data share for claims, thereby removing the requirement to make separate claims. This was subsequently approved and introduced.

3.7 For 2019-20 the Council kept the same scheme as for 2018-19.

3.8 For 2020-21 the Council introduced a fluctuating earnings rule to the treatment of Universal Credit. A weekly tolerance level of £15 (£65 per month) was introduced to reduce the number of monthly reassessments impacting customers every time a revised Universal Credit notification is received.

3.9 The current East Cambridgeshire District Council's LCTRS scheme therefore provides a maximum benefit of 91.5% for working age claimants and the scheme also fully protects War Pensioners. The aim in designing the scheme was to achieve a balance in charging an amount of Council Tax to encourage customers back into work whilst setting the amount charged at an affordable and recoverable level during the year.

4. ARGUMENTS / CONCLUSIONS

4.1 Whilst it is relatively new, early results demonstrate the fluctuating earnings rule introduced in April 2020 is meeting our modelling forecasts by reducing customer reassessments by a third.

4.2 Universal Credit (UC) is designed to be paid monthly, calculated on the customer's circumstances, including Real Time Information (RTI) earnings data from HMRC. Given customer's circumstances, especially earnings, fluctuate, this leads to monthly revised UC awards sent to the Council by the DWP.

4.3 Council Tax Support scheme rules had required the Council to revise awards when a customer's UC changes, leading to reassessment of Council Tax Support. In turn this meant customers received a revised Council Tax bill for the balance due for the year and had to amend their payment arrangements, typically direct debit instructions. Increasingly, this became a monthly occurrence for customers.

4.4 The introduction of a fluctuating earnings rules this year has been particularly beneficial given the significant increase in COVID-19 workload, peaking at a 500% increase compared to the same point last year, although this is now starting to return to normal levels.

4.5 Further, the links we established to UC data share and removing the requirement for customers to make a separate claim application, has been particularly beneficial for customers during the pandemic.

4.6 It is recommend a full review, taking into account COVID-19 learning, is undertaken early next year to develop a range of options for consideration and possible consultation.

4.7 Other options considered but discounted.

Increasing the contribution rate to more than 8.5%; the possible increase in Council Tax collected for the Council is considered to be less than the additional costs of recovery (additional staff, postage and enquires to customer services), including the inability to recover the debt in year by deduction from DWP benefits and therefore this is not recommended.

4.8 **Business Rates**

4.9 Officers have considered if any changes should be made to the Council's policy with regard to Business Rate discretionary reliefs, but at this point, no changes are recommended.

4.10 Members will be aware that Government have provided 100% Business Rate relief for businesses in the retail, hospitality and leisure sectors and non-local authority child care providers during 2020/21. These reliefs have been given using the local authority discretionary relief powers (as defined in section 47 of the Local Government Act 1988 (as amended)).

4.11 It is unknown at this point, if Government will wish to provide a similar support package for 2021/22.

5. REASONS FOR RECOMMENDATION

5.1 The changes made to the current scheme have worked well – introducing a tolerance rule for the treatment of UC awards has reduced the number of notifications customers receive to amend their Council Tax payments, whilst providing stability for customer repayments whilst reducing customer contact.

5.2 Given the economic impact of COVID-19 on household budgets and rising unemployment, it is not recommend to change the contribution rate this year.

5.3 Maintaining the existing scheme will bring stability to customer's household budgets as they recover or manage the impact of COVID-19.

6. FINANCIAL IMPLICATIONS / EQUALITY / CARBON IMPACT ASSESSMENT

6.1 The recommendations in this paper will not have a material impact on the Council Tax and Business Rates collected by the Council, this as the recommendation is to leave both schemes unchanged.

6.2 The existing LCTRS scheme continues the DWP's previous Council Tax Benefit scheme conventions established over many years, regarding protections for vulnerable groups, including children, the disabled and the Armed Forces.

6.3 Equality Impact Assessment (INRA) is not required.

6.4 Carbon Impact Assessment (CIA) is not required.

Background Documents	Location	Contact Officer
	Room 104 The Grange Ely	Adrian Mills Billing & Benefits Strategic Manager, ARP Tel: 07984 255437 Email:Adrian.mills@angliarevenues.gov.uk Ian Smith Finance Manager Tel: (01353) 616470 E-mail: ian.smith@eastcambs.gov.uk

NOMINATION OF TRUSTEE TO EAST CAMBS COMMUNITY LAND TRUST

Committee: Finance & Assets Committee

Date: 26 November 2020

Author: Director Commercial

[V]

1.0 ISSUE

1.1 To consider the nomination of a Councillor as a trustee to East Cambs Community Land Trust.

2.0 RECOMMENDATION(S)

2.1 Members are requested to:

i) Nominate a Councillor as a trustee to East Cambs Community Land Trust as set out in 4.3 of this report; and
ii) Include East Cambs Community Land Trust on the list of Outside Bodies.

3.0 BACKGROUND/OPTIONS

3.1 East Cambs Community Land Trust (ECCLT) is a Community and Benefit Society that is registered under the Co-Operative and Community Benefit Society Act 2014.

3.2 The Objects of ECCLT are to operate for the benefit of people in need in the East Cambridgeshire area. This includes providing and managing housing.

3.3 East Cambridgeshire District Council is the Custodian Member of ECCLT. The rules of ECCLT require a minimum and maximum number of trustees. The minimum is three and the maximum is twelve. There are currently three trustees on ECCLT. Councillor Lisa Stubbs currently serves as a trustee to ECCLT.

3.4 East Cambridgeshire District Council, as the Custodian Member, has the right to appoint up to 3 Trustees at any time. These are referred to as Custodian Nominees and whilst they are not required to be, they are permitted to be Members of the CLT. A Custodian Nominee is appointed for a term of 4 years.

3.5 Councillor Lisa Stubbs term comes to an end in September 2021 and as such it is timely to consider the appointment of an additional trustee (from the Council) now so that proper succession planning can be done to ensure that the business of ECCLT can continue in a seamless and uninterrupted manner.

3.5 Regardless of how many trustees the Council appoints to ECCLT (the maximum being three), the Council, as a Member, only has one vote. This maintains the independence of ECCLT.

3.6 It is important to note that as a Community Benefit Society, the Council cannot exercise control over ECCLT as it is an independent body that is governed by the Act it is registered under.

3.7 At the Finance & Assets Committee meeting, held on 24 September 2020, the Chairman requested that ECCLT is added to the list of Outside Bodies and an annual report be provided through that process.

4.0 ARGUMENTS/CONCLUSIONS

4.1 As Custodian Member the Council is entitled to nominate up to three trustees to ECCLT. As mentioned above there are currently three trustees, with one of them being from the Council. If approved, there will be four trustees, with two being from the Council, i.e. Councillor Lisa Stubbs and another.

4.2 Consideration has been given as to whether there is a need to appoint three trustees from the Council. At this point in time, given the small number of trustees that are not from the Council, there is no need to increase the number of Council trustees to three. The Council should monitor, through the Annual Outside Bodies Report, whether there will be a need in the future to nominate a third trustee.

4.3 In order to ensure succession planning (identified above), it is recommended that the Council nominates a second trustee to ECCLT.

4.4 It is further recommended to include ECCLT on the list of Outside Bodies and an annual report provided through that process.

5.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT/CARBON IMPACT ASSESSMENT

5.1 There are no financial implications arising from this report. As identified in this report ECCLT is a Community Benefit Society which is entirely Independent from the Council and is governed by its own rules.

6.0 APPENDICES

6.1 None

Background Documents	**Location**	**Contact Officer**
None	The Grange, Ely	Emma Grima Director Commercial (01353) 616960 E-mail: emma.grima@eastcambs.gov.uk

PALACE GREEN HOMES (ECTC) – OFFICE ACCOMMODATION REVIEW (INTERIM REPORT)

Committee: Finance and Assets Committee

Date: 26 November 2020

Author: Director Commercial

1.0 ISSUE

1.1 The future office accommodation requirements of Palace Green Homes (ECTC).

2.0 RECOMMENDATIONS

2.1 Members are requested to note the interim conclusions detailed in paragraphs 4.2-4.5 and instruct officers to provide a further and final report to Finance and Assets Committee by 31 May 2021.

3.0 BACKGROUND

3.1 The Asset Development Committee in December 2018 (ref: Agenda Item 11) approved the relocation of Palace Green Homes (ECTC) to offices at Fordham House Estate. The Committee further agreed that this be subject to a review by 31 December 2020.

3.2 The current six-year full repairing and insuring lease to occupy the 1600 sq.ft office at Fordham has an option to break the lease in December 2021. This is subject to six months' notice prior to the break date ie. June 2021.

3.3 In considering the future office accommodation requirements of Palace Green Homes, Members should consider the following issues, specifically:

- is there evidence of need for Palace Green Homes to make any changes to its current requirements and arrangements based on an evaluation of future operations and potential alternatives;
- if there is a case for change, there should be evidence that the sequential test has been followed based on the presumption that preference should be given to Council owned assets before considering alternatives;
- consideration of the asset management and financial implications for the Council.

4.0 OPTIONS/ARGUMENT

4.1 The Fordham office is well designed, modern, accessible, energy efficient building that provides meeting space for clients and staff. As an operational location, Fordham works well for the company, considering the location of its development sites and the home addresses of its staff. Prior to COVID 19 restrictions, it accommodates up to 15 staff, and on occasions up to 20 people were working from there at any one time. Under COVID 19 secure arrangements specifying no more than 13 staff can be accommodated.

4.2 The future office accommodation requirements of PGH will be dependent on a number of factors, specifically:-

- evaluation of the effectiveness and demand for home working in the light of recent working practices and the impact on spatial requirements;

- the future business plans of the company and its impact on medium and long term office accommodation requirements.

Initial analysis indicates that PGH can work effectively with 50% of the current accommodation, although there is a case for revisiting this next year, when and if there is more clarification of COVID 19 requirements and further development of implementation options for the Business Plan.

4.3 Dependent on the analysis of the above, there may be options for either sub letting existing offices, renegotiating existing lease to coincide with the break date and consideration of alternatives.

4.4 If the requirement for alternative options is established and agreed by members, the presumption is to initially consider ECDC owned assets. Current opportunities to relocate PGH to Council owned assets in December 2021 (based on current availability) are very limited, specifically:-

- The Grange is currently subject to COVID 19 restrictions, the extent to which surplus space may be available will be dependent on an evaluation of agile and home working and any ongoing restrictions on social distancing;

- other potential ECDC owned assets will be dependent on the outcome of the market exercise at 70 Market Street, Ely and opportunities at e-Spaces North and South.

4.5 Given the current uncertainties inherent in paragraphs 4.2 – 4.4 and given that PGH cannot give notice to break the existing lease at Fordham until June 2021, making recommendations for the future office accommodation of PGH would be premature.

4.6 It is therefore recommended to provide a further and final report to Finance and Assets Committee by the end of May 2021.

5.0 <u>FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT</u>

5.1 At this point, there are no financial implications for the Council arising from this report.

5.2 The cost of the current lease (including service charges) at Fordham is £6,468 per quarter and this cost is borne entirely by ECTC. Relocation to Council owned property would provide ECDC a rental income dependent on agreed terms.

6.0 APPENDICES

6.1 None

Background Documents	Location	Contact Officer:
	Room 103	Emma Grima
Asset Development Committee- Agenda Item 11	The Grange Ely	Director, Commercial (01353) 616960 E-mail: emma.grima@eastcambs.gov.uk

AGENDA ITEM NO 15

TREASURY OPERATIONS MID-YEAR REVIEW

Committee: Finance & Assets Committee

Date: 26th November 2020

Author: Finance Manager

[V]

1.0 ISSUE

1.1 To provide Members with an update on the Council's 2020/21 Treasury Management Strategy Statement.

2.0 RECOMMENDATIONS

Members are asked to recommend to Full Council that the mid-year review of the Council's Treasury Management Strategy for 2020/21, as set out in Appendix 1, be noted.

3.0 BACKGROUND

3.1 The Chartered Institute of Public Finance and Accountancy (C.I.P.F.A.) Revised Code of Practice on Treasury Management requires councils to adopt the revised Code and fully comply with its requirements.

3.2 This report complies with the requirement for a mid-year review.

3.3 The size of the Council's investment portfolio is relatively small meaning that investment decisions are made so liquidity and cash flow requirements are the priority focus, this rather than returns. Despite this position, opportunities for proactive investment decisions are taken where appropriate.

3.4 The loan that the Council has made to East Cambs Trading Company (ECTC) is not technically an investment, but is included in this report for completeness. ECTC is paying a commercial rate on its loan from the Council – this to avoid breaking State-Aid rules.

3.5 The Council's 2020/21 Treasury Management Strategy and budget detailed an expected return on investments of £50,000, with then a further £167,040 from interest payments on the loan to ECTC.

4.0 INTEREST RECEIPTS

4.1 During 2020/21 the Council has operated within its approved treasury limits and Prudential Indicators, no changes have been made to the counterparty values detailed in the Annual Treasury Management Strategy.

4.2 The interest receipts generated on investments to the end of September 2020 were £16,442. This is below that forecast in the budget, but reflects the very low returns on cash investments, especially since the Bank of England reduced the base rate to only 0.1%. The average return on investments on 30th September 2020 was 0.04%, this is above the benchmark 7 day LIBID (London Inter-Bank Bid Rate) which was in negative territory at -0.07%

4.3 As at 30th September 2020, the Council had cash investments of £19.60 million (£12.95 million 2019), with a further £5.07 million (£4.62 million 2019) loan to ECTC, details of these investments are included in Appendix 1.

4.4 While the loan to the Company is not specifically an investment, it is generating the Council interest receipts, £117,476 up until 30th September 2020. This is significantly above that budget set at the start of the year as the Company has not been able to repay the loan to the timescale reflected in its original business plan during the early part of the year. ECTC has now produced an up-dated business plan to reflect the implications of the Covid-19 pandemic on its cashflows, which will provide the Council with greater interest receipts in this and future years.

4.5 In total, the combination of interest receipts on both general investments and the loan to ECTC, are forecast to come in around £43,000 above budget at yearend.

4.6 Interest rates on offer to the Council from Money Market Investment Deposit Accounts or fixed term deposits remain extremely low and at times it has been decided to retain money within the Council's Corporate Cash Manager Plus Account with NatWest, rather than invest relatively small amounts overnight as the transaction costs of moving the money would be greater than the interest earned. This approach complies with the Treasury Management Strategy.

5.0 INTEREST PAYMENTS

5.1 The Council has remained external debt free during the first six months of the financial year, and with the healthy cash balance at the end of September, it is expected to remain so for the remainder of the year. It is therefore expected that a saving of £15,000, the full value of the external debt interest budget, will be achieved at yearend.

6.0 CONCLUSIONS

6.1 The Council's Treasury Management Strategy, as approved on 20th February 2020, continues to offer the Council the best approach to Treasury Management and the policies contained within it will continue to be followed for the remainder of the financial year.

7.0 FINANCIAL IMPLICATIONS / EQUALITY & CARBON IMPACT ASSESSMENTS

7.1 It is now anticipated that the Treasury Management function will provide a saving of £58,000 when compared to the budgeted amount.

7.2 An Equality Impact Assessment is not required.

7.3 A Carbon Impact Assessment (CIA) is not required.

8.0 APPENDICES

8.1 Appendix 1: Mid-Year Review

BACKGROUND DOCUMENTS	LOCATION	CONTACT OFFICER
Treasury Management Strategy as approved by Council on 20th February 2020	Room 104 The Grange Ely	Ian Smith (01353) 616470 E-mail: ian.smith@eastcambs.gov.uk
Link Asset Services Revised Interest Rate Forecast		

Appendix 1

Treasury Management Strategy Statement and Annual Investment Strategy

Mid-Year Review Report 2020/21
East Cambridgeshire District Council

1. Background

1.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2020/21, all local authorities have been required to prepare a Capital Strategy which is 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.

1.2 Treasury Management

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses.

Accordingly, 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."

2. Introduction

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).
The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the 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, (stewardship report), covering activities during the previous year.
4. 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.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Finance and Assets Committee.

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 half of the 2020/21 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2020/21;
- A review of the Council's borrowing strategy for 2020/21;
- A review of compliance with Treasury and Prudential Limits for 2020/21.

3. Economics and Interest Rates

3.1 Economics update

- As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:

    - The fall in **GDP** in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
    - The peak in the **unemployment rate** was revised down from 9% in Q2 to 7½% by Q4 2020.
    - It forecast that there would be excess demand in the economy by Q3 2022 causing CPI **inflation** to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

- It also squashed any idea of using **negative interest rates**, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be "less effective as a tool to stimulate the economy" at this time when banks are worried about future loan losses. It also has "other instruments available", including QE and the use of forward guidance.
- The MPC expected the £300bn of **quantitative easing** purchases announced between its March and June meetings to continue until the "turn of the year". This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.
- In conclusion, this would indicate that the Bank could now just sit on its hands as the economy was recovering better than expected. However, the MPC acknowledged that the "medium-term projections were a less informative guide than usual" and the minutes had multiple references to **downside risks,** which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial generous furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six month package from 1st November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid-September.
- Overall, **the pace of recovery** is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.

- There will be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.
- One key addition to **the Bank's forward guidance** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate
- The **Financial Policy Committee** (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.
- **US.** The incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery from its contraction this year of 10.2% should continue over the coming months and employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed tweaked **its inflation target** from 2% to maintaining an average of 2% over an unspecified time period i.e.following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade so financial markets took note that higher levels of inflation are likely to be in the pipeline; long term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.
- **EU.** The economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.
- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

- **Japan.** There are some concerns that a second wave of the virus is gaining momentum and could dampen economic recovery from its contraction of 8.5% in GDP. It has been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. The resignation of Prime Minister Abe is not expected to result in any significant change in economic policy.
- **World growth.** Latin America and India are currently hotspots for virus infections. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

3.2 Interest rate forecasts

The Council's treasury advisor, Link Group, provided the following forecasts on 11th August 2020 (PWLB rates are certainty rates, gilt yields plus 180bps):

Link Group Interest Rate View 11.8.20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month average earnings	0.05	0.05	0.05	0.05	0.05	-	-	-	-	-
6 month average earnings	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
12 month average earnings	0.15	0.15	0.15	0.15	0.15	-	-	-	-	-
5yr PWLB Rate	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

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 to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 6th August (and the subsequent September meeting), although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

GILT YIELDS / PWLB RATES. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields spiked up during the initial phases of the health crisis in March, we have seen these yields fall sharply to unprecedented lows as major western central banks took rapid action to deal with excessive stress in financial markets, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in "normal" times would have caused bond yields to rise sharply. At the close of the day on 30th September, all gilt yields from 1 to 6 years were in negative territory, while even 25-year yields were at only 0.76% and 50 year at 0.60%.

From the local authority borrowing perspective, HM Treasury imposed **two changes of margins over gilt yields for PWLB rates** in 2019-20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing on 11th March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4th June, but that date was subsequently put back to 31st July. It is clear HM Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

Following the changes on 11th March 2020 in margins over gilt yields, the current situation is as follows: -

- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
- **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

It is possible that the non-HRA Certainty Rate will be subject to revision downwards after the conclusion of the PWLB consultation; however, the timing of such a change is currently an unknown, although it would be likely to be within the current financial year.

As the interest forecast table for PWLB certainty rates, (gilts plus 180bps), above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably relatively even, but is subject to major uncertainty due to the virus.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **UK** - second nationwide wave of virus infections requiring a national lockdown

- **UK / EU trade negotiations** – if it were to cause significant economic disruption and a fresh major downturn in the rate of growth.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU recently agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.
- **US – the Presidential election in 2020:** this could have repercussions for the US economy and SINO-US trade relations.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **UK -** stronger than currently expected recovery in UK economy.
- **Post-Brexit** – if an agreement was reached that removed the majority of threats of economic disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

4. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement, (TMSS), for 2020/21 was approved by Council on the 20th February 2020.

There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already identified or approved.

Prudential Indicator 2020/21	Original £000	Revised Prudential Indicator £000
Authorised Limit for External Debt	10,000	10,000
Operational Boundary	1,000	0
Capital Financing Requirement	11,655	11,178

5. The Council's Capital Position (Prudential Indicators)

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 the limits in place for borrowing activity.

5.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure by Service	2020/21 Original Estimate £000	2020/21 Revised Estimate £000
Operational Services	3,430	1,084
Finance & Assets	163	7,949
Total Capital Expenditure	**3,593**	**9,033**

The forecast capital spend for the year is significantly higher than forecast in the budget, this is for two main reasons, the amount of capital slippage carried forward from 2019/20 (£3.3 million) and the additional borrowing facility the Council approved for East Cambs Trading Company (£4.9 million). Underspends are now being forecast in relation to Waste vehicles and the depot (cumulatively £2.696 million) which reduces the forecast spend for the year.

5.2 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement

(CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision).

Capital Expenditure	2020/21 Original Estimate £000	2020/21 Revised Estimate £000
Total capital expenditure	3,593	9,033
Financed by:		
Capital receipts	246	646
Capital grants	527	527
Section 106 / CIL	192	1,434
Revenue	0	89
Total financing	965	2,696
Borrowing requirement	2,628	6,337

5.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying need to incur borrowing for capital purposes. It also shows the expected external debt position over the period, which is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

We are on target to achieve the original forecast Capital Financing Requirement.

Prudential Indicator – the Operational Boundary for external debt

	2020/21 Original Estimate £000	2020/21 Revised Estimate £000
CFR – brought forward	13,146	11,761
CFR – new borrowing 2020/21	2,628	6,337
CFR – Minimum Revenue Provision	(499)	(420)
Repayment of ECTC Loan	(3,620)	(6,500)
Total CFR	11,655	11,178
Net movement in CFR	**-1,491**	**-583**
External Borrowing	1,000	0
Internal Borrowing	10,655	11,178
Total debt (yearend position)	**11,655**	**11,178**

5.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. **Gross external borrowing** should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2020/21 Original Estimate £000	2020/21 Revised Estimate £000
External Borrowing	1,000	0
Other long term liabilities	0	0
Total debt	1,000	0
CFR (yearend position)	11,655	11,178

A further prudential indicator controls the overall level of borrowing. This is **the Authorised Limit** which represents the limit beyond which external borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of 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 external 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	2020/21 Original Indicator £000	2020/21 Revised Indicator £000
External Borrowing	10,000	10,000
Other long term liabilities	0	0
Total	10,000	10,000

6. Borrowing

The Council's up-dated capital financing requirement (CFR) predicted for the end of 2020/21 is £11.178 million. 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. Table 5.4 shows the Council has no external borrowings and is expected to utilise £11.953 million of cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require on-going monitoring in the event that any upside risk to gilt yields prevails.

It is anticipated that no external borrowing will be undertaken during this financial year.

PWLB maturity certainty rates (gilts plus 180bps) year to date to 30th September 2020

PWLB rates varied within a relatively narrow range between April and July but the longer end of the curve rose during August. This increase came in two periods; the first in the second week of the month was on the back of hopes for fresh US stimulus. This saw investors switch monies out of government bonds and into equities. The second shift higher at the longer end of the curve came in the latter stages of the month as investors reacted to the announcement of the tweak to the Fed's inflation target. Despite moves further out in the yield curve, the short end remained anchored on the basis of no fundamental change to the interest rate outlook.

7. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30th September 2020, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2020. The Finance Manager reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

8. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2020/21, which includes the Annual Investment Strategy, was approved by the Council on 20th February 2020. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to six months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

As shown by the interest rate forecasts in section 2, it is now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates are barely above zero now that Bank Rate is at 0.10%, while some entities, including more recently the Debt Management Account Deposit Facility (DMADF), are offering negative rates of return in some shorter time periods. Given this risk environment and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31st March 2023, investment returns are expected to remain low.

Negative investment rates

While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the Covid crisis; this has caused some local authorities to have sudden large increases in investment balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

As for money market funds (MMFs), yields have continued to drift lower. Some managers have suggested that they might resort to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a glut of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

Creditworthiness

Although the credit rating agencies changed their outlook on many UK banks from stable to negative outlook during the quarter ended 30th June 2020 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of UK banks. However, during Q1 and Q2 2020, banks made provisions for *expected* credit losses and the rating changes reflected these provisions. As we move into the next quarters ahead, more information will emerge on *actual* levels of credit losses. (Quarterly performance is normally announced in the second half of the month following the end of the quarter.) This has the potential to cause rating agencies to revisit their initial rating adjustments earlier in the current year. These adjustments could be negative or positive, although it should also be borne in mind that UK banks went into this pandemic with strong balance sheets. Indeed, the Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". They stated that in their assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

All three rating agencies have reviewed banks around the world with similar results in many countries of most banks being placed on negative watch, but with a small number of actual downgrades.

Link have conducted some stress testing on the Link credit methodology based list of counterparties supplied to clients, to test for the results of a one notch downgrade to all Long Term Ratings from all agencies. Under such a scenario, only Commerzbank, Norddeutsche Landesbank, NatWest Markets Plc (non-ring-fenced entity), Leeds, Skipton and Yorkshire Building Societies moved from Green to No Colour. While there are a further seventeen drops in other entities' suggested durations, in these instances, these entities still remain potentially available for use. (Note that this scenario excludes any additional impact from relative movement in CDS pricing.) *(Alternatively, if you use your own creditworthiness approach, add wording on how you have tested your approach for a similar downgrading.)*

Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

Investment balances

The Council had a fluctuating level of funds available for investment purposes during the first half of the year, the amount carried forward from 2019/20 was £10.877 million and this had risen to £19.600 million at 30th September 2020. The level of funds available was mainly dependent on the timing of Council Tax and Business Rate receipts, precept payments and the receipt of grants from Government.

Fund investments

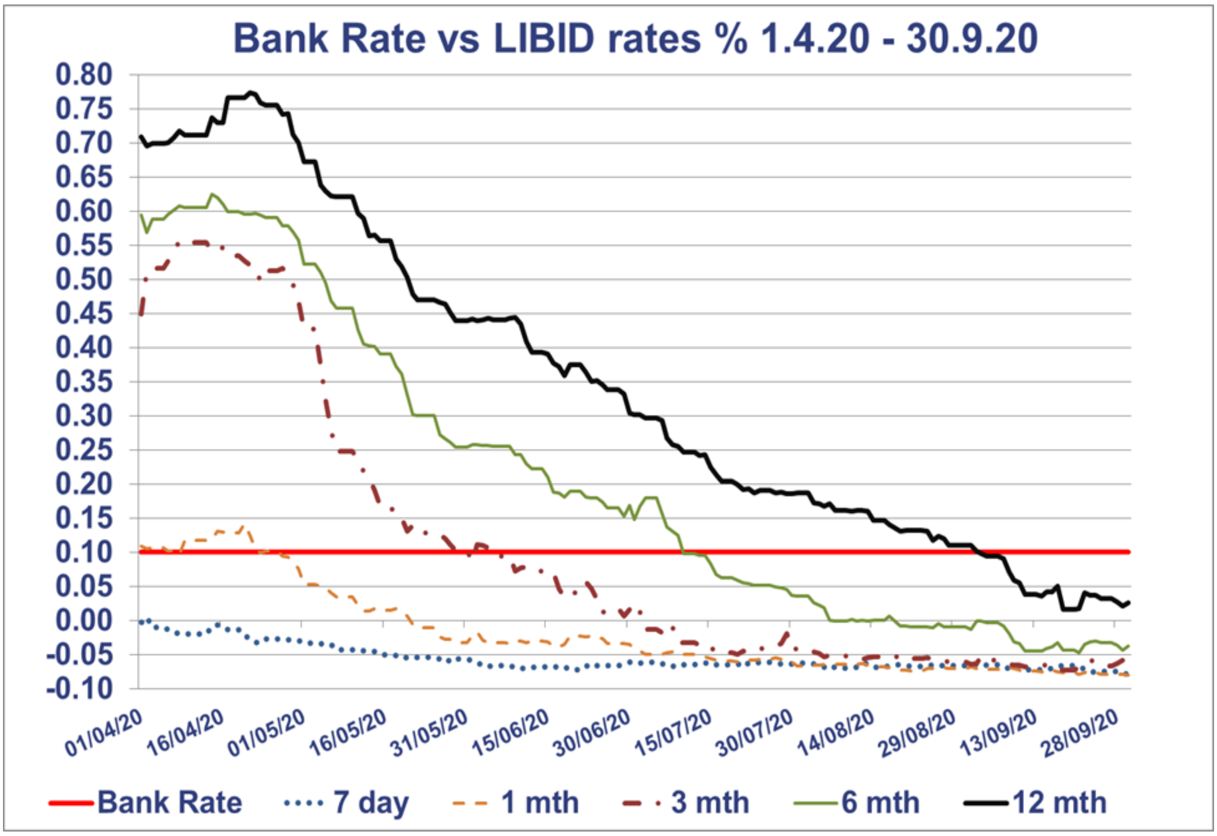
The full list of investments at the 30th September 2020 are detailed in the table below.

Borrower	Principle	Interest Rate
MMF BlackRock	£5,000,000	0.04%
MMF Insight	£5,000,000	0.02%
MMF Aberdeen	£5,000,000	0.09%
MMF Goldman Sachs	£2,280,000	0.01%
Leeds City Council	£2,000,000	0.03%
NatWest PLC (RFB)	£320,006	0.01%
Total	**£19,600,006**	**0.04%**

The Finance Manager confirms that the approved limits within the Annual Investment Strategy were not breached during the half-year ended 30th September 2020.

APPENDIX 1: Investment Rates

As highlighted earlier in this report, the levels shown below use the traditional market method for calculating LIBID rates – i.e. LIBOR – 0.125%. Given the ultra-low LIBOR levels through the first half of 2020/21 this produces negative rates at the short end of the money market yield curve.



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.10	0.00	0.14	0.56	0.62	0.77
High Date	01/04/2020	02/04/2020	20/04/2020	08/04/2020	14/04/2020	21/04/2020
Low	0.10	-0.07	-0.07	-0.06	-0.01	0.11
Low Date	01/04/2020	19/06/2020	21/08/2020	28/08/2020	25/08/2020	28/08/2020
Average	0.10	-0.05	-0.01	0.14	0.25	0.41
Spread	0.00	0.08	0.22	0.62	0.63	0.66

EAST CAMBRIDGESHIRE BUS SERVICES REVIEW

Committee: Finance & Assets Committee

Date: 26th November 2020

Author: Infrastructure and Strategy Manager

[V]

1.0 ISSUE

1.1 To approve the New Bus Services for East Cambridgeshire document for submission to the Cambridgeshire and Peterborough Combined Authority and agree to amend the terms of reference for the East Cambs Bus Services Review Working Party to incorporate the cycling and walking strategy work.

2.0 RECOMMENDATIONS

2.1 Members are requested to:

i) Note the minutes of the meetings of the East Cambs Bus Services Review Working Party held on 8th October 2002 and 12th November 2020, attached as Appendix 1 to this report.

ii) Approve the draft New Bus Services for East Cambridgeshire, attached as Appendix 2 to this report, for submission to the Cambridgeshire and Peterborough Combined Authority (CPCA) (with any minor editorial or presentation improvements delegated to officers, in consultation with the Chairman of Finance & Assets Committee, prior to submission).

iii) Approve the amendment to the Terms of Reference for the East Cambs Bus Services Review Working Party, attached as Appendix 3 to this report.

3.0 BACKGROUND

3.1 The Council received 1,458 responses to the bus services questionnaire which formed part of the public consultation held earlier this year, in addition to comments received by email and via the Climate Change Ideas Forum.

3.2 578 of these are from those who never use a bus. The main reasons given for this were because either service too infrequent, there is no service or car is more convenient or quicker. The questionnaire asked about changes to existing services and the most requested change was a more frequent service.

3.3 383 new services were suggested, the top ten most requested were:

- Burwell to Cambridge
- Ely to Cambridge
- Burwell to Ely

- Isleham to Ely
- Bottisham to Cambridge
- Isleham to Newmarket
- Haddenham to Cambridge
- Isleham to Cambridge
- Littleport to Ely
- Newmarket to Cambridge

3.4 Some of these suggestions, for example, Burwell to Cambridge and Ely to Cambridge already exist as services, but people were requesting services at different times during the day and evening, Sunday services and direct routes to Cambridge and destinations in Cambridge.

3.5 Many of the suggested routes were a section of a longer route corridor:
- A10 – Littleport - Ely - Cambridge
- Ely – Isleham - Newmarket
- Ely - Burwell - Cambridge
- Bottisham- Cambridge
- Ely – Sutton - Cambridge

3.6 The New Bus Service Proposals for East Cambridgeshire document (Appendix 2) contains maps that illustrate the consultation responses and the demand for new routes and services.

3.7 A Member Seminar was held on 29th October 2020 to consider the Council's ask to the (CPCA) for new bus services to serve East Cambridgeshire. Councillors received the feedback from the bus services public consultation and had the opportunity to discuss the proposals to be presented to the CPCA. The feedback form the Members Seminar has been incorporated into the draft the submission document.

4.0 <u>CONCLUSIONS</u>

4.1 The Council is seeking funding from the Cambridgeshire and Peterborough Combined Authority to trial new bus services across East Cambridgeshire to allow them to become established and viable.

4.2 The draft New Bus Service Proposals for East Cambridgeshire document at appendix 2 sets out a series of proposed bus service improvements, which are a combination of new scheduled services, improvements to existing services and demand responsive transport services (DRT). These will deliver improved connectivity to transport interchanges and corridors e.g. railway stations and the Busway, improve links to employment areas, local shops and services and support better connected communities.

4.3 The document suggests a number of potential new services aimed at filling in the gaps in provision identified via the consultation. These will be based on the

Ely Zipper model and well as being frequent, these services will also need to operate to regular clock face timetables to encourage use.

4.4 ECDC would like to work with the CPCA to trial earlier and later buses and Sunday services, particularly to/from Cambridge, to increase the frequency of services that do not currently provide an hourly service, for example the Stagecoach 39 service, and to provide additional services for villages that do not have a daily bus service.

4.5 The Council also requests that the Combined Authority considers trialling demand responsive transport (DRT) solutions in providing bus services in East Cambridgeshire, to complement the existing dial-a-ride services. Areas where DRT could be trialled include:

- In the south of the district to provide a better alternative to the existing one journey a day services.
- In the Isleham area as an alternative to scheduled services to Soham, Newmarket and Ely.
- In the Littleport area to enable those living in the outlying hamlets of Black Horse Drove, Brandon Creek, Little Ouse and Redmere to access the shops and services in Littleport and to connect to public transport services.

4.6 The document also recognises that in order for these new services to be successful and move towards financial viability, people need to know they exist and accurate, real time information about the vehicle location and arrival time needs to be provided. A targeted marketing and information campaign will be required to create trust in the services and encourage people to use them.

Bus Services Review Working Party Terms of Reference

4.7 It has been suggested by the COVID-19 Member Working Party that the terms of reference for the Bus Services Review Working Party be amended to include the Cycling and Walking Strategy work, so that Members can play a key role in guiding and shaping this work.

4.8 If approved, the working party, previously the Bus Services Review Working Party will be renamed ‘Bus, Cycle, Walk Working Party’ and will assist officers in prioritising key strategic routes and identifying potential funding/delivery mechanisms. The proposed revised terms of reference are attached at Appendix 3.

5.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

5.1 There are no additional financial implications arising from this report.

5.2 Equality Impact Assessment (INRA) not required.

5.3 Carbon Impact Assessment (CIA) not required.

6.0 APPENDICES

6.1 Appendix 1: Notes of Working Party Meetings held on 8 October and 12 November 2020
Appendix 2: Draft New Bus Service Proposals for East Cambridgeshire document (printed separately)
Appendix 3: Revised Terms of Reference for the Bus, Cycle, Walk Working Party

Background Documents	**Location**	**Contact Officer**
Bus Services Questionnaire Responses Report.	Room 13 The Grange, Ely	Sally Bonnett Infrastructure and Strategy Manager (01353) 616451 sally.bonnett@eastcambs.gov.uk

Appendix 1

Notes of a remote meeting of the East Cambs Bus Services Review Working Party held on Thursday, 8th October 2020 at 6.00pm.

PRESENT

Cllr Alan Sharp
Cllr David Ambrose Smith
Cllr Charlotte Cane
Cllr Lorna Dupré
Cllr Lis Every
Cllr Simon Harries

OFFICERS

Sally Bonnett – Infrastructure & Strategy Manager
Tracy Couper – Democratic Services Manager

IN ATTENDANCE

Oliver Howarth – Bus Strategy Manager, Cambridgeshire & Peterborough Combined Authority

25. **ELECTION OF CHAIRMAN**

Councillor Alan Sharp was appointed as Chairman of the Working Party for the municipal year.

26. **APOLOGIES**

No apologies were received.

27. **DECLARATIONS OF INTEREST**

There were no declarations of interest made.

28. **MINUTES**

The Minutes of the meeting held on 4th February 2020 were agreed.

29. **CPCA BUS REFORM PROJECT UPDATE**

The Working Party received a verbal report from Oliver Howarth, Bus Strategy Manager, Cambridgeshire & Peterborough Combined Authority, on the CPCA Bus Reform project. Mr Howarth reported that the work of the Combined Authority had been delayed by the Covid-19 pandemic, but work was now progressing to agree a new franchising deal. Due to Covid-19, this would be reliant on Government subsidies and talks were proceeding with the Department of Transport on the issue. Mr Howarth explained that services could take the form of Demand Response Transport (DRT) or Mobility as a Service (MAAS). However, in East Cambridgeshire the Combined Authority (CA) was proposing the trialling of additional bus services rather than DRT. In response to questions by Members as to the reasons for this, Mr Howarth stated that this was mainly due to the geography and rural nature of the District.

A Member referred to the East Cambs Connect service, which had been a semi-DRT service. Mr Howarth highlighted a good video on YouTube relating to DRT from Go2Sevenoaks. The Member suggested that useful information could be gathered by the CA from the experiences of the East Cambs Connect service.

Members commented that a layered approach to bus services was needed in rural areas like East Cambs and Fenland. Members expressed disappointment that this District was not being considered for DRT. Many villages had empty double decker buses going through them due to the infrequent services and DRT could ensure better usage. In response, Mr Howarth stated that double decker buses were cheaper and more reliable to operate than smaller vehicles. However, Members highlighted the difficulties faced by double deckers on narrow, winding and poorly maintained rural roads and the hazards they could pose to vehicles and pedestrians in areas with no pavements.

Members expressed the hope that, whilst not be trialled in East Cambs, DRT would be considered for the area in the future, particularly for those outlying rural settlements with no bus services at present. Particular attention was drawn to Isleham, which was experiencing a high level of Housing growth.

The Chairman thanked Mr Howarth for his attendance and update.

30. **<u>BUS SERVICES CONSULTATION FEEDBACK</u>**

The Working Party received a report detailing the results of the Bus Services public consultation exercise. Sally Bonnett, Infrastructure and Strategy Manager summarised the main findings which showed the greatest level of support for more frequent and reliable services and new routes from:

Burwell to Cambridge

Ely to Cambridge

Burwell to Ely

A Member referred to the lack of the ability for free text in the survey and variable level of response rates between areas. She also commented that there was an apparent discrepancy in the comments detailed and number received. Ms Bonnett commented that some villages may have had a lower response rate due to the survey ‘drop boxes’ being located in pubs and shops which were closed during the Covid lockdown period. Also, some Parishes appeared to have been more proactive than others. Members commented that a greater level of ‘granular’ information on the issue needed to be collected and interpreted.

A Member commented that a Burwell to Cambridge service would be more effective if it went to Cambridge North Station rather than just to Drummer Street Bus Station, as it would then provide links to Cambridge Regional College and rail services. Evening and Sunday services also needed to be considered. Smaller settlements would never appear on the 'Heat Maps' but, since they had fewer amenities, there was a greater need for bus services for disadvantaged groups to access the amenities in neighbouring towns and villages.

A Member acknowledged that the survey was a 'blunt instrument' and only one tool to be used in identifying the required outcomes. A greater understanding of the needs of individual Wards was required and Councillors were encouraged to provide Ms Bonnett with qualitative information from their Wards prior to or at the Member Seminar.

In addition, Ms Bonnett agreed to look at providing a breakdown of the survey results by age and postcode.

31. EAST CAMBRIDGESHIRE BUS SERVICES REVIEW ROUTE EVALUATION

The Working Party received a proposed Bus Services Discussion Document and a draft outline submission from ECDC to the CPCA, to be considered at a remote all-Member Seminar to be held in October.

Ms Bonnett reported that it now had been agreed that the Member Seminar would take place on the next date timetabled seminar date in the Calendar of Meetings of 29 October 2020 at 6pm. Whilst proposed new bus service routes and changes to existing services were detailed in the Discussion Document, Ms Bonnett highlighted that local knowledge was needed from Councillors from feedback in their Wards.

A Member queried if the Council was 'wasting its time' with regard to what it could realistically achieve in getting new bus services. Particular attention was drawn to the criteria of 'identifying bus routes that are viable or can become viable over a period of time and to seek funding for a trial period of 5 years to allow routes to become established and self-financing' as detailed in the proposed submission to the CPCA at Appendix 2. The Member commented that this was not a realistic expectation or criteria and that the focus in a rural area like East Cambs was to look at socially necessary routes, even if they were not self-financing. Social exclusion and access for those disadvantaged and with disabilities were important issues in such areas. A key aspect of this would be faster, more reliable services, better connectivity and regular evening and weekend services. A 'mixed economy' of types of services also would be required, including smaller vehicles and DRT for more remote areas.

Ms Bonnett confirmed that the 'Heat Maps' of routes would be completed for circulation to Councillors prior to the Member Seminar.

A Member emphasised the 3 key issues of:

Inclusion – for disadvantaged groups

Environment – how to encourage less car usage in the District

Economy – how to help the District to thrive

The Chairman asked Working Party Members to submit any further proposals to Ms Bonnett by 16 October to enable her to finalise and circulate the two papers with the Heat Maps to Councillors prior to the Member Seminar.

Following further discussion, the Working Party agreed that the 5 year self-financing criteria should be removed, as it would be unrealistic and constraining.

The Working Party queried the next steps after the Member Seminar. Ms Bonnett reported that the recommended submission from ECDC to CPCA would be considered and approved at the Finance and Assets Committee meeting on 26^{th} November 2020. Therefore, it was agreed that a further meeting of the Working Party was required in the week commencing 9 November 2020, to enable recommendations to be finalised for submission to the Finance and Assets Committee.

32. **ECDC BUS SERVICES REVIEW WORK PROGRAMME**

Members received and noted the Work Programme, which set out the tasks and key dates for the Working Party.

33. **DATE OF NEXT MEETING**

It was agreed that there would be a meeting of the Working Party in the week commencing 9 November 2020, the date to be confirmed in due course.

The meeting closed at 8pm

Appendix 1a

Notes of a remote meeting of the East Cambs Bus Services Review Working Party held on Thursday, 12th November 2020 at 6.00pm.

PRESENT

Cllr Alan Sharp
Cllr David Ambrose Smith
Cllr Lorna Dupré
Cllr Lis Every
Cllr Simon Harries

OFFICERS

Sally Bonnett – Infrastructure & Strategy Manager
Tracy Couper – Democratic Services Manager

34. **APOLOGIES**

Apologies for absence were received from Councillor Charlotte Cane.

35. **DECLARATIONS OF INTEREST**

There were no declarations of interest made.

36. **MINUTES**

The Minutes of the meeting held on 8 October 2020 were agreed.

37. **DRAFT SUBMISSION TO CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY ON BUS SERVICES IN EAST CAMBRIDGESHIRE**

The Working Party received a report from the Infrastructure & Strategy Manager, Sally Bonnett, containing the draft prospectus to Cambridgeshire & Peterborough Combined Authority, on Bus Services in East Cambridgeshire. Ms Bonnett stated that the wording in the draft prospectus, attached at Appendix 1 to the report, had been amended to incorporate comments from the Member Seminar held on 29 October 2020 and these amendments had been highlighted in yellow. Ms Bonnett also referred to the revised full colour draft of the prospectus containing maps and graphics, which had been circulated to Working Party Members earlier that day (the text corresponded to that in Appendix 1).

The Working Party considered the content and format of the full colour draft of the prospectus and proposed the following amendments prior to its submission to Finance and Assets Committee on 26 November 2020 for final approval:

- Whole document – proof-read to correct spelling, language and punctuation errors.

- Page 1 paragraph 2 – replace full stop with comma and make word 'yet' lower case.
- Page 1 paragraph 3 - include comment that Council confident in continued demand for bus use despite Covid-19, if regular, 'clock faced' services are provided.
- Page 3 text relating to Map 2 – amend wording to state shows services that operate several times a day rather than at regular intervals.
- Page 9 paragraph 4 – amend to state ECDC and City of Ely Council prepared to make an initial financial commitment towards piloting potential new routes.
- Page 9 'potential new routes' title – put in blue text box with yellow writing like other titles
- Page 9 – remove question marks from potential new routes.
- Page 9 two proposed Sutton to Ely Railway Station services – amend to refer to routes from Sutton linking larger settlements and outlying villages to Ely Leisure Village, Princess of Wales Hospital and Ely Railway Station.
- Page 9 penultimate paragraph – amend to read 'but this could then be used to provide a circular route around Ely or increase the frequency of the No.9 service'.
- Page 9 – remove 'Littleport – Ely – Soham' service reference, as already well-served by bus and train connections.
- Page 11 paragraph 2 – amend to refer to Cambridge Railway Station. Add sentence at end of paragraph to refer to potential users of evening and Sunday services.
- Page 11 paragraph 4 – add in words 'in East Cambridgeshire' after words 'transport services'.
- Page 11 paragraphs 8, 9 & 10 – amend wording to refer to complementing existing Community Transport services and include a specific reference to Isleham and smaller communities in Littleport area.
- Page 12 – amend first sentence to read 'and move towards commercial viability,'.

The Infrastructure and Strategy Manager agreed to circulate a revised draft of the prospectus to Working Party Members on the following day, incorporating the above amendments, and requested Members to send any final comments to her by 12pm on Monday 16 November in order that the final draft of the prospectus could be prepared for despatch with the Agenda for Finance and Assets Committee on 26 November 2020.

38. **<u>FUTURE WORK PROGRAMME & DATE OF NEXT MEETING</u>**

Members received and noted the Work Programme to November 2020, which set out the tasks and key dates for the Working Party. The Infrastructure and Strategy Manager advised that a report was to be submitted to Finance and Assets Committee on 26 November 2020 proposing to amend the Terms of Reference for this Working Party to include progressing the walking and cycling strategy.

Therefore, it was agreed that, subject to the approval of the revision to its Terms of Reference, a meeting of the Working Party be scheduled early in the New Year.

The meeting closed at 7.26pm

East Cambridgeshire District Council

New Bus Service Proposals for East Cambridgeshire

Introduction

East Cambridgeshire District Council is seeking funding from the Cambridgeshire and Peterborough Combined Authority to trial new bus services across East Cambridgeshire to allow them to become established and viable.

Accessible and affordable public transport is essential for many rural residents, yet bus use is declining, a trend which has been exacerbated by the COVID-19 pandemic.

Low population density and longer distances to travel make practical and commercially sustainable public transport difficult in rural areas. Funding for bus services continues to be reduced and this has led to services in East Cambridgeshire being withdrawn or reduced so that the areas, days and times of operation do not meet the needs of residents.

In East Cambridgeshire, by necessity, only 13% (4510 out of 34,614) of households do not have a car or van (Census 2011). Data from the 2011 Census also shows high levels of car reliance across the district for both work and other journeys. 72.8% of East Cambridgeshire residents travel to work by car (the England average is 61%). Given that 40% of households (13,990) have only 1 car or van, many more people are left with no vehicle when another person from the household goes to work and are therefore dependent on public transport. Despite the impact of the COVID-19 pandemic, the Council understands the importance of continuing to provide a regular, comprehensive bus service for its residents.

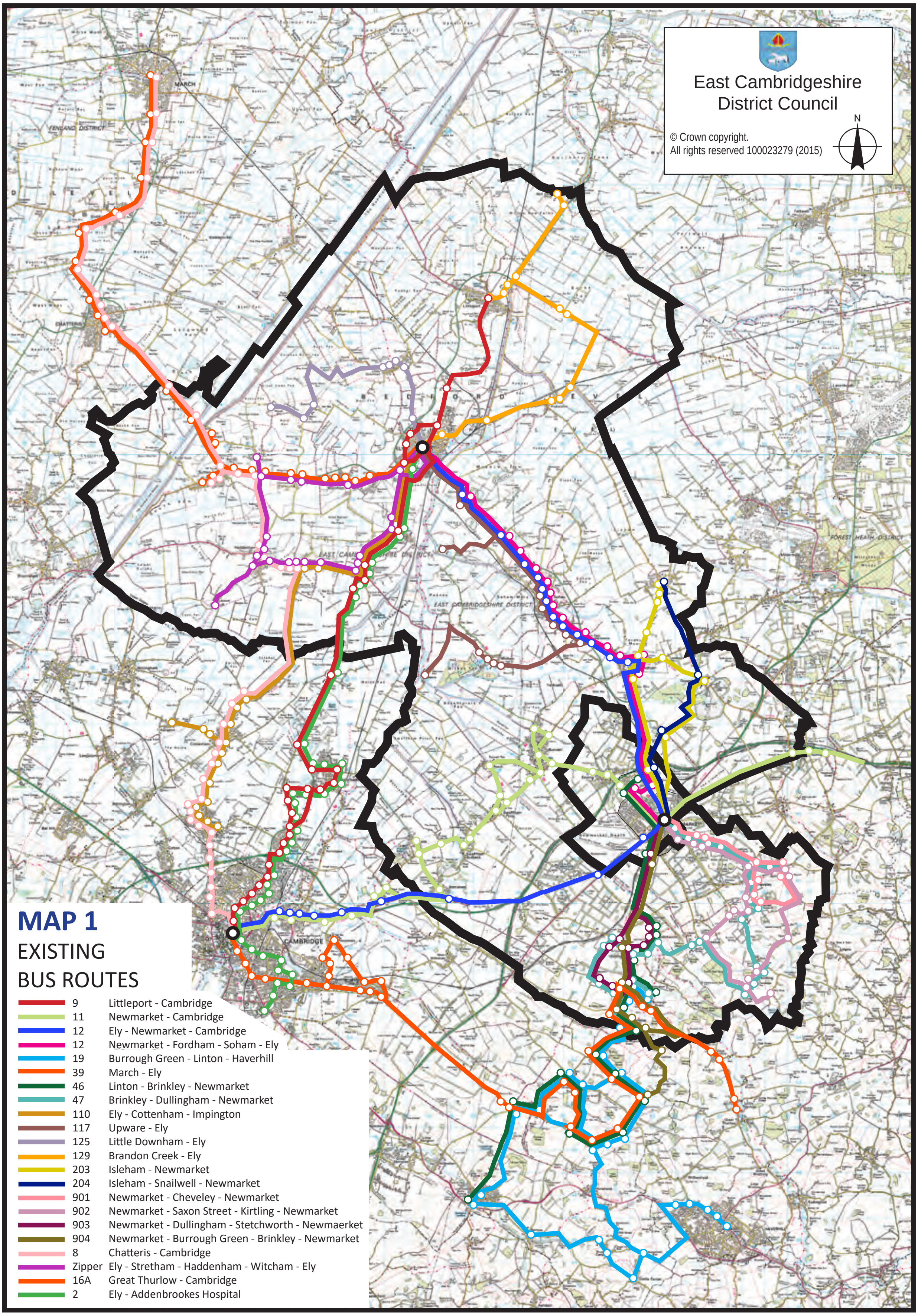
The East Cambridgeshire District Council Corporate Plan 2020-2023 includes a promise to ‘support better bus services: more frequent, more rural routes’. To inform this work, which the Council considers to be vitally important, it carried out a consultation exercise to identify key bus services for local residents. The aim of the consultation was to identify bus routes that are viable, or can become self-financing or close to self-financing, over a period of time, and to seek funding for a trial period to allow routes to become established in terms of passenger numbers and move towards financial viability.

In developing this report, the Council has not sought to determine how bus services should be delivered (ie, CPCA commissioned, partial subsidy, franchise, bus partnership), but is promoting what a good bus service network should look like for the residents of East Cambridgeshire.

The Council wishes to work with the Combined Authority as it progresses its own Bus Reform work, to deliver a package of bus service improvements to meet the needs of East Cambridgeshire residents.

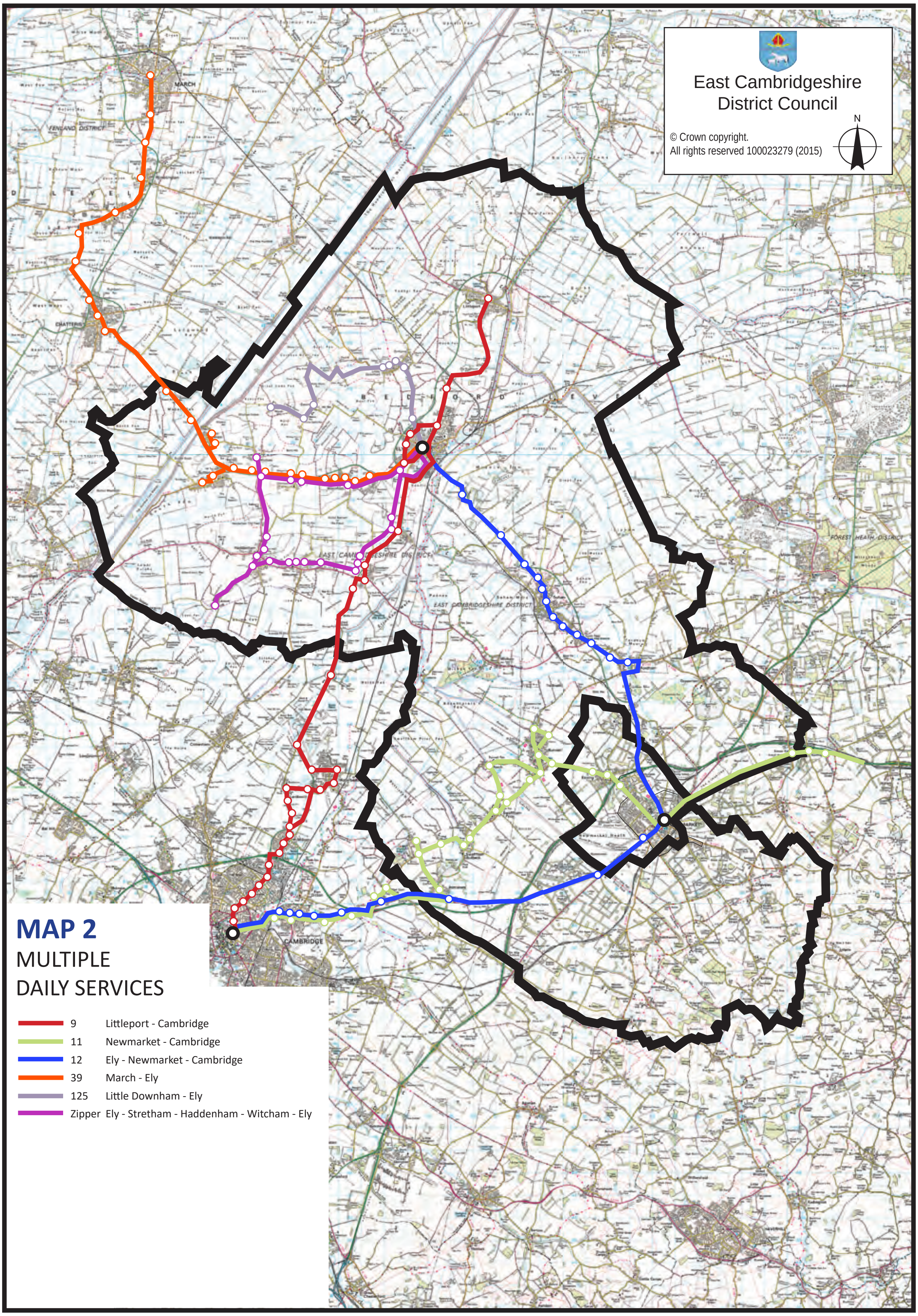
Existing Services

The following series of maps shows the existing bus services currently operating across East Cambridgeshire.



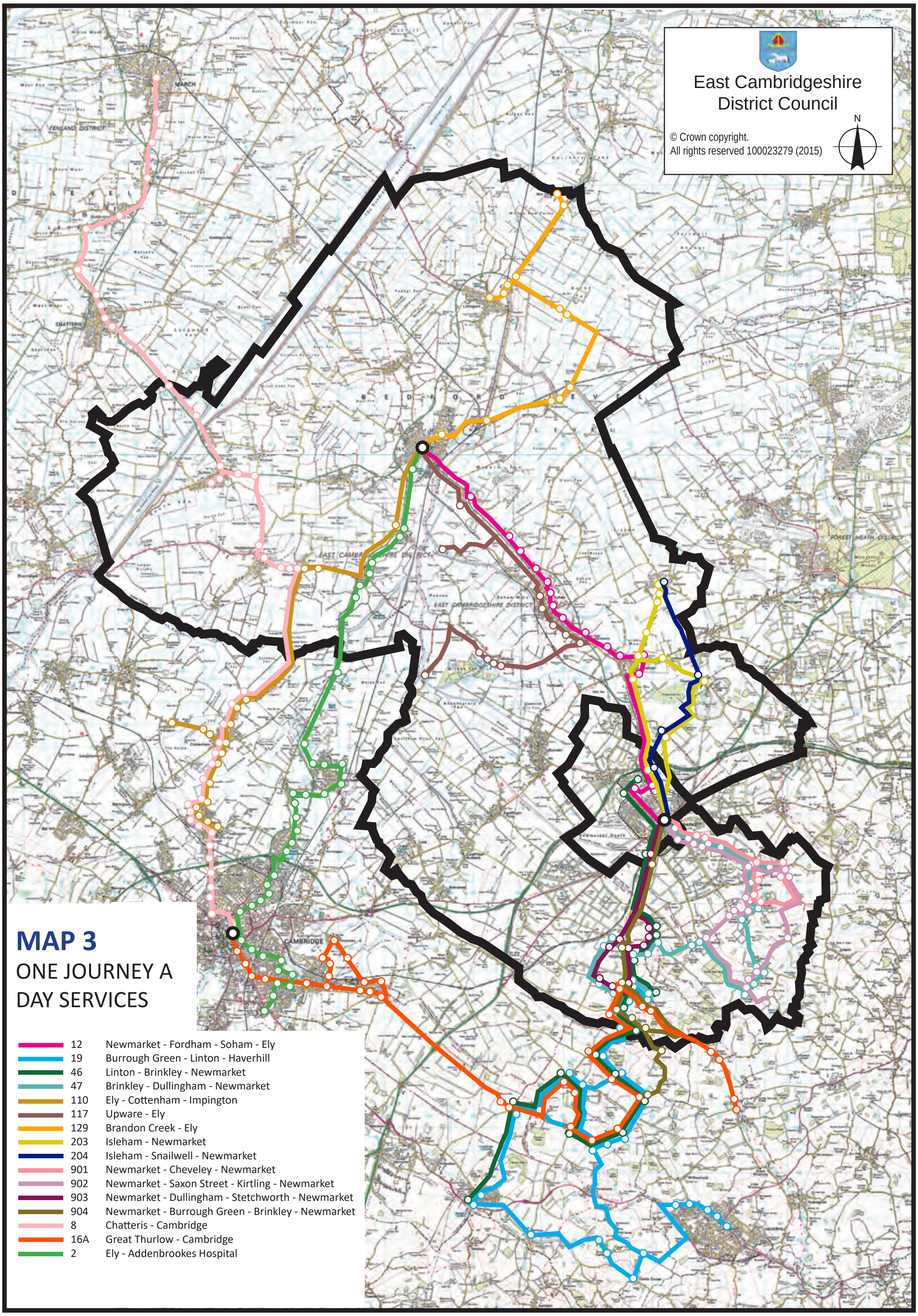
Map 1 shows all of the services currently operating across East Cambridgeshire, the circles indicate bus stops. It highlights the many areas of the district which have no bus service. Very few of these services run into the evening and no buses run on a Sunday.

Map 2 shows the routes that provide multiple, but not regular, services during the day.



Map 3 shows those that operate a one journey a day service, some of which (46, 110, 117, 129) also only operate one day a week.

Together, the maps show that many parts of the district are very poorly served and that even where bus services already exist, they often offer a poor service.



Consultation Feedback

In recognition of the importance of frequent bus services, with regular clock face timetables, for residents, the Council conducted a consultation exercise to identify new bus routes and services. The consultation commenced on 9th March and ended on 31st May. The deadline was extended by 6 weeks, due to the COVID-19 lockdown restrictions resulting in the closure of many of the drop-box locations.

The questionnaire was available online via the District Council website and a copy was delivered by Royal Mail to every home in the district. Drop-boxes to enable people to return their questionnaire locally were provided in shops, pubs and community facilities. District Councillors also arranged sessions to meet with local residents and capture their proposals for new routes. However, the majority of these were cancelled as a result of the COVID-19 lockdown restrictions.

1,458 questionnaire responses relating to bus services were received, 44 emails containing comments were received and a number of bus related comments were received by the Council via the Climate Change Ideas Forum.

Of the 1,458 questionnaire responses received, 578 of these are from those who never use a bus because either the current service is too infrequent, there is no service or travel by car is more convenient or quicker.

However, 404 of these said they would travel by bus if a suitable service was provided for shopping, 378 people to access other public transport, 370 to access sports and entertainment facilities and 292 to access doctors/healthcare services.

The most requested changes to existing services by those who do travel by bus were for a more frequent service, later services and reinstatement of Sunday services.

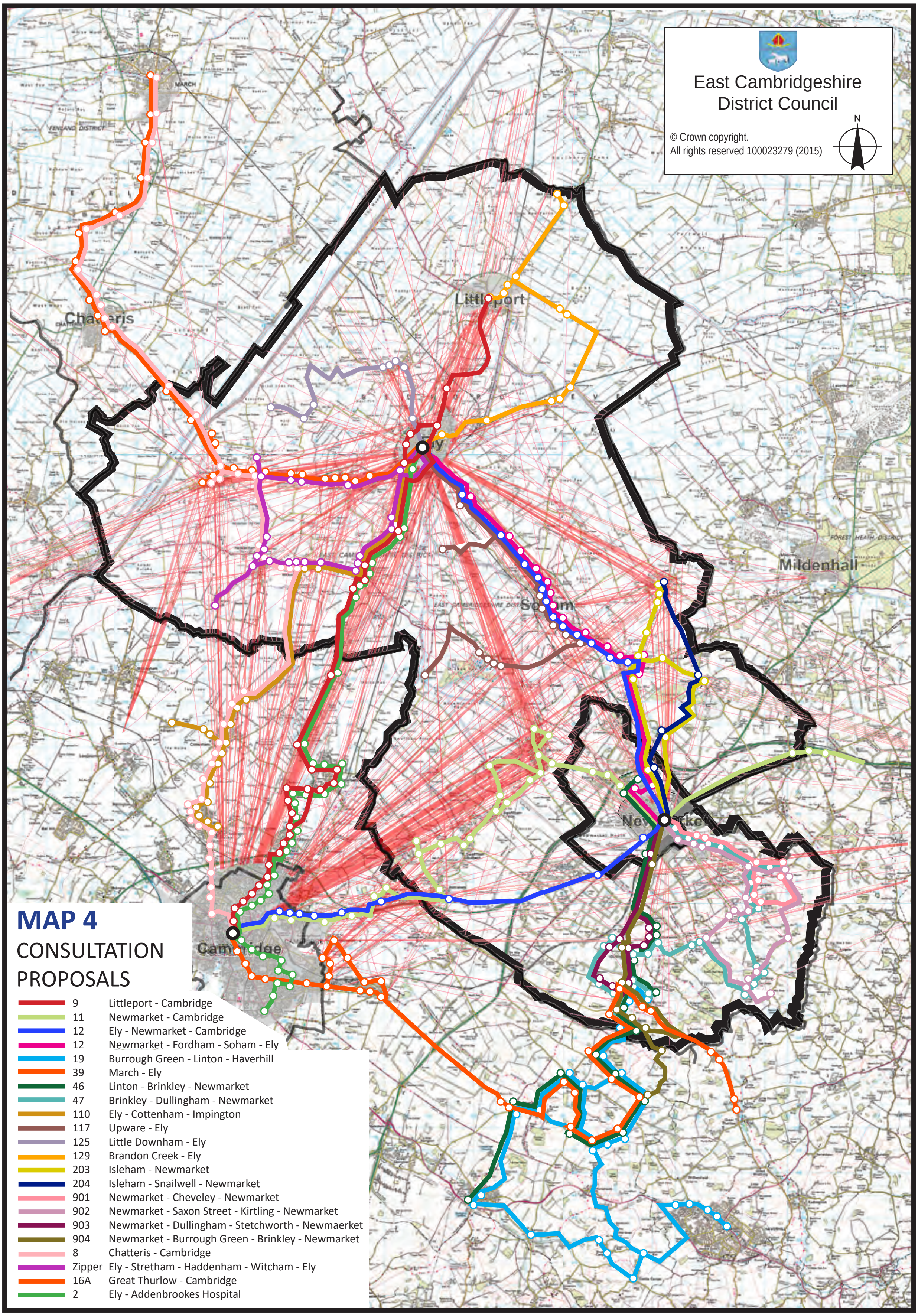
383 new routes/services were suggested. The three most requested were:

- **Burwell to Cambridge**
- **Ely to Cambridge**
- **Burwell to Ely**

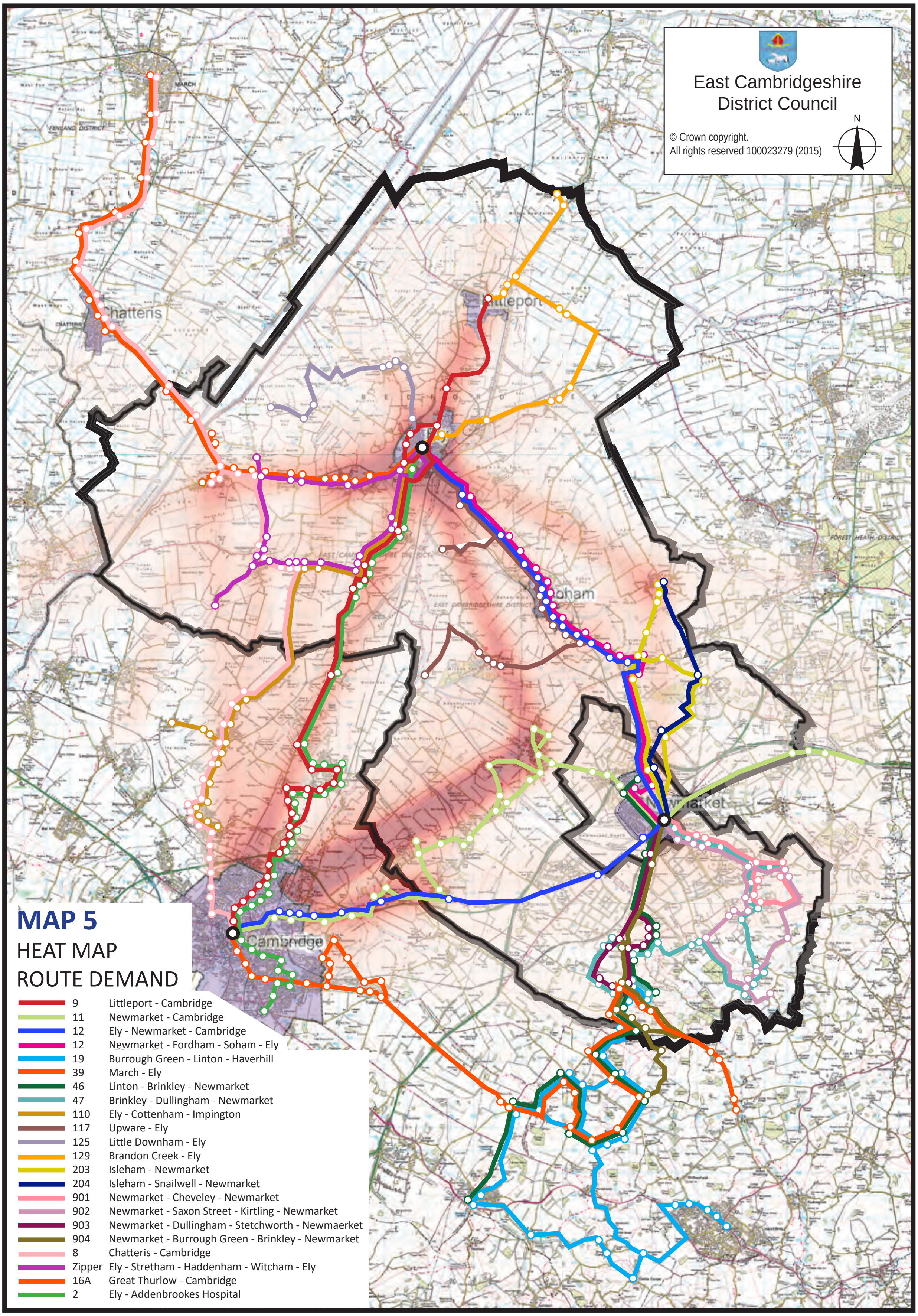
Many of the suggested routes/services were a section of a longer route corridor:

- **A10 corridor Ely / Cambridge / Littleport**
- **Isleham / Newmarket / Ely**
- **Burwell / Cambridge / Ely**
- **Bottisham / Cambridge**
- **Sutton / Ely / Cambridge**

Map 4 shows the consultation proposals overlaid over the map of existing services.



Map 5 is a heatmap, showing the demand for the proposal routes. Both maps also show where there are current gaps in provision.



The most requested new bus services within East Cambridgeshire which are not currently provided are:

- **Burwell to Ely**
- **Isleham to Ely**
- **Isleham to Newmarket**
- **Haddenham to Cambridge**
- **Isleham to Cambridge**

Also requested (to a lesser degree) which could link in with these routes:

- **Isleham to Soham**
- **Prickwillow to Ely**

Comments regarding changes to existing services relate to later buses running until 11pm (especially Friday and Saturday evenings), direct buses to Addenbrookes, Cambridge railway stations and sixth form colleges, a more direct service to Cambridge to reduce travel time, and provision of Sunday services.

Our Proposals

Our proposed bus service improvements are a combination of newly scheduled services, improvements to existing services and demand responsive transport services (DRT), to be supported by a comprehensive and ongoing marketing campaign.

These will deliver improved connectivity to transport interchanges and corridors e.g. railway stations and the Busway, improve links to employment areas, local shops and services and support better connected communities.

The benefits of this will be a reduction in car use and congestion, which will improve air quality, reduce carbon emissions and deliver wider social and economic benefits to the areas they serve. An efficient public transport service is an important element of the Market Town strategies for Ely, Littleport and Soham and will aid the post COVID-19 recovery of the economy of East Cambridgeshire.

East Cambridgeshire District Council and the City of Ely Council are prepared to make an initial financial commitment towards trialling new routes and services.

Potential new routes

Proposed new services will be based on the Ely Zipper model i.e.

- Make fewer stops
- Have shorter journey times
- Provide an hourly service
- Travel in one direction in the morning, which is reversed in the afternoon.

As well as being frequent, services also need to operate to regular clock face timetables to encourage use.

Burwell – Soham - Isleham – Prickwillow - Ely

Bottisham – Cambridge North – Science Park – Cambridge Regional College. This service would enable students to catch the train to Cambridge Station to access Hills Road and Long Road Sixth Form Colleges.

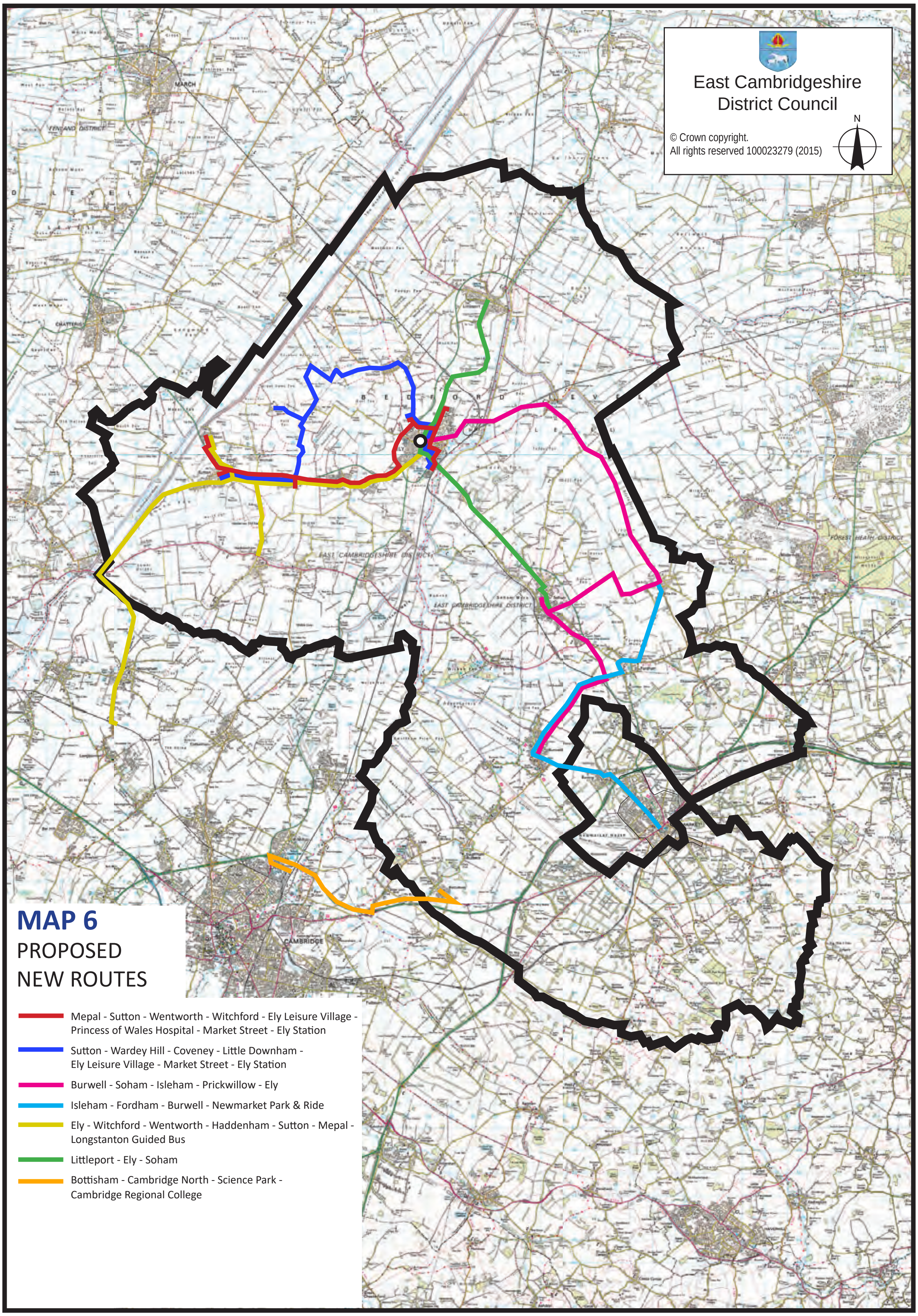
Ely – Witchford – Wentworth – Haddenham – Sutton - Mepal – Longstanton guided bus station (or other guided bus station) to link East Cambridgeshire with guided bus services.

Isleham – Fordham – Burwell – Newmarket Park and Ride

Comments were also received regarding the lack of an hourly service from Sutton to Ely and a service from Sutton to Ely Station (the Stagecoach number 39 service doesn't stop at the station).

Another potential new route could link Sutton and the larger settlements and outlying villages en route to Ely Leisure Village, Princess of Wales Hospital, Market Street, and Ely railway station.

If this service went via Coveney and Little Downham, the 125 service bus could then be used to provide a circular route around Ely. The City of Ely Council strongly support the provision of better bus services around the city and have allocated CIL funding towards a pilot of this service. Alternatively, the frequency of the Stagecoach number 9 service should be increased to provide an hourly service around Ely.



Map 6 shows proposed new bus routes.

Changes to existing services

Many of the consultation responses related to existing services already in operation e.g. Stagecoach services 11 Newmarket to Cambridge and 12 Ely to Cambridge, the number 9 Littleport to Ely (and Ely to Cambridge) service and the Stagecoach 39 service, which travels from Sutton to Ely.

The comments regarding existing services were requests for later buses running until 11pm (especially on Friday and Saturday evenings), direct buses to Addenbrookes Hospital, Cambridge railway stations or sixth form colleges, more direct services to Cambridge to reduce travel time, and provision of Sunday services. Sunday services are important to allow those who work on a Sunday to be able to travel to work, to support tourism, and to boost the local economy.

ECDC would like to work with the CPCA to trial earlier and later buses and Sunday services, particularly to/from Cambridge and to increase the frequency of services that do not currently provide an hourly service for example the Stagecoach 39 service and to provide additional services for villages that do not have a daily bus service.

Demand Responsive Transport (DRT)

The Council requests that the Combined Authority considers trialling demand responsive transport (DRT) solutions in providing bus services in East Cambridgeshire.

The impact of the COVID-19 pandemic on bus usage and the rural nature of the district mean this would be a more viable option for delivering new routes and is also a method of trialling new services and collecting data on which routes people are requesting and the time/days they are travelling. This trial would complement the one to be conducted in Huntingdonshire by providing additional information, specifically related to rural settlements, to aid decision making around the establishment of DRT in the Combined Authority area.

The DRT solutions would fill a gap in provision, where there is no current local transport offer and complement existing timetabled bus services, for example by acting as a feed-in service. They could also provide access to rail, Busway, and Park and Ride services for some journeys, providing first mile/last mile solutions.

This would enhance opportunities for local residents, particularly those without access to a regular timetabled bus service to access services (for example, school, local hospitals, and shops), employment and enabling greater social inclusion.

It would also improve the experience of, and offering to, passengers through improving bus journey times, reliability, providing weekend or evening services and giving access to more destinations.

New DRT services should complement the existing dial-a-ride services. It is the Council's intention to engage with Ely and Soham Association of Community Transport (ESACT) and The Voluntary Network to ensure this.

Areas where DRT could be trialled include:

- In the south of the district to provide a better alternative to the existing one journey a day services.
- In the Isleham area as an alternative to scheduled services to Soham, Newmarket and Ely.
- In the Littleport area to enable those living in the outlying hamlets of Black Horse Drove, Brandon Creek, Little Ouse and Redmere to access the shops and services in Littleport and to connect to public transport services.

Supporting schemes

In order for these new services to be successful and move towards financial viability, people need to know they exist and accurate, real time information about the vehicle location and arrival time needs to be provided.

A targeted marketing and information campaign will be required. This should include formal and informal and traditional and online methods of communication, which are consistent, clearly branded and be ongoing. This will create trust in the services and encourage people to use them and become committed to supporting them.

Other things to be considered for the future are the development of smart and/ or multi-operator ticketing schemes and the enhancement of bus infrastructure, stops and stations. Provision should also be made to accommodate bikes on buses.

APPENDIX 3

EAST CAMBRIDGESHIRE BUS, CYCLE, WALK WORKING PARTY TERMS OF REFERENCE

1.0 CONSTITUTION

1.1 The East Cambridgeshire Bus, Cycle, Walk Working Party, appointed by Finance and Assets Committee, shall comprise 6 elected Members. A Chairman will be elected at the first Working Party meeting. The Chairman of the Working Party will be elected from the Conservative Group Membership.

1.2 The Working Party will continue until it completes the work set out in the Terms of Reference.

2.0 OBJECTIVES

2.1 To oversee the East Cambridgeshire Bus Services Review process.

2.2 To oversee the development of the East Cambridgeshire Cycling and Walking Routes Strategy.

2.3 To ensure effective and meaningful dialogue and consultation during the Review.

3.0 TERMS OF REFERENCE

3.1 The Working Party's terms of reference shall be

3.2 To advise the Finance and Assets Committee in relation to:

- The progress towards the Bus Services Review and Cycling and Walking Routes Strategy in accordance with agreed timetable and project plan.

- Recommendations related to key issues requiring Committee direction in the formulation of the Review and Strategy

3.3 To advise and support the Director, Commercial with the Review, specifically:

- Liaison with Cambridgeshire and Peterborough Combined Authority and Cambridgeshire County Council.

- Other relevant issues as they arise during the Review process.

- Progress reports to Finance and Assets Committee, where appropriate.

When undertaking the actions referred to above, the Working Party may invite interested parties, stakeholders, Members and co-optees to address it, deliver presentations and / or answer questions.

4.0 OPERATION OF THE WORKING GROUP

4.1 The Working Group will agree a programme of work and a frequency of meetings that reflects the priorities it identifies.

4.2 The Group will be supported by Officers from the Council’s Infrastructure and Strategy team.

4.3 Minutes will be recorded for all meetings.

AGENDA ITEM NO 17

COMMUNITY INFRASTRUCTURE LEVY ALLOCATION

Committee: Finance & Assets Committee

Date: 26 November 2020

Author: Director Commercial

[V]

1.0 ISSUE

1.1 To consider the allocation of Community Infrastructure Levy for the expansion of St Marys Practice, Ely.

2.0 RECOMMENDATION(S)

2.1 Members are requested to approve the allocation of £750,000 for the expansion of St Marys Practice, Ely as set out in 4.2 of this report.

3.0 BACKGROUND/OPTIONS

3.1 Members may recall that there are specific arrangements in place from Community Infrastructure Levy (CIL) receipts arising from the North Ely Development. Over the lifetime of the North Ely development the CIL receipts will be approximately £10.25 million which has been apportioned as follows:

Project	**Allocation**
Children's Centre	£79,083
Littleport Schools	£3,463,856
Health	£1,813,786
District Leisure Centre	£2,500,000
Country Park	£622,868
Meaningful Proportion	£1,531,012
Admin	£234,832

3.2 This report focuses on a request to release an allocation from the 'Health' element of the approved apportionment.

3.3 For many years the Council has worked with key stakeholders to improve the availability of GP provision in Ely. The North Ely development has consent for 2,000 dwellings with approximately 500 of these dwelling already being delivered. This growth places significant burden on the current GP provision in Ely.

3.4 The demand on St Marys Practice continues to increase and it is becoming more and more difficult for them to deal with the demand on their services without needing to expand. They have submitted a planning application for the expansion of their practice that will enable them to continue to accommodate this level of growth in Ely.

The expansion project will cost approximately £3.11 million to deliver.

3.5 St Marys Practice has been working with various key stakeholders; the Council, NHS Clinical Commissioning Group, etc. to bring the expansion project to fruition. The funding structure requires 34% of the project costs to be borne by the practice with the remaining 66% being met by public funds. **If** approved by all the relevant stakeholders, who all need to go through their own decision - making processes, the £3.11 million expansion project would be funded by the practice, NHS Cambridgeshire & Peterborough and East Cambridgeshire District Council. The Council's contribution will count towards the public fund element, i.e. the 66%, the practice will with required to meet the 34% from their own investment.

4.0 ARGUMENTS/CONCLUSIONS

4.1 The Council has apportioned £1,813,786 for health improvement serving the North Ely Development which means that this money can only be spent on projects that improve health projects that benefit the North Ely Development. CIL funds cannot be used to support revenue projects, only physical infrastructure.

4.2 It is recommended that £750,000 is formally allocated to the expansion of St Marys Practice, subject to the following conditions:

- St Marys Practice secures planning permission for the expansion of the practice;
- Evidence that NHS Cambridgeshire & Peterborough is providing funding for the project;
- St Marys Practice agrees to enter into a funding agreement with the Council which will detail the evidence that needs to be submitted at various stages to reassure the Council that the £750,000 is being utilised for the capital costs; and
- Agree that in the event that the building ceases to be used as a GP practice within 15 years of receiving funds from the Council that it will repay the £750,000 to the Council.

5.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT/CARBON IMPACT ASSESSMENT

5.1 The £750,000 can be met within the existing apportionment and availability of CIL funds.

6.0 APPENDICES

6.1 None

Background Documents	Location	Contact Officer
None	The Grange, Ely	Emma Grima Director Commercial (01353) 616960 E-mail: emma.grima@eastcambs.gov.uk

GENDER PAY REPORTING

Committee: Finance and Assets Committee

Date: 26 November 2020

Author: Nicole Pema, HR Manager

[V]

1.0 ISSUE

1.1 To provide the Committee with some measurable data on gender pay at the Council.

2.0 RECOMMENDATION(S)

2.1 It is recommended that the Committee notes the content of the information report.

3.0 BACKGROUND

3.1 The gender pay gap is the difference in the average hourly wage of all men and women across a workforce. If women do more of the less well paid jobs within an organisation than men, the gender pay gap is usually bigger.

3.2 Gender pay reporting legislation requires employers with 250 or more employees to publish statutory calculations every year showing how large the pay gap is between their male and female employees.

3.3 For the purposes of gender pay reporting, the definition of who counts as an employee is set out in the regulations and follows the definition in the Equality Act 2010. This is known as an extended definition which includes casual employees as well as some self-employed people.

3.4 There are six calculations to carry out, and the results must be published on the employer's website and a government website within 12 months.

3.5 As the Council has fewer than 250 employees, we are not required to comply with the regulations but Members have requested some measureable data to be provided on gender pay. For the purposes of this report, only three of the six figures have been calculated – (1) mean gender pay gap in hourly pay; (2) median gender pay gap in hourly pay; and (3) proportion of males and females in each pay quartile. Calculations are based only on employees on the Council's establishment.

4.0 FINDINGS

4.1 The gender pay gap shows the difference between the **average** (mean or median) earnings of men and women. Mean is the difference between the average of men's and women's pay. Median is the difference between the midpoints in the ranges of men's and women's pay.

4.2 As at 31 March 2020, the women's mean hourly rate was £14.70 per hour, 8.8% lower than the male's mean hourly rate of £16.12 per hour. In other words when comparing mean hourly rates, women earn £0.91 for every £1 that men earn.

4.3 As at 31 March 2020, the women's median hourly rate was £12.36 per hour, 13.4% lower than the male's median hourly rate of £14.28 per hour. In other words when comparing median hourly rates, women earn £0.87 for every £1 that men earn.

4.4 In order to calculate the proportion of males and females in each pay quartile, employees were ranked from highest to lowest paid and divided into 4 equal parts (quartiles) – Upper Quartile; Upper Middle Quartile; Lower Middle Quartile; and Lower Quartile. Table 1 sets out the percentage of men and women in each of the quartiles.

Table 1: % of Males and Females in each Quartile as at 31/03/2020

Quartile	Males (%)	Females (%)
Upper	20 (43%)	26 (57%)
Upper Middle	12 (26%)	34 (74%)
Lower Middle	16 (35%)	30 (65%)
Lower	10 (22%)	36 (78%)

4.5 As at 31 March 2020, there were 184 employees on the Council's establishment, comprising of 126 females and 58 males.

4.6 In the last 4 years, the Council's gender pay gap has changed as follows:

Year	Mean	Median
31/03/2017	7.7%	10.3%
31/03/2018	4.9%	12.1%
31/03/2019	6.1%	4.7%
31/03/2020	8.8%	13.4%

4.7 Some conclusions that can be drawn from the evidence above are:

- The Council has effective recruitment practices in place as evidenced by the high proportion of female staff – 126 (68%) in the workforce.
- The Council has effective promotion practices in place as evidenced by the high number of females in the Upper (57%) and Upper Middle (74%) Quartiles.
- The Council has a very high number of female staff in the Lower Quartile – 36 (78%) compared to only 10 males (22%). This quartile includes Cleaners, Administrative Assistants and Reprographics staff which often attracts females with caring responsibilities.
- The Council has a male Chief Executive.
- The Council has introduced a new pay scale in the last 12 months which has affected the pay rates for all National Joint Council (NJC) staff.

4.8 Tables 2, 3 and 4 provide a comparison of the Council's gender pay gap against other local authorities.

Table 2: Gender Pay Gap Comparison data as at 31/03/2017

Employer	Employer Size	Difference in hourly rate		Proportion of women in each pay quartile			
		Mean	Median	Lower Quartile	Lower Middle Quartile	Upper Middle Quartile	Upper Quartile
East Cambridgeshire District Council	Less than 250	7.7%	10.3%	74.5%	59.6%	61.7%	59.6%
South Cambridgeshire District Council	250-499	-4.9%	-17.1%	28%	48%	61%	55%
St Edmundsbury Borough Council	250-499	-0.5%	0%	40%	53.2%	52.6%	51.2%
Cambridge City Council	500-999	3.9%	8.2%	62%	50%	44%	50%
Fenland District Council	500-999	6.3%	0%	41%	70.7%	65.7%	51.5%
Huntingdonshire District Council	1000-4999	3.5%	-0.8%	52.6%	49.2%	57.3%	50%
Cambridgeshire County Council	5000-19,999	13%	18%	84.3%	85.1%	78.2%	70.2%

Table 3: Gender Pay Gap Comparison data as at 31/03/2018

Employer	Employer Size	Difference in hourly rate		Proportion of women in each pay quartile			
		Mean	Median	Lower Quartile	Lower Middle Quartile	Upper Middle Quartile	Upper Quartile
East Cambridgeshire District Council	Less than 250	4.9%	12.1%	75%	56.3%	66%	59.6%
South Cambridgeshire District Council	500-999	-5.9%	-13.2%	23.1%	53.8%	62.3%	53.8%
St Edmundsbury Borough Council	250-499	-0.5%	0%	40%	53.2%	52.6%	51.2%
Cambridge City Council	500-999	3.2%	5.9%	59%	51%	47%	49%
Fenland District Council	500-999	10.9%	-9%	45%	67%	77%	49%
Huntingdonshire District Council	1000-4999	5.5%	0%	55%	51.8%	54.7%	48.6%
Cambridgeshire County Council	5000-19,999	13%	19%	85.5%	85.4%	77.3%	71.6%

Table 4: Gender Pay Gap Comparison data as at 31/03/2019

Employer	Employer Size	Difference in hourly rate		Proportion of women in each pay quartile			
		Mean	Median	Lower Quartile	Lower Middle Quartile	Upper Middle Quartile	Upper Quartile
East Cambridgeshire District Council	Less than 250	6.1%	4.7%	70.8%	66.7%	73%	57.4%
South Cambridgeshire District Council	500-999	-6.6%	-19.4%	25%	56.2%	61.3%	56.2%
St Edmundsbury Borough Council	250-499	-0.8%	-5.8%	37.6%	56.1%	54.8%	50.8%
Cambridge City Council	500-999	2.5	5.5	61.1	62.9	62	55.3
Fenland District Council	500-999	9.4	0	36	67	64	46
Huntingdonshire District Council	1000-4999	4.8	0	53.6	54.3	57.7	48.6
Cambridgeshire County Council	5000-19,999	8.3	8.9	82.8	81.4	77.2	72

5.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

5.1 There are no costs associated with this report.

5.2 An Equality Impact Assessment (EIA) is not required.

6.0 APPENDICES

None

Background Documents	**Location**	**Contact Officer**
Gender Pay Gap Reporting: Make your calculations – GOV.UK www.acas.org.uk/genderpay Salary data for the Council's workforce as at 31/03/2020 Gender Pay Gap: Employer Comparison – GOV.UK	Room 118, The Grange, Ely	Nicole Pema HR Manager (01353) 616325 E-mail: nicole.pema@eastcambs.gov.uk

FINANCE REPORT

Committee: Finance & Assets Committee

Date: 26 November 2020

Author: Finance Manager

[V]

1. ISSUE

1.1 This report provides Members with budget monitoring information for services under the Finance & Assets Committee and then, as part of its corporate remit, for the Council as a whole.

2. RECOMMENDATION (S)

2.1 Members are requested to note:

- The Finance and Assets Committee has a projected yearend underspend of £102,000 when compared to its approved revenue budget of £5,021,167.

- That overall the Council has a projected yearend underspend of £281,500 when compared to its approved revenue budget of £13,644,206.

- That this Committee has an expected underspend of £100,000 when compared with its approved capital budget of £8,048,680.

- That the overall position for the Council on Capital is a projected outturn of £9,033,166, which is an underspend of £2,755,950 when compared to its revised budget of £11,789,116.

3. BACKGROUND / OPTIONS

3.1 Under Financial Regulations, each policy committee is required to consider projections of financial performance against both its revenue and capital budget on a quarterly basis, with this Committee further considering the overall Council position.

3.2 This is the second report for the 2020/21 financial year and details actual expenditure incurred and income received as at 30th September 2020 and projections as to the yearend position at this time.

3.3 Appendix 1 details the overall revenue position for both this Committee and the Council overall. In appendix 1 the budgets under the stewardship of this Committee are shown in detail, with then the position for the Operational Services Committee and the funding lines shown in summary.

3.4 The detailed revenue budget position for the Operational Services Committee is shown in appendix 2. A report was presented to Operational Services Committee on the 16th November providing an explanation for all the yearend forecasts being projected at this time.

3.5 With regard to Finance & Assets Committee, the significant variances of actual spend compared to profiled budgeted spend at the end of September 2020, where no variance is forecast for yearend, are detailed below:

Service	Variance £	Explanation
Museum (Old Gaol) Financial Services Sport & Recreation	(£10,577) (£40,729) (£11,435)	These budgets have accruals from 2019/20 that remain unpaid or have external income brought forward into 2020/21
Economic Development	(£54,043)	Income for Littleport Wi-Fi from Cambridgeshire County Council has been received in advance, but costs will continue to be incurred throughout the year. There are also staff savings so far this year, but these were outweighed by a reduction in income during the first six months of the year.
Housing Strategy	(£93,613)	Staff Savings accrued in the first six months of 2020/21, although the vacancy has now been filled. An accrual is also still outstanding for an old invoice.
Cost of Other Elections	(£40,175)	Roll over of income from 2019/20 to fund future elections.
Human Resources	(£10,971)	The training budget had not been not fully allocated at the end of September, but this has since happened.
Local Plans	(£96,612)	There remains an outstanding accrual from last year that hasn't been invoiced yet. Consultant's costs for quarter two should be paid in the next quarter.
Parking of Vehicles	£114,504	Parking fee income over the first five months of the year was virtually nil and while it picked up in September it remained well below 2020/21 expectations because of Covid-19. The expectation is that Government Covid grant will be allocated to bring this service back into balance at yearend.

Parks & Gardens	£36,339	Costs have been incurred that will be matched by Section 106 funding at yearend.
Registration of Electors	(59,739)	This relates to income received in advance for individual electoral registration. We have also not spent the canvassers' fees plus used the normal amount of printing and stationery because of the Covid-19 situation.

3.6 Explanations for the forecast yearend variances reported for this Committee are detailed in the below table:

Service	Variance £	Explanation
Land Charges Legal	(£7,000) (£5,000)	Savings have been made due to a staff vacancy and Legal income has increased this year well beyond the anticipated budgeted level.
Interest & Financial Transactions	(£43,000)	It is now anticipated that ECTC will be borrowing more from the Council in 2020/21 than had been forecast in the budget, pre-Covid, and therefore the interest receipts received by the Council will increase.
Housing Benefits	£70,000	The budgeted amount reflects the mid-year position in 2019/20 (the last available information when the budget was built) while actual now reflects the mid-year position for 2020/21.
Miscellaneous Finance	(£94,000)	As detailed in the Treasury Management Report, the Council is no longer expecting to borrow externally this year, so there will be a saving on the costs of borrowing and further, as more CIL money was allocated to the Leisure Centre project at the end of 2019/20 than had been anticipated, the minimum revenue provision for 2020/21 has been reduced.

Member & Committee Support	(£15,000)	Covid-19 has meant that no Member training sessions were scheduled between April and September. The first remote Member seminar via Zoom took place on 29 October 2020 and, subject to the filling of vacancies in Democratic Services, it is anticipated that further remote Member seminars and remote Member training sessions will take place during the remainder of the year. Covid-19 has also delayed recruitment to two vacant posts in Democratic Services.
Covid-19	£0	It remains extremely difficult to predict the Council's spend in relation to the pandemic and indeed if any further Government funding will become available. However, with the Authority having now received a fourth tranche of un-ringfenced funding, and having the opportunity to recover some of its lost income from the Sales, Fees and Charges Compensation Scheme, there is no reason to assume that the pandemic will result in a net loss to the Council. At this point, it is therefore assumed that spend will match Government Grant.
Government Grants	(£130,000)	The Council has received £130,000 of Government grant as payment for facilitating the payment of grants to local businesses during the initial Covid-19 lockdown.

Capital

3.7 There are four yearend variations forecast at this time. On Operational Services, these relate to the purchase of wheeled bins. It was originally anticipated that the purchase of these would be actioned via East Cambs Street Scene, but as these need to remain as an asset to the Council, it is now felt appropriate that the cost of these is charged to the Council's capital budget. The purchase of new Refuse and Cleansing vehicles has been put on hold to try to ensure that the purchase of these ties in with the new Government waste initiative and any potential grant funding that may become available through this, and the depot improvements have been delayed as further costings are being sought.

3.8 On Finance and Assets the variation relates to East Cambs Trading Company not expecting to require to drawdown the full value of their new loan facility on the 31st March 2021.

4 ARGUMENTS / CONCLUSIONS

4.1 The projected net revenue expenditure for the Council is forecast to be £13,362,706 in 2020/21. This gives an underspend of £281,500 compared to the Council's approved budget.

4.2 The projected Capital Outturn for the Council stands at £9,033,166. This reflects an underspend of £2,755,950 when compared to the revised budget.

5 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

5.1 There is a revenue underspend of £281,500 forecast for yearend, compared to this Council's approved budget, this will be transferred to the Surplus Savings Reserve at this point, for use in future years. (The MTFS modelling, which will be presented to January Committee, has been amended to reflect this.)

5.2 Equality Impact Assessment (INRA) not required.

5.3 Carbon Impact Assessment (CIA) not required.

6 APPENDICES

6.1 Appendix 1 – Summary Budget Monitoring – September 2020
Appendix 2 – Operational Services Budget Monitoring – September 2020
Appendix 3 – Capital Budget Monitoring – September 2020
Appendix 4 – Reserve usage forecast for 2020/21 as at September 2020

Background Documents	Location	Contact Officer
Council Budget as approved by Council on the 20th February 2020	Room 104 The Grange Ely	Ian Smith Finance Manager Tel: (01353) 616470 E-mail: ian.smith@eastcambs.gov.uk

FINANCE & ASSETS COMMITTEE BUDGET MONITORING REPORT - 30th September 2020

Revenue	Total Budget 2020-21 £	Profiled Budget to 30 September 2020	Actual to 30 September 2020 £	Variance £	Projected Outturn £	Variance between Total Budget & Projected Outturn	Outturn Variance previous Quarter £
Asset Management	141,918	-.-	(4,351)	4,351	141,918	-.-	-.-
Award Ditches	8,829	4,415	4,657	242	8,829	-.-	-.-
Civic Relations	21,794	10,904	3,534	(7,370)	21,794	-.-	-.-
Climate Change	100,000	8,539	8,539	-.-	100,000	-.-	-.-
Closed Churchyards	29,086	14,543	12,771	(1,772)	29,086	-.-	-.-
Community Transport	15,000	-.-	-.-	-.-	15,000	-.-	-.-
Corporate Management	170,724	13,008	16,205	3,197	170,724	-.-	-.-
Cost of Other Elections	-.-	-.-	(40,175)	(40,175)	-.-	-.-	-.-
Council Tax Accounting	422,337	187,121	179,154	(7,967)	422,337	-.-	-.-
Data Management	99,024	49,517	44,279	(5,238)	99,024	-.-	-.-
Depot Services	-.-	-.-	6,135	6,135	-.-	-.-	-.-
Economic Development	(13,155)	9,149	(44,894)	(54,043)	(13,155)	-.-	-.-
Financial Services	335,662	167,831	127,102	(40,729)	335,662	-.-	-.-
General Gang	117,565	24,235	21,684	(2,551)	117,565	-.-	-.-
Health & Safety (Work)	22,280	11,140	8,000	(3,140)	22,280	-.-	-.-
Housing Benefits	373,717	186,859	(67,101)	(253,960)	443,717	70,000	-.-
Housing Strategic	210,597	55,518	(38,095)	(93,613)	210,597	-.-	-.-
Human Resources	186,883	115,475	104,504	(10,971)	186,883	-.-	-.-
Interest & Financial Transactions	(142,347)	(95,914)	(26,633)	69,281	(185,347)	(43,000)	-.-
Internal Audit	70,855	18,306	17,205	(1,101)	70,855	-.-	-.-
Land Charges Admin	(59,353)	(28,677)	(46,869)	(18,192)	(66,353)	(7,000)	-.-
Legal	221,889	116,944	102,831	(14,113)	216,889	(5,000)	-.-
Leisure Centre	(396,613)	6,000	577	(5,423)	(396,613)	-.-	-.-
Local Elections	22,500	-.-	1,500	1,500	22,500	-.-	-.-
Local Plans	95,000	47,500	(49,112)	(96,612)	95,000	-.-	-.-
Management Team	296,018	151,292	150,452	(840)	296,018	-.-	-.-
Member & Committee Support	498,187	249,899	234,167	(15,732)	483,187	(15,000)	-.-
Miscellaneous Properties	(22,224)	463	5,366	4,903	(22,224)	-.-	-.-
Miscellaneous Finance	831,648	636,973	632,714	(4,259)	737,648	(94,000)	-.-
Movement in Corporate Reserves	265,895	265,895	219,378	(46,517)	265,895	-.-	-.-
Museums - Old Gaol House	-.-	-.-	(10,677)	(10,677)	-.-	-.-	-.-
NNDR Collection Costs	42,040	69,614	65,375	(4,239)	42,040	-.-	-.-
Office Accommodation	355,278	237,690	223,969	(13,721)	347,278	(8,000)	-.-
Oliver Cromwell House	-.-	-.-	-.-	-.-	-.-	-.-	-.-
Out Of Hours call out Service	15,000	7,500	1,668	(5,832)	15,000	-.-	-.-
Parking Of Vehicles	(44,514)	53,928	168,432	114,504	(44,514)	-.-	-.-
Parks And Gardens Team	261,832	233,422	269,761	36,339	261,832	-.-	-.-
Payroll	63,485	31,742	43,323	11,581	63,485	-.-	-.-
Public Conveniences	150,988	88,777	95,082	6,305	150,988	-.-	-.-
Refuse Collection	-.-	8,171	11,287	3,116	-.-	-.-	-.-
Registration of Electors	53,371	36,263	(23,476)	(59,739)	53,371	-.-	-.-
Reprographics	111,559	55,889	50,089	(5,800)	111,559	-.-	-.-
Sport & Recreation	88,412	22,485	11,050	(11,435)	88,412	-.-	-.-
Covid 19			(1,091,560)	(1,091,560)	-.-	-.-	553,000
Finance & Assets Committee Total	**5,021,167**	**3,072,416**	**1,397,847**	**(1,665,867)**	**4,919,167**	**(102,000)**	**553,000**
Operational Services Committee	5,650,903	2,806,091	217,187	(2,588,904)	5,601,403	(49,500)	(57,000)
Other Spend							
Parish Precepts	2,470,158	2,470,158	2,470,158	-.-	2,470,158	-.-	-.-
Internal Drainage Boards	501,978	250,989	247,491	(3,498)	501,978	-.-	-.-
Revenue Budget Total	**13,644,206**	**8,599,654**	**4,332,683**	**(4,258,269)**	**13,492,706**	**(151,500)**	**496,000**
Funding							
Council Tax	(6,820,563)	-.-	-.-	-.-	(6,820,563)	-.-	-.-
Revenue Support Grant	(11,764)	-.-	(1,059)	(1,059)	(11,764)	-.-	-.-
Business Rates	(4,455,162)	-.-	(96,065)	(96,065)	(4,455,162)	-.-	-.-
Other Government Grants (NHB / RSG etc.)	(965,176)	(536,755)	(2,256,248)	(1,719,493)	(1,095,176)	(130,000)	-.-
Budgeted draw from Surplus Savings Reserve	(1,391,541)	(1,391,541)	(1,391,541)	-.-	(1,391,541)	-.-	-.-
	(13,644,206)	**(1,928,296)**	**(3,744,913)**	**(1,816,617)**	**(13,774,206)**	**(130,000)**	**-.-**
Revenue Total	**-.-**	**6,671,358**	**587,770**	**(6,074,886)**	**(281,500)**	**(281,500)**	**496,000**

Appendix 2

OPERATIONAL SERVICES COMMITTEE BUDGET MONITORING REPORT - SEPTEMBER 2020

Revenue	Total Budget 2020-21	Profiled Budget to 30 September 2020	Actual to 30 September 2020	Variance to date	Projected Outturn	Variance between Total Budget & Projected Outturn	Outturn Variance previous Quarter
	£	£	£	£	£	£	£
Building Regulations	27,520	13,760	1,479	(12,281)	17,520	**(10,000)**	-.-
CIL	(0)	8,000	(1,864,347)	(1,872,347)	-.-		-.-
Civic Amenities Act	11,428	4,464	4,458	(6)	11,428		-.-
Community Projects & Grants	221,578	56,607	75,843	19,236	174,578	**(47,000)**	(47,000)
Community Safety	50,834	15,782	(21,796)	(37,578)	50,834		-.-
Cons.Area & Listed Buildings	60,578	30,289	30,624	335	60,578		-.-
Customer Services	465,859	234,987	209,816	(25,171)	440,859	**(25,000)**	(10,000)
Dog Warden Scheme	34,512	17,381	14,124	(3,257)	34,512		-.-
Ely Markets	(0)	-.-	(11,774)	(11,774)	-.-		-.-
Emergency Planning	28,088	11,098	11,469	371	28,088		-.-
Environmental Issues	90,260	39,130	40,518	1,388	90,260		-.-
Health - Admin. & Misc.	407,059	198,985	191,880	(7,105)	407,059		-.-
Homelessness	372,074	187,037	(592,005)	(779,042)	349,574	**(22,500)**	-.-
IT	801,156	451,628	445,610	(6,018)	801,156		-.-
Licencing	(899)	(449)	(11,185)	(10,736)	(899)		-.-
Marketing & Grants	66,345	43,782	38,075	(5,707)	66,345		-.-
Neighbourhood Panels	1,500	750	-.-	(750)	1,500		-.-
Nuisance Investigation	70,970	35,485	35,806	321	70,970		-.-
Performance Management	10,400	5,200	-.-	(5,200)	10,400		-.-
Pest Control	9,090	4,545	4,108	(437)	9,090		-.-
Planning	(16,131)	(8,011)	23,128	31,139	20,869	**37,000**	-.-
Public Relations	75,172	37,586	30,804	(6,782)	75,172		-.-
Refuge Recycling	952,785	476,392	515,867	39,475	952,785		-.-
Refuse Collection	1,177,951	588,976	648,264	59,288	1,195,951	**18,000**	-.-
Street Cleansing	689,469	344,735	370,276	25,541	689,469		-.-
Street Naming & Numbering	7,896	3,948	2,769	(1,179)	7,896		-.-
Travellers Sites	(20,000)	(23,701)	3,358	27,059	(20,000)	-.-	-.-
Tree Preservation	55,409	27,705	20,018	(7,687)	55,409	-.-	-.-
Revenue Total	**5,650,903**	**2,806,091**	**217,187**	**(2,588,904)**	**5,601,403**	**(49,500)**	**(57,000)**

CAPITAL BUDGET MONITORING 2020/21

Capital	Published Budget 2020-21 £	Slippage from 2019-20 £	Approved Additions £	Revised Budget 2020-21 £	Actual at 30th September 2020 £	Forecast Outturn £	Variance between Revised Budget & Forecast Outturn £
OPERATIONAL SERVICES							
Conservation Area Schemes - 2nd round		27,506		**27,506**		27,506	0
Refuse & Cleansing Vehicles	1,882,077			**1,882,077**		32,077	(1,850,000)
Waste - Wheelied Bins					21,667	40,000	40,000
Depot	745,950	100,000		**845,950**		0	(845,950)
Mandatory Disabled Facilities Grants	697,299	94,417		**791,716**	(94,141)	791,716	0
Empty Properties, Discretionary DFGs, Minor Works, Home Repair Asst.	75,000			**75,000**	5,338	75,000	0
Vehicle Etc. Replacements	29,000	89,187		**118,187**		118,187	0
Leisure Centre					(188,038)	0	0
Operational Services Total	**3,429,326**	**311,110**	**0**	**3,740,436**	**-255,174**	**1,084,486**	**(2,655,950)**
FINANCE & ASSETS							
East Cambs Trading Company - original		1,980,000		**1,980,000**	600,000	1,980,000	0
East Cambs Trading Company - MOD		300,000		**300,000**	250,000	300,000	0
East Cambs Trading Company - New loan facility			4,900,000	**4,900,000**		4,800,000	(100,000)
Riverside Moorings		289,500		**289,500**		289,500	0
Internet / HR / Payroll System		15,980		**15,980**	1,250	15,980	0
Commuter Car Park - Ely (additional)		400,000		**400,000**		400,000	0
Extension to Ely Country Park	163,200			**163,200**		163,200	0
Finance & Assets Total	**163,200**	**2,985,480**	**4,900,000**	**8,048,680**	**851,250**	**7,948,680**	**(100,000)**
Total	**3,592,526**	**3,296,590**	**4,900,000**	**11,789,116**	**596,076**	**9,033,166**	**(2,755,950)**

SOURCES OF FINANCING	Published Budget 2020-21 £	Slippage from 2019-20 £	Approved Additions £	Revised Budget 2020-21 £	Variances £	Forecast Outturn £
Operational Services						
Grants / Contributions (DFG)	526,577			526,577		526,577
Revenue Contribution		89,187		89,187		89,187
Capital Receipts	245,722	94,417		340,139		340,139
Borrowing - Waste	2,628,027	100,000		2,728,027	(3,470,950)	-742,923
Section 106 / CIL	29,000	27,506		56,506	815,000	871,506
Operational Services Total	**3,429,326**	**311,110**	**0**	**3,740,436**	**(2,655,950)**	**1,084,486**
Finance & Assets						
Capital Receipts		305,480		305,480		305,480
Section 106 / CIL	163,200	400,000		563,200		563,200
Borrowing - Company	0	2,280,000	4,900,000	7,180,000	(100,000)	7,080,000
Finance & Assets Total	**163,200**	**2,985,480**	**4,900,000**	**8,048,680**	**(100,000)**	**7,948,680**
Capital Funding Total	**3,592,526**	**3,296,590**	**4,900,000**	**11,789,116**	**(2,755,950)**	**9,033,166**

Capital Resources Forecast	Published Budget 2020-21 £	Slippage from 2019-20 £	Approved Additions £	Revised Budget 2020-21 £	Variances £	Forecast Outturn £
Balance Brought Forward	463,173	921,751		1,384,924		1,384,924
Add receipts from Sales of Assets	2,273,500			2,273,500	2,173,500	100,000
Less Capital Receipts Applied	(245,722)	(399,897)		(645,619)		(645,619)
Capital Reserves Carried Forward	**2,490,951**	**521,854**	**0**	**3,012,805**	**2,173,500**	**839,305**

Borrowing	Published Budget 2020-21 £	Slippage from 2019-20 £	Approved Additions £	Revised Budget 2020-21 £	Variances £	Forecast Outturn £
Balance Brought Forward	13,145,749	(1,384,891)		11,760,858		11,760,858
Less MRP Applied	(499,058)			(499,058)	79,126	(419,932)
Repayment from ECTC	(3,620,000)	(2,880,000)		(6,500,000)	0	(6,500,000)
Add additional Borrowing Applied	2,628,027	2,380,000	4,900,000	9,908,027	(3,570,950)	6,337,077
Borrowing Carried Forward	**11,654,718**	**(1,884,891)**	**4,900,000**	**14,669,827**	**(3,491,824)**	**11,178,003**

Appendix 4

Reserve Accounts

Description	2020/21 Opening Balance 1 April £	Transfers to Reserve £	Contributions from Reserve £	Forecast Balance 31 March £
District Elections	0	22,500		22,500
Historic Buildings Grants	6,190			6,190
Housing Conditions Survey	40,000	5,000		45,000
Building Control	23,155			23,155
Change Management	236,744	12,479		249,223
Major Project Development	100,000			100,000
Asset Management	0			0
Surplus Savings Reserve	7,017,799	326,185	(1,391,541)	5,952,443
Vehicle Replacements	89,187			89,187
New Homes Bonus	44,685		(44,685)	0
Leisure Centre - sinking fund	(44,685)	44,685		(0)
Insurance	16,343			16,343
IT	40,000	40,000		80,000
CIL	3,219,091	3,800,000	(2,735,000)	4,284,091
CIL Admin	226,560	190,000	(100,000)	316,560
Care and Repair	45,000			45,000
Wheeled Bins Reserve	0			0
Community Fund Reserves	14,884			14,884
Housing	79,547			79,547
Affordable Housing	346,150	66,360		412,510
General Fund Balance	1,045,629			1,045,629
Commercial Invest to Save	20,000			20,000
CLT Grant Applications	20,000			20,000
Travellers' Sites	4,357	27,634		31,991
Enterprise Zone NNDR	253,577	154,761	(46,428)	361,910
Economic Development	0			0
Other				
Section 106 Agreements	2,267,451		(500,000)	1,767,451
Internal Borrowing	(11,760,859)	6,919,933	(6,337,077)	(11,178,003)
Total Reserves	3,350,806	11,609,537	(11,154,731)	3,805,612

ASSETS UPDATE

Committee: Finance & Assets Committee

Date: 26 November 2020

Author: Director Commercial and Open Spaces & Facilities Manager

[V]

1.0 ISSUE

1.1 To receive an update on Council owned assets.

2.0 RECOMMENDATION

2.1 Members are requested to note the update on Council owned assets.

3.0 BACKGROUND/OPTIONS

3.1 On 26 September 2019 (Agenda Item 16) Finance & Assets Committee received a report detailing Council owned assets which provided a summary of each asset. This report provides an update to assets contained within that report.

3.2 **Maltings Cottage, Ely**

The hard landscaping has been reduced to take the pressure off the wall which will help to reduce the damp and works are being carried out as per the instruction issued by the Council.

The Council is awaiting the results of the building conditions report that is being carried out by City of Ely Council. It is expected that a fuller update will be provided to Members in the new year.

3.3 **Ely Museum**

An update has been provided to the Council on the progress that is being made at Ely Museum.

The museum had originally planned to re-open the museum this autumn and although the museum is disappointed that they are not able to do this they have confirmed that good progress is still being made. If circumstances allow, the museum hope to reopen early in 2021.

Work to build the new displays and place artefacts in their new cases should be completed prior to Christmas. Staff and volunteers continue to support to museum in a variety of new and innovative ways; Zoom Trustees meetings, virtual school visits, Museum From Home Craft videos and online planning workshops.

A development in early October was the removal of the scaffolding on the Lynn Road side of the museum which presented the first chance to see the new façade. This is made with traditional, locally made, gault clay tiles which will weather well over the coming years whilst differentiating the old from the new.

Alongside the new extension there have been much needed improvements to the listed building have taken place, including the restoration of the windows and repointing work on the external walls which has made a great difference.

3.4 **COVID-19 Impact on Assets**

Car Parks

The Council has taken the decision to not enforce early morning and limited time restrictions in its town and city centre car parks during this second national lockdown. This decision will continue until 2 December 2020. This has been done to support residents making essential trips to grocery stores, pharmacies and places of work, as well as those who live close to the car parks and would have needed to move their cars.

Playgrounds

As required by Government, all Council owned playgrounds remain open. Signage has been installed to remind users of social distancing.

Public Conveniences

All Council owned public conveniences remain open and are COVID safe.

4.0 <u>FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT/CARBON IMPACT ASSESSMENT</u>

4.1 There are no financial implication arising from this report.

4.2 An Equality Impact Assessment (EIA) is not required.

4.3 A Carbon Impact Assessment (CIA) is not required.

5.0 APPENDICIES

5.1 None

Background Documents	**Location**	**Contact Officer**
Finance & Assets Committee- 26 September 2019- Agenda Item 16	Room 106, The Grange, Ely	Spencer Clark Open Spaces & Facilities Manager (01353) 616960 E-mail: spencer.clark@eastcambs.gov.uk

Notes of a remote meeting of the Covid-19 Working Party held on Wednesday, 30 September 2020 at 5.00pm.

PRESENT

Cllr Ian Bovingdon
Cllr Charlotte Cane
Cllr Lis Every
Cllr Jo Webber

OFFICERS

Jo Brooks – Director Operations
Tracy Couper – Democratic Services Manager

IN ATTENDANCE

Cllr Anna Bailey

1. APOLOGIES

Apologies for absence were received from Councillors Sue Austen and Matthew Downey.

2. DECLARATIONS OF INTEREST

As a Briefing Paper from VCAEC on community, voluntary sector support services as a result of Covid had been circulated to Working Party Members subsequent to the agenda despatch, Councillor Every declared an interest as Chair of Trustees for VCAEC.

3. NOTES OF PREVIOUS MEETING

It was agreed:

That the Notes of the meeting held on 26 August 2020 be received.

4. CHAIRMAN'S ANNOUNCEMENTS

The Chairman highlighted that the majority of the items raised at the last meeting had been addressed in Agenda Item 5 and only two items remained outstanding on the Work Programme. The Working Party had been established as a result of the Covid-19 lockdown from the end of March 2020 and things had changed significantly both locally and nationally since this period. There was a lot of ongoing activity by officers of the Council in conjunction with key local stakeholders and this was detailed in Agenda Item 5. The Chairman thanked officers for their proactive work and expressed the view that, unless there was substantial changes nationally, he believed that this Working Party was reaching its natural conclusion and only one more meeting of the Working Party would be required. The Working Party then could be wound-up and any issues that arose subsequently could be directed to the relevant officers and responses circulated more widely, for the information of Members, as necessary.

The Chairman asked that the thanks of the Working Party be formally recorded and conveyed to Officers for all their work and informative updates on the actions requested by the Working Party.

5. WORK PROGRAMME – UPDATE ON ITEMS RAISED AT PREVIOUS MEETING

Members receive a report providing an update on the actions completed and work being carried out relating to the items on the Work Programme and actions requested at the previous meeting.

Attention also was drawn to the following information circulated after the Agenda despatch:

Infrastructure and Strategy Manager update on the bus, cycle and footpath consultation results evaluation;

VCAEC Briefing Note on community, voluntary sector support services;

Briefing Notes and presentation from Landlords' Forum held on 24 September 2020.

Comments/questions were raised by Members on the report and supporting papers and responses given as follows:

VCAEC expressed concerns for future regarding recruiting volunteers and funding, how could ECDC assist with this? – Director Operations reported that ECDC Officer Recovery Group met weekly and working with VCAEC to assess what support and funding required. Officer Group signposting organisations to funding available from different areas such as Cambridgeshire County Council, Health Bodies, Central Government. Officer Group provides guidance and support to relevant stakeholders on an ongoing basis. Direct contact made with all Parish Councils, as detailed in Appendix 1(ii). The Council hope to encourage Parishes to produce a Covid Emergency Response Plan by drafting a template that all Parishes then can tailor to their local area/needs.

Landlords Forum Briefing Notes and presentation – should be encouraging landlords to contact Council at an early stage, if considering eviction. Right to Rent section of presentation: focus on paper copies of documents, but many documents now only in electronic format – issue will be referred to relevant officers.

Supporting Village Pubs – awaiting Central Government guidance on support over winter months.

Digital Connectivity - £400K funding available within the NHS as part of Sustainability and Transformation Partnership. County also looking at funding.

Transport Issues – need to consider issues relating to rural transport and ability of students and elderly to access Ely and other towns from villages. Missed opportunity to capture effects of reduction in vehicle traffic during lockdown. Need to consider how to encourage active travel and use of public transport for longer journeys. The Chairman stated that these issues now would be more appropriate for the Bus Services WP to consider at its meeting to take place in early October 2020 followed by a Member Seminar in late October and recommendations be made to Finance and Assets Committee in November.

Market Towns Masterplans work – timetable for submission to Combined Authority? Littleport Plan based on infrastructure, highways and marina bid likely to go to CA Board in November. Soham Plan based on E-space style facility bid likely to go to CA Board in December. Ely Plan with a focus on digital connectivity aiming for January 2021 CA Board. Consultation with key stakeholders taking place for all Masterplans.

Tourism Website – improvements completed or in progress, as requested by Working Party.

Housing – reported increase in house prices by 5% nationally. How will this impact on delivery of affordable housing locally? Swaffham CLT – issue that CLT not allowed to take on a unit of affordable housing, as not a RSL. How can this Council address the issue?

What action was being taken to provide training and development for Parish Councils, identified as a need in the feedback from contacting individual Parishes? The Director Operations reported that Parish Council ‘awaydays’ and one-to-one sessions were being organised by the Community & Partnerships Team.

Reference was made to the County Council’s Community Support Hub and a question raised as to how this Council engaged with this. The Director Operations explained the structure of the county-wide Recovery Co-Ordinating Group (RCG) which she was a member of. This had multiple thematic sub-groups reporting to the main group and ECDC had representation on all of the sub-groups. In addition, the Director Operations had weekly meetings with the dedicated County Council Officer. A Recovery Plan for East Cambridgeshire was in the process of being finalised, which would detail the role of the RCG and the sub-groups and how their work would be put into practice in East Cambridgeshire. This Recovery Plan was due to be circulated to all Councillors this Friday.

The Chairman stated that many of the above issues could have been raised directly with the relevant Officers and responses circulated to the Working Party Members. However, a Member commented that raising and discussing them at the Working Party could give a shared understanding of the relevant issues.

It was AGREED:

(i) That the updates provided to the Working Party be noted.
(ii) That the revised Work Programme set out in Appendix 2 be progressed.

6. FUTURE WORK PROGRAMME

Members considered the revised Work Programme for the Working Party set out in Appendix 2. The Chairman highlighted that, if the active transport initiatives now were being transferred to the Bus Services WP to progress, there were 2 items still to be directly actioned by this Working Party relating to understanding the needs of the Business Community and the report on the impact of Covid-19 on the BAME community. The Chairman suggested that these could be dealt with at a final meeting of the Working Party in November 2020. In response to a question from the Chairman, the Democratic Services Manager reported that, as the next meeting of the Finance and Assets (F&A) Committee was scheduled for late November 2020 meaning that the Agenda for the meeting would be despatched in mid-November, it was unlikely that the necessary work on these two areas could be completed and considered by the Working Party in order for recommendations from the Working Party to be submitted to the November F&A Committee. Therefore, any recommendations would be submitted to the January 2021 F&A Committee.

Therefore, it was proposed by the Chairman that a final Working Party meeting be held in late November to deal with these two outstanding areas. A Member disagreed that the Working Party would have completed its work at this stage.

7. DATE OF NEXT MEETING

It was agreed that the next meeting of the Working Party would be held on Wednesday, 25 November at 5.00pm.

The meeting closed at 6.17pm

BRECKLAND COUNCIL
EAST CAMBRIDGESHIRE DISTRICT COUNCIL
EAST SUFFOLK DISTRICT COUNCIL
FENLAND DISTRICT COUNCIL
WEST SUFFOLK DISTRICT COUNCIL

At a Meeting of the

ANGLIA REVENUES AND BENEFITS PARTNERSHIP JOINT COMMITTEE

Held on Tuesday, 15 September 2020 at 11.00 am
Virtual meeting via Teams

PRESENT

Mr J.P. Cowen (Chairman)
Mr D Ambrose Smith (Vice-Chairman)
Mrs S. Broughton
Mr M. Cook
Mrs K. French (Substitute Member)

In Attendance

Paul Corney	-	Head of ARP
Jo Andrews	-	Strategic Manager (Revenues)
Adrian Mills	-	Strategic Manager (Billing & Benefits) ARP
Stuart Philpot	-	Strategic Manager (Support Services) ARP
Sam Anthony	-	Head of HR & OD
Nick Khan	-	Strategic Director (East Suffolk)
Rachael Mann	-	Assistant Director (Resources & Performance)
Ian Smith	-	Finance Manager & S151 Officer (East Cambs)
Teresa Smith	-	Democratic Services Team Leader
Julie Britton	-	Democratic Services Officer
Leah Mickleborough	-	Service Manager - Democratic Services/Monitoring Officer

Action By

50/20 CHAIRPERSON AND VICE-CHAIRPERSON (AGENDA ITEM 1)

After being duly proposed and seconded and with no other nominations being made it was:

RESOLVED that Councillor Philip Cowen be appointed as Chairman for the ensuing year.

After being duly proposed and seconded and with no other nominations being made it was:

RESOLVED that Councillor David Ambrose-Smith be appointed as Vice-Chairman for the ensuing year.

51/20 TREASURER (AGENDA ITEM 2)

After being duly proposed and seconded and with no other nominations being made it was **RESOLVED** that:

Breckland Council be appointed as Treasurer for the ensuing year.

Action By

52/20 MINUTES (AGENDA ITEM 3)

The Minutes of the meeting held on 19 December 2020 were agreed as a correct record.

53/20 APOLOGIES (AGENDA ITEM 4)

Apologies for absence were received from Councillor Jan French and Alison Chubbock, Chief Accountant (BDC).

Councillor Kim French was in attendance as substitute.

54/20 URGENT BUSINESS (AGENDA ITEM 5)

None.

55/20 DECLARATIONS (AGENDA ITEM 6)

None.

56/20 PERFORMANCE AND SERVICE UPDATES (STANDING ITEM) (AGENDA ITEM 7)

Stuart Philpot, the Strategic Manager (Support Services) ARP presented the report.

Notwithstanding the impact of the Covid-19 pandemic, Members were informed that subject to the Council Tax collection rates, all targets had been achieved following the resilience demonstrated by the ARP employees during these unprecedented times.

The collection of Council Tax was behind target by £721,415 and Jo Andrews, the Strategic Manager (Revenues) ARP, explained that Officers had not been able to take normal action to recover outstanding amounts through the Magistrates Court due to the restrictions in place in respect of Covid and also due to the increase in Council Tax support there was less Council Tax to collect. A good response had been received to the soft reminders that had been sent out earlier in the year and many instalment arrangements had been made. Statutory reminders had been sent in August 2020 to those who had not responded and had not paid anything toward their Council Tax.

All targets had been met in respect of Business Rates collection except for East Suffolk. Collection targets had been adjusted to reflect the amount of Government funded rate relief awarded to businesses in early April 2020. However, since then new guidance had been issued increasing the number of eligible businesses and others have been identified. This had increased the amount of relief awarded, which was a significant amount for East Suffolk. The authority would be receiving this funding, but it was not expected to be received in this financial year. Also, in respect of East Suffolk, one significant ratepayer was currently in arrears with instalments amounting to £1.8M and there have been backdated refunds of £862K made in this financial year mostly in respect of appeals against rateable values.

Councillor Broughton thanked all ARP staff for their hard work and

Action By

commitment throughout this pandemic. Referring to the business rates issue, she asked what could be done going forward to prevent businesses going under.

The Strategic Manager (Revenues) ARP pointed out that this year quite a considerable number of businesses had received 100% rate relief and NNDR collection was 'holding up' for most Councils; therefore, it was hoped, going forward, that this would be maintained. Discussions with the Courts were being had in respect of setting Hearing dates but in comparison with Council Tax, NNDR cases were normally relatively low.

The Chairman also congratulated all staff and felt that the business continuity exercise that ARP had carried out in December 2019 had put the Partnership in good stead. He also thanked the Strategic Manager for her update. He pointed out that he had been having conversations with Alison Chubbock, the Chief Accountant (BDC) about the issues with NNDR and felt that moving forward, a close eye needed to be kept on this matter as NNDR could be further affected in the next quarter.

Councillor Ambrose-Smith also conveyed his thanks and congratulated all ARP staff.

The Performance and Service updates report was otherwise noted.

57/20 <u>ARP FORECAST FINANCIAL PERFORMANCE 2020-21 (AGENDA ITEM 8)</u>

Paul Corney, the Head of ARP presented the report in the Chief Accountant's absence.

This report had been based on information provided by each of the partner Councils as at 31 July 2020.

The forecast at this stage of the year showed a deficit against budget of £690k. There was a small overspend due to additional software costs incurred for the award of business grants due to Covid and a large shortfall in income due to loss of income from enforcement work carried out over the 4-month period. All details could be found at Appendix A of the report.

The Head of ARP alluded to the lack of Hearings that the Strategic Manager (Revenues) had mentioned earlier and further alluded to the grants received from Government to cover the extra burden placed on the Business Rate Team awarding many business grants due to Covid. These grants would be retained by each Council and would not therefore show against the ARP over spend.

The Head of ARP also mentioned the Government grant that could be claimed by each Council in respect of lost income and he was pleased to announce that final Government guidance had very recently been received and it appeared that 75p in every £ should be provided in respect of ARP Enforcement lost income. Breckland Council would be claiming this funding and, assuming the amount could be claimed, it would be distributed accordingly.

The Chairman felt that this would be very good news.

The report and appendix were otherwise noted.

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58/20 COVID RESPONSE REPORT (AGENDA ITEM 9)

The ARP Strategic Manager (Support) presented the report that informed Members of the impact of Covid-19 on the provision of ARP services.

Referring to when the pandemic first started in March 2020 and following lockdown, 296 staff across the four partner authorities had migrated to working from home.

There had also been many other demands on resource since March to communicate with and update customers, Government and the partner authorities.

These included:

- Updates to website
- Updates to recorded messages on the telephones (RAD messages)
- Amendments to templates which mention recovery action/costs
- Additional web forms published to allow ratepayers to request payment arrangements
- Provision of statistical data for comparison & monitoring of progress
- Regular review meetings with partner authorities for Grant application queries
- Daily monitoring of info from the Government
- Government returns

To address the additional pressure on resources, additional agency staff had been taken on and staff had been re-deployed from other departments to support the Business Rates Team.

Relief had been granted to 5,444 businesses amounting to over £100M and various grants provided by Government had been awarded.

Mitel phone systems had to be re-configured for home workers. A Communication Group had been set up using WhatsApp, and an ARP Staff Support chat group had been created on Facebook.

The post room at Breckland House operates for all partners, receiving all ARP post and document submissions centrally to Breckland House. The post opening procedures had been immediately revised in line with Government guidelines and included a reduction to two members of staff opening the post 2 days after delivery, with gloves and hand sanitising available to staff.

The ARP Strategic Manager (Support) stated that all partners, particularly West Suffolk, had played a huge part in getting all the IT infrastructure in place to allow ARP operations to continue during the transition to homeworking, and he formally thanked them for their commitment.

The forward planning of the desktop disaster recovery exercise and the business continuity actions carried out in December 2019 had put ARP in a very good position.

Councillor Cook felt that the ARP had done an incredible job and had achieved damage limitation. All had learnt to cope with this new technology, and he hoped that all working practices would be continually revised going forward.

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Councillor Broughton admired everyone for working from home but asked if there were any plans to gradually return to the office. Members were informed that for those who were working in the office information had been circulated to use Teams rather than walking round the building and speaking to people in person. Additionally, all sites were constantly being sanitised.

The Head of ARP stated that the strategic work that Officers had been involved in was to get a better understanding of what office space would be needed in future. All Team Managers had been having regular one to ones and staff meetings. The one to ones were increasing and the discussions held were not all about work.

In response to a question, the Head of ARP explained the process in respect of the additional claim forms as noted on page 50 of the agenda pack.

The Chairman added his thanks for the work carried out across all Councils. He asked how ARP was going to manage going forward in respect of customers and clients visiting the building. Members were informed that the Customer Strategy Group (Customer Leads from each Council and ARP Managers) were discussing each Councils plans for customers to come back into their buildings and ARPs part in these plans.

ARP was also working with Capita to enable more to be done on-line and had an assisted process for customers who found self-service difficult.

The report was otherwise noted.

59/20 <u>WELFARE REFORM UPDATE (STANDING ITEM) (AGENDA ITEM 10)</u>

Adrian Mills, ARP Strategic Director (Billing and Benefits), presented the update on Welfare Reform.

Several changes were highlighted (see paragraph 2.2.3 of the report) in respect of Universal Credit (UC). Due to Covid-19, DWP had stopped the Harrogate migration pilot and plans were now on hold. However, in the interim, new UC claims had been submitted but no further information had yet been received from DWP.

The Chairman asked what was happening with the Citizens Advice Bureau (CAB). Members were informed that DWP would be issuing a report suggesting possible procurement which would be shared in due course.

Following further discussion, the report was otherwise noted.

60/20 <u>FORTHCOMING ISSUES (STANDING ITEM) (AGENDA ITEM 11)</u>

The Chairman said that he would like to see the following update reported on in a future Welfare reform report: — ARP

- How CAB advice provided to DWP customers concerning UC would be provided once the CAB contract ends.

61/20 <u>NEXT MEETING (AGENDA ITEM 12)</u>

It was noted that the next meeting would most probably be held virtually via ‘Teams’ but this would be confirmed nearer the time.

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It was agreed that the pre-meetings would also be re-instated in future, details to be confirmed.

The Chairman thanked everyone involved for all their hard work and to the Officers for setting up these virtual meetings and sorting out all the technical difficulties.

The Chairman and the Vice-Chairman also thanked the former Chairman, Councillor Broughton for her previous term in office.

The meeting closed at 12.00 pm

CHAIRMAN

FINANCE & ASSETS COMMITTEE
ANNUAL AGENDA PLAN

AGENDA ITEM NO 23

LEAD OFFICER(S): Emma Grima, Director Commercial **DEMOCRATIC SERVICES OFFICER:**

Meeting on:			**Meeting on:**	**Monday 25 January 2021 4.30pm**		**Meeting on:**	**Thursday, 25th March 2021 4.30pm**	
Agenda Planning meeting:			Agenda Planning meeting:			Agenda Planning meeting:		
Pre-meeting briefing:			Pre-meeting briefing:			Pre-meeting briefing:		
Deadline for reports/dispatch:			Deadline for reports/dispatch:	4pm Wednesday 13 January 2021	Friday 15 January 2021	Deadline for reports/dispatch:	Monday 15 March 2021	Wednesday 17 March 2021
			• Chairman's Announcements • 2021/22 Annual Treasury Mnge Strategy MRP & AIS • External Audit Annual Certification Report • Revenue Budget 2021-22 • On-Street Parking Enforcement • Equalities Policy • ECTC Business Plan 2021/22 • Finance Report • Covid 19 WP Notes • Bus Services WP Notes • ARP Minutes – 8/12/20 • *Actions taken by the Chief Executive on the Grounds of Urgency (if any)* • *Write Off of Unrecoverable Debt* • Assets Update • CIL/S106 Income and Expenditure Update	Finance Manager & S151 Officer External Audit Finance Manager & S151 Officer Dir Operations HR Manager Dir Commercial Finance Manager & S151 Officer DSO DSO Dir Commercial DSO Finance Manager & S151 Officer Open Spaces & Facilities Manager Dir Commercial		• Chairman's Announcements • Internal Audit Charter & Work Plan 2021/22 • *Action taken by the Chief Executive on the Grounds of Urgency (if any)* • *Write Off of Unrecoverable Debt* • Assets Update • Forward Agenda Plan • ECTC Management Accounts [EXEMPT] • *Appointments, Transfers, Resignations [EXEMPT]*	Internal Audit DSO *Finance Manager & S151 Officer* Open Spaces & Facilities Manager DSO ECTC Finance Manager HR Manager	

[Notes: 1. Agenda items which are likely to be "urgent" and therefore not subject to call-in are marked *
2. Agenda items in italics are provisional items/possible items for future meetings]

FINANCE & ASSETS COMMITTEE
ANNUAL AGENDA PLAN

LEAD OFFICER(S): Emma Grima, Director Commercial **DEMOCRATIC SERVICES OFFICER:**

			Meeting on:	**Monday 25 January 2021 4.30pm [continued]**		**Meeting on:**	**Thursday, 25 March 2021 4.30pm [continued]**	
Agenda Planning meeting:			Agenda Planning meeting:			Agenda Planning meeting:		
Pre-meeting briefing:			Pre-meeting briefing:			Pre-meeting briefing:		
Deadline for reports/dispatch:			Deadline for reports/dispatch:	4pm Wednesday 13 January 2021	Friday 15 January 2021	Deadline for reports/dispatch:	Monday 15 March 2021	Wednesday 17 March 2021
•			• *Climate Change SPD – for Adoption ??? (subject to consultation closing date)* • Forward Agenda Plan • ECTC Management Accounts [EXEMPT] • Appointments, Transfers, Resignations [EXEMPT]	*Strat Planning Mnger* DSO ECTC Finance Manager HR Manager				

[Notes: 1. Agenda items which are likely to be "urgent" and therefore not subject to call-in are marked *
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