

AGENDA

Audit Committee

Thursday, 24 September 2020 AT 10:00

This meeting will be a virtual meeting and therefore will not take place in a physical location.

Virtual Meeting - Link to View

This meeting will be a virtual meeting using Microsoft Teams and therefore will not take place at a physical location following guidelines set out in Section 78 of the Coronavirus Act 2020.

[To view the meeting online click this link](#)

Register of Attendance and Declarations of Interest

A roll call of persons in attendance will be taken and, at the same time, Members are invited to declare any disclosable pecuniary interests, other registrable interests and any interests, relating to any item on the agenda at this stage.

Apologies for Absence

To receive apologies for absence and notification of substitutions.

Public and Press

To agree that the items of business within Part A of the agenda should be dealt with in public and that the items of business within Part B of the agenda should be dealt with in private.

Minutes of Previous Meeting

5 - 20

To note that Council, on 8 September 2020, received and adopted the Minutes of the meeting held on 30 July 2020. The Minutes will be signed by the Chair at the first practicable opportunity.

[Copy Minutes in Minute Book Volume 47(2) / herewith]

PART A

To be considered when the Public and Press are present

A.1 MINUTES OF BUSINESS AND TRANSFORMATION SCRUTINY PANEL 21 - 30

The Minutes of the meeting of the Business and Transformation Scrutiny Panel held on 23 July 2020 are submitted for information.

(Copy Minutes herewith)

A.2 EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

Grant Thornton to provide a verbal update.

A.3 INTERNAL AUDIT PROGRESS 2020/21 (APRIL TO SEPTEMBER) 31 - 54

The Corporate Director of Finance and Resources to submit a report providing an overview of the work carried out by Internal Audit between April and September of 2020/21. The report also includes information on progress against the agreed audit plan, performance indicators and previous audit recommendations.

(Copy Report RD.30/20 herewith)

The undernoted Final Audit Reports are submitted for consideration:

Audit of Absence Management

**55 -
76**

<u>Audit of Environmental Strategy - Baseline Data</u>	77 - 92
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<u>Audit of Insurance</u>	93 - 108
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<u>Audit of Fees and Charges - Value for Money</u>	109 - 120
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(Copy Reports herewith)

A.4 <u>STATEMENT OF ACCOUNTS 2019/20</u>	121 - 252
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The Corporate Director of Finance and Resources to submit a report presenting the Council's Statement of Accounts 2019/20 (subject to Audit).

(Copy Report RD.29/20 herewith)

A.5 <u>TREASURY MANAGEMENT: APRIL TO JUNE 2020</u>	253 - 268
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The Corporate Director of Finance and Resources to submit a report providing the regular quarterly summary of Treasury Management Transactions for the first quarter of 2020/21. The Executive considered the matter on 17 August 2020.

(Copy Report RD.22/20 and Minute Excerpt herewith)

PART B

To be considered when the Public and Press are excluded from the meeting

- NIL -

Members of the Audit Committee

Conservative - Mrs Bowman, Mrs McKerrell, Meller (Chair), Mrs Finlayson (sub), Morton (sub), Shepherd (sub)

Labour – Birks, Patrick (Vice-Chair), Dr Tickner, Alcroft (sub), Mrs Atkinson (sub), Miss Whalen (sub)

Independent - Bomford, Paton (sub)

Enquiries, requests for reports, background papers, etc to: Morag Durham, Democratic Services Officer - morag.durham@carlisle.gov.uk

AUDIT COMMITTEE

THURSDAY 30 JULY 2020 AT 10.00 AM

PRESENT: Councillors Birks, Bomford, Mrs Bowman, Mrs McKerrell, Meller, Patrick and Dr Tickner

OFFICERS: Deputy Chief Executive (for Item A.6 – Audit of Driver Checks)
Corporate Director of Governance and Regulatory Services
Corporate Director of Finance and Resources
Principal Auditor

ALSO

PRESENT: Key Audit Partner (Grant Thornton)
The Leader
Deputy Leader, and Finance, Governance and Resources Portfolio Holder
Communities, Health and Wellbeing Portfolio Holder

AUC.01/20 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of the Engagement Manager (Grant Thornton) and the In-Charge Auditor (Grant Thornton)

AUC.02/20 DECLARATIONS OF INTEREST

Councillors Bomford and Dr Tickner declared a registrable interest in accordance with the Council's Code of Conduct in respect of Item A.6 - Audit of Tullie House. The interests related to the fact that they represented the City Council on the Tullie House Museum and Art Gallery Trust Board.

Councillor Patrick declared an interest in accordance with the Council's Code of Conduct in respect of Item A.6 – Audit of Homeless Accommodation. Councillor Patrick advised that she worked as a Homeless Support Officer for the Eden Homeless Team.

AUC.03/20 APPOINTMENT OF CHAIR

The Corporate Director of Governance and Regulatory Services welcomed all those present to the first meeting of the Audit Committee in the current Municipal Year. He indicated that the first item of business was to appoint a Chair of the Committee for the 2020/21 Municipal Year and sought nominations in respect thereof.

Councillor Birks moved and Councillor Dr Tickner seconded that Councillor Patrick be appointed Chair of the Audit Committee for the 2020/21 Municipal Year.

Councillor Mrs Bowman moved and Councillor Mrs McKerrell seconded that Councillor Meller be appointed Chair of the Audit Committee for the 2019/20 Municipal Year.

Following voting, it was:

RESOLVED – That Councillor Meller be appointed Chair of the Audit Committee for the 2020/21 Municipal Year.

Councillor Meller thereupon took the Chair.

AUC.04/20 APPOINTMENT OF VICE-CHAIR

The Chair sought nominations with regard to the appointment of a Vice-Chair of the Committee.

Councillor Mrs McKerrell moved and Councillor Meller seconded that Councillor Mrs Bowman be appointed Vice-Chair of the Audit Committee for the 2020/21 Municipal Year.

Councillor Dr Tickner moved and Councillor Birks seconded that Councillor Patrick be appointed Vice-Chair of the Audit Committee for the 2020/21 Municipal Year.

Following voting, it was:

RESOLVED – That Councillor Patrick be appointed Vice-Chair of the Audit Committee for the Municipal Year 2020/21.

AUC.05/20 PUBLIC AND PRESS

RESOLVED – That the Agenda be agreed as circulated.

AUC.06/20 MINUTES OF PREVIOUS MEETING

The Chair moved the Minutes of the Audit Committee meeting held on 18 December 2019; which had been received and adopted by Council on 3 March 2020.

RESOLVED – That it be noted that Council had, on 3 March 2020, received and adopted the minutes of the Audit Committee meeting held on 18 December 2019. The minutes would be signed by the Chair at the first practicable opportunity.

AUC.07/20 MINUTES OF BUSINESS AND TRANSFORMATION SCRUTINY PANEL

The Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 2 January; 13 February and 28 May 2020 were submitted for information.

Referencing Minute BTSP.13/20, a Member noted that, although the Audit Committee had made a reference for the Panel to receive an update on how the City Council was supporting Brexit preparations, it was determined that a report was no longer required. She wished the Audit Committee to note that the reference had not been actioned.

Speaking in her capacity as Vice-Chair of the said Scrutiny Panel, another Member explained that the issue had been removed from the Panel's Work Programme. It was subsequently reinstated and Members were anticipating the submission of information to their September 2020 meeting.

RESOLVED – That the Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 2 January; 13 February and 28 May 2020 be noted and received.

Due to technical difficulties, and to facilitate attendance by the Key Audit Partner (Grant Thornton), the Chair agreed that Item A.4 – Internal Audit Annual Report 2019/20 be taken as the next item of business.

The Corporate Director of Finance and Resources submitted report RD.07/20, the purpose of which was to give the Designated Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's systems of risk management, governance and internal control from the work undertaken by Internal Audit for the year ended 31 March 2020.

The Designated Head of Internal Audit's opinion was that, based on the completed audit work, Carlisle City Council's overall framework of governance, risk and internal control was reasonable and audit testing had confirmed that controls were generally working effectively in practice although, as detailed at paragraphs 2.6 – 2.9, there were control concerns in relation of ICT services.

In terms of an update, the Corporate Director reported that many of the issues related to vacancies within the ICT team. Shortlisting for a Head of ICT had been completed and it was her understanding that interviews would be taking place in the next few weeks. When in post that person would be tasked, as a matter of urgency, with reviewing the ICT Strategy and considering improvements emanating from previous ICT reports. The Principal Auditor and his team would therefore be able to look at those outstanding recommendations and report back to the Committee as necessary.

Paragraph 2.10 further recorded that, in his dual role as Financial Services Manager and Designated Head of Internal Audit, the officer could confirm that his independence and that of Internal Audit had not been in any way diminished by that working arrangement (the External Quality Assessment (Apr 2018) and annual self-assessment (June 2020) confirmed that suitable arrangements were in place to maintain audit independence).

The Corporate Director then summarised the position as regards the Internal Audit coverage and outcomes; other assurances and Statement of Conformance with Public Sector Internal Audit Standards details of which were set out in paragraphs 2.11 – 2.16; and 2.17 – 2.20 respectively.

A Member thanked the Corporate Director for her update on the recruitment of the Head of ICT, questioning whether the Annual Governance Statement should also make reference thereto.

The Corporate Director replied that mention had been made within the Annual Governance Statement and if Members felt that further details required to be incorporated that could be discussed later on the agenda.

RESOLVED – That the Audit Committee noted:

- (i) The progress achieved in 2019/20 in delivering the Audit Plan and the outcomes of completed audit reviews as set out at Appendix A to report RD.07/20;
- (ii) The Designated Head of Internal Audit's opinion of reasonable assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2020;
- (iii) The Designated Head of Internal Audit's declaration of Internal Audit's independence as required by the mandatory PSIAS;
- (iv) The Designated Head of Internal Audit's declaration of conformance with the mandatory PSIAS;

(v) The performance of the Internal Audit service as shown at Appendix B.

AUC.09/20 EXTERNAL AUDIT PLAN

The Key Audit Partner (Grant Thornton) presented the draft External Audit Plan for the year ended 31 March 2020, the purpose of which was to provide an overview of the planned scope and timing of the statutory audit of Carlisle City Council to those charged with governance.

Members were reminded of the respective responsibilities under the National Audit Office (NAO) Code of Audit Practice; together with the scope of Grant Thornton's audit which was set in accordance with the Code and International Standards on Auditing (ISAs)(UK).

The Key Audit Partner commented in particular upon the following key areas:

- Page 39 - the significant risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error identified as – valuation of land and buildings; valuation of net pension fund liability; and management override of controls.
- The Addendum to their Audit Plan; the significant additional risks identified in relation to the COVID-19 pandemic being detailed on page 57.
- Grant Thornton had determined planning materiality to be £1.155m for the authority, which equated to 1.9% of the Council's prior year gross expenditure for the year.
- Grant Thornton was required to give a statutory Value for Money (VFM) conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The risk assessment regarding the Council's arrangements to secure value for money had identified a VFM significant risk relating to the financial resilience and sustainability of the organisation, including the Council's arrangement to produce the Medium Term Financial Plan (MTFP).
- In terms of delivery, they had originally planned to deliver the audit in June/July 2020. However, the statutory deadlines for submission of the Accounts had changed due to the impact of COVID-19. Grant Thornton anticipated receipt of the Accounts in the coming weeks and their Team was scheduled to carry out the audit from September 2020.
- The audit fee would be £51,033, subject to the authority meeting their requirements set out on page 48 and 49 of the document pack. Further issues identified during the course of the audit and which may incur additional fees were set out on page 50.
- One of Grant Thornton's audit team had a family member who worked as a team leader in the Revenues and Benefits department at the Council. That was not deemed to be a significant independence risk and the member of the audit team would not be involved in the audit.
- Non-audit related fees of £10,000 relating to the CFO Insights Licence.

Members had no questions to raise, and it was:

RESOLVED – That the draft Audit Plan for 2019/20 and Addendum be noted and received.

AUC.10/20 EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

The Key Audit Partner (Grant Thornton) introduced a paper detailing progress in delivering Grant Thornton's responsibilities as the City Council's external auditors.

The Key Audit Partner summarised the progress at July 2020 as detailed within the report. Grant Thornton would report their work in the Audit Findings Report and aimed to give their opinion on the Statement of Accounts by 25 November 2020. It should be noted that the Value for Money work for 2019/20 would be under the previous framework and sub criteria for assessment. He further highlighted the fact that a new Code of Audit Practice came into force on 1 April 2020 for the audit years 2020/21 and onwards. The most significant change was the introduction of an Auditor's Annual Report containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation was now underway and would run until 2 September 2020.

Attention was further drawn to:

- Page 64 - the update on the impact of COVID-19. It was important to emphasise to Members and Officers that audits were now having to be undertaken 100% remotely which was more time consuming and presented some significant challenges. The Corporate Director of Finance and Resources, the Financial Services Manager (Deputy S.151), the Principal Accountant and the external auditors were working very closely together with a view to meeting the 25 November 2020 deadline.
- Page 67 – Grant Thornton's in-depth insight into the impact of COVID-19 on financial reporting in the local government sector.
- Page 72 – Public Sector Audit Appointments had commissioned an independent review of the sustainability of the local government audit market – undertaken by Touchstone Renard. Grant Thornton were being very vocal in response to that and other reviews.

The undernoted questions were then posed in discussion:

- *In July Grant Thornton Head of Local Government had written an essay, included as part of a collection in the Localis report – “Building for renewal: kickstarting the C19 housing recovery”. A Member asked whether the suggested move away from the piecemeal towards a comprehensive and strategic response with the key workers demographic at its heart and towards public social rented housing was a national trend.*

The Key Audit Partner (Grant Thornton) did not wish to comment further than what was written, other than to say that variations existed in different parts of the country, i.e. a combination of public and private housing.

- *One of the key findings of the Future Procurement and Market Supply Options Review was that almost all of the approved firms had reservations about remaining in the market. A Member sought further information on that finding and confirmation as to whether it would impact upon the City Council.*

The Key Audit Partner (Grant Thornton) replied that there was a recognition, from various reports including the Touchstone Renard and Redman Review which hopefully would be published in November, that there had been a 'perfect storm' in the market. There had been a drive down on fees and, at the same time, ever increasing regulatory pressure on the auditing profession. The risk/reward balance had therefore shifted so significantly that the current view of the nine approved firms was as highlighted by the Member. Of those approved firms, only five were working under the Public Sector Audit Appointments framework.

The Key Audit Partner (Grant Thornton) also commented upon issues around sustainability in terms of the ability of what was a specialist workforce to meet statutory completion dates. It was recognised that a re-set was needed within the sector.

From Grant Thornton's perspective it was safe to say that they were the largest provider of public sector audit services and were very committed to the sector and to Cumbria. In the short to medium term he could give an assurance that locally the issue would not impact upon the Council.

RESOLVED – That the Audit Committee noted and received Grant Thornton's audit progress report and sector update for the year ending 31 March 2020; and acknowledged the challenges posed by remote working in terms of completion of the audit.

AUC.11/20 AUDIT COMMITTEE'S ANNUAL REPORT

The former Chair submitted report RD.17/20 summarising the work undertaken by the Audit Committee during 2019/20. Also included was the Committee's Rules of Governance.

Audit Committees were a key component of an authority's governance framework. The purpose of an audit committee was to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process. By overseeing internal and external audit, it made an important contribution to ensuring that effective assurance arrangements were in place.

The Audit Committee's annual report (together with the Audit Committee Minutes which were reported to Council throughout the year) provided the Council with information to show how the Audit Committee had fulfilled its role during the year and provided independent assurance to the Council on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process.

RESOLVED – That the Annual Report of the Audit Committee, which would be submitted to the City Council on 8 September 2020, be noted and accepted.

AUC.12/20 INTERNAL AUDIT PROGRESS 2019/20 (JANUARY TO MARCH)

Councillors Bomford and Dr Tickner, having declared a registrable interest, took no part in discussions on the Audit of Tullie House.

Councillor Patrick, having declared an interest, took no part in the Audit of Homeless Accommodation

The Principal Auditor submitted report RD.12/20 providing an overview of the work carried out by Internal Audit since the previous Audit Committee (18 December 2019) to the end of the 2019/20 financial year.

The final outcomes against the audit plan, including performance indicators were recorded in the Internal Audit Report – RD.07/20.

The Principal Auditor advised that eight planned pieces of work (over seven reports) had been completed in the period, namely Audit of Building Control; Audit of Car Parking including Income; Audit of Tullie House; Audit of Driver Checks; Audit of National Non-Domestic Rates; Audit of Treasury Management and Audit of Homeless Accommodation.

He further summarised for Members the information provided at paragraphs 2.3, 2.4 and 2.5 concerning audit work in relation to the Hostels review; Absence Management and an update review of Information Security. The Internal Audit resource was also utilised within the period on the areas identified at paragraph 2.6.

In response to a question, the Principal Auditor confirmed that the assurance level attributed to the Audit of National Non-Domestic Rates was substantial.

The Principal Auditor then outlined each of the above-mentioned audits in turn highlighting, in particular detail, the key points and associated recommendations.

Audit of Building Control (Substantial Assurance Opinion)

- *A Member sought clarification regarding Risk 3 – loss of custom to private sector competition (paragraph 2.3 referred).*

The Principal Auditor replied that there were companies which offered the same service as the City Council and which vied for business. Recognition of the fact that the authority could potentially lose out if not competitive had resulted in risk management being put in place.

- *As a public sector body the Council took very seriously the health and safety of its staff. Building control inspections had become difficult given the COVID-19 pandemic necessitating new risk assessments. Would then the risk element from the private sector increase because the Council did adhere to the rules and regulations?*

In response, the Principal Auditor stated that the audit was undertaken in November 2019 and pre any COVID-19 considerations. The health and safety reviewed related to the work done between the team and the Health and Safety Manager in terms of making sure staff were safe on site. He imagined that similar expectations were placed on private companies.

- *A Member was pleased to note that consideration was being given to succession planning and wished to congratulate the Building Control Services Manager for addressing that issue.*
- *Another Member noted that the team was subject to internal and external reviews and questioned who undertook the external reviews.*

The Principal Auditor advised that the team was a member of a professional body and, as part of that membership, obtained regular updates on sector developments and guidance on best practice. At the time of the audit a recent external review had been carried out without any issues.

- *A Member questioned when the external audit final report referred to at paragraph 5.1.9 may be published, adding that the Audit Committee needed sight of such reports.*

The Principal Auditor undertook to follow up on that point.

- *The Building Control Services Manager regularly attended meetings between all Cumbrian Building Control departments to keep abreast of local issues. Did someone deputise on occasions when the officer was unavailable?*

The Principal Auditor indicated that, from memory, he had reviewed the Minutes of those meetings and the Council was represented.

Audit of Car Parking including Income (Reasonable Assurance Opinion)

- *A Member acknowledged what was, in her view, a really good audit report; one which demonstrated where Internal Audit added value to improving systems. She was reassured to note that eight of the recommendations had been implemented and questioned whether that included the high level Recommendation 5 (the outstanding debts should be resolved and a revised service level agreement should be presented to M&S including relevant fees).*

The Principal Auditor confirmed that action was in place to address that recommendation and it was progressing.

The Deputy Chief Executive summarised the correspondence and difficulties experienced in relation to recovery of that debt which were a source of frustration to the Council's finance and car parking teams. Unfortunately, COVID-19 had impacted upon resolution thereof. It was nevertheless the Council's determination to address that recommendation and it may be that consideration would require to be given to the future management and support of the site.

- *A Member noted (paragraph 5.2.3) that the bodycams used by the Civil Enforcement Officers (CEOs) recorded audio and sought clarification on the policy around the use of such recordings.*
- *Paragraph 5.3.8 detailed that three Officers including the Team Manager (Parking and Enforcement) had access to cancel parking fines on the system. The Member questioned the grounds upon which a decision to cancel would be taken and why fines challenged by the public did not go through the Council's appeals process.*
- *The Member further sought clarification of the monitoring being undertaken and which would inform the decision on whether the 'Free After Three' parking initiative would continue or not.*

The Principal Auditor replied that his understanding of the Council's Surveillance Camera Policy was that recorded material should not normally be used as that was considered an unnecessary invasion of privacy. While the cameras were purchased prior to the implementation of that policy, it would still be good practice for the Deputy Chief Executive to approve their use in line with policy requirements.

The Deputy Chief Executive added that he had taken advice from the Information Governance Manager regarding the development of a response to the Team Manager (Parking and Enforcement).

The Principal Auditor was not in a position to clarify the process around cancellation of parking fines.

Speaking by way of assistance, the Deputy Chief Executive said that, in his experience, cancellation of fines was quite unusual; such a decision may for example be made where there had been an obvious error and the matter did not warrant going through a formal appeals process.

He added that the Executive had, on 20 July 2020 approved a number of initiatives as the Free After Three trial came to an end on 31 August 2020 (Minute EX.79/20 referred). Monitoring arrangements would by and large have been on patrol and visual.

- *A Member noted that Recommendation 2 – the Deputy Chief Executive should formally approve the use of bodycams (on page 128) had a priority of ‘M’ whereas on page 118 the rating was recorded as ‘H’ and questioned which was correct. She also expressed the hope that the documentation sent to the Deputy Chief Executive for approval had now been duly approved.*

The Deputy Chief Executive confirmed that the documentation referred to had indeed been approved.

The Principal Auditor added that Recommendation 5 – the outstanding debts should be resolved and a revised service level agreement should be presented to M&S including relevant fees – was the only high graded recommendation.

- *Recommendation 9 – management should review the current safe-key holding arrangements to ensure a suitable process is in place to ensure income is fully covered by the Council’s insurers. Had clarification been received from insurance?*

The Principal Auditor replied that feedback had been received from insurance that the changed arrangements now addressed the recommendation.

- *A Member commented that the recommendations emanating from the audit review were a clear demonstration of the value of Internal Audit around the identification of issues which needed to be addressed. Accordingly, Internal Audit should be praised for their work.*

The Member further asked that the Committee be informed when the four outstanding recommendations had been completed.

Audit of Tullie House (Reasonable Assurance Opinion)

- *The City Council and Tullie House had differing expectations in terms of funding in the coming three-year period. Given the potential impact thereof on Tullie House and also the Council’s Medium Term Financial Plan, a Member questioned whether that had now been resolved.*

In response, the Deputy Chief Executive explained that the matter had been the subject of correspondence and discussions between the Council and the Tullie House Board over the last month or so. The Board believed that they would meet their current savings requirement during the current financial year.

The Board did, however, have concerns moving forward including additional challenges related to the impact of COVID-19; and would utilise the scrutiny process to raise those issues. Officers would prepare for that scrutiny session in the autumn and seek to obtain a clear understanding of Tullie House’s current arrangements since the Museum and Art Gallery had now partially reopened.

Audit of Driver Checks (Partial Assurance Opinion)

- *A Member questioned whether there had been a noticeable increase in the use of personal cars as a result of home working due to the COVID-19 pandemic, and whether that impacted upon the undertaking of driver checks.*

The Principal Auditor felt that the use of personal cars would have decreased given that many staff were working from home and were not therefore travelling.

- *Having read the audit report, another Member expressed disappointment and surprise that a robust, centralised policy was not in place to ensure that people driving on behalf of the City Council were appropriately insured, and that those using pool cars had the relevant driving licence in place.*

Although the recommendations were very thorough, she emphasised the need for a centralised process to be put in place as part of the audit follow-up (whether that be through HR or Finance) to ensure that appropriate checks were carried out on a regular basis.

Other Members echoed the sentiments expressed.

The Principal Auditor confirmed that, because a partial assurance opinion had been attributed to the audit, a formal follow-up would be undertaken. Internal Audit would certainly ensure that the recommendations were properly implemented and that the Council could be assured that Officers were having those checks done and putting the appropriate documentation in place.

- *Referencing paragraphs 5.1.4 and 5.1.7, a Member congratulated the Fleet and Depot Manager for reminding all managers of their responsibilities and offering advice and assistance if needed.*

Members were further concerned to note (paragraph 5.1.11) that six managers did not respond to the audit which was unacceptable, and emphasised the potential reputational / financial risk to the authority should an accident take place.

A Member wished to see, what was a performance management issue, addressed via the supervision and appraisal process.

The Deputy Chief Executive commented that, as with all partial assurance opinions, the audit report had been received by the Senior Management Team (SMT) who shared and took very seriously the concerns expressed and would take responsibility for ensuring that those messages were conveyed to staff.

He welcomed the fact that the audit review had identified issues which required to be addressed in a more fundamental manner. The Drivers' Handbook was complete and now required to be signed off. Additional checks and balances were being put in place via payroll and the payment of mileage claims. SMT would also happily participate in any future audit follow-up and report back to the Committee.

- *A Member questioned whether the driver checks also applied to elected Members and whether such checks were followed up on an annual basis. She wished to be assured that Members were following rules similar to employees of the Council.*

In response, the Deputy Chief Executive undertook to investigate and provide assurance.

The Principal Auditor added that the audit report related specifically to drivers checks for officers. In terms of the follow-up, he would also look into the processes in place for elected Members.

Audit of National Non-Domestic Rates (Substantial Assurance Opinion)

- *Recommendation 2 – appraisals should be undertaken with all Officers and the appraisal documents should be completed timely and processed in line with the Council's processes. Given the COVID-19 pandemic, would there be a delay in implementation of that recommendation?*

The Principal Auditor replied that the team appraisal was due to be carried out and implemented by 30 September 2020 and that would be followed up. The City Council was using Microsoft Teams and would be able to deliver appraisals via that platform.

Audit of Treasury Management (Substantial Assurance Opinion)

The Committee had no questions or issues in relation to this audit review.

Audit of Homeless Accommodation (Substantial Assurance Opinion)

- *Paragraph 4.3 recorded that there were financial concerns within the service as income was below budget and staffing costs were higher than budgeted to meet service demands. Given the critical nature of the service, a Member was pleased that the need to consider the adequacy of the budget in terms of service delivery had been identified.*

RESOLVED – That the Audit Committee:

1. Noted the progress against the Audit Plan for 2019/20 set out within Report RD.12/20.
2. Received the final audit reports as outlined in paragraph 2.2; and welcomed the substantial assurances provided, subject to:

Audit of Driver Checks

- (a) Members looked forward to the Internal Audit follow-up and clarification regarding the requirements for elected Members of the City Council.
- (b) Recommend that the non-response from Officers in relation to the audit and the queries within the Council are dealt with via the appraisal process.

AUC.13/20 INTERNAL AUDIT PLAN AND PROGRESS REPORT 2020/21

The Principal Auditor presented report RD.15/20 which recorded that Internal Audit was required, under the mandatory Public Sector Internal Audit Standards (PSIAS), to prepare an annual risk based Audit Plan and Charter for approval by the Audit Committee. A draft Audit Plan and Charter was scheduled to be presented to the Committee on 16 March 2020, however, the meeting was cancelled due to the COVID-19 pandemic.

In lieu of an approved Plan Internal Audit had utilised resources to date in 2020/21 working to the draft Plan. The need to refresh the Plan had, however, been recognised to ensure that it reflected available resource and continued to address those areas that would add greatest value and where the highest risk was deemed to be. The revised Plan had been considered and approved by the Senior Management Team.

The Principal Auditor proposed that there would be 495 direct days of Audit time in 2020/21. That compared to 528 direct days included in the Internal Audit Plan for 2019/20. The redirection was due to time lost to date in 2020/21 due to disruption caused by the COVID-19 pandemic (Appendix A).

He also drew attention to the number of days planned for each category detailed at Appendix B, with the variations from 2019/20 identified at paragraph 4.2. Risks relating to cyber security and IT in general remained high profile. The in-house team did not possess the suitable knowledge and resource to properly review and assess the technical aspect of those risks and therefore proposed to again procure up to 14 days resource from a specialist IT auditor.

The level of coverage was considered sufficient to provide an opinion on the systems of governance, risk and internal control in line with the PSIAS and in order to support the preparation of the Annual Governance Statement. Due to the ongoing pandemic potential existed for further disruption and downtime. That had, however, been factored into the planning process and Internal Audit had determined those jobs considered a priority to ensure a suitable level of coverage was maintained.

The PSIAS also reflected the requirement for internal audit plans to be flexible in order to respond to new and emerging risks to the organisation. Some capacity was therefore built into the Plan to allow Internal Audit to respond to such issues. Should contingencies be exhausted during the year, the approved Plan may need to be revised.

The Principal Auditor commented upon the categories of Internal Audit work, details of which were provided at Section 5 of the report; the audit progress (April – July) identified in Appendix C; the Internal Audit Charter (Appendix D) and audit follow-up arrangements detailed at Section 7.

In terms of the effectiveness review of the Audit Committee, he advised that an alternative date for the internal workshop would be arranged following this meeting.

A Member commented upon the comprehensive nature of the document, but asked whether it would be possible, in future, for Appendix C to be produced using a large font so that the text was easier to read. Other Members concurred with that request.

The Member also sought clarification on what was meant by “Waste Services Culture Review” and the investigations which had taken place.

The Principal Auditor was unable to comment upon the specifics of those confidential investigations. However, one of the recommendations was that a cultural review be undertaken in Waste Services to ensure that individuals acted in line with the Council’s culture in terms of how the authority wished to achieve its objectives. Should differences in opinions arise those would be reported and a recommendation made.

The Corporate Director of Finance and Resources confirmed that Officers would certainly look to address the issue of font sizes within documentation submitted to the Committee.

The Corporate Director reminded Members that an effectiveness review had been undertaken some years before by an external facilitator. It was decided to undertake the review internally this year, to which end the Principal Auditor had circulated questionnaires to all Members and substitute Members of the Audit Committee; which would form the basis of a workshop.

She asked whether, having been appointed earlier in the meeting, the Chair and Vice-Chair were comfortable that the workshop progress as an internal event.

The Chair and Vice-Chair indicated their agreement.

RESOLVED – That the Audit Committee:

1. Had considered and approved the 2020/21 Audit Plan attached at Appendices A – C of Report RD.15/20.
2. Approved the Internal Audit Charter for 2020/21 attached at Appendix D.
3. Noted the progress made by Internal audit in 2020/21 to date.
4. Noted the progress made on audit recommendations to date outlined in Appendix E.
5. Agreed that arrangements be made for an internally facilitated Effectiveness Review workshop to take place post this meeting.
6. That Officers take steps to ensure that appendices to future reports are produced using a larger font size.

AUC.14/20 DRAFT ANNUAL GOVERNANCE STATEMENT 2019/20

The Corporate Director of Finance and Resources submitted report RD.19/20 providing the City Council's draft Annual Governance Statement for 2019/20. The Annual Governance Statement (subject to Audit) had been certified by the Chief Executive, the Leader and herself (in her capacity as Council's S151 Officer), in accordance with statutory requirements and would be formally approved following completion of the audit process.

The Corporate Director summarised the background, advising that there were no areas of weakness which needed to be brought to Members' attention at this time. She further highlighted the work undertaken by Council Officers to update the Good Governance Principles; the various sources in place to provide assurances over the Council's governance framework; and the key developments noted in the annual governance statement detailed at Section 2 of the report.

The Internal Audit opinion of reasonable assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2020 was recorded elsewhere on the agenda (Internal Audit Annual Report).

In terms of the requirements of the updated Good Governance Framework, the Council's Local Code of Corporate Governance had been updated in line with those principles and was approved by the Audit Committee on 27 September 2017.

The Corporate Director advised that she and the Principal Auditor attended the Risk Management Sub Group and she attended the Corporate Risk Management Group; and these Groups continually monitored risks within the authority which currently flowed out of any Internal Audit Reviews; which risks were picked up during preparation of this document.

If there were any amendments which Members wished to make, the Statement could be reissued to the external auditors.

A Member welcomed submission of the draft Annual Governance Statement, which acknowledged what the Council did really well and also future challenges.

Page 256 made mention of the fact that a reasonable assurance opinion had been provided, but noted a high level of recommendations relating to ICT that required scrutiny during 2020/21. The Member questioned whether the wording of that paragraph needed to be strengthened in recognition of the concerns that actions had not been implemented and there were gaps in the service.

Although she did not wish to input significant detail within the Statement, that being recorded as part of other reports, the Corporate Director undertook to take the Member's comments on board and to strengthen the paragraph referred to.

RESOLVED – That the Audit Committee:

1. Noted the content of the 2019/20 draft Annual Governance Statement, noting that the Statement would accompany the Annual Statement of Accounts following the audit process.
2. Requested that the Corporate Director of Finance and Resources strengthen the wording of the paragraph on page 256 as alluded to above.

AUC.15/20 DRAFT STATEMENT OF ACCOUNTS 2019/20

The Corporate Director of Finance and Resources reported (RD.18/20) that, due to the COVID-19 pandemic, an amendment was made to the Accounts and Audit Regulations 2015 concerning the extension of the statutory deadlines for publication and audit of the Statement of Accounts.

The new requirements were for the Council's Statement of Accounts 2019/20 (subject to audit) to have been certified by the S.151 Officer in accordance with statutory requirements by 31 August 2020. They would then be subject to audit, which must be concluded by the revised statutory deadline of 30 November 2020.

The Corporate Director explained that Officers had been working to their original timetable. However, other deadlines relative to returns which had to be prepared and which formed a significant part of the Statement of Accounts were delayed until 31 July 2020. Unfortunately, therefore it was not possible to present a draft set of Accounts to this particular Audit Committee meeting.

The Corporate Director hoped to be in a position to send the Accounts to the auditors in the coming weeks, at which time she could forward a copy to the Committee. Members could be assured that they would receive a report at their November 2020 meeting with the amended Statement of Accounts following the audit process, and detailing any changes made.

Whilst appreciating the Corporate Director's explanation of the position, a Member questioned whether the Council's website would be updated to reflect the changed timescales for publication of the Accounts.

The Corporate Director confirmed that could certainly be done.

RESOLVED – That the Audit Committee noted:

- (i) The reporting and publication requirements for the 2019/20 Statement of Accounts which had been amended to reflect the COVID-19 pandemic;
- (ii) The progress being made to ensure the accounts were prepared in accordance with the necessary requirements;

- (iii) That the Annual Governance Statement would be considered and approved separately from the Statement of Accounts as specified in the Accounts and Audit Regulations 2015; and
- (iv) That the Corporate Director of Finance and Resources arrange for the Council's website to be updated to reflect the changed timescales for publication of the Statement of Accounts.

The Corporate Director of Finance and Resources also submitted the following reports for information:

(a) Provisional General Fund Revenue Outturn 2019/20

Report RD.01/20 summarising the provisional outturn for the General Fund Revenue Budget and providing reasons for variances.

The Executive had considered the matter on 22 June 2020 (Minute EX.54/20); the Business and Transformation Scrutiny Panel received the report 'for information only'.

(b) Provisional Capital Outturn 2019/20 and Revised Capital Programme 2020/21

Report RD.02/20 summarising the 2019/20 provisional outturn for the capital budget and providing details of the revised capital programme for 2020/21.

The Executive had considered the matter on 22 June 2020 (Minute EX.55/20); the Business and Transformation Scrutiny Panel received the report 'for information only'.

RESOLVED – That Reports RD.01/20 and RD.02/20, together with the references from the Executive be noted.

AUC.16/20 TREASURY MANAGEMENT OUTTURN 2019/20

The Corporate Director of Finance and Resources submitted the Annual Report on Treasury Management (RD.03/20), as required under both the Financial Procedure Rules and CIFPA Code of Practice on Treasury Management. The regular report on Treasury Transactions for the period 1 January 2020 - 31 March 2020 was also submitted.

The Executive had considered the matter on 22 June 2020 (Minute EX.56/20); the Business and Transformation Scrutiny Panel received the report 'for information only'. The City Council had approved the report on 14 July 2020.

The Corporate Director highlighted in particular:

- The money market conditions; long term funding; and investment transactions detailed at paragraph 2.1, 3.2 and 6.4; and
- The outstanding investments set out at Appendix B.3.

RESOLVED – That Report RD.03/20 be noted and received.

[The meeting ended at 12.05 pm]

BUSINESS AND TRANSFORMATION SCRUTINY PANEL

THURSDAY 23 JULY 2020 AT 4.00PM

PRESENT: Councillor Bainbridge (Chair), Councillors Alcroft, Allison, Mrs Birks, Mrs Bowman, Dr Tickner and Mitchelson

ALSO PRESENT: Councillor J Mallinson, Leader
Councillor Ellis, Finance, Governance and Resources Portfolio Holder

OFFICERS: Town Clerk and Chief Executive
Corporate Director of Governance and Regulatory Services
Corporate Director of Finance and Resources
Property Services Manager
Policy and Performance Officer
Policy and Communications Manager

BTSP.28/20 APOLOGIES FOR ABSENCE

No apologies for absence were submitted.

BTSP.29/20 DECLARATIONS OF INTEREST

There were no declarations of interest submitted.

BTSP.30/20 PUBLIC AND PRESS

RESOLVED – It was agreed that the items of business in Part A be dealt with in public and Part B be dealt with in private.

BTSP.31/20 MINUTES OF PREVIOUS MEETINGS

RESOLVED – It was noted that Council, at its meeting on 14 July 2020, received and adopted the minutes of the meetings held on 13 February 2020 and 28 May 2020. The Chair will sign the minutes at the first practicable opportunity.

BTSP.32/20 CALL – IN OF DECISIONS

There were no items which had been the subject of call-in.

BTSP.33/20 DRAFT MEDIUM TERM FINANCIAL PLAN 2021/22 TO 2025/26

The Corporate Director of Finance and Resources submitted the Council's draft Medium Term Financial Plan (RD.09/20) for the period 2021/22 to 2025/26 which set out the framework for planning and managing the Council's financial resources, developing its annual budget strategy and updating its current five year financial plan. The Plan linked the key aims and objectives of the Council, as contained in the Carlisle Plan, to the availability of resources, enabling the Council to prioritise the allocation of resources to best meet its overall aims and objectives.

The Executive had considered the Draft Medium Term Financial Plan 2021/22 to 2025/26 at their meeting on 20 July 2020 (Minute Excerpt EX.69/19 refers) and made the report available to the Panel for scrutiny.

In considering the Draft Medium Term Financial Plan (MTFP) 2021/22 to 2025/26 Members raised the following comments and questions:

- What were the opportunities for additional commercial and investment income; had the Council gathered comparative information from other local authorities on their approach to commercialisation?

The Corporate Director of Finance and Resources reminded the Panel of the recommendations in the Peer Challenge Review, one of which had been to develop a commercial strategy for Carlisle. Before this could happen there was a requirement to better understand what was meant by commercialisation, what the Council's appetite for risk was and what scope there was for commercial activities in Carlisle. The Council had significant assets on its balance sheets, commercial opportunities would come from making those assets work better for the Council. However, there was severe pressure on commercial income due to the Covid 19 pandemic and the Council had to be mindful of the current situation before it developed any strategy on commercialisation.

- Had the improved visuals in the 'Have your say' document increased public responses to the budget consultation process?

The Corporate Director of Finance and Resources responded that the new document had been well received, however, there would be continuous improvements made to the consultation documents to increase the engagement on the budget process with residents of Carlisle.

- The MTFP was an important document, however, it contained many areas of uncertainty, would the document be reviewed as matters developed?

The Corporate Director of Finance and Resources agreed there was great uncertainty in the document; it would be reviewed and updated as the situation changed, and further reports would be considered by the Panel as the budget process progressed.

- The climate emergency was a priority for the Council; however, it had not been included in the MTFP.

The Corporate Director of Finance and Resources explained that the Capital Strategy and Capital Programme included information on small climate change related projects. She added that she was awaiting further information from the Climate Change Group before any adjustments could be made to the MTFP.

A Member welcomed the inclusion in the Capital Strategy but felt that the climate emergency should also be referenced in the MTFP.

- Was there any indication how the lost income from business rates would be replaced until Government moved forward with the business rate review?

The Corporate Director of Finance and Resources clarified that the assumption had been made that the Council would not be in the Business Rate Pool in 2021/22, however, as the Business Rate Review had been deferred the impact on the pool arrangements were unknown. She assured the Panel that the situation was being closely monitored and the City Council had regular discussions with Cumbria County Council, the Police and the other Cumbria District Councils. She informed the Panel that government had announced a new comprehensive funding package to support local authorities with income shortfalls and deficits from collection fund recovery due to Covid 19.

- Would the Business Rate Appeals require all the provision in the MTFP?

The Corporate Director of Finance and Resources confirmed that significant provision had been made for Business Rate Appeals, work was being carried out with the Valuation Office to estimate the likely appeals and how successful they would be.

- Did the savings, as detailed in section 4.3.2 of the report, include additional requirements that may be a result of the exceptional circumstances?
- Did the yield from property rentals reflect the current situation?

The Corporate Director of Finance and Resources clarified that all assumptions and savings detailed in the MTFP were based on the situation at this point in time. She explained that work was being carried out using government guidance to look at income shortfalls, the figures did not include pressures which could arise as a result of Covid 19.

- Given the exceptional circumstances would the Council consider engaging someone with proven commercial and industrial experience to support the qualified, professional team in the Council?

The Finance, Governance and Resources Portfolio Holder reminded the Panel that the Council brought in specialist skills when required; the Council was already quite commercial in utilising income from its assets. He added that it was important to bring in income to ensure the continuing delivery of discretionary services.

- Would it be possible to close down the redundant bequests and release the funds to other projects?

The Corporate Director of Finance and Resources confirmed that the bequests could be closed, the money could be released to community groups or charities that met the conditions of the bequest.

- The Council annually earmarked reserves for the cremator, would it be possible in future to build this reserve from income from the cremator rather than allocations from the Council?

The Corporate Director of Finance and Resources clarified that the reserve was built up from contributions from the income generated by Bereavement Services..

- How would the Council mitigate the loss of the New Homes Bonus?

The Corporate Director of Finance and Resources explained that the New Homes Bonus had not been included in the budget, should any payments be received they would be additional income.

- What had been the reduction in housing benefit claims following the launch of Universal Credits, did it give the Council an indication of when its responsibility ended? In addition, Covid 19 had caused an increase nationally in Universal Credit applications, had this impacted on the reduction in housing benefit claims?

The Corporate Director of Finance and Resources responded that Universal Credit claims had not yet had a significant increase due to Covid 19 however the position would continue to be monitored.

- A Member urged the Executive to retain the Council Tax Reduction Scheme to continue to support the poorest and most vulnerable residents in Carlisle during this difficult time.

The Finance, Governance and Resources Portfolio reassured the Panel that the Executive had no intention of changing the Council Tax Reduction Scheme (CTRS). The CTRS had been included in the MTFP because there was a requirement to consider the Scheme annually. The City Council CTRS was considered one of the most generous and complete schemes in the Country, when government provided additional resources to enhance the scheme the Council increased the amount of support available. The Government recognised that many people were not eligible for the CTRS and a new hardship fund was being launched by the Council which supported those people in dealing with arrears.

The Corporate Director of Finance and Resources informed the Panel that the Council had stopped all debt recovery during the pandemic as it was mindful of the pressure on people in such uncertain times. Work was beginning on a soft reminder process, which many other authorities had undertaken, reminders would be sent out encouraging people to contact the Council if they were having issues in making payments so they could be supported with instalment options or through the CTRS process. This soft recovery approach would also be taken with sundry debtors where commercial income comes in.

REOLVED – 1) That the Panel had considered and commented upon the draft Medium Term Financial Plan 2021/22 to 2025/26 (RD.09/20);

2) That the Panel thanked the Corporate Director of Finance and Resources and her team for the production of the Medium Term Financial Plan during such uncertain and difficult times;

3) That the Panel request that reference is made to environmental policies in the Medium Term Financial Plan in the future;

4) That the Panel are included in the development of a commercial strategy;

5) That the Corporate Director of Finance and Resources undertake to consider the conditions of the redundant bequests and reallocate the funds to suitable community groups or charities;

6) That the Finance, Governance and Resources Portfolio Holder circulate a copy of the Council's Hardship Scheme to all Members.

BTSP.34/20 DRAFT CAPITAL INVESTMENT STRATEGY 2021/22 – 2025/26

The Corporate Director of Finance and Resources reported (RD.08/20) on the draft Capital Investment Strategy 2021/22 – 2025/26, which directed the Council's Capital Programme and the allocation of resources for the five year period 2021/22 to 2025/26. The guidance in the strategy complimented and supplemented the Medium Term Financial Plan.

The Executive had considered the Draft Capital Investment Strategy 2021/22 to 2025/26 at their meeting on 20 July 2020 (Minute Excerpt EX.70/20 refers) and made the report available to the Panel for scrutiny.

In considering the Draft Medium Term Financial Plan 2021/22 to 2025/26 Members raised the following comments and questions:

- The Council had £4m in rental income from investment property, was there a potential that tenants could default on payments due to Covid 19 and result in a reduction in the income?

The Corporate Director of Finance and Resources confirmed that there was a risk to income due to Covid 19; the situation was being closely monitored and the debtors' team were working closely with property services to support tenants and provide them with payment options.

- A Member asked that consideration be given to the best options for plant and vehicle replacement to meet the climate strategy obligations.

The Corporate Director of Finance and Resources clarified that the assumption in the budget was for like for like replacement, however, each asset was considered individually at the time of replacement, and alternative options were considered including electric vehicles and lease options.

- A Member felt that the key considerations for shaping the budget were appropriate under the current circumstances and sought reassurance the impact of Covid 19 was part of the consideration given to the deliverability of the current capital programme.

The Finance, Governance and Resources Portfolio Holder assured the Panel that the capital programme was reviewed annually, the current programme of works would not be affected by the impact of Covid 19 however this would continue to be monitored.

- A Member commented that the Covid 19 pandemic had highlighted the need for the Council to invest in its ICT and asked for confirmation that this would be a priority for the Executive and Senior Management Team.

The Corporate Director of Finance and Resources reported that the Council was in the process of appointing a new Head of Digital and Technology whose role would be to update and refresh the Council's ICT Strategy. The Strategy would come through the democratic process and would be scrutinised by the Panel.

RESOLVED – That the Panel had considered and commented upon the draft Capital Investment Strategy 2021/22 – 2025/26 (RD.08/20).

BTSP.35/20 DRAFT ASSET MANAGEMENT PLAN 2021 TO 2026

The Corporate Director of Governance and Regulatory Services presented report GD.32/20 which set out the revisions to the Asset Management Plan which had been updated to reflect key issues and changes affecting the management and use of the City's property resources. The Plan also reported on the current position and performance of the portfolio, and the Asset Disposal Programme.

The Executive had considered the Draft Asset Management Plan 2021 to 2026 at their meeting on 20 July 2020 (Minute Excerpt EX.71/20 refers) and made the report available to the Panel for scrutiny.

In considering the Draft Asset Management Plan Members raised the following comments and questions:

- Green spaces supported the City Council's priorities for health and wellbeing and climate change; were they included in the Asset Management Plan?

The Property Services Manager agreed that green spaces were important and clarified that they were a key part of the Council's portfolio and were considered operational to provide services.

- How was the performance of Council property monitored?

The Property Services Manager reminded the Panel that Chancerygate managed Kingstown Industrial Estate and property assets; they produced annual Key Performance Indicators for their performance.

- What were the plans for the Newman School site when the Sands Centre redevelopment was complete?

The Property Services Manager reported that originally portacabins were going to be used to provide leisure services for GLL, an opportunity had presented itself to utilise the Newman School building. This resulted in a cost saving, the refurbishment of a building that was flood damaged and a legacy project. The Council had the lease for the building which would return to the Diocese with the aspiration that it remained in the education sector. Plans for its future use would not be finalised until the Sands Centre was nearly complete and the building was no longer required by the Council.

- Had work been undertaken to seize any opportunities that may come forward from Brexit?

The Property Services Manager that the situation was being closely monitored for opportunities for the Council.

- The last property survey had taken place in 2018, would depreciation have affected the value of the properties?

The Property Services Manager explained that the condition surveys were undertaken every five years, this was a reasonable timescale to allow the Council to plan and budget for required maintenance work as well as give flexibility for reactive repairs.

- Had Covid 19 impacted the programme of repairs to assets?

The Property Services Manager confirmed that the programme had been delayed primarily due to issues within the supply chain for materials, contracts and in-house staff being unavailable, this was expected to continue for some time.

- What were the options for the development of the Morton District Centre?

The Property Services Manager responded that the site had been allocated as a local district centre and employment site. Development work on the future of the site would not progress until the route for the Southern Relief Road had been finalised due to the impact it would have on the site.

- A Member sought clarification with and an update on the assets which had been identified for disposal with significant issues.

The Corporate Director of Governance and Regulatory Services explained that the assets were varied and been acquired over a number of years, the issues were not necessarily regarding the condition of a property but were legal issues that needed addressed prior to disposal.

The Property Services Manager added that the lull in the market allowed the Council to progress with the due diligence work in order that when the market conditions improved the Council could proceed with disposals immediately.

- Considering the need to become more commercial would it be beneficial to refresh the Asset Review Business Plan to maximise the use of the assets to support a commercialisation policy moving forward.

The Corporate Director of Governance and Regulatory Service responded that the 2011 Asset Review Business Plan set the parameters which the Council would work within and the three categories that assets would be considered: investment, economic development and operational. However, it was continuously being reviewed alongside the Asset Disposal Programme and any opportunities which presented themselves to the Council.

- A Member asked for an update on the rent reviews.

The Property Services Manager assured the Panel that the rent reviews were moving forward as planned. He set out the issues that the Council faced when carrying out rent reviews and the reason for delays.

RESOLVED - That the Panel had considered and commented upon the draft Asset Management Plan 2021 to 2026 (GD.33/20).

BTSP.36/20 EMPLOYEE OPINION SURVEY 2020

The Corporate Director of Finance and Resources presented the results of the Employee Opinion Survey which had received 264 responses in February 2020(RD.16/20).

A pulse survey had also been undertaken in May to gather employee opinion on working from home, anxiety, equipment and support from the Council. The results had been positive and

there had been good comments regarding IT equipment and the ability to work from home and deliver services for the Council.

In considering the results Members raised the following comments and questions:

- A Member noted the increase in popularity of the Chief Executive's briefings and asked if this could be further developed.

The Town Clerk and Chief Executive commented that there needed to be more briefings, more recently the last round of briefings had been held via Teams and had been successful.

- Referring to the question 'what do you like about working for Carlisle City Council?', there was some concern that the flexi time scheme and colleagues/friendliness had significantly reduced since 2018.

The Corporate Director of Finance and Resources agreed that the flexitime system had historically been a benefit to staff and more work would be required to understand the change in its importance to staff.

The Town Clerk and Chief Executive noted that the same question had an increase in social aspects and therefore the question could be clarified in future surveys. He was very pleased to see that the culture of the Council had become important to staff and he thanked managers and supervisors for helping to promote a positive culture. He also highlighted that 90.7% of the responses rated the Council as good employer, this was a tremendous achievement given all the difficulties faced by local government.

- The Panel asked that the information be drilled down into Directorates to get a better understanding of where the responses were coming from and what some of the barriers may be for Directorates not responding.

The Corporate Director of Finance and Resources assured the Panel that paper copies were available and that the responses were confidential. The Council had tried to send the Covid 19 Pulse survey out via text, it had been unsuccessful, however, this would be an area that would be further explored for the 2022 survey.

- Only 81.3% of responses stated that they had the tools and resources needed to do their job, was there any further information on which Directorate may not have the required resources and tools and what was missing. It was essential that the Council led the way as an employer and ensured that all staff had everything they needed to do their job properly.

The Policy and Performance Officer agreed to drill down into the information and comments submitted and provide the Panel with a written response.

The Town Clerk and Chief Executive commented that the Council had taken swift action at the start of lockdown to provide all staff with the appropriate equipment. Primarily this had been laptops to work from home, unfortunately, many employers and organisations were doing the same and there was a delay in procuring some equipment. He felt most people interpreted the question as budget related; staff wanted to see more resources in public services and internally those resources available had to be directed to the Council's priorities, this could leave some services feeling as though they did not have the required resources.

RESOLVED – 1) That the Panel had scrutinised the results of the Employee Opinion Survey 2020.(RD.16/20)

2) That the Policy and Performance Officer provide the Panel with further information on the Directorates, tools and resources which were lacking and reasons why staff felt they did not have the tools and resources needed to do their job.

The Policy and Performance Officer submitted the end of year 2019/20 performance against the current Service Standards and a summary of the Carlisle Plan 2015-18 actions as defined in the 'plan on a page'. Performance against the Panel's 2019/20 Key Performance Indicators and a summary of exceptions were also included.

In considering the report a Member noted that the Peer Challenge Review had stated that some of the reports being scrutinised were not of value as they did not drive change in the Council, he asked how relevant the performance report was in changing a policy in an area that might be falling behind.

The Town Clerk and Chief Executive acknowledged the recommendations in the Peer Challenge Review Challenge and confirmed that the performance report was one area that needed to be addressed. An action plan, based on the Peer Challenge recommendations, was being prepared and would be brought to the Panel in due course.

RESOLVED – That the End of Year Performance Report 2019/20, PC.11/20, be noted.

The Town Clerk and Chief Executive presented an update of corporate projects being undertaken in the Council, along with a summary of the standalone IT projects and the internal audit report of Project Management (CE.03/20).

In considering the update report a Member asked for further information with regard to the request to close the Discover England Fund year two and the project activity that had been delivered. The Town Clerk and Chief Executive agreed to supply the Panel with a written response.

The Panel raised concerns that there had not been any projects team meetings in ICT since 2019 and that there was a lack of corporate buy in for ICT solutions.

The Town Clerk and Chief Executive clarified that he held team meetings fortnightly with IT Services and this may not have been included in the audit report. The Council was in the process of recruiting a new Head of Digital and Technology whose role would be to drive and manage business change in conjunction with the relevant service managers to deliver more corporate ICT solutions.

RESOLVED – 1) That the Corporate Project Status Report, CE.03/20, be noted.

2) That the Town Clerk and Chief Executive provide the Panel with further information with regard to the request to close the Discover England Fund year two and the project activity that had been delivered.

The Policy and Communications Manager presented report OS.13/20 providing an overview of matters relating to the work of the Business and Transformation Scrutiny Panel.

RESOLVED – That the Overview Report incorporating the Work Programme and Key Decision items relevant to the Business and Transformation Scrutiny Panel be noted (OS.13/20).

RESOLVED – That in accordance with Section 100A(4) of the Local Government Act 1972 the Public and Press were excluded from the meeting during consideration of the following items of

business on the grounds that they involved the likely disclosure of exempt information as defined in the paragraph numbers (as indicated in brackets against the minutes) of Part 1 of Schedule 12A of the 1972 Local Government Act.

**BTSP.41/20 ASSET MANAGEMENT OF KINGSTOWN INDUSTRIAL ESTATE AND
PARKHOUSE BUSINESS PARK**
(Public and Press excluded by virtue of Paragraph 3)

The Property Services Manager submitted an update on progress with the implementation of the business plan for Kingstown Industrial Estate and Parkhouse Business Park (GD.34/20).

In scrutinising the report, the Panel discussed the investment with Chancerygate including their fee, key performance indicators as set out in the report and the use of their expertise in other projects and developments. The also Panel considered future opportunities in the area and the potential impact of the southern relief road to Kingstown Industrial Estate as well as discussing the tenants and progress for the Gateway 44 project.

RESOLVED – That the update on the Asset Management of Kingstown Industrial Estate and Parkhouse Business Park be noted (GD.34/20).

(The meeting ended at 6.14pm)

Report to Audit Committee

Agenda
Item:

A.3

Meeting Date: 24 September 2020
Portfolio: Finance, Governance and Resources
Key Decision: Not applicable
Within Policy and Budget Framework YES
Public / Private Public

Title: INTERNAL AUDIT PROGRESS 2020/21 (APRIL TO SEPTEMBER)

Report of: CORPORATE DIRECTOR FINANCE & RESOURCES
Report Number: RD30/20

Purpose / Summary:

This report provides an overview of the work carried out by Internal Audit between April and September of 2020/21. The report also includes information on progress against the agreed audit plan, performance indicators and previous audit recommendations.

Recommendations:

The Committee is requested to

- i) note the progress against the audit plan for 2020/21;
- ii) receive the final audit reports as outlined in paragraph 2.2;
- iii) note the progress made on audit recommendations to date outlined in Appendix B.

Tracking

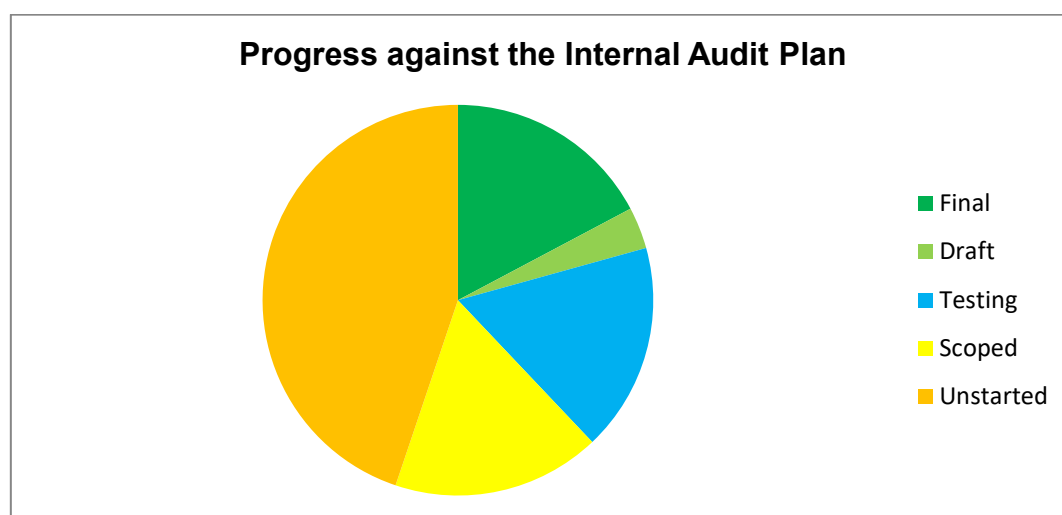
Audit Committee:	24 September 2020
Scrutiny Panel:	Not applicable
Council:	Not applicable

1. BACKGROUND INFORMATION

- 1.1 Management is responsible for establishing effective systems of governance, risk management and internal controls. It is the responsibility of management to establish appropriate arrangements to confirm that their systems are working effectively, that all information within them is accurate and that they are free from fraud or error.
- 1.2 Internal Audit's role is to provide independent assurance to senior management and the Audit Committee over the adequacy and effectiveness of management's arrangements for governance, risk management and internal control.
- 1.3 This report summarises the work carried out by Internal Audit in the period April 2020 to September 2020.

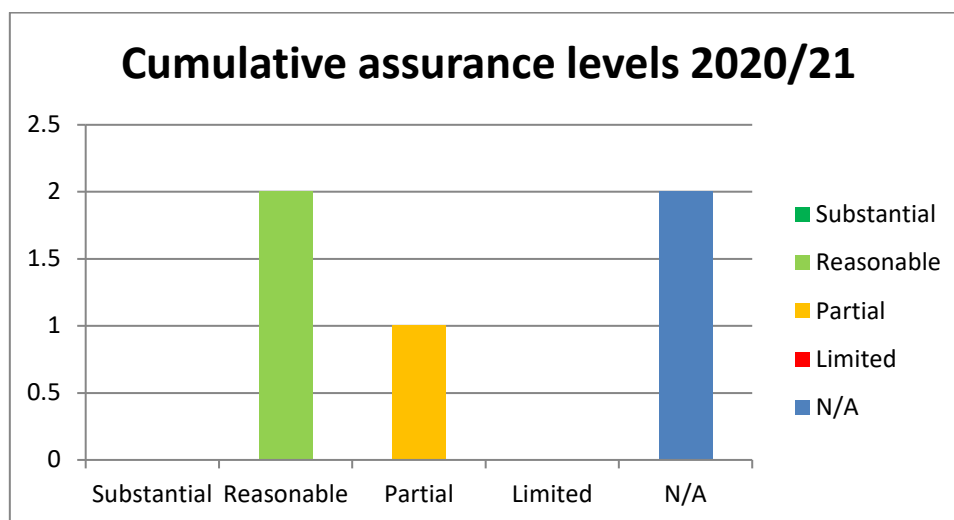
2. PROGRESS AGAINST AUDIT PLAN

- 2.1 Progress against the 2020/21 audit plan is detailed at **Appendix 1**. Approximately 17% of planned reviews have been finalised to draft stage; a further 17% of reviews are anticipated to be complete in draft stage by the end of September.



- 2.2 4 planned pieces of work were completed in the period.

Review Area	Assurance Level
Absence Management (2019/20)	Partial
Environmental Strategy (Baseline Data)	Partial
Insurance	Reasonable
Fees & Charges (Value for Money)	Reasonable



2.3 Audit resource was also utilised on the following during the period:

- Completion of annual self-assessment and review of audit manual and working papers to update working practices;
- Review evidence related to an attempt to de-fraud the Council through falsified Business Rate applications;
- Provide advice in relation to authorisation of travel claims and related party transactions in light of an increase in remote working.

3 PERFORMANCE INDICATORS

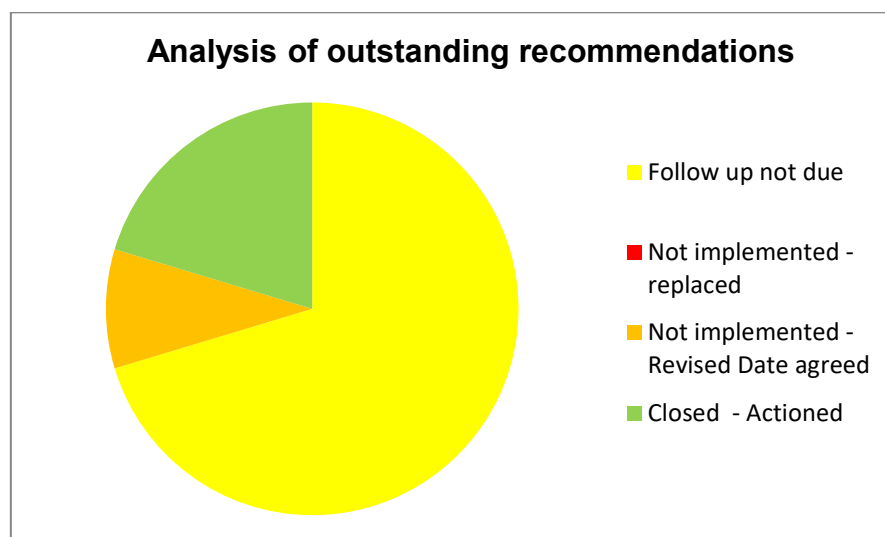
3.1 To provide an effective internal audit service, there needs to be a measure of the performance it achieves. The table below shows progress against indicators agreed for 2020/21.

Indicator	Target (YTD)	Performance	Comments
Planned Audits Completed	45%	17%	Annual target 90%
Timely Draft Reports (within 3 months of fieldwork starting)	80%	75%	
Timely Final Reports (within 8 days of client response)	90%	66%	
Recommendations Agreed	95%	100%	
Assignments completed (within 10% of allocated resource)	60%	80%	
Positive feedback	90%	-	No responses to date
Chargeable time	80%	73%	
Recommendations implemented	80%	91%	

- 3.2 While only 17% of reviews have been completed at the time of reporting, it is anticipated a further 5 reviews will be complete in draft by the end of September, indicating 34% of the plan will be complete at the halfway point of the year against a target of 45%.
- 3.3 Like all services provided by the Council, Internal Audit were significantly disrupted by the Covid-19 global pandemic at the start of the financial year, which also required resource to complete assignments from the 2019/20 audit plan.
- 3.4 Progress against the plan will continue to be closely monitored as the team aims to recover progress.

4 AUDIT RECOMMENDATIONS

- 4.1 **Appendix B** shows a summary position of outstanding audit recommendations and progress made against implementing these. Once the agreed implementation date has passed, internal audit will ask the responsible officer for an update of progress. The responses will then be reported to the next available Audit Committee meeting and, if implemented, will then be removed from the list so that only outstanding recommendations remain. Where the recommendations relate to a partial assurance audit, these will be subject to a formal follow up and will be reported back to Audit Committee separately. New recommendations will be added to the list once final reports are agreed.
- 4.2 The following should be noted:
- 24 recommendations were found to have been fully implemented (22 in line with original agreed timescales) and are now closed.
 - 11 recommendations have not been implemented (2 of which were followed-up for the first time) and a revised timescale for completion has been proposed.



- 4.3 The primary reason for delays regarding implementation of recommendations relates to the Covid-19 global pandemic, which has caused disruption to all Council services.

5. RISKS

- 5.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

6. CONSULTATION

- 6.1 not applicable

7. CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Committee is requested to

- i) note the progress against the audit plan for 2020/21;
- ii) receive the final audit reports as outlined in paragraph 2.2;
- iii) note the progress made on audit recommendations to date outlined in Appendix B.

8. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 8.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources.

Contact Officer: Michael Roper

Ext: 7520

**Appendices
attached to report:**

**Appendix A – Progress against Audit Plan and Timeline of
audits**

**Appendix B – Progress against previous Audit
Recommendations**

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Legal – In accordance with the terms of reference of the Audit Committee, Members must consider a summary of internal audit activity and summaries of specific internal audit reports. This report fulfils that requirement.

Finance – Contained within the report

Equality – None

Information Governance – None

CARLISLE CITY COUNCIL
PROGRESS AGAINST REVISED AUDIT PLAN 2020/21

Service Area	Review Type	Audit Area	Plan	Actual	Status	Audit Committee	Assurance Evaluation	Comments
Financial Services / Revenues & Benefits	MFS	Internal Control Questionnaires - Non Audited Systems	2	2	Final	Jul 20	N/A	
Council-wide	Governance	Good Governance Principals / Local Code of Conduct	10	11	Final	Jul 20	N/A	
Council-wide	Corporate	Environmental Strategy	15	12	Final	Sep 20	Partial	
Financial Services	Directorate	Insurance	20	22	Final	Sep 20	Reasonable	
Council-Wide	Value for money	Fees & Charges	10	8	Final	Sep 20	Reasonable	
Regulatory Services	Directorate	Local Air Quality Management	20	19	Draft			
Council-wide	Counter	Annual fraud review	5	1	Testing			
Health & Well-being	Directorate	City Centre (inc special events/inspections)	20	12	Testing			
HR & Payroll	Directorate	Safe recruitment (including health checks etc).	10	4	Testing			
Financial Services	MFS	Income	15	11	Testing			
Council-wide	Follow-up	Environmental Strategy	5	1	Testing			
Development Management	Directorate	Development Control	20	3	Scoped			
Revenues & Benefits	MFS	Housing Benefits	20	3	Scoped			
Revenues & Benefits	Directorate	Rev & Ben Revenue Recovery	5	0	Scoped			
Electoral Services	Directorate	Electoral Registration	20	2	Scoped			
Financial Services	MFS	Financial Services Governance Arrangements	3	0	Scoped			
Council-wide	Corporate	Risk Management	15	0				
Health & Well-being	Directorate	Community Centres	20	0				

Service Area	Review Type	Audit Area	Plan	Actual	Status	Audit Committee	Assurance Evaluation	Comments
Waste Services	Directorate	Waste Services Culture Review	15	0				
Homelessness Services	Directorate	Homeless Accommodation (Part 2)	5	0				
Property Services	Directorate	Property Income	20	0				
Financial Services	MFS	Debtors	15	0				
Financial Services	MFS	Payroll	15	0				
ICT Services	Follow-Up	ICT Various	10	0				
Council-wide	Follow-up	Driver Checks	5	0				
Revenues & Benefits	Counter-Fraud	Business Grants (Covid 19)	10	0				
Regeneration	Consultancy	Small business Grants	10	0				
Carlisle Partnership	Value for money	Carlisle Partnership	10	0				
ICT Services	ICT	Specialist Review	14	0				
		Follow-up contingency	10	7				
		Counter Fraud Contingency	20	8				
		Advice & Guidance Contingency	10	5				
		General Contingency	17	19				
		Audit Committee	16	10				
		Planning & Management	58	32				
		OVERALL TOTAL	495	356				

* Days taken as at 10th September (excludes leave and training days)

Code	Audit	Recommendation	Priority	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Follow Up No	Status
B1703	Flexitime & Toil (Reasonable)	The use of the Flexi bank procedures should be reviewed to ensure they are applied consistently.	M	Use of flexi bank procedures will be reviewed alongside the flexi policy and additional guidance issued to Managers and staff, if appropriate.	HR Manager	31/03/2019	31/12/2020	2	A wholesale review of flexi system will be undertaken during 2020 linked to the iTrent development plan.
B1703		The policy should be more specific with regards to guidance for travel for courses / training.	M	Existing guidance for travel time, expenses and mileage will be updated for Managers and staff to supplement the current Flexitime scheme.	HR Manager	31/03/2019	31/12/2020	2	A wholesale review of flexi system will be undertaken during 2020 linked to the iTrent development plan. 3rd follow-up scheduled Q4 2020/21
H1707	IT General Controls (N/A)	Given the criticality of data accessible through Active Directory, logs of information security events (i.e., login activity, unauthorised access attempts, access provisioning activity) created by these systems should be proactively, formally reviewed for the purpose of detecting inappropriate or anomalous activity. These reviews should ideally be performed by one or more knowledgeable individuals who are independent of the day-to-day use or administration of these systems.	N/S	<p>Funding for an ICT Security Specialist and an Active Directory auditing tools, SteathBits was included in the 2018/19 ICT Services' budget.</p> <p>The ICT Security Specialist post has been job evaluated based on a new job description. I intend to advertise the post in January 2019. The current issues with recruiting ICT talent for an existing post, has required me to investigation options for making the post more attractive to potential applications, such as adding a market factor supplement and relocation packaged; funding for these needs to be identified. I am also looking at the possibility of converting the post into an apprenticeship.</p> <p>The procurement process for the Stealthbits software will start in December, it anticipated that the software will start monitoring our Active Directory infrastructure in April 2019.</p>	ICT Services Manager	31/12/2017	01/04/2020	3	<p>A contract has been sign with a supplier to provide a managed Security Information and Event Management (SIEM) service; it is anticipated that this service will be 'live' by August 2019.</p> <p>In addition, software has been procured to automate the monitoring of Active Directory; this service will be 'live by August 2019.</p> <p>To mitigate, the delay in implementing the automated monitoring of Active Directory, manual processes have been put in place to provide ICT management with information on key Active Directory activity.</p> <p>3rd follow-up review scheduled Q1 20/21</p>
H1707		Documented policies and procedures addressing change management processes and related control requirements (such as change testing, approvals, and documentation requirements) within Civica Authority Financials, Trent, and Academy should be established, formally approved by the appropriate members of the organisation, and communicated to relevant personnel responsible for implementing them and/or abiding by them	N/S	Following an review of change management methodologies and consultation with my senior managers, I have decide to adopt the Information Technology Infrastructure Library (ITIL) Service Management best practice processes throughout ICT Services. The development of an ITIL implementation plan will be completed by the end of December and implementation will begin in January. Change management and incident management will be the first ITIL processes implemented.	ICT Services Manager	Not stated	01/04/2020	3	<p>All ICT Services staff are undertaking formal training with the aim of gaining ITIL accreditation.</p> <p>A small team has been created to oversee the introduction of ITIL processes throughout ICT Services. This team are currently working on the introduction of Change Management for the management of the council's firewalls; once this is completed, the same process will be expanded to include all services provided by ICT Services. It is anticipated that this will be completed by December 2019.</p> <p>3rd follow-up review scheduled Q1 20/21</p>

Code	Audit	Recommendation	Priority	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Follow Up No	Status
H1802	Corporate Charge Card (Reasonable)	Card holders should sign a declaration to confirm their adherence to the credit card procedures (including ensuring only they use the card and that the suitable supporting documentation is obtained and completed). Card usage should be independently spot checked to ensure procedures are being adhered to.	H	A declaration form will be prepared and issued to all card holders to sign. This will be updated annually.	Financial Services Manager	30/06/2018	30/05/2020	3	Further developments being undertaken by the Council to introduce virtual Credit Cards. Project delayed due to long-term sickness, followed by impact on Accountancy team due to global pandemic. Internal Audit are continuing to work with finance to ensure new project is adequately controlled. Review progress quarterly.
A1802	Smarter Service Delivery (Reasonable)	A process should be developed to archive and/or delete personal information held within both Salesforce and My Account, in line with suitable retention periods.	M	Scheduled deletion and disposal report tool is currently being configured. MyAccount specific privacy policy is being introduced with appropriate retention schedules applied.	Customer Services Manager	31/08/2018	31/08/2020	2	Progress limited due to vacancy in ICT Services. Extension agreed.
F1804	Council Tax (Reasonable)	Appraisals should be undertaken with all officers and the appraisal documents should be completed timely and processed in line with the Council's processes.	M	Team Leader appraisal notes to be formally agreed.	Revenues & Benefits Operations Manager	31 st January 2019	31/01/2021	2	Previous documents drafted but not finalised. Delayed due to other priorities in 2020, revised dates to be scheduled for 2020/21 Appraisal
F1804				Team Appraisal to be completed in the Revenues Section.		31 st March 2019	31/03/2021	2	As above, to be scheduled for Q4 2020/21.
F1804		The GDPR legislation needs to be complied with and data records deleted appropriately.	H	Records to be reviewed, data deletion remains subject to appropriate software functionality	Revenues & Benefits Operations Manager	30 th September 2019	31/03/2021	2	Database review commenced, archiving software used to delete dormant bank details for DD accounts. Further record deletion on an ongoing basis to be evaluated and progress monitored
E1802	Homelessness Services (Substantial)	The service should review personal information held and delete/destroy any information that is no longer relevant/useful.	M	Archived database to be reviewed, with irrelevant data to be deleted.	Homelessness Services Manager.	31/03/2019	31/03/2020	2	The old database access has been checked and any historic applications have now been deleted (in line with GDPR). Closed
E1802		The Council should obtain clarity on their responsibility for data processed by the Choice-Based Lettings project	M	Meeting of CBL Executive arranged to approve data breach policy.	Homelessness Services Manager.	31/01/2019	30/09/2020	2	Draft document circulated for full group approval.

Code	Audit	Recommendation	Priority	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Follow Up No	Status
B1804	Casual, Interim & Agency (Reasonable)	The review form should be completed for all agency workers who exceed the 12-week agency rule.	M	Form developed, and process will be updated to ensure compliance. Current Agency agreement with Adecco finished 31st January 2019.	HR Manager	31/03/2019	01/06/2020	2	<p>The whole process for recruiting and employing casuals and agency staff is being reviewed. This is a significant process and has started with a review of all current casual employees. The casual contract needs reviewed together with an update and consolidation of all relevant policies. Review delayed due to impact of Covid-19.</p> <p>Finance team are assisting in making timesheets electronic where possible and a small working group is to be established to review Casual process and paperwork.</p>
B1804		A process should be developed to ensure HR are aware of all new agency, casual and intermediary staff to ensure relevant employment checks and processes can be performed	M	A new process will be implemented to ensure that the recommendations are met.	HR Manager	30/04/2019	01/11/2020	2	
B1804		A process to cover the administration of agency, casual and intermediary staff should be completed and approved, including ensuring all posts are approved and that use is monitored on an ongoing basis.	H	Existing council policies will be reviewed and amended, as necessary, to include all classes or workers and employees.	HR Manager	30/04/2019	01/11/2020	2	
A1801	Information Governance (Reasonable)	Recommendation 5 – Assurances should be obtained that all officers without access to a network account have received appropriately targeted training regarding their obligations in relation to records management.	M	Managers with staff who do not have network access will be listed, provided with support and asked to confirm in writing that they have ensured their staff have received appropriate training and information.	Health and Wellbeing Manager	14/06/2019	TBC	2	No response received - no confirmation training completed for Green Spaces officers. Revised timescales to be agreed.
A1801		Recommendation 7 – The current privacy statements should be reviewed to ensure they reflect all personal information collected, processed and shared by the Council	M	The IGM will contact relevant managers for their privacy notices, or lack of, to be reviewed in accordance with the audit findings. Managers will also be requested to review the privacy notices against the newly drafted Record of Processing Activity.	Information Governance Manager/ All Managers	28/06/2019	31/03/2020	2	All outstanding privacy statements now in place and published on the Council's website.
A1801		Recommendation 9 – Further work is required to ensure the Council stores and disposes of records in line with what is stated in its retention schedules, including particular work required from an ICT perspective.	M	The Council's ICT systems will be reviewed to enable and support the deletion of electronic data. A review of the retention schedules and disposal logs will be added to the Information Governance Inspection Checklist.	ICT Services Manager/ Information Governance Manager	02/08/2019	Review quarterly	N/A	This is a significant exercise, which requires input from ICT Services, who are currently holding a number of vacancies (including Head of Service). It is anticipated that the project will take some time to fully embed. Progress will be reported regularly until completed once a Head of Service is in place.

Code	Audit	Recommendation	Priority	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Follow Up No	Status
A1801		Recommendation 14 – The Council's Home-working guidance and self-assessment should be updated to reflect GDPR requirements	M	The Council's Home-working guidance and self-assessment will be updated to reflect GDPR requirements and re-issued for completion and sign off by managers of staff who work from home	Information Governance Manager / HR Manager	21/06/2019	30/11/2020	2	Covid Pandemic of 2020 has resulted in identifying the need for a wholesale review of the Council's homeworking and agile working policies to be undertaken. Draft revised policies to be drafted and approved - Information Governance Manager has provided model policies to ensure GDPR requirements are addressed.
B1801	Allowances, Travel & Subsistence (Employees) Reasonable	Recommendation 4 – The Council's Scheme of delegation should be amended to include the approval of 'Travel & Subsistence Expenditure'.	M	SST will refer to the Council's Scheme of Delegation for authorised approvers.	Service Support Supervisor / Financial Services Manager	31/07/2019	30/06/2020	1	Not implemented due to absence of Financial Services Manager. 2nd follow-up scheduled Q2 2020/21
B1801				A general email reminder will be sent to all staff.					
B1801		Recommendation 8 – Consideration should be given to implementing an electronic claim form to improve the legibility, efficiency and internal controls of the travel payment process, including consideration of set mileage for common journeys.	M	This needs to be discussed & investigated further to see if it is time and cost effective. This will be looked in line the i-Trent review which is due to be undertaken in 2020.	Payroll & i-Trent Supervisor / HR Manager	30/04/2021			First informal follow-up scheduled
B1803	Safeguarding (Reasonable)	Recommendation 3 – The Council should ensure all staff required to complete corporate training in relation to adult and child protection complete the relevant modules within Skillgate.	M	A reminder will be issued to all relevant officers asking them to complete the relevant Skillgate training modules.	Corporate Director of Finance and Resources	01/07/2019	01/07/2020	1	Review of e-learning system indicated various individuals have not yet completed training - revised date agreed.
B1803		Recommendation 4 - The process for ensuring new starters DBS checks are in place should be documented and a consistent approach should be applied if they are not received timely.	M	Basic DBS checks are now completed by the employee online. Line Managers will be required to report to HR Systems Support Officer every 3 weeks on progress and ensure employees do not have access to confidential information until a satisfactory Basic DBS is in place. Those in positions requiring Enhanced DBS checks will be required to shadow fellow workers until DBS is received.	HR Manager	01/06/2019	01/07/2020	1	Safeguarding processes updated and approved and documented on new Safeguarding intranet page. Closed.
D1803	Garages (Reasonable)	Recommendation 1 - The Draft Fleet Strategy should be completed, approved and shared corporately	H	Fleet Strategy to be agreed.	Fleet and Depot Manager	30/09/2019	31/12/2020	2	Strategy finalised, but approval delayed due to other priorities (as a result of Covid-19).
D1803		Recommendation 8 – Cash banking should be undertaken regularly, and risk assessment should be completed for cash carrying.	M	Cash to be banked on a monthly basis.	Fleet and Depot Manager	30/04/2019	31/03/2020	1	Changes to banking process in progress. Revised date agreed.
D1803				New reception facilities will reduce risks to staff.					
D1803				Chip and Pin payment system to be installed to reduce cash handling risks / costs / values.					
M1801		Recommendation 2 - The Service Level agreement should be signed by all parties.	M	Agreement to be signed, subject to any amendments, as the arrangements are currently being reviewed.	Revenues and Benefits Operations Manager	31 st December 2019	November 2020	1	In progress. Delays due to absence of ICT Services Manager. Revised date agreed.
M1801		Recommendation 3 – The Data Sharing Agreements should be checked to ensure compliance with GDPR and should be signed by all parties to formalise the arrangement.	H	Sharing Agreement to be checked for GDPR compliance and then signed by all parties.	ICT Service Manager	31 st July 2019	November 2020	1	In progress. Delays due to absence of ICT Services Manager.

Code	Audit	Recommendation	Priority	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Follow Up No	Status
M1801	R&B Shared Service (VFM) (Reasonable)	Recommendation 5 - Prior to the renewal of the Partnership arrangements consideration should be given to the impact of additional work undertaken by Carlisle City Council staff. Consideration should be given to charging for work undertaken in addition to the SLA agreement.	M	Additional work to be evaluated and options for charging, if required, determined	Revenues & Benefits Operations Manager/ICT Service Manager	30 th September 2019	November 2019	1	In progress. Delays due to absence of ICT Services Manager .
M1801		Recommendation 6 - A fully costed option appraisal analysis should be undertaken prior to Carlisle City Council's decision to remain in the Shared Service to ensure financial implication are fully understood. The financial benefits such as the software upgrades and training discounts should be quantified as should the non-financial advantages and disadvantages.	M	Analysis of Partnership costs to be produced to inform decisions on future service provision	Revenues & Benefits Operations Manager	31 st December 2019	November 2019	1	In progress. Delays due to absence of ICT Services Manager.
B1901	Customer Services Performance Data (Reasonable)	Recommendation 1 - Job descriptions should be reviewed and updated where necessary to reflect the current structure and reporting lines.	M	Appropriate amendments have been made and sent to HR Services to upload to the intranet	Customer Services Manager	9th August 2019		1	Review complete - confirmed to information held on intranet as at the time of the follow-up. Closed.
B1901		Recommendation 2 - Management should ensure an accurate method of monitoring visits is in place.	M	All technical actions are complete, and the funding has been released (post audit).	Customer Services Manager	15th November 2019		1	New system in place and confirmed as working appropriately. Closed.
B1901				Customer Services Manager will oversee the installation of the new system.					
B1901		Recommendation 3 - The Customer Services Manager should liaise with ICT Services to ensure that the telephony system needs are correctly assessed and that a suitable solution is procured.	M	Preliminary demos have taken place with all findings forwarded to IT Services.	Customer Service Manager	Completed	30/09/2020	1	Completion delayed due to ICT Services Manager vacancy. Revised date agreed.
B1901				ICT Services to implement Civic wide telephony plan prior to the implementation of the new Customer Contact Centre system.	ICT Services	31st March 2019			
C1902	Affordable Housing Register	Recommendation 1 - Documented procedure notes / guidance should be updated to cover all aspects of the team's work.	M	The Housing Development Officer will provide updated guidance on Low-Cost Housing procedures, providing clarification for existing and future staff – covering the following areas:-	Investment & Policy Manager	31st December 2019		1	Procedures confirmed as appropriately updated. Closed.
C1902				-Maintaining the register (including adding and removing applicants from the list)					
C1902				-Advertising properties					
C1902				-Selection and approval of applicants					
C1902				-Property offers and completions.					
C1902		Recommendation 2 - Property Valuations should be retained in each individual property file.	M	Ensure staff are aware all property valuations must be retained, not just those relating to new-build schemes. (Will be addressed through the introduction of procedure notes).	Investment & Policy Manager	31st December 2019		1	Procedures confirmed as appropriately updated. Closed.
C1902		Recommendation 3 - An approval form should be completed and signed by an authorised officer to confirm the approval for an individual to purchase a low cost home.	M	A new form will be drawn up, which will be signed by an authorised signatory, in respect of each Low-Cost Housing approval. (Again, Will be addressed through the introduction of procedure notes).	Investment & Policy Manager	31st December 2019		1	Procedures confirmed as appropriately updated. Closed.
C1902		Recommendation 4 - The Low Cost Housing Ownership Shortlist Form should be completed in full to ensure there is a complete and clear audit trail of each property awarded and the reasons why individuals were declined / awarded a property.	M	Ensure the Low-Cost Housing team are made aware that all relevant sections of the shortlisting form for available properties are completed, with no required fields left blank. (Will be covered by procedure notes).	Investment & Policy Manager	31st December 2019		1	Procedures confirmed as appropriately updated. Closed.

Code	Audit	Recommendation	Priority	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Follow Up No	Status
C1902	Register (Reasonable)	Recommendation 5 - The whole process should be reviewed to see where improvements can be made, for example, introduction of a property checklist which includes all the steps in the process.	M	The Housing Development Officer will review the entire process, in conjunction with the Low-Cost Housing team to identify areas where improvements can be made, including setting up a new 'property checklist' form. An initial meeting will be arranged with the Council's Internal Audit team to go over the findings of the review.	Investment & Policy Manager	31st December 2019		1	Procedures confirmed as appropriately updated. Closed.
C1902		Recommendation 6 - The team should ensure that all documents detailing personal information are locked away outside normal office hours. Access to both spreadsheets (including backups) should be restricted to applicable officers only	M	Re-emphasise the importance of GDPR to the team, including the requirement to keep personal data locked away outside office hours. (Will be covered by procedure note).	Investment & Policy Manager	31st December 2019		1	Procedures confirmed as appropriately updated. Closed.
C1902		Recommendation 7 - Current processes and systems should be reviewed in conjunction with ICT to ensure a more efficient, fit-for-purpose solution is in place.	M	Review current systems with Senior ICT Officer and identify areas where processes and/or systems can be improved, with a view to identifying a preferred option.	Investment & Policy Manager	31st December 2019	31/12/2020	1	Preferred option agreed, but still to be devised. Timescales for completion impacted by Covid-19.
C1902		Recommendation 8 - Clarification should be sought as to how long documents relating to the operation of the Low-Cost Home Ownership Scheme should be retained for, this should be clearly documented in the procedures and retention policy.	M	Liaise with Information Governance Officer regarding timescales for retention of personal data.	Investment & Policy Manager	31st December 2019		1	Procedures confirmed as appropriately updated. Closed.
I1901	Mobile Devices (Partial)	Recommendation 1 – The mandatory cyber-security e-learning module should be updated to include latest issues/trends relating to cyber security and enhanced to cover both the physical security of assets and the Council's ICT policies	H	The Skillgate training module will be updated regularly and mandatory for staff to re-take once refreshed.	ICT Services Manager	1st April 2020			Formal follow-up scheduled
I1901				With members we will highlight key areas during their migration to Windows 10 on an individual basis and then provide a briefing prior to full Council on cyber security, physical security and council assets					
I1901		Recommendation 2- All device users (Officers and Members) should confirm they have read key ICT policies on an annual basis.	M	A Skillgate module will be created to use the ICT Policy website and test users on key parts of the policies. This will be mandatory for new starters as part of their induction process and all staff annually. With Members we will work with Democratic Services to ensure councillors confirm they have read these policies during the induction/re-election process	ICT Services Manager	1st April 2020			Formal follow-up scheduled
I1901		Recommendation 3 – An exercise should be undertaken to ensure all individuals assigned mobile devices have completed a custodian form acknowledging responsibility for their allocated device.	M	Work underway to retrospectively sign custodian forms for users issued with equipment before the policies were implemented. Custodian forms obtained for all users receiving equipment after policies implemented	ICT Lead Officer (Support)	1st December 2019			Formal follow-up scheduled
I1901		Recommendation 4 – Action should be taken to ensure all Members have access to suitable cyber-security training	H	With Members we will highlight the key areas during their migration to Windows 10 (commencing October 2019) on an individual basis and then have a briefing prior to full Council on cyber security, physical security and council assets at a suitable meeting	ICT Services Manager	1st April 2020			Formal follow-up scheduled

Code	Audit	Recommendation	Priority	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Follow Up No	Status
I1901		Recommendation 5 – The Council should obtain an application locker to prevent device users from being able to download software that does not require administration rights.	M	Application lockdown policies for Microsoft in-tune will be tested with the new version of Windows 10 (1809/1909) - to be deployed to the Council's devices in Q1 2020 – for compatibility. If not suitable, Application lockdown within Windows 10 will be enabled through group policies on the network to restrict software being installed where admin privileges are not required e.g. browsers	ICT Lead Officer (Infrastructure)	1st May 2020			Formal follow-up scheduled
I1901		Recommendation 6 – There should be a regular ongoing review of mobile phone usage to ensure devices are still required.	M	Working with current contract supplier (Social Telecoms) to have them review mobile phone usage for misuse and identify unused devices on a monthly basis	ICT Lead Officer (Infrastructure)	1st December 2019			Formal follow-up scheduled
D1902	Bereavement Services (Reasonable)	Recommendation 1 – A review of the procedure notes should be undertaken.	M	Procedure notes will be reviewed and updated where necessary.	Bereavement Services Manager	30 th Nov 2020			First informal follow-up scheduled
D1902		Recommendation 2 – Management should ensure that the identified team priorities are addressed.	M	Once R3 is implemented a new appraisal will be completed and team priorities addressed.	Bereavement Services Manager	30 th June 2020			First informal follow-up scheduled
D1902		Recommendation 3 – A review of the staffing at the Crematorium should be undertaken to ensure the current level can adequately provide the service.	M	A review of the current staffing is currently being undertaken and recruitment process has been commenced.	Bereavement Services Manager	30th April 2020			First informal follow-up scheduled
D1902		Recommendation 4 - The Provision of Crematoria Mutual Aid agreement should be reviewed and updated to ensure that it complies with legislation.	M	Discussions will be held with Copeland Council and Legal Services to update the agreement to ensure it is covering the necessary legislation	Bereavement Services Manager	30th April 2020			First informal follow-up scheduled
D1902		Recommendation 5 – The retention schedule and privacy statement should be reviewed to ensure the same retention period is applied.	M	The retention schedule will be updated to reflect the current practices and the privacy statement. Discussion will be held with the Information Governance Manager.	Bereavement Services Manager	30th April 2020			First informal follow-up scheduled
D1902		Recommendation 6 – All personal data should be stored securely.	M	All personal data is now stored securely.	Bereavement Services Manager	Implement ed			First informal follow-up scheduled
D1902		Recommendation 7 – The memorial forms should be reviewed so that service users are aware their data is being sent to a third-party provider.	M	Memorial forms will be reviewed and updated accordingly.	Bereavement Services Manager	30th April 2020			First informal follow-up scheduled
D1902		Recommendation 8 – The Contract with ClearSkies Software should be updated to include reference to meeting GDPR legislation.	M	Discussions will be held with ClearSkies and Legal Services to update the Contract to ensure it is covering the necessary legislation.	Bereavement Services Manager	30th April 2020			First informal follow-up scheduled
D1902		Recommendation 9 – A record of the Green Spaces job sheets issued should be retained within Bereavement Services, which can then be followed up to ensure jobs are completed.	M	A register will be designed and updated to ensure that all Job Sheets issued are recorded in Bereavement Services.	Bereavement Services Manager	30th April 2020			First informal follow-up scheduled
D1902		Recommendation 10 – The premises handbook should be completed in full.	M	Full review of the premise's handbook will be completed.	Bereavement Services Manager	30th Nov 2020			First informal follow-up scheduled

Code	Audit	Recommendation	Priority	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Follow Up No	Status
D1902		Recommendation 11 – The premises handbook should be used to record any incidents at the crematorium.	M	Incident forms will be completed as necessary.	Bereavement Services Manager	Implemented			First informal follow-up scheduled
D1902		Recommendation 12 – The Surveillance Camera Operating Procedure should be completed, and the signage updated in line with the procedure.	M	The Surveillance Camera Operating Procedure will be completed and implemented.	Bereavement Services Manager	30th April 2020			First informal follow-up scheduled
D1905	Tourist Information Services (Reasonable)	Recommendation 1 - Procedures should be updated to ensure all tasks are documented.	M	All tasks will be documented including the opening and closing procedure, Assembly Room hire, stock control, Lone working guidance specific to this service and processing till discrepancies.	Destination Manager	02/01/2020			First informal follow-up scheduled.
D1905		Recommendation 2 - Risks including the control strategy / mitigating actions should be reviewed and updated on a quarterly basis in line with the Corporate Risk Management Policy.	M	All risks are now identified and are updated in line with Corporate Risk Management Policy and timetable.	Destination Manager	11/11/2019			First informal follow-up scheduled.
D1905		Recommendation 3 - Tourist Information Services should update their retention schedule and disposal log in line with the current corporate template.	M	Data retention to be reviewed and new procedures for each type of data to be implemented.	Destination Manager	03/02/2020			First informal follow-up scheduled.
D1905		Recommendation 4 - Formal agreements, including data processing agreements should be set up with all third parties that the service processes personal information for. A copy of each third party's privacy notice should be provided and retained.	M	Formal agreements, including data processing agreements will be set up with all third parties.	Destination Manager	03/02/2020			First informal follow-up scheduled.
D1905		Recommendation 5 - All credit and debit card slips and personal information should be securely retained.	M	Store rooms to upper floor of the Town Hall to be made secure for storage of credit and debit card slips and personal information. Working / live documentation will be retained in a lockable cabinet.	Destination Manager	03/02/2020			First informal follow-up scheduled.
D1905		Recommendation 6 - All stock should be adequately insured.	M	TIC staff to liaise with the Insurance Officer to make sure that all stock held in the TIC is covered by the Council's insurance policy.	Destination Manager	06/01/2020			First informal follow-up scheduled.
D1905		Recommendation 7 - The electronic data currently stored on the Google Drive should be brought in-house and stored on the Council's network.	M	OFS staff to introduce an alternative in house (SharePoint) solution for shared access between Council departments.	Healthy City Team Manager & Destination Manager	31/03/2020			First informal follow-up scheduled.
D1905		Recommendation 8 - Casual officers should be given access to and complete the Skillsgate GDPR and Cyber- Security training.	M	This action plan is being prepared off season. Implementation will be held until spring when casual officers are required.	Destination Manager	01/05/2020			First informal follow-up scheduled.
D1905		Recommendation 9 - Casual officers should receive the annual pay uplift.	M	Casual officers will receive the annual pay uplift.	Destination Manager	31/03/2020			First informal follow-up scheduled.
D1905		Recommendation 10 - To comply with the financial procedure rules all value should be accounted for and the number of petty cash floats should be reduced. Petty cash returns should be regularly completed.	M	The spare float used for events is to be eliminated. The £105.52 will be accounted for.	Destination Manager	31/01/2020			First informal follow-up scheduled.

Code	Audit	Recommendation	Priority	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Follow Up No	Status
D1905		Recommendation 11 - The relevant fees and charges schedule should be reviewed as part of the next budget process to ensure it accurately reflects all rates and charges.	M	All fees and charges are now included in the financial process.	Destination Manager	01/10/2019			First informal follow-up scheduled.
D1905		Recommendation 12 - An agreement / contract should be implemented between the Council and Booking.com and signed by both parties.	M	The Destination Manager will contact Booking.com to establish if this is possible.	Destination Manager	31/01/2020			First informal follow-up scheduled.
D1905		Recommendation 13 - A key list should be documented, and staff should sign for the keys that they have been issued with. Arrangements should be made to have an additional safe key cut. Safe keys should not be retained on the premises overnight.	M	All keys & alarm fobs will be accounted for and signed for by officers in possession of keys for Town Hall.	Destination Manager	31/01/2020			First informal follow-up scheduled.
D1905		Recommendation 14 - The Health and Safety file should be reviewed, and all outstanding services / checks should be completed, and a procedure implemented for raising the alarm with adjoining businesses in the event of a fire.	M	Health and Safety files to be reviewed and all outstanding checks completed including arrangements for fire alarms with adjoining businesses.	Destination Manager & Facilities Manager	31/01/2020			First informal follow-up scheduled.
E1902	Contaminated Land (Substantial)	Recommendation 1 – Individual and team meetings should be carried out more frequently.	M	One to ones to be put in place every 16 weeks.	Principal Health and Housing Officer	Immediately			First informal follow-up scheduled.
E1902		Recommendation 2 – Individual training undertaken without Organisational Development involvement should be logged accordingly.	M	The team have started to update their records and this information has been passed to OD. Will ensure all staff with professional training are completed.	Principal Health and Housing Officer	31/01/2020			First informal follow-up scheduled.
E1902		Recommendation 3 – Procedures should ensure that the GIS system is updated timely.	M	This will be incorporated and updated with IT support.	Principal Health and Housing Officer	31/05/2020			First informal follow-up scheduled.
E1902		Recommendation 4 – The correct fees should be published for environmental searches and guidance provided on when to apply the charges.	M	Information has been updated.	Regulatory Services Manager	Immediately			First informal follow-up scheduled.
A1901		Recommendation 1 – The Project Management SharePoint site should be enhanced to act as a central repository for key information relating to individual projects.	M	Links to all key documents relating to corporate level projects to be sourced, uploaded and maintained within the Project Management SharePoint site by the Project Managers	Project Managers	31/03/2020		1	Process confirmed as in place to capture relevant information for SharePoint site. Closed
A1901				Gaps in availability of key documents to be identified and addressed.					
A1901		Recommendation 2 – Lessons learned reports should be completed and reported for all closed projects.	M	Requests for projects to be closed will not be considered by the Transformation Board until a lessons learned report is received and noted by the Transformation Board.	Project Managers.	31 November 2019	30/09/2020	1	Project closure template designed and available to all Project Managers. Chief Executive Office Manager to ensure completion as part of monitoring role. CLOSED.
A1901				Lessons learned report templates will be readily available within the Project Management SharePoint site.	Consideration at Transformation Board to be facilitated by Chief Executive's Office Manager				

Code	Audit	Recommendation	Priority	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Follow Up No	Status
A1901	Project Management (Reasonable)	Recommendation 3 – The reporting process for digital projects should be reviewed to ensure information taken to the Transformation Board is an accurate representation of projects being undertaken.	M	ICT project status report to be prepared by the ICT Lead Officer responsible for Programme and Project Management.	ICT Lead Officer responsible for Programme & Project	31 November 2019		1	Reporting process reviewed and updated following delegation of responsibility due to vacation of Head of Service Post. Closed.
A1901		Recommendation 4 – Further scrutiny should be applied to projects that have made no progress to determine that they are still active and if they require any additional support.	M	The Transformation Board to review these projects when it considers the Corporate Project status report and determine whether a project is still live based on the narrative contained within.	Chief Executive's Office Manager	31 November 2019	30/09/2020	1	Project Status field. Transformation Board to monitor and close inactive projects.
A1901				Relevant Project Manager to be notified at this point as to the way forward/ next steps.					
A1901		Recommendation 5 – The Transformation Board should be informed of and keep a record of lighter projects	M	The Programme Office (PO) to contact staff asking them to ensure the PO is made aware of those projects across the authority which are live and that have a score of less than 15.	Chief Executive's Office Manager	28/02/2020	30/09/2020	1	Exercise undertaken to identify lighter projects, which are now maintained and monitored on SharePoint. Closed.
A1901				The PO will carry out random spot checks of such projects to ensure good governance arrangements are in place and guidance within the Project Managers Handbook is being followed.					
A1901				A list of these "lighter" projects will be hosted and maintained on the Project Management SharePoint site and updated accordingly by the relevant Project Manager.					
A1901				This list of "lighter" projects will be monitored by the Transformation Board and any additions or removals will be reported to this Board.					
A1901				Review and update the Project Manager's Handbook as required.					
A1903	Information Security (N/A - Memo)	R1. - A joint ICT and Information Governance document detailing planned and ongoing action to implement Information Security improvements should be created and managed.	M	A joint ICT and Information Governance Action Plan detailing planned and ongoing action to implement Information Security improvements will be created and managed.	Lead ICT Officer Infrastructure Management/ Information Governance Manager	31/08/2020			Informal follow-up scheduled
A1903		R2. - The development and implementation of an Information Asset register should be included within a joint ICT and Information Governance action plan.	M	Development of a corporate Information Asset Register will be added to the joint ICT and Information Governance action plan and will take into consideration existing lists of assets and information processing, with the potential to link them together.	Information Governance Manager	31/08/2020			Informal follow-up scheduled
A1903		R3. – Corporate risks relating to Information Governance and Information Security should be formally identified, recorded, assessed and managed.	M	A review of existing risks and identification of other potential risks will be undertaken to ensure the Council's risk exposure is accurate and up to date.	ICT Lead Officer Infrastructure/ Information Governance Manager	31/08/2020			Informal follow-up scheduled
A1903		R4. - Existing records relating to ICT risks, both Corporate and Operational should be reviewed/revised to clearly identify and segregate current embedded controls from planned actions.	M	Existing records relating to ICT risks will be reviewed/ revised to clearly identify and segregate current embedded controls from planned actions.	ICT Lead Officer Programme and Project Management	31/07/2020			Informal follow-up scheduled

Code	Audit	Recommendation	Priority	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Follow Up No	Status
C1901	Building Control (Substantial)	Recommendation 1 – A copy of system reports used for performance reporting should be retained on file.	M	This is now in place.	Building Control Services	Implemented			Informal follow-up scheduled
C1901		Recommendation 2 – A review of all documentation retained by the team should be carried out to determine which records should be retained and for how long. Duplicate and outdated records should be deleted.	M	The storage of information on shared drives will be reviewed and obsolete information removed as part of the transfer of data onto one drive. Completed files on submit-a-plan will be removed and the information retained on IDOX document management system only.	Building Control Services Manager	01/06/2020			Informal follow-up scheduled
C1901		Recommendation 3 – Access to IDOX should be reviewed on a regular basis. Users that no longer require access should have their accounts removed.	M	This work has now been actioned and will be reviewed regularly as an officer's status changes.	Building Control Services Manager	Implemented			Informal follow-up scheduled
D1901	Tullie House (Reasonable)	Recommendation 1 – The monitoring meetings should be scheduled in a way that minimises disruption for both parties but allows for timely & complete reporting	M	Reschedule meetings to ensure that they fit in with both parties schedules	Health & Well-Being Manager	26/02/2020			Informal follow-up scheduled
D1901		Recommendation 2 – Monitoring meeting minutes should be developed to ensure all actions are logged and only removed once confirmed as completed.	M	Contract monitoring meetings minutes to be reviewed to ensure adequate information is contained	Health & Well-Being Manager	26/02/2020			Informal follow-up scheduled
D1901		Recommendation 3 – Monitoring meeting minutes should be made available to both parties on a timelier basis.	M	Contract monitoring meetings minutes to be issued within 7 days of the meeting	Health & Well-Being Manager	26/02/2020			Informal follow-up scheduled
D1901		Recommendation 4 – A process should be established to obtain assurances over the Trust's adherence to the collection and loans agreement	M	To be discussed at next contract monitoring meeting and actions agreed and recorded	Health & Well-Being Manager	26/02/2020			Informal follow-up scheduled
D1901		Recommendation 5 – The risk register should be reviewed and updated to include all current risks, including achievement of saving targets specified in the Council's Medium-Term Financial Plan	M	Update risk register to ensure that all current risks are included	Health & Well-Being Manager	1st April 2020			Informal follow-up scheduled
D1901		Recommendation 6 – The Council should obtain regular assurances regarding the Trust's risk management and develop a system to manage shared risks.	M	Explore option for shared risk register at next contract monitoring meeting and implement	Health & Well-Being Manager	31st May 2020			Informal follow-up scheduled
D1901		Recommendation 7 – The SharePoint site should be developed to include all relevant records.	M	This has been developed and will be the default site for all information	Health & Well-Being Manager	26/02/2020			Informal follow-up scheduled
D1901		Recommendation 8 – The Council should obtain assurances that performance information represents value for money and continuous improvement	M	To be discussed at next contract monitoring meeting and actions agreed and recorded	Health & Well-Being Manager	26/02/2020			Informal follow-up scheduled
D1903 / G1901		Recommendation 1 - Procedures should be updated to ensure all processes are documented.	M	Procedures have now been documented.	Team Manager (Parking & Enforcement) & Finance Officer (Systems, Controls and Development)	12/02/2020		1	Procedures now documented - evidence provided. Closed.
D1903 / G1901		Recommendation 2 - The Deputy Chief Executive should formally approve the use of bodycams.	M	Documentation sent to Deputy Chief Executive for approval.	Team Manager (Parking & Enforcement)	12/02/2020		1	Approval granted by Deputy Chief Executive 30.07.20. E-mail provided as evidence. Closed.

Code	Audit	Recommendation	Priority	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Follow Up No	Status
D1903 / G1901	Car Parking (inc Income) (Reasonable)	Recommendation 3 - Risk assessments should be reviewed and brought up to date.	M	All risk assessments reviewed and updated.	Team Manager (Parking & Enforcement)	12/02/2020		1	Risk assessments reviewed and updated. Evidence provided. Closed
D1903 / G1901		Recommendation 4 - All existing agreements (including Loomis if necessary) should be reviewed to ensure that they cover the service provided / received, reflect the correct charges and are signed by an authorised signatory from both parties.	M	Agreements will be reviewed/set up.	Team Manager (Parking & Enforcement)	30/04/2020			Informal follow-up scheduled
D1903 / G1901		Recommendation 5 - The Outstanding debts should be resolved, and a revised service level agreement should be presented to M&S including relevant fees.	H	Will liaise with Legal Services and Finance to draw up new SLA and outstanding debt.	Team Manager (Parking & Enforcement)	31/03/2020			Informal follow-up scheduled
D1903 / G1901		Recommendation 6 - The Team Manager – Parking & Enforcement should be notified of all discrepancies on a monthly basis and immediately of any in excess of £30.	M	All differences in excess of £30 will be reported to Team Manager immediately, a monthly report will be sent by finance as well, so all discrepancies are notified.	Team Manager (Parking & Enforcement) & Finance Officer (Systems, Controls and Development)	12/02/2020		1	Financial reporting process updated to include variations. Evidence of established reporting process provided.
D1903 / G1901		Recommendation 7 - A management check should be introduced to ensure that all cancelled parking fines (PCNs) have been appropriately approved.	M	Procedure in place for cancellation process and Team Manager to carry out monthly reviews.	Team Manager (Parking & Enforcement)	12/02/2020		1	Evidence provided that management checks undertaken on a sample basis. Closed.
D1903 / G1901		Recommendation 8 - A full review should be completed and brought up to date including setting up a Traders Licence and agreement.	M	A car park strategy is currently being developed in partnership with Councillors to support our Local economy, some projects in place including Free after 3. Current activity will be looked at and actioned following Legal advice.	Team Manager (Parking & Enforcement)	31/03/2020			Informal follow-up scheduled
D1903 / G1901		Recommendation 9 - Management should review the current safe-key holding arrangements and ensure a suitable process is in place to ensure income is fully covered by the Council's insurance.	M	Clarification being sought from insurance.	Team Manager (Parking & Enforcement)	12/02/2020			Informal follow-up scheduled
D1903 / G1901		Recommendation 10 - A signing in and out sheet should be retained to confirm that each bodycam has been checked and is in working order.	M	Signing in and out sheet and process completed.	Team Manager (Parking & Enforcement)	12/02/2020		1	Process updated to include maintenance checks and signing in and out. Evidence Provided. Closed.
D1903 / G1901		Recommendation 11 - A maintenance register should be implemented for the CCTV which covers the car parks and cash office.	M	Maintenance register set up.	Team Manager (Parking & Enforcement)	12/02/2020		1	Process updated to include maintenance checks and signing in and out. Evidence Provided. Closed.
D1903 / G1901		Recommendation 12 - Car Park inspections should be undertaken within the required frequency.	M	Programme of inspections have started in January 2020 and will be completed by the end of February 2020	Team Manager (Parking & Enforcement)	29/02/2020			Informal follow-up scheduled

Code	Audit	Recommendation	Priority	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Follow Up No	Status
D1903 / G1901		Recommendation 13 - The Council should obtain assurances that the Sands Centre monitors both current and future car parking arrangements.	M	Further discussions to held with GLL. CEOs will carry out routine checks to ensure virtual permits issued correctly.	Team Manager (Parking & Enforcement)	19/02/2020			Informal follow-up scheduled
D1904	Driver Checks (Partial)	Recommendation 1 – All officers should be regularly reminded of their responsibility for carrying out necessary driver checks.	H	All managers given guidance and reminded of their responsibilities via email (November 2018 and December 2019).	Fleet and Depot Manager	Completed			Formal follow up scheduled
				Payroll & Fleet to co-ordinate regular quarterly reminders to all officers. Payroll to review feasibility of loading relevant documents into iTrent and issuing automated reminders from the system	Fleet & Depot Manager / Payroll & iTrent Supervisor	30/04/2020			
				Skillgate module to be developed for managers and permitted drivers to further embed checking process and highlight improved guidance.	Fleet and Depot Manager	30/06/2020			
D1904		Recommendation 2 – The Driver Handbook should be presented to and reviewed by Senior Management to determine if it should be implemented and to what extent it replaces the current road risk policy.	M	Handbook for Drivers to be reviewed and approved by SMT.	Fleet and Depot Manager	31/03/2020			Formal follow up scheduled
D1904		Recommendation 3 – Current processes should be reviewed to ensure there are assurances that driver checks are carried out for all relevant officers.	H	Managers to ensure checks are carried within their remit in line with existing policy and repeated guidance.	All managers	30/04/2020			Formal follow up scheduled
				Payroll to check 'permitted drivers list' before paying any mileage allowance for staff using their own vehicles.	Payroll & iTrent Supervisor	30/06/2020			
				Fleet office will continue to provide advice and remind all officers of their responsibilities in line with existing policy to check drivers.	Fleet and Depot Manager	30/06/2020			
				Fleet office to also provide monitoring role to ensure compliance prioritising risk-based approach (highest mileage first).	Fleet and Depot Manager	30/06/2020			
D1904		Recommendation 4- A process should be in place to ensure all staff driving a pool car have an appropriate licence in place.	H	Additional check to be introduced as part of pool car booking system (Fleet and SST to review option to share list of checked drivers to allow for a more efficient checking process)	Service Support Supervisor	30/04/2020			Formal follow up scheduled
				(Fleet office will continue to provide advice and remind managers of their responsibilities in line with existing policy to check drivers.)	Fleet and Depot Manager	30/06/2020			
E1903	Homeless Accommodation (Substantial)	Recommendation 1 - Budgets should be reviewed to ensure that they are realistic and suitable to meet the demands of the service.	M	To review staffing budgets in line with budget cycle review periods. NOTE: caution will need to be applied this financial year given the additional costs and loss of income as a result of dealing with the COVID pandemic	Homelessnes s Prevention & Accommodati on Manager	31 Dec 2020 (2020/21 – 2021/22 financial year)			First informal follow-up scheduled.
E1903		Recommendation 2 - Casual staff should complete all mandatory training within Skillsgate including GDPR and Cyber Security training.	M	To arrange with OD to set up all casual staff access to Skillsgate for all mandatory units. Once established ensure all casual staff have completed this	Homeless Accommodati on Manager & Assistant Homeless Accommodati on Manager	30 June 2020 / 30 September 2020			First informal follow-up scheduled.

Code	Audit	Recommendation	Priority	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Follow Up No	Status
E1903		Recommendation 3 - Individual training undertaken without Organisational Development involvement should be logged accordingly.	M	To establish system to collate and notify OD quarterly of training directly arranged on an ongoing basis.	Homeless Accommodation Manager & Assistant Homeless Accommodation Manager	30/06/2020			First informal follow-up scheduled.
G1902		Recommendation 1 - Risks should be reviewed by another officer in the absence of the risk owner, in line with the Corporate Risk Management Policy.	M	Risk Register contact details to be updated to include a Deputy should the Risk Owner be absent for any reason. Risk Management Assurance Framework to be updated to ensure deputy risk owners are nominated.	Principal Accountant/ Office Manager & PA to Chief Executive	01/07/2020			First informal follow-up scheduled.
G1902	Treasury Management (Substantial)	Recommendation 2 - Access to the Accountancy Drive and the folders within this including treasury management should be reviewed and restricted to officers who only need access.	M	Password protection to be added to the master cash flow spreadsheet and the password shared with relevant officers. Restrictions were previously in place to limit access for certain individuals to specific folders only. Unsure when or why these have been removed. A review of access to the Accountancy drive to be undertaken with IT and access restricted again where required. Roll out to Office 365 would resolve this going forward.	Technical Finance Officer / Principal Accountant	May 2020 / October 2020			First informal follow-up scheduled.
G1903		Recommendation 1 – Job descriptions should be updated to reflect the current roles and reporting lines	M	Job Descriptions to be reviewed and amended as required	Revenues and Benefits Operations Manager	30th June 2020			First informal follow-up scheduled.
G1903	NNDR (Substantial)	Recommendation 2 – Appraisals should be undertaken with all officers and the appraisal documents should be completed timely and processed in line with the Council's processes.	M	Appraisals to be held for Team Leaders	Revenues and Benefits Operations Manager	30th June 2020			First informal follow-up scheduled.
				Team Appraisal to be determined for completion	Revenues and Benefits Operations Manager / Revenues Team Leader	30th September 2020			First informal follow-up scheduled.
G1903		Recommendation 3 – Action should be taken to ensure electronic records containing sensitive personal information can be deleted within acceptable timeframes	M	Subject to suitable software upgrades providing functionality, retention schedule to be reviewed to reflect record deletion timescales	Revenues and Benefits Operations Manager	31st December 2020			First informal follow-up scheduled.

Recommendation evidenced as actioned (Closed)

Recommendations evidenced as part actioned and replaced by new recommendation (Closed)

Recommendation not appropriate for follow up e.g. relates to one off scheme (Closed)

Formal Audit follow up scheduled

Management Statement scheduled to request evidence of implementation

Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)

Code	Audit	Recommendation	Priority	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Follow Up No	Status
		Follow up scheduled for recommendation previously identified as unactioned							
		Recommendation reviewed and not confirmed as actioned (no response/revised timescales have passed)							

Audit of Absence Management

Draft Report Issued: 30 April 2020
Director Draft Issued: 28 May 2020
Final Report Issued: 10 September 2020



Audit Report Distribution

Client Lead:	Human Resources Manager
Chief Officer:	Corporate Director Finance & Resources Chief Executive
Others:	Human Resources Advisor (x2) Human Resources Systems Support Officer Payroll & i-Trent Supervisor Workforce Development Manager Safety Health & Environmental Manager Information Governance Manager Policy & Performance Officer Overview & Scrutiny Officer Service Support Supervisor Lead ICT Officer
Audit Committee:	The next Audit Committee (24 th September 2020) will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the corporate audit of Absence Management. This was an internal audit review included in the 2019/20 risk-based audit plan agreed by the Audit Committee on 18th March 2019.
- 1.2 Un-planned absence through sickness is a common risk for any organisation. The Council's predominant strategy to manage this risk is via the established absence management policy supplemented by activities designed to sustain a happy and healthy workforce.
- 1.3 During 2019/20 the Council has seen a significant rise in sickness levels, particularly long-term.
- 1.4 The Human Resources team have recognised the need to review the current policy and processes and have been taking action to begin to implement these changes alongside this audit review.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was the HR Manager (though the audit was of absence management across the whole authority) and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following scope areas:
 - That absence management is ineffective, resulting in increased sickness negatively impacting on service delivery, finance, reputation and staff morale.
 - Data used for absence reporting is inaccurate, resulting in poor decision-making
 - Loss or breach of sensitive information, resulting in non-compliance with GDPR (attracting investigation and fines)
 - Absence recording process is inefficient, resulting in poor value for money
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix B** for definitions).

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Absence Management provide **partial assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	1	5
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	2	-
3. Information - reliability and integrity of financial and operational information (see section 5.3)	1	4
4. Security - safeguarding of assets (N/A)	-	-
5. Value – effectiveness and efficiency of operations and programmes (see section 5.4)	-	-
Total Number of Recommendations	4	9

4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A.

4.3 Findings Summary (good practice / areas for improvement):

While the current controls in place only provide partial assurance, it is recognised the Council has already put in place a process to review the policies and processes relating to absence management prior to the start of this audit. This planned review, when implemented in parallel with the recommendations within this report should result in a more robust and effective process and should ensure a more consistent approach in managing absence across the Council.

The new Human Resources team has already recognised and prioritised the need to review the current process, having gained approval to have a Business Transformation Scrutiny Panel-led task and finish group.

The Absence Management Policy is key to ensuring a consistent approach is adopted corporately. The current policy is now quite old, having first been written in 2004 (with changes and updates incorporated since then) and a fundamental review of the policy and process has already been recognised and is underway. The findings of this audit support the need for this review and should be taken into consideration as part of this fundamental review of the absence management process.

The weaknesses in the current process expose the Council to a greater risk of managers taking inconsistent or inappropriate actions when it comes to managing absence, which could a) reduce the Council's ability to minimise absence levels and b) exposes the Council to an increased risk of being subject to appeals against employment decisions.

The current policy has not been formally reviewed on a regular basis (although the latest review was in 2019, the previous review was 2012). Training on the policy is mandatory for managers, but there is duplication within the various training packages offered.

Human Resources are responsible for supporting Managers with absence management and are responsible for the administration of the policy; however, various support functions (Organisational Development, Health and Safety and Policy and Performance) also play a role in managing absence. While each function has a clear understanding of their role, there is currently no formally recorded dialogue between the parties to agree or develop interventions. Working closer together would ensure functions all work to the same agreed objectives and enable limited resources to be targeted at managing emerging absence issues. It would also be an opportune time to review the existing roles to ensure they are still appropriate and identify the leading role for absence management.

Suitable reporting is in place to Senior Management and Scrutiny though there could be a need for more regular reporting to the latter when absence levels rise above the expected target to ensure timelier monitoring of information and proposed actions to reduce absence. Internal Audit is assured that information in the report is accurate, but this is a good opportunity to review the accuracy of the reporting process.

Current actions taken by managers are inconsistent and managers fail to document evidence to support decisions taken outside of the policy guidelines, particularly in relation to action taken when absences reach trigger points. The process should be more intuitive, with the level of information required proportionate to the extent and frequency of absence. The Council should explore new options, such as electronic

forms and greater use of the i-Trent HR system as part of any review into absence management

A number of actions are also required to address records management of the documentation held. In particular, there is currently duplication of information held and inconsistent approaches to retention periods. This is evidenced by the unavailability of some information during the audit, particularly in relation to referrals to third parties.

There is also a need to review the current retention schedules and obtain assurances from third parties that sensitive personal information is processed securely and confidentially, as well as ensuring officers are kept aware as to how and why information is processed and stored.

Comment from the Corporate Director Finance & Resources

Despite the Absence Management Policy being reviewed as recently as 2019 by Human Resources it has been accepted that the wider processes which support absence management are due for review; indeed, there is a Task & Finish Group currently undertaking helpful work in this regard.

The Audit has helpfully revealed a number of control weaknesses and some inconsistencies in application of the Council's absence management procedures all of which I agree warrant action as recommended. I accept that improvements can always be made and having 4 high graded recommendations covering 3 aspects of the control environment is justification for the partial assurance in line with the established audit framework criteria.

Although I disagree with the assessment of some of the recommendations being classed as 'high', thus leading to the partial assurance rating, the HR Manager has accepted and commented upon all of the audit recommendations, many of which have a completion date of later in the year or into 2021; therefore until this time, and until the Task & Finish Group has finalised its review, the current (partially assured) policy and process will continue to be used. Members should note that in the past, the Council's policy has been rigorously applied to very positive effect and this would indicate that it is application of the policy and process which is open to question rather than the policy and process itself.

Members should note that the risk to the Council is low in terms of disciplinary actions and employment tribunals, (there being no history of disciplinary actions nor employment tribunals involving the non-adherence to the absence management processes within the Council).

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** An Attendance Management: Sickness Absence policy is in place, which covers key areas such as reporting and recording of absences and the processes to follow in managing absence. The policy is supported by various flow-charts, template documents and supporting material to assist managers.
- 5.1.2** The Policy was introduced in 2004. It has only been formally reviewed on 3 occasions since its introduction (2007/2012/2019) and the most recent amendments were not communicated by HR to managers, although the revised policy is available to all managers on the intranet. It would be advisable to review the policy at least biennially. It is noted a significant review of the Policy is being carried out post-audit (see below).

Recommendation 1 – the policy should be reviewed on a regular basis and managers should be made aware of any amendments.

- 5.1.3** The Policy is available to all managers via a dedicated intranet page, which includes additional guidance and support. Accepting that the intranet remains the Council's corporate internal information system, it is suggested that this is reviewed to ensure it is the most appropriate way to communicate and share information on absence management policies and guidance. A SharePoint site, including policy and supporting documentation/guidance may be more appropriate as this application offers increased functionality.
- 5.1.4** All officers are required to read the Policy as part of the Council's induction process and a link is provided with the relevant paperwork.
- 5.1.5** Face-to-face training was developed by HR and has been provided to managers annually (in co-ordination with Organisational Development) on how to manage absences in line with the Policy. Managers are expected to attend this training at least every three years and efforts are made by HR/Organisational Development to encourage attendance; however, only 21/82 managers have attended the course in the last three years.
- 5.1.6** From 2017 a mandatory e-learning module was introduced for managers, which has been completed by nearly all managers (79/82) within the last three years, indicating all managers have up to date training. An automated traffic light system is in place to ensure training is carried out on a regular, timely basis and that line managers are kept informed of progress.

5.1.7 There is currently duplication, as both training provisions cover the same subject matter. The face to face training was originally designed to cover the topic in more depth with more case studies for managers to discuss and case studies on using support methods to provide early interventions to aid avoiding absence. It would be advisable to review the need to continue delivering the face-to-face training as well as the e-learning module, and if so, how it could be tailored to be more effective (for example, it could be adjusted to support managers having particular absence management difficulties).

Recommendation 2 – The current training provision should be reviewed to avoid duplication, as well as ensuring any amendments made to the policy are incorporated into future training.

5.1.8 The current Policy is comprehensive in its coverage, and clearly sets out guidance, particularly in relation to trigger points for referrals and more formalised absence management. However, evidenced by the inconsistent approaches currently being taken by managers (see section 5.2), the policy is being interpreted and applied differently across the organisation.

5.1.9 These inconsistencies have been raised with the Business and Transformation Scrutiny Panel, who agreed in February 2020 (RD56/19) to form a task and finish group to work with and to assist the HR Manager in carrying out a full review of the existing policy and processes; this is now underway.

5.1.10 Human Resources recently attended a benchmarking seminar relating to absence management, which covered attendance management policies for all Council's in the North West. The team have indicated they will use this information to inform the review of the policies as part of the Task & Finish Group.

Recommendation 3 – the policy should be revised to ensure it can deliver a consistent and fair approach, including incorporation of actions to address the issues identified within this audit.

5.1.11 Absence management is the responsibility of all managers within the Council; however, several functions have a role in supporting the process, namely:

- Human Resources & Payroll; overall responsibility for maintaining an Absence Management Policy, recording reported absence data and providing support to managers on individual cases where necessary.
- Organisational Development; responsible for employee welfare and delivery of a programme of activities to help maintain a happy and healthy workforce (minimising

absence as a result) and co-ordinating corporate training in partnership with service areas including HR

- Health & Safety; responsible for monitoring Employee Assistance Programme, Occupational Health, Physiotherapy and Employee Welfare referrals to external providers, as well as reducing the risk of work-place accidents.
- Policy & Performance; responsible for providing absence management data for Senior Management review.

5.1.12 Other than Human Resources, these responsibilities are not listed within the Policy.

Recommendation 4 - Current responsibilities should be reviewed to ensure all are still appropriate and stream-lined where possible. Retained responsibilities should be documented in the policy.

5.1.13 Discussions with responsible officers from each area indicated they have a good understanding of their role; however, there is little evidence of any formal communication between the teams to ensure everyone is working to the same shared objectives. Regular discussions would also help identify which interventions are working and which need refining.

5.1.14 One option is to have ad-hoc formal meetings with documented minutes/learning and/or action points, however a process is needed to ensure roles, responsibilities and agreed actions are shared, consistent and understood.

Recommendation 5 - A process should be adopted to ensure ad-hoc formal communication between responsible functions, including maintaining a list of agreed actions.

5.1.15 Organisational Development undertake a significant role in supporting the improvement of employee welfare and health, which is key to contributing towards the reduction of sickness absence within the workplace, although it is difficult to prove a direct correlation and impact on absence. The team recently achieved the Better Health at Work silver award and are currently working towards achieving the gold award. The Time to Change pledge was also signed in 2018, resulting in improving mental health awareness for all managers.

5.1.16 Absence management reports are prepared and reported to Senior Management Team on a quarterly basis and the Business Transformation Scrutiny Panel (BTSP) on a six-monthly basis. Minutes for each indicate actions are agreed to address under-performance.

5.1.17 Reporting to the Scrutiny Panel was historically quarterly, but this was reduced to twice a year in 2017 (following a period of low absence levels). It may be more appropriate for performance to be reported to BTSP quarterly when sickness levels rise above the targets set. The responsible Scrutiny Officer agreed to raise this with the Chair of the panel.

Recommendation 6 – Absence information should be reported to BTSP on a more frequent (quarterly) basis when sickness levels rise above target levels (subject to the agreement of the Chair of the Panel).

5.1.18 The report content appears suitable and has been consistently reported, showing trends over the years and breaks absence down by type and directorate for further analysis.

5.1.19 Performance data is extracted from i-Trent using test scripts and formulas. This has made it difficult to test the accuracy of assumptions made in the report; however, the report format has not changed since a substantial audit in 2015 and audit testing confirmed the raw absence data for individuals is accurately recorded in the reports

5.1.20 Given the proposed review of the absence management process, it will also be an opportune time to review formulas within automated reporting tools to ensure data is captured accurately and comprehensively.

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

5.2.1 Documentation relating to a sample of absences was reviewed to ensure the existing policy had been appropriately followed, particularly in relation to notification, return to work interviews and absence management actions (referrals and absence management meetings).

5.2.2 Where required by the policy, absences were supported by appropriate and signed medical certificates.

5.2.3 Appropriate paperwork (notification and return to work discussions) had been completed using the corporate template for all absences reviewed; however, the quality of information recorded varied significantly.

5.2.4 Some forms were comprehensively completed, included detailed explanations for actions taken and reasons for delays or deviation from policy. Other forms were vaguer and contained minimal information. The following concerns were identified by internal audit:

- Lack of documented actions when individuals reached the key trigger point (see below).
- One absence was simply recorded as an individual being tired, without further explanation, which clearly required further detail.
- Management checklists, confirming actions taken had not been completed on 15/34 occasions (the requirement to complete this checklist should be reviewed as part of the response to Recommendation 7).

5.2.5 The level of detail required on the form does not change based on the level of absence and certain information may not be required for shorter absences. Consideration should be given to using a more intuitive format for the form.

5.2.6 4 cases were identified where forms had not been signed by the absent officer and 3 cases where forms were signed on different days between the officer and manager, suggesting a joint discussion had not been undertaken.

5.2.7 Whilst recognising that Managers should be able to use their knowledge and discretion in certain circumstances, in line with the corporate culture adopted by this organisation it is equally important that managers can demonstrate a fair and equitable approach has been taken when managing absence. As well as being aimed at reducing the likelihood of future absences, the forms could also be used in any future disciplinary hearings or employment tribunals.

Recommendation 7 – Template forms should be revised and consideration should be given to developing a more intuitive electronic process.

5.2.8 The timely completion of the forms is included in the management reports, which is currently showing an average time to complete of approximately five days.

5.2.9 Audit testing indicated 26 (76%) of forms had been completed within five days. Of the 8 (24%) forms not completed within a week only one included an explanation for the delay. Two cases were identified where forms had not been completed for 57 and 88 days respectively. Managers are not required to specify the reasons for delays in completing forms; this would ensure reasons for delay are understood and interventions can take place to ensure timelier completion (See Recommendation 7).

5.2.10 The policy includes a trigger point based on the frequency and nature of absences. This should result in managers considering further absence management action, including referrals and absence management hearings.

5.2.11 9/16 individuals tested had hit trigger points relating to short-term absence. Only three individuals had formal absence meetings, while four had reasons stated why no action was considered necessary (though in two cases individuals continued to breach the rolling trigger points with further absence). Two individuals had received no acknowledgement on the form of the trigger point being reached.

5.2.12 In addition, the level of inconsistency between departments is a concern. One area of the Council strictly follows the policy and holds formal hearings for any officer in breach of trigger points, setting stringent targets to reduce absence, while other areas take minimal to zero action to acknowledge trigger points. Both approaches could result in further absence.

Recommendation 8 – Monitoring, training and support should be provided to managers to ensure a consistent approach is taken towards managing individuals who have hit key trigger points.

5.2.13 Officers suffering from long-term or frequent absence, or specific types of absence (stress or musco-skeletal) have the option to be referred to Occupational Health, the Employee Assistance Programme or physiotherapy. The Council has agreements with third-party providers to provide each of these services (the physiotherapy agreement is due an update – see section 4.4). The forms do not differentiate from work-based and private stress or depression – this should be considered as part of the response to Recommendation 7, as each type may require a different form of intervention.

5.2.14 Referrals appear to be appropriate and in line with policy but are not always documented on the absence management form. The proposed revision of the form (see Recommendation 7) should ensure details are more clearly recorded. Three instances were identified where evidence of referrals could not be located on file (See Section 5.3)

5.3 Information – reliability and integrity of financial and operational information

5.3.1 An employee privacy statement is in place on the Council's intranet that specifies the type and reasons absence information is collected.

5.3.2 When the statement was first prepared all staff received an e-mail with a link to the publicised statement and the statement is included in the mandatory e-learning induction for new starters.

5.3.3 All officers should receive regular reminders of the existence of the statement, which should be included on the relevant absence management forms.

Recommendation 9 – Reference to the employee privacy statement should be included on absence management notification forms.

5.3.4 Retention schedules are in place for absence information and the majority of absence management records should be destroyed 6 years after an individual leaves the authority (in line with GDPR guidance).

5.3.5 Occupational Health records are retained until the individual is 75 years old. It is not clear why this is specified, though it is understood to be linked to HSE guidance that states health records should be kept for at least 40 years from the date of last entry. The retention period adopted by the Council is not aligned to this guidance (for example, an individual that left the Council at 40 would need to be 80 before records can be destroyed).

Recommendation 10– Retention periods should be reviewed to ensure they are aligned with all relevant legislation and guidance

5.3.6 There is currently a mix of paper and electronic records retained in relation to absence management, though only electronic information (scanned forms) is now processed. Information is stored securely in cabinets, or on the Council's servers.

5.3.7 Human Resources have acknowledged a need to review the process for identifying and deleting out of date information to ensure records are retained in line with agreed retention schedules.

5.3.8 Instances were identified where individuals had mixed paper/electronic records, making it harder to determine the full extent of absence management information held. In addition, there were gaps in files – for example a follow up hearing would be identified in paperwork but could not be located on file.

5.3.9 Managers currently also retain their own copies of the same absence management information submitted to Human Resources. While information is held securely and destroyed, retention periods adopted varied between manager and are not in line with the

agreed retention schedule. Most of the records retained are a duplication of those held by Human Resources.

Recommendation 11 – A process for ensuring absence information is retained in one location by Human Resources (avoiding duplicate records) should be undertaken, including ensuring information is deleted once it has expired.

5.3.10 Sensitive personal information is provided to third party contractors (Occupational Health, Employee Assistance Programme and Physiotherapy) when referrals are made. The relevant referral forms contain a reference to the processing of personal information.

5.3.11 Both the Occupational Health and Employee Assistance Programme contracts include reference to compliance with GDPR (both through additional documents agreed when legislation was introduced). The agreement for Physiotherapy referrals is currently out of date and does not include reference to the legislation.

5.3.12 To ensure third parties appropriately handle the Council's sensitive personal information the Information Governance Manager has prepared a questionnaire that should be completed by all relevant organisations, which provides assurances data is handled securely and safely. To date this questionnaire has not been completed for any of the three providers.

Recommendation 12 – the service level agreement in relation to Physiotherapy should be updated and include reference to data protection legislation.

Recommendation 13 – all third parties handling sensitive personal absence data should be required to complete the Information Governance Manager's questionnaire.

5.4 Value – effectiveness and efficiency of operations and programmes

5.4.1 It is clear from audit testing that the current process could be streamlined and be more intuitive and proportionate to the extent of absence, which should improve the efficiency of the process and improve buy-in by officers and managers.

5.4.2 Consideration is being given to using iTrent to retain information more efficiently and other tools should be considered as part of the process review.

5.4.3 The recommendations in this report support the implementation of a more efficient service and improvements to efficiency should be considered as part of the Council's response to these.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – the policy should be reviewed on a regular basis and managers should be made aware of any amendments.	M	Policy becomes outdated. Managers make poorly informed and/or inconsistent decisions.	Initial review to be carried out (see Recommendation 3). Review date to be included in new policy (suggestion likely to be every two years)	HR Manager	31 st December 2020.
Recommendation 2 – The current training provision should be reviewed to avoid duplication, as well as ensuring any amendments made to the policy are incorporated into future training.	M	Managers make poorly informed/inconsistent decisions due to insufficient understanding of Policy. Duplication of resource in training provision.	Training will be provided once new policy is developed and approved. Will roll out through VAR Management briefing but then look at Skillsgate modules as well as regular Managers' sessions.	HR Manager and Organisational Development Manager	31 st March 2021
Recommendation 3 – the policy should be revised to ensure it can deliver a consistent and fair approach, including incorporation of actions to address the issues identified within this audit.	H	Inconsistent approach results in failure to manage absences and also potential disciplinary action and employment tribunals.	Task and finish group has been established made up of members and HR to review. First virtual meeting scheduled w/c 15 th June 2020	HR Manager	31 st December 2020

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 4 – Current responsibilities should be reviewed to ensure all are still appropriate and stream-lined where possible. Retained responsibilities should be documented in the policy.	M	Responsibilities not appropriately assigned or understood, resulting in inefficient processes.	As Recommendation 3 review of Policy will ensure responsibilities are reviewed and made clear in the policy document.	HR Manager	31 st December 2020
Recommendation 5 - A process should be adopted to ensure regular formal communication between responsible functions, including maintaining a list of agreed actions	M	Teams work in silos and do not maintain consistent roles and responsibilities, reducing in inefficient and inconsistent actions. Resource not focused on agreed priorities.	As Recommendation 3 review of Policy will ensure clarity of responsibility and trigger points will allow for easier monitoring and action.	HR Manager	31 st December 2020
Recommendation 6 – Absence information should be reported to BTSP on a more frequent (quarterly) basis when sickness levels rise above target levels. (subject to the agreement of the Chair of the Panel).	M	Management decisions not made on a timely basis.	Agreed that from January 2021 this will be in place – following review and implementation of the new Policy (subject to agreement from BTSP Chair)	HR Manager	31st January 2021

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 7 – Template forms should be revised and consideration should be given to developing a more intuitive electronic process.	H	Forms do not provide relevant information of inform appropriate corrective action, resulting in increased absence. Potential issues in the result of disciplinary action. Forms not completed correctly resulting in accurate information.	As Recommendation 3 review of Policy will ensure new and easier forms & recoding methods. Every attempt will be made to utilise our current systems and/or electronic reporting.	HR Manager	31 st December 2020
Recommendation 8 – Monitoring, training and support should be provided to managers to ensure a consistent approach is taken towards managing individuals who have hit key trigger points.	H	Inconsistent approach creating difficulties in the event of disciplinary action. Ineffective/excessive action taken, both of which could contribute to increased absence.	As Recommendation 4 review of Policy will ensure new and easier triggers and policy should limit any ambiguity.	HR Manager	31 st March 2021
Recommendation 9 – Reference to the employee privacy statement should be included on absence management notification forms	M	Breach of data protection legislation.	Reference to be made on all forms which share personal information. Wording to be agreed between Information Governance Manager and HR Manager.	Information Governance Manager & HR Manager	31 st December 2020

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 10– Retention periods should be reviewed to ensure they are aligned with all relevant legislation and guidance	M	Information not retained in line with guidance/legislation.	Retention periods to be reviewed and agreed with Information Governance Manager and OH Provider.	HR Manager & Information Governance Manager	31 st December 2020 (could be earlier as not dependent on Policy review)
Recommendation 11 – A process for ensuring absence information is retained in one location by Human Resources (avoiding duplicate records) should be undertaken, including ensuring information is deleted once it has expired.	H	Increased risk of data breaches, resulting in non-compliance of data protection legislation. Wasted resource used to store duplicate records.	HR and Payroll are moving to electronic only records. All referrals and absence related data should only be kept by HR and Payroll and revised policy will include sections on data retention.	HR Manager	31 st December 2020 (could be earlier as not dependent on Policy review)
Recommendation 12 – the service level agreement in relation to Physiotherapy should be updated and include reference to data protection legislation	M	Third-party provider does not securely retain sensitive council information in line with legislation	The service level agreement in relation to Physiotherapy should be updated and include reference to data protection legislation.	H&S Manager and Legal	31 st December 2020 (could be earlier as not dependent on Policy review)

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 13 – all third parties handling sensitive personal absence data should be required to complete the Information Governance Manager's questionnaire.	M	Third-party provider does not securely retain sensitive council information in line with legislation	This to form part of the OH and third-party contracting processes.	H&S Manager	31 st December 2020 (could be earlier as not dependent on Policy review)

Appendix B - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix C

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).

Audit of Environmental Strategy - Baseline Data

Draft Report Issued: 10 June 2020
Director Draft Issued: 14 July 2020
Final Report Issued: 03 August 2020



Audit Report Distribution

Client Lead:	Policy and Communications Manager
Chief Officer:	Deputy Chief Executive Corporate Director of Economic Development Chief Executive
Others:	Policy & Performance Officer Data Analyst Apprentice Information Governance Manager
Audit Committee:	The Audit Committee, which is due to be held on 24 September 2020, will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the audit of Environmental Strategy – Baseline Data. This was an internal audit review included in the 2020/21 risk-based audit plan agreed by the Audit Committee 30 July 2020.
- 1.2 In March 2019 the Council passed a motion to declare a Climate Change Emergency and a decision was taken to prepare a Local Environment (Climate Change) Strategy. Strategy preparation is informed by the Council's own data and information, with additional evidence from Cumbrian authorities who are also progressing strategies and action plans to respond to:
- The Government's announcement (of 12th June 2019) to amend the Climate Change Act 2008 to require net United Kingdom carbon emissions to be zero by 2050
 - Council's Climate Emergency motion (of 5th March 2019) to inter alia make the Council's activities net-zero carbon by 2030.

To support the implementation of the strategy and the achievement of related objectives it is essential that accurate and reliable data is available in accordance with the agreed methodology.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was Policy and Communications Manager and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following scope areas:
- Risk 1 – Governance – Failure to achieve business objectives due to insufficient governance (specific to data collection, recording and reporting activity).
 - Risk 2 – Information Governance – Loss or breach of information / fines and sanctions / reputational damage due to failure to securely process, retain, share and dispose of records and information.

- Risk 3 – Data used to determine the City Council’s baseline carbon footprint is incomplete, inaccurate and/or lacks integrity leading to an inability to meet reporting requirements. Resulting in reputational damage and potential sanctions.

2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix B** for definitions).

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Environmental Strategy - (Part 1) – “Completeness, accuracy and integrity of data used to determine the Council’s baseline carbon footprint” provide **Partial assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation’s strategic objectives achieved (see section 5.1)	2	-
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	-
3. Information - reliability and integrity of financial and operational information (see section 5.3)		2
4. Security - safeguarding of assets (see section 5.4)	-	-
5. Value – effectiveness and efficiency of operations and programmes (N/A)	-	-
Total Number of Recommendations	2	2

4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A.

4.3 Findings Summary (good practice / areas for improvement):

Responsibility for establishing and reporting the City Council's baseline carbon footprint is allocated to the Policy and Communications Team. Data collection and assessment is currently ongoing and supporting documentation was continuing to be developed in accordance with the three-scope model published by the Local Authority Climate Policy Group. This model provides high level guidance on the methodology to calculate an organisations baseline carbon footprint.

General governance is in place to support team activity such as job description documents, service plans and risk management records. However, while the audit found the individuals involved in the collection/assessment of data had a good knowledge of the high level three-scope model, there is no evidence to indicate specific governance (direction and guidance) had been sufficiently developed to clearly define how the model was being applied to data collection/assessment within the City Council to provide assurance in relation to the "Completeness, accuracy and integrity of data used to determine the Council's baseline carbon footprint".

Discussions with responsible officers involved in data collection and assessment to inform the calculation of the baseline carbon footprint indicated they had a good understanding of their roles. However, local data collection and assessment activity was not supported by a documented project or action plan and adequate local data definitions had not been established. As a result, there was a lack of clarity in relation to data collection, data quality and risk management requirements, actions and responsibilities.

It is recognised this activity is new to the City Council and it is evident the Policy and Communications Team are continuing to learn and modify activity as learning and experience develops.

Information gathered to inform the audit indicates no personal data is processed during the collection/analysis of data to inform the development of the Environmental Strategy. In addition, all personnel involved in the collection/analysis of data have completed relevant GDPR and Cyber Security Awareness Training.

Data is not currently shared with other organisations or third parties. Audit enquiries revealed that data will eventually be shared with associated countywide working groups and partner organisations, but at present there is no evidence to indicate controls are planned to support data sharing.

Due to the absence of fundamental governance and direction, such as but not limited to a formal project/activity plan and fully detailed data definitions, an audit opinion of 'Partial' assurance is provided at this time. However, completion of the ongoing development activity and implementation of the recommendations detailed within this report has the potential to mitigate the identified issues.

Comment from the Deputy Chief Executive

As identified in the 'Findings Summary' this area of work is new to the City Council and whilst good progress is being made on the development of an Environmental Strategy the findings and associated recommendations of this report are welcomed and will be actioned during July and August 2020.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** A suitable structure supported by documented job description documents is in place within the Policy and Communications Team. The general purpose and responsibilities associated to each role are well defined.
- 5.1.2** It is noted the job description for the role of Policy and Communications Manager has not been reviewed since November 2010. Therefore, review of the document should be considered to ensure it remains appropriate.
- 5.1.3** The Policy and Communication Team have access to general direction and guidance that includes the following:
- Annual Performance Report Forward Plan;
 - Carlisle City Council KPI Definition and Target Guide;
 - Data Quality Policy; and
 - Performance Framework
- 5.1.4** The content of the available general direction and guidance has the potential to add value and influence good practice in the collection and assessment of data to support the development of the Environmental Strategy. For example, the following text is included within the Carlisle City Council KPI Definition and Target Guide:
“Clear definitions are critical to ensuring consistent data” and “Definitions that are unclear increase the risk of inaccurate data capture or poor data quality”.
In addition, the Data Quality Policy describes how the Council will ensure the quality of the data it produces with specific emphasis on data for the reporting of management information, performance indicators and compliance with the General Data Protection Regulation (GDPR).
- 5.1.5** The Policy and Performance Team are aware of performance targets in relation to Environmental Strategy development. However, there is a lack of clarity over reporting requirements and responsibilities to provide assurance timely, accurate reporting of performance information takes place and actions are planned to improve any areas of underperformance.
- 5.1.6** There is a lack of evidence to demonstrate the available direction/guidance has been followed or that activity related to the collection, analysis and reporting of data is formally planned. In addition, there is a lack of evidence to demonstrate adequate local data definitions have been developed to support the collection and assessment of data and

ensure the completeness, accuracy and integrity of data used to determine the Council's baseline carbon footprint. At the time of the audit reliance was placed on informal activity planning and development of local data definitions was ongoing.

- 5.1.7** Review of documentation made available for audit revealed document control is not embedded.
- 5.1.8** Team objectives are detailed within the Policy and Communications Team Business Plan. The objectives do not include specific references to the development of the Environmental Strategy or the collection and analysis of supporting data. However, other information such as Management briefing records and the draft Local Environment Strategy (presented to the Executive 10 February 2020) are available and include reference to related objectives.
- 5.1.9** A risk register detailing risks applicable to the Policy and Communications Team is available within the Performance Management element of SharePoint. The register is consistent with the corporate format. The register does not include any references to risks associated to the development or associated activity to collect and assess data to inform the Environmental Strategy. However, a general risk related to data quality is detailed.
- 5.1.10** It is acknowledged the risk register is consistent with the corporate format and approach to risk management. However, there are issues evident in relation to content that reduce the value of the risk management activity/record and action should be taken at a corporate level to improve the value of risk management within the City Council. Other audit activity unrelated to this audit is ongoing to communicate observations and opportunities for improvement related to risk management to management for consideration.

Recommendation 1 – A documented Project/Activity Action Plan should be developed to clearly communicate objectives, required actions, responsibilities, timescales and inform risk management activity related to Environmental Strategy data collection/assessment activity and reporting.

Recommendation 2 – Clear and comprehensive local data definitions should be developed relevant to the City Council to inform and support Environmental Strategy data collection/assessment activity and reporting.

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

- 5.2.1 Data collection, recording and assessment is informed by reference to the three-scope model published by the Local Authority Climate Policy Group.
- 5.2.2 High-level definitions are included within the model. However, there is currently a lack of evidence to demonstrate how the high-level definitions have been applied to the City Council.
- 5.2.3 Potential source data has been requested and collected by members of the Policy and Communications Team. This data has been used to begin the calculation of Council's Carbon Footprint/Greenhouse Gas Baseline figure, but it is not currently possible to determine if the data collected is consistent with requirements due to the lack of clear data definitions. For example, locally developed fixed asset records have been used to identify vehicles and equipment but there is a lack of information to clearly demonstrate the selection process and clarify why some items have been included or excluded.
- 5.2.4 Further data definition detail is required for each element of the model to clearly set out and justify what is to be included and what is to be excluded. In addition, there is a need to clearly define the data collection period/s to support a consistent approach (**See Recommendation 2**).
- 5.2.5 Data collected to inform the development of the Environmental Strategy does not include personal information.
- 5.2.6 The Policy and Communications Team are aware of the potential for data to be linked to an individual through vehicle registration and associated fuel use records. However, additional information would be required for the potential to become a reality. Therefore, the additional information required to identify individuals is not collected or processed.

5.3 Information – reliability and integrity of financial and operational information

- 5.3.1 It is acknowledged that work is ongoing to establish information and data requirements and identify and assess source data.
- 5.3.2 There is a lack of evidence to demonstrate data collection/assessment/recording activity is planned and that adequate supporting information has been developed/communicated. For example, the three-scope model (an external document) is used to determine information/data requirements but further work is required to adequately establish how

this high-level direction should be applied within the City Council. The absence of a clear plan and local supporting information (data definitions) increases the risks associated to the identification, collection, assessment and reporting of related requirements.

5.3.3 Audit sample of data records created by the Policy and Communications Team identified several issues that indicate data quality activity is not embedded in the current informal process and the lack of data quality assessment information indicates non-compliance with the Council Data Quality Policy. Identified issues resulted in an incomplete audit trail and included:

- Blank data fields in source/assessment information used in the calculation of totals;
- Inconsistent results quoted in different elements;
- Duplicate entries; and
- Different units of measure used to calculate a total for a single unit of measure.

5.3.4 It is acknowledged that limited supporting information and questions are recorded within elements of the documentation sampled during the audit. It is also acknowledged that as a result of audit observations examples of further development of supporting documentation was supplied for audit consideration following completion of audit fieldwork. This demonstrates some consideration has been given to known issues and data quality and that development of the data collection methodology remains ongoing. However, further development/completion is required to ensure data records are clear and consistent with requirements.

5.3.5 It is noted the Policy and Communications Team place reliance on source data owners for the completion of data quality activity prior to the supply of data/information to the Policy and Communications Team. However, data quality should be confirmed during any processing activity. Therefore, the Policy and Communications Team should undertake data quality activity to gain assurance in relation to the completeness and accuracy of the data during and following processing. For example, the Policy and Communication Team should, as a minimum, confirm all required data has been collected and used in accordance with any related supporting definition/s.

Recommendation 3 – Details and arrangements for the completion of data quality activity should be developed and communicated.

5.3.6 Except for routine personnel management there is a lack of evidence to demonstrate Environmental Strategy data collection, assessment and reporting activity is formally monitored and managed. However, the audit was informed the Policy and Performance

Team undertake informal management activity, but associated records are not currently created or retained.

Recommendation 4 - The process and associated responsibilities for monitoring and managing data collection, assessment and reporting activity should be developed and communicated.

5.4 Security – Safeguarding of Assets

5.4.1 It is noted that activity to collect and analyse data is ongoing and that data is not currently shared with other organisations or third parties. The audit was informed there is an intention/expectation that data will be shared with other organisations and/or third parties from an unspecified point in the future. However, there is currently no evidence to demonstrate how the sharing of data will be controlled/managed or that actions are planned to implement associated controls.

5.4.2 Consideration should be given to the inclusion of information and the development of controls associated to the sharing of information to mitigate related information risks.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – A documented Project/Activity Action Plan should be developed to clearly communicate objectives, required actions, responsibilities, timescales and inform risk management activity related to Environmental Strategy data collection/assessment activity and reporting.	H	Lack of clarity in relation to requirements and allocated responsibilities leading to confusion, inefficient use of resources and exposure to unidentified risk/s.	An action plan to complete the organisational carbon footprint is being progressed, this plan will be a detailed sub-plan of an action in the Policy & Communication Service Plan. This plan will allocate roles and set a timescale for the completion of the work.	Policy & Communication	31/7/2020
Recommendation 2 – Clear and comprehensive local data definitions should be formally developed relevant to the City Council to inform and support Environmental Strategy data collection/assessment activity and reporting.	H	Lack of clarity in relation to the value and completeness of data leading to an inability to confirm data quality and the achievement of overarching requirements.	Ongoing work to formally develop local data definitions will be completed and definitions will be subject to regular review/revision as data availability/maturity improves.	Policy & Communication	31/8/2020

Recommendation 3 – Details and arrangements for the completion of data quality activity should be developed and communicated accordingly.	M	Lack of clarity in relation to allocated responsibilities leading to inconsistent practice and lack of assurance in relation to data quality.	Policy and Communications Team arrangements and responsibilities for ensuring the quality of data processed by the Team in accordance with local data definitions will be developed and communicated to team members. The Policy and Communications Team will develop a dashboard to monitor data quality and highlight issues to be followed up with source data owners.	Policy & Communication	31/8/2020
Recommendation 4 - The process and associated responsibilities for monitoring and managing data collection, assessment and reporting activity should be developed and communicated accordingly.	M	Lack of clarity in relation to allocated responsibilities leading to inconsistent practice and lack of assurance in relation to objective achievement.	The Policy and Communications Team process and associated responsibilities for monitoring and managing data collection, assessment and reporting in accordance with local data definitions will be developed. This will be communicated to Policy and Communications Team members and shared with source data owners.	Policy & Communication	31/8/2020

Appendix B - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix C

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).

Audit of Insurance

Draft Report Issued: 11 August 2020
Draft Report reissued: 12 August 2020
Director Draft Issued: 02 September 2020
Final Report Issued: 09 September 2020



Audit Report Distribution

Client Lead:	Finance Officer (Corporate Insurance and Governance)
Chief Officer:	Corporate Director of Finance and Resources Chief Executive
Others:	Financial Services Manager Principal Accountant Information Governance Manager
Audit Committee:	The Audit Committee, which is due to be held on 24 th September 2020 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the audit of Insurance. This was an internal audit review included in the 2020/21 risk-based audit plan agreed by the Audit Committee on 30th July 2020.
- 1.2. The Council is required to have in place an appropriate level of insurance cover to demonstrate good combined financial and risk management. It is important that the Council has full insurance which covers all the risks that affect the Council.
- 1.3. The Council's main insurer is Zurich Municipal. Marsh UK is the appointed Insurance Broker who provide specialist advice and guidance to help ensure appropriate and adequate insurance cover arrangements are in place to address the risks exposed.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was the Finance Officer (Corporate Insurance and Governance) and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following scope areas:
 - Failure to achieve business objectives due to insufficient governance.
 - The Council does not have adequate insurance cover leading to avoidable financial losses and reputational damage.
 - Inadequate insurance cover for third parties who complete work / provide services on behalf of the Council and events and activities held in Council premises / land leading to avoidable financial losses and reputational damage.
 - Insufficient management, monitoring, reporting and defence of insurance claims resulting in avoidable financial losses and reputational damage.
 - Insurance cover does not provide value for money. (for example, through excessive or duplicated cover)
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix B** for definitions).

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Insurance provide **Reasonable assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	2
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	2
3. Information - reliability and integrity of financial and operational information (see section 5.3)	-	1
4. Security - safeguarding of assets (N/A)	-	-
5. Value – effectiveness and efficiency of operations and programmes (see section 5.4)	-	-
Total Number of Recommendations	-	5

4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A.

4.3 Findings Summary (good practice / areas for improvement):

There is a strong governance framework in place with no significant areas of weakness identified and therefore reasonable assurances are in place. Insurance forms part of the accountancy structure, service plan and risk register.

The Finance Officer (Corporate Insurance & Governance) has regular meetings with their line manager, the Council's Insurer and broker. Both the insurer and broker offer advice and support to ensure that the Council is not overly exposed to any risk of financial or reputational loss as a result of a claim.

The main concern raised during this audit review was that there are limited documented procedures / guidance to cover the Finance Officer's (Corporate Insurance & Governance) tasks and as a result there continues to be a risk that there may be a lack of continuity if the officer was absent for some time. However, it should be noted that there are contingencies in place such as the lines of communication with brokers and insurers for any instances where a claim happens and the comprehensive filing system of previous actions to be able to follow if necessary.

The Council's Insurance Broker assists the Council in preparing tender documentation in consultation with the Council for the procurement process for the Council's insurance cover and preparing the documentation for insurance renewals. There is adequate segregation of duties in place for purchasing insurance.

The Council uses Claims-Control, a software platform for managing incidents, claims, risks, insurance and associated information. Information is also stored electronically on the Council's IT network, access to this should be restricted to appropriate officers only as it includes sensitive personal data.

A review of the minutes for both the Risk Management Sub-group and the Corporate Risk Management Group highlighted that processes need to be tightened to ensure adequate monitoring and reporting of actions for issues that are raised in relation to insurance.

The Managing Occupational Road Risk Policy explains that all incidents should be reported to their line manager or another designated person and an incident / accident form completed and sent to Fleet and Insurance. Audit testing highlighted that this process is not always completed. Examples were noted during audit testing where incident / accident forms had not been completed and several forms had not been completed in full.

Comment from the Corporate Director of Finance and Resources

A useful audit review of the Council's Insurance arrangements which has highlighted a strong governance framework with no significant weaknesses. Given the importance of having appropriate insurance cover in place to protect, as far as possible, the Council and its assets, and adequate insurance procedures to manage the risk, the recommendations made in this report have been accepted by management and will be implemented within the agreed timescales.

5.0 Audit Findings & Recommendations

Management – Achievement of the organisation's strategic objectives

- 5.1.1 Insurance is included within the accountancy team structure, which was last reviewed in February 2020. The Finance Officer (Corporate Insurance & Governance) has a current job description and the role reports directly to the Financial Services Manager.
- 5.1.2 One of the overall responsibilities for the Finance Officer (Corporate Insurance & Governance) is to administer the Council's insurances and to contribute to ensuring the City Council has an effective risk management programme in place.
- 5.1.3 The Financial Services Manager or the Principal Accountant provides cover when the Finance Officer (Corporate Insurance & Governance) is absent.
- 5.1.4 The Financial Services Manager confirmed that resilience / succession planning is being considered. In preparation the Finance Officer has been requested to document procedure notes for tasks as they are completed.
- 5.1.5 At the time of the audit review there was little documented procedures / guidance for tasks relating to insurance and as a result there continues to be a risk that there may be a lack of continuity if the officer was absent. It should be noted that this was a medium risk recommendation in the previous audit report of Insurance in 2015/16.

Recommendation 1 – Procedures / guidance should be documented to cover the Finance Officer's (Corporate Insurance & Governance) role.

- 5.1.6 The Finance Officer (Corporate Insurance & Governance) has regular meetings with their line manager. Training needs / requests are discussed during the annual appraisal process, or when relevant training events arise.
- 5.1.7 Insurance forms part of the accountancy service plan which is retained on SharePoint. The insurance objective is to ensure the Council is not overly exposed to any risk of financial or reputational loss as a result of a claim.
- 5.1.8 There is a risk detailed in the accountancy risk register on SharePoint, which relates to insurance - "There is a risk that the Council assets could be lost if they are not adequately insured or that inadequate cover elsewhere could cause reputational and financial risk to the City Council" This risk was last reviewed in July 2020, the control strategy / mitigating actions include documented procedures, however this remains outstanding. **See Recommendation 1.**

- 5.1.9** Quarterly reports are sent to directorates and any concerns are discussed with management and raised during the monthly Risk Management Sub-group meetings. If necessary, issues are escalated to the Corporate Risk Management Group.
- 5.1.10** The Finance Officer (Corporate Insurance & Governance) attends the Risk Management Subgroup which meets regularly. A review of the minutes for these meetings highlighted there is no suitable tracking of actions. For example, the November 2019 minutes record that issues have been noted with poor quality of completion of accident report forms. No progress was included in the minutes of the next three meetings. These minutes are usually presented to the Corporate Risk Management Group (CRMG); however, a review of this group's minutes identified there was no evidence recorded to confirm that the subgroup meeting minutes for October and November 2019 and January and March 2020 had been presented.

Recommendation 2 – The Risk Management Sub-Group should ensure suitable tracking of outstanding actions and meeting minutes should be formally recorded as presented to the Corporate Risk Management Group (CRMG).

- 5.1.11** The Finance Officer (Corporate Insurance & Governance) attends quarterly review meetings with the Council's insurer and the broker.
- 5.1.12** Budgets are reviewed monthly and a copy of the monthly FIS report is received.
- 5.1.13** The Council's Insurance Broker provides advice and assists in undertaking the procurement process for the Council's insurance cover. There is adequate segregation of duties in place for purchasing insurance.
- 5.1.14** The Council's insurance arrangements are reviewed and renewed each year in line with the long term agreement. The basis of the renewals are spreadsheets containing financial information. The spreadsheets are reviewed and updated prior to each renewal. For example, all directorates are asked to contribute to information held on inventories. Up to date information is regularly provided for vehicles.
- 5.1.15** Property valuations and inventories are reviewed annually.
- 5.1.16** Much of the information that insurers base the policy cover on is updated as and when information or assets change.
- 5.1.17** There are no documented procedures or guidance for renewals. The Insurance Officer confirmed that in their absence the officer undertaking the role would be guided by the insurer, the broker and the previous renewal documentation. **See Recommendation 1.**

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

- 5.2.1 The Finance Officer (Corporate Insurance & Governance) receives updates from the Council's insurer, broker and the North West Insurance Group to keep up to date with industry practices, regulations etc.
- 5.2.2 The Council uses Claims-Control, which is a software platform for managing incidents, claims, risks, insurance and associated information.
- 5.2.3 There is a signed agreement in place with Alphatec for Claims Control. This was completed prior to the implementation of GDPR in May 2018. The Information Governance Manager reviewed the existing contract and has advised that when the contract is extended or renewed that it is reviewed to ensure that GDPR is fully complied with. This should include document retention and disposal.
- 5.2.4 Alphatec are responsible for ensuring protective measures are in place to protect against data loss.
- 5.2.5 Documentation relating to insurance including personal information is also retained electronically on the Council's IT network. A list of officers with access to the insurance folder was provided by ICT Services. This identified several officers have access to the folder that do not need it.

Recommendation 3 – Access to the insurance documentation should be reviewed and restricted to appropriate officers only.

- 5.2.6 The Fleet & Depot Manager confirmed that all Council vehicles have an Accident Report Card. The card provides instructions and a check-list of what to do & complete in the event of an incident / accident and a tear-off slip to leave with the third party.
- 5.2.7 The Finance Officer (Corporate Insurance & Governance) is invited to attend the quarterly Health & Safety Service Improvement Group meetings to highlight and discuss insurance issues.
- 5.2.8 The Managing Occupational Road Risk Policy explains that all incidents should be reported by drivers to their line manager or another designated person and an incident / accident form completed and sent to Fleet. Fleet records the incident / accident and sends the form to the Finance Officer (Corporate Insurance & Governance). Upon receipt, a unique reference number is issued so all repair costs can be assigned. Should Fleet be aware of an incident or find damage upon a vehicle inspection, contact is made with the user departments requesting a completed form.

5.2.9 Audit testing included a review of a sample of claims. Testing highlighted that an incident / accident form has not always been completed and a number of submitted forms were incomplete.

Recommendation 4 – All relevant officers should receive formal training to ensure full compliance with the Council’s Managing Occupational Road Risk Policy. Ongoing monitoring should continue to take place to ensure that all incidents / accidents are appropriately recorded and reported.

5.3 Information – reliability and integrity of financial and operational information

5.3.1 Insurance is included within the Financial Services Privacy Notice which is available to view on the Council’s website.

5.3.2 A retention schedule and disposal log are in place for the Council which includes Insurance.

5.3.3 The Finance Officer (Corporate Insurance & Governance) confirmed all directorates have been advised that third party insurance documentation should be provided to themselves for any events on Council property or land including contractors working for the Council. These documents are recorded on a spreadsheet and monitored for expiry dates etc. The responsible officer is contacted when the insurance has expired to request updated information. An electronic copy of the insurance documentation is retained. There are no documented procedures / guidance for this process. **See Recommendation 1.**

5.3.4 Audit testing highlighted that Property Services work independently and manage third party insurances themselves, usually through the procurement process. The Finance Officer (Corporate Insurance & Governance) does not receive a copy of the insurance documentation. It is understood that the Council’s Insurer recommends that the Insurance Officer checks all insurance documentation.

5.3.5 A sample of Old Fire Station (OFS) events was reviewed to see if adequate third party insurance was provided. It was noted that evidence of third party insurance was not provided for three events.

Recommendation 5 – Guidance should be issued to officers to ensure that the Finance Officer (Corporate Insurance & Governance) receives copies of all third party insurance documentation to ensure appropriate cover is in place.

- 5.3.6** The Events Risk Management Group is responsible for reviewing and approving application forms for events held on Council property or land. Roles, responsibilities and membership of this group has been included in the Events Policy and Procedures. Two different versions of this policy and procedures were provided during the audit review. The Finance Officer (Corporate Insurance & Governance) confirmed they would ensure all officers are using the most up to date version.
- 5.3.7** The minutes of the Event Risk Management Group were reviewed. A review of a sample of events confirmed that copies of appropriate third party insurance were provided.
- 5.3.8** All insurance claims are monitored using Claims Control.
- 5.3.9** Several examples were provided to confirm that action is taken after a claim to reduce the risk of a duplicate claim.

5.4 Value – effectiveness and efficiency of operations and programmes

- 5.4.1** The tender and evaluation process for the Council's insurance cover was completed by the Council's Procurement Team with assistance of the Insurance Broker and complied with the OJEU procurement process. The evaluation scoring process included quality and price.
- 5.4.2** The current contract with the broker was awarded during the COVID-19 pandemic and was made via a direct award under a procurement framework, in line with the Council's procurement rules based on the value of the contract. The contract has been appropriately signed by both parties.
- 5.4.3** There are limited insurance options for local authority cover. The Council receives advice and guidance from both the insurer and its broker who are very knowledgeable. The Council's insurance broker looks at market comparisons for the annual policies which include cyber, fine arts and personal accident cover.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1: Procedures / guidance should be documented to cover the Finance Officer's (Corporate Insurance & Governance) role.	M	If procedures are not clearly documented, officers may be unsure of their roles and responsibilities this may lead to reputational damage to the Council.	A procedure manual and guidance notes are in the process of being completed and will be undertaken alongside the main activities as they occur. This was put in place prior to the audit as a succession planning strategy.	Financial Services Manager	31/03/21
Recommendation 2: The Risk Management Sub-Group should ensure suitable tracking of outstanding actions and meeting minutes should be formally recorded as presented to the Corporate Risk Management Group (CRMG).	M	If insurance issues are not monitored and reported this may lead to additional costs and reputational damage to the Council.	Agreed	Office Manager and PA to Chief Executive	30/09/20

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 3: Access to the insurance documentation should be reviewed and restricted to appropriate officers only.	M	There is a risk to the safeguarding of information if data was accidentally changed or deleted by unauthorised individuals.	Agreed – This has been completed	Financial Services Manager	31/08/20
Recommendation 4: All relevant officers should receive formal training to ensure full compliance with the Council's Managing Occupational Road Risk Policy. Ongoing monitoring should continue to take place to ensure that all incidents / accidents are appropriately recorded and reported.	M	Incorrect practice not identified and rectified may result in extra costs and reputational damage for the Council.	<p>Further & ongoing training for staff in terms of road risk, standards and incident reporting and training / briefings to support managers.</p> <p>Ongoing monitoring to ensure compliance.</p> <p>The approved Handbook for Drivers (approved by SMT) will be circulated to all drivers, relevant managers and supervisors.</p>	Fleet & Depot Manager	31/12/20

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 5: Guidance should be issued to officers to ensure that the Finance Officer (Corporate Insurance & Governance) receives copies of all third party insurance documentation to ensure appropriate cover is in place.	M	If third party insurance is inadequate this may lead to additional costs and reputational damage to the Council.	Agreed – A reminder will be issued to appropriate officers.	Financial Services Manager	30/09/20

Appendix B - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix C

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).

Audit of Fees and Charges – Value for Money

Draft Report Issued: 17 August 2020
Director Draft Issued: 03 September 2020
Final Report Issued: 09 September 2020



Audit Report Distribution

Client Lead:	Principal Accountant-Accountancy
Chief Officer:	Corporate Director of Finance and Resources Chief Executive
Others:	Financial Services Manager
Audit Committee:	The Audit Committee, which is due to be held on 24th September will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the value for money audit of Fees and Charges. This was an internal audit review included in the 2020/21 risk-based audit plan agreed by the Audit Committee on 30th July 2020.
- 1.2 The Corporate Charging Policy, which is part of the Strategic Financial Framework was approved by the Executive on 19 August 2019 and full Council on 10 September 2019. The policy sets out the City Council's approach for reviewing fees and charges and recognises that different approaches may be required for different services and that there are a variety of influences that need to be acknowledged in charge setting. The principle objectives for setting charges detailed within the policy are:
- Recover the cost of service provision;
 - Generate Surplus Income (where permitted);
 - Maintain existing service provision;
 - Fund service improvements or introduction of new service(s);
 - Promote access to service for low-income households;
 - Promote equity or fairness;
 - Achieve wider strategic policy objective (e.g. encouraging green policies).

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was Principal Accountant-Accountancy and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following scope areas:
- The City Council fails to achieve value for money from the process in place for setting fees and charges.
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix B** for definitions).

3.2 From the areas examined and tested as part of this audit review, we consider the current controls related to the setting of Fees and Charges provide **Reasonable assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	-
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (N/A)	-	-
3. Information - reliability and integrity of financial and operational information (N/A)		
4. Security - safeguarding of assets (N/A)	-	-
5. Value – effectiveness and efficiency of operations and programmes (see section 5.2)	-	2
Total Number of Recommendations	-	2

4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A.

4.3 Findings Summary (good practice / areas for improvement):

The Corporate Charging Policy is a specific element of the Medium-Term Financial Plan (MTFP) and it is evident that a review of the policy is undertaken during annual reviews of the host MTFP.

The policy is clear and easy to follow. It provides adequate direction to support a review of fees and charges that importantly allows for flexibility in the way reviews are completed and results are presented within reports to the Executive.

Annual fees and charges reports are prepared and presented to the Executive by individual Directorates in accordance with annual budget review requirements and the Corporate Charging Policy.

In accordance with outcomes of audit planning and scoping activity the following audit sample service areas were selected for audit testing:

- Car Parking
- Bereavement Services
- Pest Control

Subsequent review of available information and supporting records revealed that except for largely anecdotal information there is currently a lack of tangible evidence to demonstrate annual review activity within each Directorate (based on the audit sample) which fully considers the principles and value for money questions detailed within the Corporate Charging Policy.

Despite the inclusion of full content of the Corporate Charging Policy within each Directorate Annual Charges Review report presented to the Executive, other report content indicates the default approach is to only add an inflationary increase to current fees and charges. As a result, there is a lack of detail to demonstrate potential opportunities for increasing income/service provision have been identified and/or adequately assessed and as a result there is a risk that value for money will not be achieved.

Comment from the Corporate Director of Finance and Resources

A welcomed value for money review of the Council's fees and charges procedure. Although the Corporate Charging Policy (CCP) has already been agreed for the 2021/22 budget process, the recommendations can be used to support the detailed fees and charges reports presented to the Executive later this year. The formal CCP will be amended in line with the agreed recommendations.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** The Corporate Charging Policy is a specific element of the Medium-Term Financial Plan (MTFP) and it is evident that a review of the policy is undertaken during annual reviews of the host MTFP.
- 5.1.2** The policy is clear and easy to follow. It provides adequate direction to support a review of fees and charges that importantly allows for flexibility in the way reviews are completed and results are presented within reports to the Executive. However, opportunities for improvement exist through the inclusion of specific direction and guidance in relation to the Licensing annual report included within the policy to reduce the potential for confusion and policy assumptions.
- 5.1.3** The full content of the Corporate Charging Policy is included within each Directorate Charges Review report prepared and presented to the Executive in November 2019. However, it is suggested action should be taken to discourage the inclusion of the full policy text within annual charges review reports. Reference to the policy title and date should be quoted within reports in preference to including the complete policy text to reduce the potential for error and/or inconsistencies.
- 5.1.4** Records are available that demonstrate the approval of new or revised fees and charges by the Executive in accordance with Financial Procedure Rules.
- 5.1.5** Approved fees and charges fees and charges are communicated and applied consistently during service delivery.
- 5.1.6** There is a lack of a consistent approach to the provision of budget management support through the Finance Team and as a result records of support are not always created or retained. However, the audit recognises the lack of a formal consistent approach provides the opportunity for members of the finance team to tailor support accordingly for individual budget holders although it is suggested the creation of supporting records would add value and should be considered.
- 5.1.7** Information distributed by the Finance Team to support annual budget setting includes clear direction and guidance in relation to the need and responsibility for fees and charges review activity.
- 5.1.8** The introduction section of the Corporate Charging Policy for 2020/21 sets out the framework for review activity and details an assumption that income from fees will increase by 1% above inflation; this equates to 3% for 2020/21. The audit noted that the

reference to an assumption of a 3% increase within the introduction has the potential to influence and focus service reviews on the application of a basic 3% increase on existing fees and charges rather than completing a full and detailed review in accordance with the main content of the policy. It is suggested consideration should be given to amending the policy to ensure references to inflationary increases do not reduce the emphasis and need for full review activity.

5.2 Value – effectiveness and efficiency of operations and programmes

- 5.2.1** Annual reports are prepared and presented to the Executive to request approval for revised fees and charges for the forthcoming financial year. The reports generally provide details of current fees and charges and proposed revised charges following the addition of a 3% inflationary increase. However, and despite including full details of the Corporate Charging Policy within each report, there is a lack of tangible evidence to demonstrate detailed reviews of associated services have been completed and that the principles and specific 'Value for Money' questions detailed within the policy have been considered and answered.
- 5.2.2** The audit was informed that reliance is placed on informal review and benchmarking activity. However, outcomes of review and benchmarking activity are not usually recorded or retained.
- 5.2.3** The lack of tangible evidence of review activity and the lack of clear references to the Corporate Charging Policy principles within annual reports presented to the Executive results in an inability to gain full assurance that fees and charges have been reviewed in accordance with the principles set out in the Corporate Charging Policy and that Value for Money is being achieved.
- 5.2.4** In the absence of evidence of review and benchmarking activity completed by individual Directorates/Service Areas basic benchmarking exercises were completed as part of the audit. The results revealed the following:

Car parking – Internal audit comparison of Carlisle City Centre car parking charges against charges in privately owned/operated city centre car parks was completed. The comparison identifies that Carlisle City Council charges for 1-2 hours are largely comparable to privately owned/operated car parks in the city centre. However, charges for mid-range (3-4 hours) and all-day stays are lower, particularly 'All-day' charges and this indicates there is a potential opportunity for the City Council to increase charges but remain competitive.

Bereavement Services – Internal audit comparison of Bereavement Service fees and charges revealed Carlisle City Council publish fees and charges for a wide range of services that far exceed the number of services offered/published by other local authorities. Where similar services are offered variations in fees and charges are evident that would benefit from further specialist analysis to identify potential opportunities in relation to setting future fees and charges.

Pest Control – Internal audit comparison of pest control services against other local authorities revealed Carlisle City Council offer the lowest rates for domestic customers. Commercial charges are also competitive.

The activity identified Carlisle City Council offer reduced charges for ‘Senior Citizens’ but other local authorities offer reduced charges for all ‘Benefit recipients’ not just ‘Senior Citizens’. In addition, it is unclear if the Governance and Regulatory Services Directorate use of the term ‘Senior Citizens’ is intended to relate to the target group “*Persons over the age of 65*” in accordance with section 3 of the Corporate Charging Policy “*Targeting Concessions-Target Groups*”.

- 5.2.5** It is noted Carlisle City Council fees and charges for pest control services do not include reference to the other target groups as detailed within section 3 of the Corporate Charging Policy. There is also no clear reference to the target groups within the information prepared/published by the other two services included within the audit sample.

Recommendation 1 – Formal records of annual fees and charges review activity should be created and retained to demonstrate consideration of all elements and principles of the Corporate Charging Policy (Medium).

Recommendation 2 – Annual Fees and Charges reports prepared/presented in accordance the Corporate Charging Policy should be required to include content to demonstrate how all elements and principles of the policy have been considered/applied in each service area (Medium).

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 Formal records of annual fees and charges review activity should be created and retained to demonstrate consideration of all elements and principles of the Corporate Charging Policy.	M	lack of tangible evidence of review activity results in an inability to gain full assurance fees and charges have been reviewed in accordance with the principles set out in the Corporate Charging Policy and that Value for Money is being achieved.	Corporate Charging Policy will be amended to incorporate a requirement for records of review activity to be retained.	Corporate Director of Finance and Resources (supported by Principal Accountant)	31 July 2021
Recommendation 2 Annual Fees and Charges reports prepared/presented in accordance the Corporate Charging Policy should be required to include content to demonstrate how all elements and principles of the policy have been considered/applied in each service area.	M	Lack of clear references within Directorate annual charges review reports results in an inability to gain full assurance fees and charges have been reviewed in accordance with the principles set out in the Corporate Charging Policy and that Value for Money is being achieved.	Corporate Charging Policy will be amended to incorporate a requirement for annual fees/charges review reports to include content to demonstrate/confirm all policy elements and principles have been considered/applied.	Corporate Director of Finance and Resources (supported by Principal Accountant)	31 July 2021

Appendix B - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix C

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).

Report to Audit Committee

Agenda
Item:

A.4

Meeting Date: 24 September 2020
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and
Budget Framework YES
Public / Private Public

Title: STATEMENT OF ACCOUNTS 2019/20
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number: RD29/20

Purpose / Summary:

The Council's Statement of Accounts 2019/20 (subject to Audit) have been certified by the S.151 Officer in accordance with Statutory requirements by 31 August 2020 in line with the revised Accounts and Audit Regulations for 2019/20. They will now be subject to audit, which must be concluded by the statutory deadline of 30 November 2020. Key issues included within the 2019/20 Statements are highlighted within the report for Members attention.

Recommendations:

The Committee is asked to note that:

- (i) the 2019/20 Statement of Accounts have been certified as giving a true and fair view by the Corporate Director of Finance and Resources and that they will now be subject to audit.

Tracking

Audit Committee:	24 September 2020
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 The revised Accounts and Audit Regulations 2015 require that the City Council's Statement of Accounts be certified by the Council's Section 151 Officer by 31 August for 2019/20 in response to the COVID-19 pandemic. The 2019/20 accounts were signed on 27 August 2020.
- 1.2 The Statements reflect the summarised financial out-turn information which was recently considered by the Executive and Business and Transformation Scrutiny Panel. To a large extent the format of the Statement of Accounts is prescribed and is therefore presented in a different format from the internal out-turn reports.
- 1.3 The Statements presented are subject to the formal audit process which must be completed by 30 November for 2019/20. The auditors will identify any material changes required to the Statements and they will also produce an International Standard on Auditing (ISA)+260 Statement (Audit Findings Report) which details any unadjusted misstatements found during the course of the audit. Both of these need to be considered by 'those charged with governance', which in respect of the Statements, is the Audit Committee.
- 1.4 Internal Audit carries out an in-depth review of the main financial systems according to a three year rolling programme. This provides the assurances that the information used to prepare the Statement of Accounts is accurate and relevant; management assurances are also sought from all Directors; including using the CIPFA control matrices approach, to ensure that the key controls are operating effectively in all the Council's main financial systems and also to assess any significant changes across the Council.

2. OUTTURN REPORTS

The Revenue and Capital Provisional Out-turn reports have been considered by the Executive and Business and Transformation Scrutiny Panel.

As mentioned above, the Statement of Accounts are based upon these final out-turn figures. However, because of the different way in which the Accounts must be produced, it is very difficult to see the out-turn figures within the Income and Expenditure Account. A reconciliation between the out-turn figures and the net operating expenditure on the Income and Expenditure Account has been prepared and is attached at **Appendix 1** for information.

3. KEY ISSUES

3.1 The Annual Governance Statement will accompany the Annual Statement of Accounts following the audit process. It is a requirement of the 2019 Code that the Annual Governance Statement be considered and approved separately; this was undertaken at the last Audit Committee meeting on 30 July 2020. The Statement of Accounts 2019/20 (subject to audit), including the Annual Governance Statement, have been attached at **Appendix 2**.

3.2 Significant issues

Key issues within the Statement of Accounts to which Members attention is drawn are as follows:

3.2.1 Comprehensive Income & Expenditure Statement (CIES)

These statements summarise the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day to day expenses and related income on an accruals basis. The main items of note are as follows:

Cost of Services – an increase of £2.738million over the previous year. This is offset by a movement of £3.343million in Other Comprehensive Income and Expenditure, mainly in relation to Remeasurements of the Net Defined Benefit for Pensions.

3.2.2 Balance Sheet

The balance sheet records all of the Council's assets and liabilities as at 31 March 2020. Overall, the Council's Net Worth on its Balance Sheet has decreased from £109.764million in 2018/19 to £100.792million in 2019/20.

Long Term Assets – these are assets owned by the authority which are used either in direct service provision or held for investment purposes. The value as at 31 March 2020 is £155.756million (March 2019 £156.890million).

Current Assets – the main items included within this heading are debtors i.e. money owed to the Council as at 31 March 2020 and short-term investments. The Council had £23.1million invested in a variety of banks and building societies at 31 March excluding the investment in the property fund which is shown as a long-term investment of £3.313million (2018/19 £3.436million). The Council also held Cash and Cash Equivalents £4.643million (2018/19 £1.600million).

Current liabilities – this includes the amount of money owed by the Council to its suppliers and contractors which totalled £25.562million as at 31 March 2020 (£10.084million as at 31 March 2019). This is due to the stock issue borrowing moving from long term to short term pending repayment in May 2020.

Long term liabilities – this section is made up of several different items. Long term borrowing and the value of the pension liability makes up approximately 75% of the total. Long term borrowing (£13.287m) reflects the borrowing undertaken in 2019/20 to support the capital programme. The Pension Liability amounts to £47.322million as at March 2020 (£40.124million March 2019). This is the value placed on the Council liability by the Pension Fund Actuary and is offset in the balance sheet by a corresponding credit on the Pension Reserve.

Financed by – the total of all the items within this section is the value of the net worth of the Council. It shows the reserves and balances held as at 31 March 2020.

3.2.3 Collection Fund

The Collection Fund records the performance of the Council's collection of Council Tax and Business Rates.

Council Tax - For Council Tax, performance resulted in a decrease in the surplus generated from £0.562million to £0.051million, which is shared between the main preceptors, The County Council, The Police and the City Council. The City Council share of £6,197 will be re-distributed as part of the budget and Council Tax setting process for 2021/22.

Business Rates – The Council continued to participate in the Cumbria Business Rate Pool which was set up to retain 100% of any business rates growth within Cumbria, rather than 50% being payable to Central Government.

The Council saw growth in Business Rates of £2.168million in 2019/20, and by participating in the Pool retained £1.715million of this (without pooling the Council would only have retained £1.084million).

The Collection Fund position for Business Rates shows a deficit of £1.089million, which the Council's share is £0.436million and which will be redistributed during the budget process for 2021/22.

4. RISKS

Risks to future years' budget and development of ongoing impact of issues identified in the Statement of Accounts will be considered as part of Medium-Term Financial Planning Process.

5. CONSULTATION

The draft Statement of Accounts has been available to view by any interested party from 1 September 2020 to 1 October 2020 under the regulations laid down in the Accounts and Audit Regulations 2015, Section 15(2)(b).

6. CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Committee is asked to note that:

- (i) the 2019/20 Statement of Accounts have been certified as giving a true and fair view by the Corporate Director of Finance and Resources and that they will now be subject to audit.

7. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

The Statement of Accounts provide the financial performance of the Council for the year 2019/20 in delivering its priorities.

Contact Officer: Steven Tickner

Ext: 7280

Appendices
attached to report:

Appendix 1 – Reconciliation of Provisional Outturn to Comprehensive Income and Expenditure Statement
Appendix 2 – Statement of Accounts 2019/20 (subject to audit)

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Legal – It is the responsibility of the Audit Committee to approve the annual Statement of Accounts, income and expenditure and balance sheet. Specifically, to consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

Property – None

Finance – Contained within the report

Equality – None

Information Governance – There are no information governance implications for this report

APPENDIX 1

Item	£
Draft Outturn presented to Executive 22 June 2020	13,592,768
<u>Adjustments to Outturn:</u>	
Transfers to provisions	84,600
Final Out-turn	13,677,368
Capital Receipts generated on the disposal of assets	(3,299,000)
Net book value of disposals written out of balance sheet	3,091,964
Parish Precepts	637,627
Actuary Reports on Pension Costs (IAS19)	
- Net Interest Costs	973,000
Net changes re IAS19 current and past service costs	3,169,000
Depreciation and Impairment Charges	2,106,962
Change in Fair Value of Investment Properties	2,335,530
Capital Expenditure on revenue expenditure funded from capital under statute (assets not owned by the Council) chargeable to the I&E account less grants and contributions received towards these costs	1,902,397
Minimum Revenue Provision	(21,000)
Direct Revenue Financing	(1,741,807)
Movement on Employee Benefit Reserve	92,645
Capital Government Grants and Contributions, credited to the I&E account	(246,938)
Gain on Financial Instruments measured at Fair Value through Profit or Loss	122,778
Transfers to earmarked reserves shown elsewhere	
- Lanes Capital Fund	(14,900)
Housing Planning Delivery Grant, Ctax Freeze Grant, New Homes Bonus (shown as a funding source)	1,760,237
Financing from RSG/Council Tax/NNDR	(15,472,110)
Roundings	
Surplus/Deficit on Provision of Services on the CIES	9,073,753

DRAFT

CARLISLE CITY COUNCIL

SINGLE ENTITY

UNAUDITED

STATEMENT OF ACCOUNTS

2019/20

UNAUDITED STATEMENT OF ACCOUNTS

2019/20

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Auditor Opinion

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SECTION 1 – NARRATIVE REPORT

1.1 Introduction

The City Council must prepare and publish its Statement of Accounts annually. Their purpose is to give electors, local taxpayers, Council Members, employees and other interested parties clear information about the Council's finances. The accounts presented are of a Single Entity as the Council has no relationships that require it to prepare Group Accounts.

The aim is to provide information on:

- the cost of providing Council services in 2019/20;
- how these services were paid for;
- what assets the Council owned at the end of the financial year; and
- what was owed, to and by, the Council at the end of the financial year.

This narrative report gives a guide to the most important matters included in the Statement of Accounts. The Statement of Accounts for the year ended 31 March 2020 have been produced by the Corporate Director of Finance and Resources and consists of the following: -

(i) The Statement of Responsibilities for the Statement of Accounts

This sets out the respective responsibilities of the Council and the Corporate Director of Finance and Resources for preparing the Statement of Accounts.

(ii) The Movement in Reserves Statement

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

(iii) The Comprehensive Income and Expenditure Statement

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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (Note 4.11) and the Movement in Reserves Statement. The Comprehensive Income and Expenditure Statement (CIES) is prepared in accordance with the requirements of the Code of Practice 2019 and is reported in the management reporting segments used by the Council. These segments are used throughout the accounts and include the following services:

Community Services	Economic Development	Corporate Support	Finance and Resources	Governance & Regulatory Services	Corporate Management
Arts & Leisure Contracts	Building Control	Customer Services	Accountancy	City Engineers	Direct Revenue Financing
Bereavement Services	Business Support	Digital and Information Services	Audit	Democratic Services	Non-Distributed Costs (Pensions)
Car Parking	Conservation & Heritage	Revenues & Benefits	Creditors	Electoral Services	Corporate Management
City Centre Management	Development Control	Risk Management	Debtors	Environmental Health	Other Financial Costs
Carlisle Partnership	Economic & Border Partnerships	PA Support Team	Finance	Enterprise Centre	Asset Management Costs (Depreciation)
Community Centres	Economic Development		Human Resources	Health & Safety	
Community Safety	Enterprise Zone		Insurance	Homelessness & Homelessness Accommodation	
Corporate Communications	Planning Enforcement		Organisational Development	Investment & Operational Property	
Emergency Planning	Regeneration & Projects		Section 151	Land Charges	
Events	Rural Policy & Support		Payroll & Personnel	Legal Services	
Green Spaces	Section 106 / Community Infrastructure Levy		Procurement	Licensing	
Marketing	Strategic and Housing Planning Policy			Mayoral Support	
Old Fire Station				Member Services	
Overview & Scrutiny				Monitoring Officer	
Policy & Performance				Private Sector Housing	
Refuse and Recycling				Strategic Property	
Sports Development				Welfare Advice Service	
Street Cleaning					
Third Sector Grants					
Tourism					
Health & Wellbeing					

(iv) The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example capital reserves that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “adjustments between accounting basis and funding basis under regulations”.

(v) The Cash Flow Statement

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

(vi) Notes to the Accounts

These explain in more detail some of the more significant entries in the core financial statements and include details of the significant Accounting Policies used in the preparation of the accounts.

(vii) The Collection Fund

This shows the total income received by the Council from council tax and business rates and how this has been distributed to all precepting organisations it is collected for, including the Council.

(viii) The Annual Governance Statement

This explains the framework within which internal control has been managed and reviewed by the Council during the year of account.

1.2 2019/20 Budget and Medium-Term Financial Plan

The 2019/20 revenue budget was set within the context of the Council's Medium-Term Financial Plan (MTFP). The MTFP provides the financial framework within which the Council will seek to achieve its priorities and highlights any significant factors that will affect the future financial position of the Council.

The MTFP considers five key Financial Principles:

- Revenue Budget Strategy
- Commercial and Income Generation
- Council Tax and Business Rates Policy
- Capital Investment
- Treasury Management

The MTFP for 2019/20 highlighted that the key risks to the Council financially in the future were the uncertainties around the future design of a Business Rate Retention scheme and the Fair Funding Review. However, given these uncertainties, the budget for 2019/20, which

was set in February 2019, showed that although the Council still had to make £1.130million of savings, overall general fund reserves would show a small increase over the period 2019/20 to 2023/24.

By the end of 2019/20, the savings still to be achieved on a recurring basis amounted to £1.850million. These savings are due to be found in total by 2023/24 but due to the uncertainties around future long-term changes to local government funding, may be subject to review.

Revenue expenditure generally relates to resources which are used within a year and which are paid for from council tax, business rates, government grants, fees and charges for services and other income received by the Council.

Summary Service Expenditure Comparison of Budget to Actual

The table below shows a comparison of the Council's revised budget with its performance for 2019/20. More detailed information is shown in the Comprehensive Income and Expenditure Statement on page 23.

2019/20 Revenue Budget	£000
Approved Budget (Council Resolution - March 2019)	13,621
Carry Forward requests (2018/19 Outturn)	407
Budget 2019/20 as at March 2020	14,028
Non-Recurring Expenditure	
Use of Building Control Reserve	45
Use of City Centre Reserve	4
Use of Economic Investment Reserve	6
Use of Flood Reserve	160
Use of Promoting Carlisle Reserve	10
Use of Revenue Grant Reserve	355
Use of Carry Forward Reserve	31
Use of GLL Reserve	273
Additional use of General Fund Reserve	500
Additional Business Rates Funding	734
Transfer to Planning Services Reserve	(46)
Transfer to Cremator Reserve	(117)
Revised Budget 2019/20	15,983

	Budget £000	Provisional Outturn £000	Variance £000
Community Services	9,743	9,818	75
Corporate Support	1,502	1,331	(171)
Economic Development	1,650	1,256	(394)
Finance and Resources	1,618	957	(661)
Governance and Regulatory Services	1,127	844	(283)
Corporate Management	(157)	(525)	(368)
Exceptional Items	500	(4)	(504)
Service Expenditure	15,983	13,677	(2,306)
Parish Precepts	638	638	0
Total	16,621	14,315	(2,306)
Transfers to/(from) Reserves			
Building Control Reserve	(45)	15	60
City Centre Reserve	(4)	(4)	0
Economic Investment Reserve	(6)	(6)	0
Flood Reserve	(160)	(66)	94
Promoting Carlisle Reserve	(10)	(10)	0
Revenue Grants Reserve	(355)	796	1,151
Carry Forward Reserve	15	142	127
GLL Reserve	(273)	(273)	0
General Fund Reserve	(1,464)	(111)	1,353
Planning Services Reserve	46	46	0
Cremator Reserve	117	116	(1)
Revenues and Benefits Reserve	(338)	(338)	0
Welfare Reform Reserve	(200)	(200)	0
Transformation Reserve	(152)	(150)	2
Asset Investment Reserve	(48)	(48)	0
Waverley Viaduct Reserve	0	30	30
Apprentice Reserve	0	24	24
Total Transfer to/(from) Reserves	(2,877)	(37)	2,840
Financed by:			
Precept from Collection Fund	(7,871)	(7,871)	0
Business Rate Retention	(5,873)	(6,407)	(534)
Total Grants	(13,744)	(14,278)	(534)
Total	(16,621)	(14,315)	2,306

The Council has total usable reserves of £10.148million at 31 March 2020 (£10.170million at 31 March 2019), of which the total earmarked reserves held are £5.487million (£5.540million at 31 March 2019). Further details of these reserves can be found at note 4.5.

For 2019/20 the Council was under-spent by £2.306million against the revised budget. This resulted in a lower use of reserves in 2019/20 than expected. However, on top of the overspend, £0.811million has been identified for carrying forward into future years and

£1.510million has been placed into earmarked reserves and provisions to meet known commitments.

The Council also has other unusable reserves totalling £90.488million at 31 March 2020 (£99.438million at 31 March 2019). Certain reserves are used to manage the accounting processes for assets and retirement benefits and do not represent usable resources for the Council.

The table below sets out how the Council's earmarked and general fund reserves levels compares at 31st March 2020 to those that were forecast when it set its revenue budget in February 2020.

	Forecast 31/03/2020 £000	Outturn 31/03/2020 £000
General Reserves		
General Fund (including Projects Reserve)	(3,150)	(4,007)
Carry Forward Reserve	(531)	(654)
	(3,681)	(4,661)
Earmarked Reserves		
Building Control Reserve	(48)	(100)
Cremator Reserve	(1,009)	(1,080)
Economic Investment Reserve	(6)	0
City Centre Reserve	(9)	(5)
Flooding Reserve	(1,983)	(1,948)
Lanes Reserve	(75)	(75)
Planning Services Reserve	(188)	(196)
Promoting Carlisle Reserve	(10)	0
Prosecutions and Representations Reserve	(36)	(36)
Revenue Grants Reserve	(869)	(1,939)
Apprentice Reserve	(54)	(78)
Waverley Viaduct Reserve	0	(30)
	(4,287)	(5,487)
Total Usable Reserves	(7,968)	(10,148)

For a more detailed analysis of the breakdown of income and expenditure and an explanation of variances from the budget a revenue outturn report for 2019/20 has been prepared which provides additional information on the year end position. This is available upon request from the Corporate Director of Finance and Resources.

1.3 Capital Expenditure and Financing

Capital expenditure relates to spending on the acquisition, creation and enhancement of fixed assets that generally have a life in excess of one year. This spending is usually paid for from borrowing, the sale of assets, specific government and other grants, capital balances and contributions from revenue balances. Spending on assistance to the private sector for renovation grants, disabled facilities grants and other housing improvement schemes is also classed as capital expenditure and is known as Revenue Expenditure funded from capital under statute, because the spending does not generate an asset to the Council.

(i) Capital Expenditure

The Council's revised capital programme for 2019/20 was approved at £10.690million. Overall capital spending for 2019/20, totalled £8.111million, resulting in an underspend of £2.579million. Where projects have not completed in the year, £2.569million has been reprofiled to future years. The overall programme can be summarised as follows:

	£000	£000
Revenue Expenditure funded from Capital Under Statute		
Disabled Facilities Grants	2,252	
Central Plaza	1,338	
Other Schemes	300	
		3,890
Capital Investment on Assets		
Industrial Estates (including Gateway 44 development)	1,449	
Equipment, Vehicles and Plant	838	
Enhancements to Council Property	237	
Play Areas and Open Space Improvements	72	
Sands Centre Redevelopment	1,321	
Other Schemes	304	
		4,221
		8,111

The programme has been financed as follows:

	£000
Capital Receipts	3,299
Specified Capital Grant	1,900
Other Capital Grants and Contributions	334
Direct Revenue Financing	1,742
Unfinanced Capital Expenditure	836
	8,111

(i) Borrowing

The Council has powers to borrow money for capital purposes under Section 1 of the Local Government Act 2003. The Council has a stock issue loan of £15million that is due for repayment on 22 May 2020 and it also took out a further £14million in borrowing in 2019/20. Further borrowing is scheduled in the Medium-Term Financial Plan however, this is constantly reviewed to ensure borrowing is undertaken at the most appropriate time and when it is required.

(ii) Capital Receipts

The Council utilises capital receipts generated from the sale of its assets to pay for its capital spending wherever possible. This includes assets disposed of in line with the Council's Asset Disposal Business Plan.

1.4 Balance Sheet Analysis

The Balance Sheet is an important statement for the Council as it provides details of the overall health of the Council's finances. The Council's holding of Property, Plant and Equipment and Investment Properties has decreased slightly in value in the year from £153.315million to £152.204million.

(i) Reserves & Balances

The following table shows a reconciliation between the amount of cash-backed reserves held by the Council at 31 March and the amount of cash and investments it held at 31 March.

2018/19 £000		2019/20 £000
(4,630)	General Fund Balance	(4,661)
(381)	Capital Reserves	(75)
(5,159)	Earmarked Reserves	(5,412)
(305)	Collection Fund Adj Account	262
(1,849)	Provisions	(2,290)
(136)	Capital Grant Unapplied	(136)
(12,460)	Amount available for Investment	(12,312)
	Investments	
3,436	Long Term	3,313
14,500	Short Term	23,000
1,600	Cash & Cash Equivalents	4,643
19,536	Total Investments	30,956
7,076	Surplus Monies / (Internal Borrowing)	18,644
(5,745)	Working Capital	(4,352)
1,331	Surplus Monies / (Internal Borrowing)	14,292

This table shows that at 31 March the Council's cash balances held in investments was made up of its cash-backed reserves and balances (£12.312million) and cash held in working capital. The net position shows that £14.292million can be represented by a position of over borrowing. The actual borrowing the Council held at 31 March was £28.775million, the actual borrowing requirement the Council had at 31 March was £14.487million (Note 4.39). In effect the Council is holding this surplus cash from its borrowings. This is in line with expectations when the 2020/21 budget was set which showed a surplus over borrowed position of £14.244million.

1.5 Cash Flows

During 2019/20 the net change in cash and cash equivalents was £3.524million.

1.6 Pension Liability

The full implementation of International Accounting Standard (IAS) 19 Employee Benefits has led to a Pensions Liability being recognised in the balance sheet. This liability stands at £47.322million at 31 March 2020.

The liability shows the underlying long-term commitments that the Council has to pay in respect of retirement benefits. The total liability of £47.322million has had a significant effect on the net worth of the Council as shown in the balance sheet, but statutory arrangements to

deal with the funding deficit mean that the financial position of the Council remains robust. The deficit on the local government pension scheme will be dealt with by increasing contributions over the remaining working life of employees, following an assessment by the scheme's actuary.

The Council took advantage of paying its deficit funding requirement for the years 2017/18 to 2019/20 up-front to the pension fund. This enabled it to achieve savings in the overall deficit funding required over the three-year period of the pension fund valuation period. An up-front payment, based on estimates for 2019/20, was also paid in relation to current service costs, with a reconciling amount included in the accounts for the actual contributions paid in the year.

1.7 Significant Issues

(i) COVID-19

As a result of the COVID-19 pandemic, the Government introduced a series of financial support and grant scheme packages to provide funding to those individuals, businesses and public bodies affected by the pandemic.

Emergency Funding to Local Authorities

The Government announced three tranches of emergency funding totalling £3.7billion for local authorities to:

- Meet pressures across other services, as a result of reduced income, rising costs or increased demand. The Council received;
 - £57,738 on 27th March from the first tranche (£1.6billion);
 - £1,073,081 on 14th April from the second tranche (£1.6billion); and
 - £196,335 in July from the third tranche (£0.5billion)
- Provide additional support for the homeless and rough sleepers, including where self-isolation is needed. This is on top of the £3.2million emergency fund announced on 17 March to help rough sleepers, or those at risk of rough sleeping, to self-isolate.

The funding is un-ringfenced and will be allocated to support the additional expenditure incurred in dealing with the pandemic as well as losses of income that have also materialised.

As well as the three tranches of direct funding to local authorities, further support was announced on 2 July to help address coronavirus pressures and to cover lost income during the pandemic; the support package covers:

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

Monthly returns are provided through DELTA to the MHCLG. It is likely that the Council will incur significant additional expenditure and losses of income throughout 2020/21 and these will need to be identified as part of the regular budget monitoring process and addressed during the 2021/22 budget process. The additional financial support provided by the Government will partially assist in alleviating the impact of these financial pressures.

Revenue losses

An assessment of the annual impact is very difficult to predict but as more data is collected each month, the position will become clearer and therefore the estimates of lost income and additional costs incurred may change. The full-year impact for 2020/21 still has to be assessed with initial estimates indicating a potential annual cost of up to £3.7million. This excludes the impact on the Collection Fund. More clarity will be provided as more

restrictions around movement and activity are lifted and the economy returns to some normality.

The impact on the Council's capital programme is still being assessed in terms of the financial impact and delays in the programme.

Debt Recovery and Payment of Suppliers

The Council is continuing to invoice as usual for any supplies and services provided with formal debt recovery put on hold; however, a 'soft' recovery process has now been agreed whereby letters are being issued asking debtors to contact the Council to discuss flexible repayment terms, and a sign post to the CTRS scheme for council tax payers. It is likely, therefore, that there will be a fall in recovery of debts, especially around property rents, and this has been reflected in the bad debt provision for the end of 2019/20. The Council is continuing to work with debtors to ensure debts can be recovered where possible but is being sensitive to the requirements of those businesses and individuals who have been affected by the pandemic.

During the pandemic, supplier invoices have been processed as normal, however, all invoices are being paid upon receipt in order to aid the cash-flow of affected businesses.

Council Reserves

With the uncertainties around the impact on the 2020/21 budget, there is likely to be a requirement to fund any budgetary shortfall from Council reserves if no further support from central government is forthcoming. The Council released £500,000 from General Fund Reserves at the end of March to support the additional expenditure being incurred, however, the funding was carried forward and will be utilised in 2020/21. The minimum requirement for the General Fund is calculated from a risk assessment and includes an allowance for emergencies of £1million.

Financial Impact on Taxation

Due to announcements of financial support to businesses and the extension of the 100% business rate retail relief for occupied retail, leisure and hospitality properties, the Council's net business rates payable for 2020/21 has reduced by approximately £21million from £44million to £23million. This £21million will be reimbursed by MHCLG as a Section 31 grant and will be accounted for in the 2020/21 accounts. An upfront payment of £1,986,378 was received on 27th March in relation to business rate reliefs anticipated to be required based upon the NNDR1 return to Government in January 2020. This has been accounted for as Income in Advance and will be reflected in 2020/21.

The Council will be recompensed during the year for the 100% relief so there will no cash flow or budget issues; however, there remains a risk relating to the receipt of the £23million in business rates from other businesses and how these are affected by COVID-19 and economic recovery following lockdown. This could lead to losses of income from business rates which could impact not only the 2020/21 budget, but also the Collection Fund surplus/deficits assumed in the MTFP for future years.

In terms of Council Tax, a Hardship Fund grant of £989,736 was received on 3rd April to support vulnerable individuals who were economically affected by the pandemic to provide relief from their council tax liability. The minimum requirement was to reduce the council tax liability of working age recipients of the Council Tax Reduction Scheme (CTRS) by a further £150 and/or use the funding to deliver increased financial assistance outside the council tax system through Local Welfare or similar schemes. There is a county wide CTRS scheme currently in place so for consistency all Cumbrian authorities agreed to increase the sum to £300 per working age CTRS recipients and develop individual hardship schemes. Our Local Hardship Scheme has been agreed and has been launched.

The main risk relates to how the expected overall increase in CTRS claimants, and the associated cost of CTRS relief, will be funded and be provided to the Council. An increase in claimants directly impacts on the council tax base and ultimately the yield from council tax.

The cost of the current CTRS scheme is shared between the main preceptors but there has been no government support announced as yet to provide funding for any increase in additional claimants.

Collection rates for both Business Rates and Council Tax are being monitored on a monthly basis and are understandably down for the first 4 months of this year when compared to the same period in previous years; however, with individuals and businesses being affected by the lockdown period and furloughing of staff, it is difficult to predict what the longer term impact will be on arrears. Agreeing flexible payment terms along with robust monitoring and understanding of the collection rates is fundamental to identifying the potential loss of income and the resulting impact on cash flow for the main precepts on the Collection Fund. The technical nature of this fund means that any 2020/21 deficit will be reflected in the following years budget; however, the recent Government announcement means that any deficit can be recovered over a three-year period – this will be considered as part of the 2021/22 budget process.

Cash flow

Notwithstanding the above, the Council remains in a healthy cash flow position as funding has been provided upfront to cover income shortfalls and expenditure incurred; however, it is the medium to longer term position which will require careful monitoring to ensure that all reserves continue to be cash backed.

S114 notice

S114 of the Local Government Finance Act 1988 places a duty on the S151 Officer to report if it appears that the Council has made or is about to make a decision which would involve unlawful expenditure and is likely to cause a loss or deficiency; and where an unlawful item of account is about to be entered. In effect, if there is, or is likely to be, an unbalanced budget i.e. resources do not meet expenditure in a particular year. There are specific reporting requirements if such as notice has to be issued, with CIPFA recently proposing a modification for the S151 Officer to make informal confidential contact with the MHCLG to advise them of any such financial concerns, and to communicate any unbalanced budget position due to COVID-19 to the MHCLG as the same time as providing a potential S114 report to the Executive and to the External Auditor. Based upon current estimates of expenditure and income shortfalls, the level of government assistance received and the level of Council reserves it is not believed that a S114 notice is required; however this decision will be revisited periodically once more financial information on budgetary pressures becomes available.

Procurement notices PPN02/20 & PPN04/20

These notices provide guidance on how local authorities can support contractors on an open book approach, and through making payments in advance where there is a continuing service provision. As previously mentioned the Council is paying suppliers upon receipt of invoices in order to provide cash-flow to those businesses who may be in need. The Council has also utilised the PPN notices to provide cash-flow assistance to contractors where it has been requested.

Small Business Grant Fund (SBGF) and Retail, Hospitality and Leisure Grant (RHLGF)

A ring-fenced grant of £30million was received on 1st April and to date £26.250million has been paid out covering 97.99% of eligible businesses. The balance of unspent funds will be repaid to government. The Council administered and paid all eligible businesses in receipt of Small Business Rate Relief and Rural Rate Relief a grant of £10,000 and businesses in receipt of the extended retail discount with a rateable value of less than £51,000 were eligible for either a £10,000 or £25,000 payment

Discretionary Grant Fund (LADGF)

An allocation of £1.3million (based upon 5% of the businesses eligible for SBGF/RHLGF) and funded from the ring-fenced £30million grant allocation for SBGF and RHLGF schemes was made available to provide discretionary grants to small and micro businesses not covered by the main grant scheme. The Discretionary Scheme has been administered by

the Economic Development team with applications invited from eligible businesses, and grants were paid out in June, July and August 2020.

For all grant schemes there will be post event assurances and regular data collection exercises to ensure grants have been awarded to eligible businesses.

£50million Reopening the High Streets Safely Fund

The Council was allocated ERDF funding of £95,875 but subject to a funding agreement, and subject to claims for reimbursement. This was to cover all eligible costs incurred from 1st June 2020 to 31st March 2021 for the following activities:

- Development of an action plan for how the local authority may begin to safely open their local economies;
- Communications and public information activity;
- Business facing awareness raising activities;
- Temporary public realm activities

The Council has worked with local businesses to ensure that the high street has re-opened in a COVID-19 safe environment.

Governance arrangements

The Council has established separate cost-codes for recording all expenditure and grant income associated with COVID-19 and is submitting regular updates through MHCLG for its additional costs and anticipated losses.

All grant income and expenditure that has been received and paid out will be accounted for in the 2020/21 Statement of Accounts.

Impact on Services

As well as supporting businesses and dealing with the financial impact of COVID-19, the Council has also encountered significant operational challenges. Since lockdown was introduced, all office-based staff have been instructed to work from home where possible. This has meant additional processes have had to be put in place to ensure controls are maintained.

The Council introduced online virtual Committee Meetings to ensure the governance processes could be maintained.

Services such as waste collection were continued, however, in order to prioritise the main service of refuse collection, garden waste collections were suspended for a short period of time. Services and venues such as the Old Fire Station and TIC were closed and staff re-deployed to other areas. The Council has not made use of the furlough (job retention) scheme throughout the period of restrictions.

Three reports have been prepared and were considered by the Executive on 20th July 2020; these related to (1) the Council's Initial Response, (2) the Financial Impact of COVID-19, and (3) the Economic Recovery following COVID-19. These are all available upon request from the Corporate Director of Finance and Resources.

(ii) Revaluation of Assets

A revaluation of all Property assets has been undertaken as at 31 March 2020. Included in the Comprehensive Income and Expenditure Statement within Services are net upward revaluations totalling £0.267million in relation to Property, Plant and Equipment.

Investment properties have also been revalued in line with the Code and this has seen a net decrease in value of £2.336million.

(iii) Economic Climate

The Council continued to experience the effects of low interest rates in 2019/20 with further reductions to bank rates in March 2020 as a result of the COVID-19 pandemic (see above). Expenditure on employee costs increased from 2018/19 levels from £17.782million to £20.758million. Other expenditure decreased from 2018/19 levels of £41.065million to £39.221million due to lower levels of Housing Benefit grant payments paid out.

(iv) Key Risks

The Council maintains a Corporate Risk Register which is reported to members on a quarterly basis. The key risks currently on the register are as follows:

- There is a risk that the Government fails to communicate changes to future local government funding from 2020 in a timely manner, meaning that the City Council cannot effectively prepare for these changes;
- There is a risk that we fail to fully recognise and manage our operational and investment assets leading to high long-term dilapidation costs and reducing control on future capital decisions;
- There is a risk that we fail to effectively prioritise and resource key city regeneration sites and miss the opportunity to take these forward in a progressive manner that meets the Council's aspirations.
- There is a risk that the City Council will not fulfil its obligations as set out in the Carlisle Southern Link Road Grant Determination Agreement with Homes England and that subsequently the funding will be withdrawn, this meaning that the City Council will consequently have to pay the County Council £5million as agreed in the Collaboration Agreement with the County Council.
- There is a risk that the City Council is unable to approve a balanced budget due to the financial impact of the COVID-19 pandemic.
- There is a risk that we fail to deliver the required new leisure facilities at the Sands Centre, on time and within budget and therefore do not meet the saving targets identified in the Medium-Term Financial Plan.
- There is a risk that critical Information and Technology (I&T) applications or infrastructure become unavailable which impacts on the delivery of council services.
- There is a risk that our digitally held data becomes unavailable, unreliable or is stolen due to error, negligence or malice

These risks are monitored to ensure they are mitigated and managed as far as possible.

(v) Key Opportunities

The Council continues to be an integral part of the Borderlands partnership with four other local authorities across the Borders region. The UK and Scottish Governments announced an initial funding deal worth £345million. Progress continues to be made on the delivery of the projects allocated to the Carlisle area.

The Council has also been allocated a share of £1billion for the Future High Streets fund and has submitted a proposal to Government to deliver improvements in and around the City Centre.

Progress is being made on the delivery of new leisure facilities with construction of temporary facilities completed and site preparation works underway pending formal start of demolition and construction of the main site

1.8 Council Priorities

The Council's vision is proposed by the Executive as part of the Carlisle Plan ("the Plan") which is debated and agreed by full Council. This vision is then communicated through the

Carlisle Plan itself, which is a working document for staff and members. An annual report communicates the outcomes and performance of the Plan to residents and the end of year performance presenting the key outcomes to the Executive and Scrutiny Panels. The Carlisle Plan was updated in 2015/16 to better reflect the Executive's current priorities and the plan for 2015-2018 was adopted by full Council in November 2015.

The Carlisle Plan outlines the key priorities for the Council. These key priorities are:

- Support business growth and skills development to improve opportunities and economic prospects for the people of Carlisle;
- Further develop sports, arts and cultural facilities to support the health and wellbeing of our residents;
- Continue to improve the quality of our local environment and green spaces so that everyone can enjoy living, working in and visiting Carlisle;
- Address current and future housing needs to protect and improve residents' quality of life;
- Promote Carlisle regionally, nationally and internationally as a place with much to offer – full of opportunities and potential.

The Council monitors its non-financial performance through ten 'Service Standards'. These provide a standard in service that our customers can expect from the City Council and a standard by which the Council can be held to account. The measures of the standard of services are based on timeliness, accuracy and quality of the service the Council provides in areas that have a high impact on our customers.

The Council operates with the following core principles that underpin the Carlisle Plan:

- We will be a clear, committed and confident Council.
- The principles have been developed by our staff and councillors to guide how we will deliver our vision for Carlisle.
- By setting out our vision, we show that we understand the needs of Carlisle's residents, businesses and visitors. Our plans to respond to these needs are clear and straightforward. We know what is expected of us and do our best to create clarity in how we work.
- We are committed to achieving our vision for Carlisle. We will ensure that our day to day work and resources are consistent with the priorities.
- We will continue to work effectively with partners to drive positive change for Carlisle and will celebrate our successes and achievements. As part of our ongoing work to develop all our communities we will engage young people and make sure the Carlisle Plan helps to deliver their aspirations for Carlisle.

Further information on the Council's priorities and achievement of key objectives is given in the Annual Governance Statement.

Operational Model

The Council received the majority of its funding from taxation - Council Tax (£7.9million) levied on residents and Business Rates (£6.4million) levied on businesses. It also received funding from Central Government in the form of Specific Grants such as New Homes Bonus and Housing Benefit Administration Grant.

As well as core funding sources, the Council also relies heavily on income from fees and charges and rental income from its significant asset portfolio. These provide a valuable source of funding that can be used to supplement the service delivery for the residents of Carlisle.

The Council delivers a range of services as outlined above with the majority being provided by internal staffing resources. The key services the Council delivers are waste collection, street cleaning, bereavement services, green spaces, homelessness and private sector housing support, regulatory services such as environmental health, planning and building

control. Leisure and Cultural provision are provided with support from external organisations primarily Greenwich Leisure Ltd, and Tullie House Trust.

Employees are valuable asset of the Council and as such the Council ensures its employees are well trained and empowered to achieve their best for Carlisle.

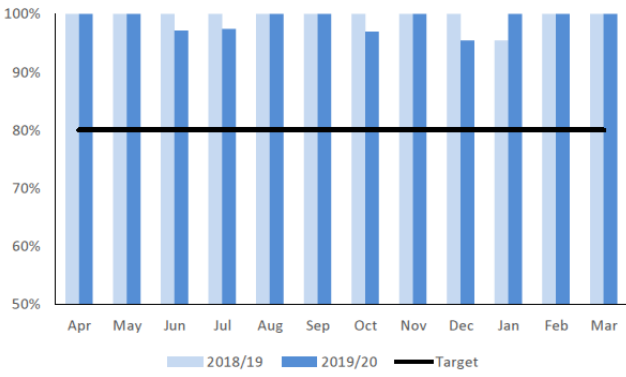
In the light of reducing support from central government the Council has over the past few years become increasingly efficient in the way it deploys the resources it has to ensure that it can maintain an acceptable level of service delivery. It has a good history of achieving the transformational savings it requires and as such has managed to continue to set a balanced budget.

In 2019/20 the Council was able to utilise all resources (financial and non-financial) to deliver the services it provides. The non-financial performance of service delivery is outlined below and demonstrates that whilst challenging, non-financial performance was, overall, at target performance or above. This together with the delivery of these services within the approved budget mean that the Council could deliver the outcomes and value planned when the budget was set in line with the Carlisle Plan priorities.

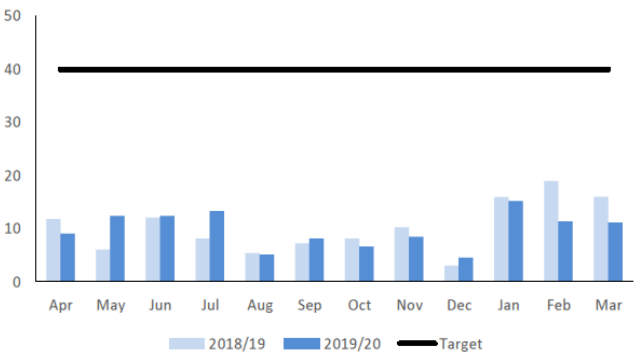
1.9 Non-Financial Performance

The year-end position of the Council's Service Standards is shown below:

Percentage of Household Planning Applications processed within eight weeks

Service Standard	2019/20	Performance by Month	Further Information
80% (Nationally set target)	98.7%	 <p>305 household planning applications processed in 2019/20 compared with the same number last year.</p>	
	(2018/19: 99.7%)		
	On target? ✓		

Proportion of waste or recycling collections missed

Service Standard	2019/20	Performance by Month	Further Information
40 missed collections per 100,000 (Industry standard)	9.8		Nearly four million collections were due to be made in the year. 369 collections were missed meaning the success rate was 99.99%.
	(2018/19: 10.1)		
	On target? ✓		

Percentage of household waste sent for recycling (including bring sites)

Service Standard	2019/20	Performance by Month	Further Information
50% by 2020 (Nationally set target)	41.3%	<p>Recycling rates nationally have stagnated and even reduced in some areas. A new 'campaign' to increase participation in recycling started earlier in the year.</p>	
	(2018/19: 41.3%)		
	On target?		
	✗		

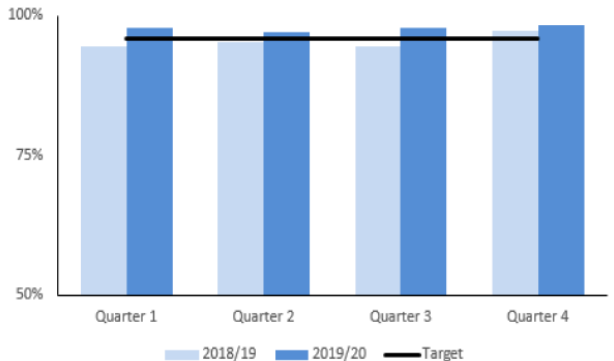
Average number of days to process new benefits claims

Service Standard	2019/20	Performance by Month	Further Information
New claims should be processed within 19 days to achieve top two quartiles compared to other local authorities	17.8 days		3174 new claims were made in 2019/20.
	(2018/19: 18.9 days)		
	On target?		
	✓		

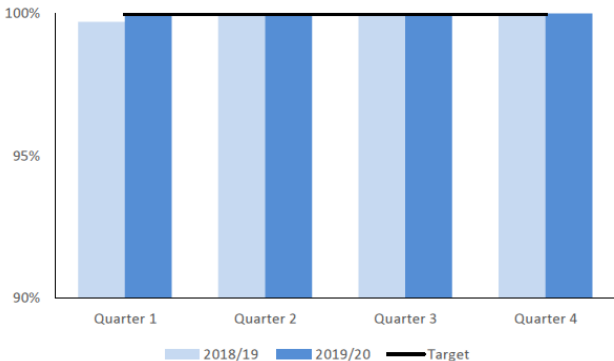
Proportion of Corporate Complaints dealt with on time

Service Standard	2019/20	Performance by Quarter	Further Information
Corporate complaints should be dealt with within 15 working days	95%		One late reply in Quarter 4 was due to a complicated issue that needed further investigation. The customer was kept informed throughout the process. 34 complaints in the year.
	(2018/19: 93%)		
	On target?		
	▲		

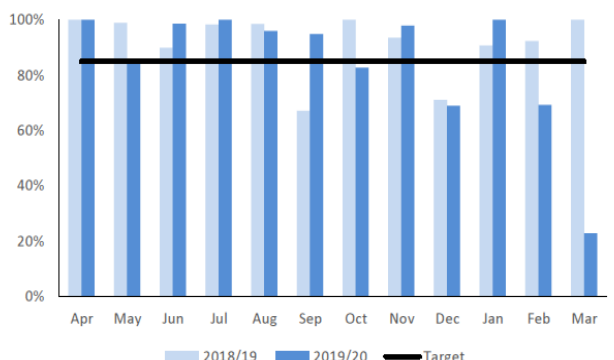
Proportion of food businesses that are broadly compliant or better with food safety legislation

Service Standard	Rolling figure to end of Quarter 4 2019/20	Performance by Quarter	Further Information
Our work with local food businesses should ensure that 96% are at least broadly compliant.	98.5%	 <p>Approximately 200 premises are inspected each quarter. All premises are inspected at least once every eighteen months.</p>	
	On target?		
	✓		

Proportion of non-contentious licence applications completed on time

Service Standard	2019/20	Performance by Quarter	Further Information
100% of non-contentious licence applications should be completed within 10 working days	100%		751 out of 751 applications completed on time in 2019/20.
	(2018/19: 99.9%)		
	On target? ✓		

Proportion of official local authority searches completed on time

Service Standard	2019/20	Performance by Month	Further Information
85% of official local authority searches should be completed within 10 working days	86%		554 searches were completed in the year.
	(2018/19: 92%)		
	On target? ✓		

Proportion of new waste and recycling bins, bags and containers delivered on time (within 10 working days)

Service Standard	2019/20	Performance by Month	Further Information
95% delivered within 10 working days	95.4%	<p>5706 deliveries were made in 2019/20. Performance has improved since the recruitment of a new permanent driver in mid-August</p>	
(2018/19: 99.9%)			
On target?	✓		

Average number of working days to process benefit claimants' changes of personal details

Service Standard	2019/20	Performance by Month	Further Information
Changes should be processed within 8 days	2.7 days	<p>Over twenty-eight thousand changes were processed in 2019/20.</p>	
(2018/19: 3.8 days)			
On target?	✓		

1.10 Value for Money

The Council recognises its responsibility to achieve Value for Money (VFM) in service delivery. It seeks to incorporate VFM principles in delivering services by taking account of costs, quality of services and the local context.

1.11 Workforce

As at 31 March 2020 the Council employed 478 employees. This was split 241 females and 237 males. There were 319 full time employees with 159 part-time/job-share.

As at 31 March 2019 the Council employed 454 employees. This was split 234 females and 220 males. There were 308 full time employees with 146 part-time/job-share.

The Council is required to pay the Apprenticeship Levy and in 2019/20 paid over £43,172 into its Digital Apprenticeship Service Account. The Council accessed £51,851 of funding for apprenticeship training in 2019/20, with the balance carried forward being £54,408 which can be accessed in 2020/21.

1.12 Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for

decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The detail of the Expenditure and Funding Analysis can be found at Note 4.11.

1.13 Major Influences on the Authority

During 2019/20 the Council has continued to recognise that it will be required to make savings through its programme of transformational change in light of reducing funding levels. Where possible these savings are being found on a non-recurring basis pending future notification of how the Fair Funding Review, Comprehensive Spending Review and Business Rates Retention system will affect the Council financially in the longer term.

As outlined above the continuing response to the COVID-19 pandemic during 2020/21 will influence how the Council can continue to provide services and prepare its Medium-Term Financial Plan.

1.14 Going Concern

These accounts have been prepared on the basis that the Council continues to operate as a going concern for the foreseeable future. Due to the economic and statutory environment in which local authorities operate it has been confirmed that as authorities cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for their financial statements to be provided on anything other than a going concern basis.

Although that is the technical definition, to allow a going concern basis to be provided the Council can also clearly demonstrate that it can continue to meet its financial commitments as they occur via the delivery of its Medium-Term Financial Plan (MTFP). The usable cash reserves position (£10.304million) remains healthy and on the Balance Sheet the Current Assets position of £34.412million is higher than Current Liabilities position of £26.562million (excluding repayable borrowing) so liquidity in the short term is positive.

COVID-19 will have a significant impact on the financial standing of the Council not only during 2020/21 but into future years as well if there is continued economic uncertainty and recession. As highlighted above, the Council is maintaining a careful and pragmatic approach to dealing with the financial impact. It has sufficient revenue reserves to be able to reallocate resources if required. Financial assistance received to date from government will allow the Council to offset some of these losses, however significant risks remain, particularly around commercial rental income from property and collection of business rates and council tax. The Council has sufficient cash-flow to be able to manage these risks and does not foresee a need to undertake any short-term borrowing for cash-flow purposes any time soon.

In preparing these Statement of Accounts, materiality has been guided by the External Auditors materiality level (£1.155million), but also has consideration to any item that it is thought would be of interest and significance to the reader of the accounts in the context of the activities of the Council (for example, employee remuneration).

1.15 Brexit

There are still uncertainties around how the UK's departure from the European Union will affect the Council in the short and long-term however these have currently not had any impact on the preparation of these accounts or any figures contained therein.

1.16 Events after the Balance Sheet Date

Events taking place after the 31 March 2020 are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As highlighted previously the Council has received significant grant allocations to allow it to deal with the COVID-19 impact. These grants will be accounted for in the 2020/21 statement of accounts.

The Council repaid the £15million stock issue loan (shown in short term liabilities on the balance sheet) on 22 May. No further borrowing to replace it has yet been undertaken.

The NHS has been given leave for appeal against the High Court decision in the NHS charitable relief claim for business rates. The leave to appeal was granted on 28 July 2020. The potential appeal and provision for repayment of any business rates has not been included in the appeals provision on the balance sheet due to the continued uncertainty as to whether the leave to appeal will be proceeded with and also the uncertainty around its potential success.

1.17 Accounting Policy Information

The accounts of the Council comply with the relevant accounting practices laid down by the Accounting Standards authorities and the 2019/20 Code of Practice on Local Authority Accounting.

1.18 Further Information

As part of the Council's policy of providing full information about the Council's affairs, further information regarding the accounts is available on request from the Corporate Director of Finance and Resources, Civic Centre, Rickergate, Carlisle. In addition, members of the public have a statutory right to inspect the accounts before the audit and to have a copy of the Statement of Accounts after the audit has been completed.

Signed:

A Taylor
Corporate Director of Finance and Resources

Date: 27 August 2020

SECTION 2 - STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

2.1 The Responsibilities of the Council

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director of Finance and Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

2.2 The Responsibilities of the Corporate Director of Finance and Resources

The Corporate Director of Finance and Resources is responsible for the preparation of the Statement of Accounts in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance Accountants)/LASAAC (Local Authority (Scotland) Accounts Advisory Committee) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Corporate Director of Finance and Resources has:

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

The Corporate Director of Finance and Resources has also:

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

The Corporate Director of Finance and Resources is required to give a true and fair view of the financial position of the Council at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Signed:

Alison Taylor
Corporate Director of Finance and Resources

Date: 27 August 2020

SECTION 3 – FINANCIAL STATEMENTS

3.1 Comprehensive Income and Expenditure Statement

2018/19				Note	2019/20		
Expenditure £000	Income £000	Net £000			Expenditure £000	Income £000	Net £000
15,243	(5,586)	9,657	Community Services		16,669	(5,737)	10,932
4,955	(2,222)	2,733	Economic Development		5,717	(2,334)	3,383
3,253	(1,578)	1,675	Corporate Support		3,497	(1,512)	1,985
25,711	(25,835)	(124)	Finance and Resources		22,492	(22,447)	45
8,984	(3,548)	5,436	Governance & Regulatory Services		10,442	(4,866)	5,576
817	(112)	705	Corporate Management		947	(44)	903
7	(7)	0	Exceptional Item - Flooding		55	(59)	(4)
58,970	(38,888)	20,082	Cost of Services	4.11	59,819	(36,999)	22,820
1,229	(451)	778	Other Operating Expenditure	4.7	764	(110)	654
5,775	(5,031)	744	Financing and Investment Income and Expenditure	4.8	9,082	(7,763)	1,319
0	(15,595)	(15,595)	Taxation and Non-Specific Grant Income	4.9	0	(15,719)	(15,719)
65,974	(59,965)	6,009	(Surplus) or Deficit on Provision of Services	4.11	69,665	(60,591)	9,074
		(1,327)	Surplus or Deficit on Revaluation of Non Current Assets	4.38a			(2,202)
		4,568	Remeasurements of the Net Defined Benefit Liability / (Asset)	4.38c			2,100
		3,241	Other Comprehensive Income & Expenditure				(102)
		9,250	Total Comprehensive Income & Expenditure				8,972

3.2 Movement in Reserves Statement

2019/20	Note	General Fund Balances £000	Deferred Credits £000	Capital Grant Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2019		10,170	20	136	10,326	99,438	109,764
Movement in reserves during 2019/20							
Total Comprehensive Income and Expenditure		(9,074)	0	0	(9,074)	102	(8,972)
Adjustments between accounting basis and funding basis under regulations	4.4	9,052	0	0	9,052	(9,052)	0
Increase/Decrease in Year		(22)	0	0	(22)	(8,950)	(8,972)
Balance at 31 March 2020		10,148	20	136	10,304	90,488	100,792

3.3 Balance Sheet

31 March 2019		Note	31 March 2020	
£000	£000		£000	£000
		Property, Plant and Equipment		
		Operational Assets		
201		Dwellings	201	
30,665		Other Land & Building	32,255	
5,223		Infrastructure Assets	5,114	
4,076		Community Assets	4,128	
6,224		Vehicles & Plant	5,896	
		Non Operational Assets		
884		Surplus	961	
1,470		Assets Under Construction	4,218	
	48,743	<i>Total Property, Plant and Equipment</i>		52,773
85,038		Investment Property	79,905	
32		Intangible Assets	24	
19,502		Heritage Assets	19,502	
3,436		Long Term Investments	3,313	
		Long Term Debtors		
132		Transferred Debt - Cumbria County Council	121	
7		Other Long Term Debtors	4	
0		Long Term Payments in Advance	114	
	108,147			102,983
	156,890	Total Long Term Assets		155,756
		Current Assets		
	14,547	Short Term Investments		23,065
	0	Assets Held for Sale		0
	1,600	Cash and Cash Equivalents		4,643
	49	Inventories		60
2,945		Short Term Debtors	5,794	
373		Payments in Advance	850	
	3,318	<i>Total Short-Term Debtors</i>		6,644
	19,514	Total Current Assets		34,412
		Current Liabilities		
(174)		Provisions	(155)	
(1,321)		Provisions - NNDR Appeals	(1,694)	
	(1,495)	<i>Total Provisions</i>		(1,849)
	(482)	Short Term Borrowing		(15,978)
	(481)	Cash and Cash Equivalents		0
(6,953)		Short Term Creditors	(5,454)	
(671)		Receipts in Advance	(2,531)	
	(7,624)	<i>Total Short-Term Creditors</i>		(7,985)
	(2)	Capital Grants Receipts in Advance		(750)
	(10,084)	Total Current Liabilities		(26,562)
		Long Term Liabilities		
	(1,078)	Long Term Creditors		(1,764)
	(15,000)	Long Term Borrowing		(13,287)
	(354)	Provisions		(441)
	(40,124)	Other Long Term Liabilities (Pensions)		(47,322)
	(56,556)	Total Long Term Liabilities		(62,814)
	109,764	Net Assets		100,792

31 March 2019		Balance Sheet (Cont.)	Note	31 March 2020	
£000	£000			£000	£000
20		Usable Reserves	4.5	20	
4,630		Deferred Credits		4,661	
5,540		General Fund Reserves		5,487	
136		Earmarked Reserves		136	
		Capital Grants Unapplied Account			
	10,326	<i>Total Usable Reserves</i>			10,304
(41,080)		Unusable reserves	4.38	(47,322)	
599		Pension Reserve		476	
(151)		Pooled Investment Fund Adjustment Account		(243)	
111,796		Employee Benefit Reserve		107,943	
305		Capital Adjustment Account		(262)	
27,969		Collection Fund Adjustment Account		29,896	
		Revaluation Reserve			
	99,438	<i>Total Unusable Reserves</i>			90,488
	109,764	Total Reserves			100,792

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

Signed:

A Taylor – Corporate Director of Finance and Resources

Date: 27 August 2020

3.4 Cash Flow Statement

2018/19 £000		Note	2019/20 £000
6,009	Net (surplus) or deficit on the provision of services		9,074
(14,681)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	4.45	(13,131)
776	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	4.45	3,546
(7,896)	Net cash flows (inflows)/outflows from Operating Activities		(511)
9,195	Investing Activities	4.46	9,998
(1,629)	Financing Activities	4.46	(13,011)
(330)	Net (increase) or decrease in cash and cash equivalents		(3,524)
789	Cash and cash equivalents at the beginning of the reporting period		1,119
1,119	Cash and cash equivalents at the end of the reporting period		4,643

SECTION 4 – NOTES TO THE ACCOUNTS

4.0 Accounting Policies

4.0.1 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 Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS).

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.

4.0.2 Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.

4.0.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4.0.4 Exceptional Items

When items of income and expense are material and out of the ordinary, their nature and amount is 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.

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

4.0.6 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover these costs but is required to make an annual contribution to reduce its overall borrowing requirement. This is known as the Minimum Revenue Provision and is calculated as 3% of the Council's Capital Financing Requirement at the start of the financial year on a straight-line basis. Depreciation, impairment losses, revaluation losses and amortisations are therefore replaced by a revenue provision in the Movement in Reserves Statement by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

4.0.7 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement on the earlier of when the Council can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring that is within the scope of section 8.2 of the Code and IAS37 and involves the payment of termination benefits.

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

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme (LGPS) administered by Cumbria County Council.

The scheme is a funded defined benefit scheme meaning that the scheme provides retirement lump sums and pensions, earned as employees work for the Council. As a defined benefit scheme, it is shown within the Council's accounts using the following principles:

- The liabilities of the Cumbria Local Government Pension Scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method. This basis uses an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, after considering assumptions about mortality rates, employee turnover and earnings projections for employees.
- Liabilities are discounted to their value at current prices using a real discount rate of 2.4%.
- The assets of the LGPS attributable to the Council are included in the Balance Sheet at their fair value.
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

Around 60% of LGPS assets are held in equity investments and bond issues with the remainder held in property and other assets.

- The change in the net pension liability is analysed into six components and recognised in the Statements as follows:

Service Cost comprising:

- **Current service cost** – the increase in liabilities as a result of years of service earned this year is charged to service revenue accounts, based on where employees worked, within the Net Cost of Services section of the Comprehensive Income and Expenditure Statement.
- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years is charged to Non-Distributed Costs within Net Cost of Services in the Comprehensive Income and Expenditure Statement.
- **Net Interest on the defined pension liability (asset)** – i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial

valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- **Contributions paid to the Cumbria Local Government Pension Fund** – cash paid as employers' contributions to the pension fund. This is not accounted for as an expense.

Measurement bases applied in respect of the LGPS assets and liabilities are set out in note 4.41 to the Accounts.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. This therefore means that within the Movement in Reserves Statement, there are appropriations to and from the Pensions Reserve to remove the notional transactions for retirement benefits and replace them with debits for the amounts paid to the pension fund in the year and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

4.0.8 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 of the nature of the events and their estimated financial effect.

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

4.0.9 Financial Instruments

Financial Liabilities

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

(i) Borrowing

Borrowing is classed as either a long-term liability, repayable after 12 months or longer, or a current liability if it is repayable within a 12-month period. Borrowing is shown in the Balance Sheet at amortised cost using the effective interest rate that applies to the individual loans comprising the total borrowing held by the Council. For borrowing held by the Council, this means that the amount shown in the balance sheet represents the

outstanding principal payable to the lender and the interest on the borrowing that is charged to the Comprehensive Income and Expenditure Statement is the amount payable in the year under the loan agreement.

(ii) Creditors

Creditors are recognised when a contractual arrangement is entered into between the Council and a supplier to provide goods and services for an agreed price. The value of the creditors recognised in the balance sheet represents the current value of the outstanding liabilities of the Council at 31 March as a proxy for amortised cost.

Financial Assets Measured at Amortised Cost

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

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit and Loss

Financial assets that are measured at Fair Value through Profit and Loss are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

4.0.10 Government Grants and Contributions

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

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

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

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

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

4.0.11 Heritage Assets**Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)**

The majority of the Council's Heritage Assets are held in the Council's Museum. The Museum has four collections of heritage assets, Archaeology, Social History, Natural History and Fine and Decorative Arts, which are held in support of the primary objective of the Council's Museum, i.e. increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as described below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Council's primary collections of heritage assets are accounted for as follows.

Museum Collection

The Council's museum collection consists of a significant number of artefacts including pictures, prints, sculptures, china, glass, porcelain, coins, medals archaeological items, as well as significant numbers of social and natural history items, costumes and firearms. Museum collections are reported in the Council's balance sheet at insurance valuation which take into account current market values. These insurance valuations are reviewed on an annual basis as part of the overall insurance premium renewal process.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations being based on appropriate insurance values. The Museum has a defined acquisitions and disposals policy for the period 2018 - 2021 that sets out the policy for the development of collections at the museum.

Heritage assets will not be subject to depreciation as it is not deemed appropriate to estimate a useful life for the assets held.

Statues, Monuments and other historical buildings

The Council has a number of statues and monuments and other historical buildings that it does not consider that reliable cost or valuation information can be obtained. This is due to the historical significance of such items. However, in some cases, historical cost information is recorded, particularly those that were previously classified as Community assets. Therefore, those items that were previously categorised as Community Assets will be recognised at their historic cost. This will be re-evaluated so that the most appropriate valuation basis is used, and those previously not recognised (primarily statues and monuments) will not be recognised on the balance sheet although appropriate disclosures made.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note 4.0.16 in this summary of significant accounting policies. The trustees of the Council's Museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

4.0.12 Inventories and Long-Term Contracts

Stocks are reflected in the balance sheet at current prices. This is a departure from the requirements of the Code and IAS 2 Inventories, which requires stocks to be shown at the lower of cost or net realisable value where they are acquired through an exchange transaction.

4.0.13 Investment Property

Investment properties are those that are used solely to earn rentals and for capital appreciation or both. The definition is not met if the property is used in the production or supply of goods or services or for administrative purposes or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

4.0.14 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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Operating Leases

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

4.0.15 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non- Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

4.0.16 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, 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

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

De-minimis levels have been set at:

- £5,000 for expenditure on individual items of vehicles, plant and equipment;
- £20,000 for expenditure on land, buildings and other structures.

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at current value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets – depreciated historical cost
- assets under construction – historic cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

Asset Category	Rate	Basis
Dwellings & Other Buildings	Useful Life	Straight Line
Infrastructure Assets	Useful Life	Straight Line
Vehicles, Plant, furniture & Equipment	Useful Life	Straight Line
Intangible Assets	Useful Life	Straight Line

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

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

Componentisation

The Council has a policy on componentisation where any asset with a Gross Book Value of more than £1million and is subject to depreciation will be considered for componentisation where a component is deemed to be more than 5% of the assets value. This will primarily apply to buildings and the major components to be considered will be:

Component
Heating and Ventilation System
Windows
Electrical
Water Systems
Roofing
Lifts

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 current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

4.0.17 Current and Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at current or fair value at each reporting date. Current or fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the current or fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which current or fair value is measured or disclosed in the council's financial statements are categorised within the current or fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

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

Level 3 – unobservable inputs for the asset or liability.

4.0.18 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

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

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

Contingent Assets

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

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

4.0.19 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in

the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

4.0.20 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

4.0.21 VAT

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

4.0.22 Council Tax / Non-Domestic Rates (NDR) Income

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR). The Statutory Collection Fund (England) Statement is included as a supplementary statement in the accounts. In its capacity as billing authority the Council acts as an agent. During 2019/20 the Council collected and distributed NDR on behalf of itself, the Government and Cumbria County Council. Council Tax was collected and distributed on behalf of the City Council, the County Council, the Police and Crime Commissioner for Cumbria and local town and parish councils.

Council Tax accrued income for the year and Council Taxpayers debtors, creditors and provision for bad debts at the 31 March are shared between the major preceptors and the Council based on their percentage share of the total demands/precepts for the year. Business rates accrued income for the year as well as business ratepayers, debtors, creditors and provisions for bad debts and appeals are shared between the Council (40%), Government (50%) and Cumbria County Council (10%).

Collection Fund Debtors are reviewed collectively at the balance sheet date by debt type and provision is made for impairment based on the historical evidence of default in each category. The Council's share of the Collection Fund Debtors shown in the balance sheet is net of this bad debt provision.

In accordance with the current accounting code of practice the Council's Comprehensive Income and Expenditure Statement includes its share of accrued council tax and business rates income. Where this amount is more or less than the amount to be credited to the General Fund under statute, there is an adjusting transfer in the Movement in Reserves Statement, between the General Fund Balance and the Collection Fund Adjustment Account. This account holds the Council's share of the Collection Fund Surplus or Deficit at the 31 March. The Council's Balance Sheet includes the net creditor/debtor position with the Government and major preceptors for taxes collected on their behalf and not yet paid to them or taxes paid to them but not yet collected from taxpayers.

4.1 Accounting Standards that have been issued but have not yet been adopted

The following Accounting Standards have been issued but have yet to be adopted that could impact the Council.

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
 This change to the standard will not currently affect the Council as it does not have investments in associates or joint ventures.
 This standard will provide clarification that IFRS 9 applies to long term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.
 This amendment requires the re-measurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after a change to the plan. This only applies to changes from 1 April 2020 and, since this could result in positive, or negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact on the Council.
 When a plan amendment, curtailment or settlement occurs during a reporting period, entities use updated actuarial assumptions to determine current service cost and net interest for the remaining annual reporting period (only relevant where the treatment is material for the readers of the accounts).
- IFRS 16 Leases
 This standard will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities. The impact will be mainly presentational; the revenue impact will be neutral. The Council has limited exposure as a lessee so there is expected to be minimal impact. The adoption of this standard has been deferred until 1 April 2021.

The effect of these changes will be assessed and where necessary figures will be restated in the Financial Statements for 2020/21.

4.2 Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 4.0, 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:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The COVID-19 pandemic has made forecasting for future requirements extremely difficult, however, in the preparation of these accounts, the accounting policies have been applied consistently. There will be future requirements for the Council to view the uncertainties around COVID-19 and the impact it will have on the financial position and these will be considered during the budgetary planning and monitoring processes already embedded in the Council's decision-making processes.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Information about significant areas of estimation

uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment (£52.773million at 31.03.20)	Assets are depreciated over useful lives that are dependent upon assumption about the level of repairs and maintenance that will be incurred in relation to individual assets. The current capital programme includes funding for enhancements to Council property.	If the useful lives of assets are reduced, depreciation will increase and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings, vehicles and plant would increase by £296,000 for every year that useful lives had to be reduced.
Debtors & Creditors (£5.794million and £5.454million at 31.03.20)	Debtors and creditor accruals are prepared on known invoices received/due, or are based on estimates of grant claims, accounting adjustments calculated from systems, e.g. Collection Fund.	Any creditors or debtors that are paid in 2020/21 that differ from the accrual made will result in the difference being funded from the 2020/21 budget.
Pension Liability (£47.322million at 31.03.20)	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 Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £3.225million.
Business Rate Appeals Provision (£4.235million at 31.03.20)	The Business Rates appeals provision is based on the best estimate of the likely outcome of outstanding appeals as at 31 March 2020. Appeals are dealt with by the Valuation Office Agency and as such are outside the control of the Council.	If appeals are settled to different terms than those estimated, the effect will be reflected in the Collection Fund in future years.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value Measurements	When the fair value of financial assets and financial liabilities cannot be measured based on quoted process in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based upon observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the councils appointed valuers).	The council uses the discounted cash flow (DCF) to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates - adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

4.3 Material Items of Income and Expense

The Council had the following items of material income and expenditure in 2019/20:

- Income relating to the administration and payments of Benefits (including Discretionary Housing Payments) was received from Central Government totalling £21,703,458 (2018/19 £24,590,149) with corresponding payments of benefits totalling £22,254,754 (2018/19 £25,470,343). Housing Benefit Overpayment Income of £620,266 was received in 2019/20, (2018/19 £1,172,730).
- Council tax income of £7,807,839 (2018/19 £7,553,349) was credited to the Comprehensive Income and Expenditure Statement.
- Retained Business Rates £5,915,222 (2018/19 £5,633,816).
- Net upward revaluations of Property Plant and Equipment of £0.267million (2018/19 £0.188million upward revaluation).
- Net downward revaluations of Investment Property of £2.336million (2018/19 £2.400million downward revaluation).
- Rental income from investment property of £4.181million (2018/19 £4.474million).

Movement in Reserves Statement

4.4 Adjustments between accounting basis and funding basis under Regulations

This note details the adjustments that are made to Total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with the proper accounting practice to the resources that are specified by statutory provision as being available to the

Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Capital Receipts Reserve

The Capital receipts Reserve holds the proceeds from 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 yet to be applied for these purposes at year end.

Capital Grant Unapplied

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

	General Fund balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable reserves	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Collection Fund Adjustment	Pooled Investments Adjustment	Short Term Compensated Absences	Total Authority Reserves
2019/20	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources												
(Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:)												
Pension Costs	4,142	0	0	4,142	(4,142)	0	(4,142)	0	0	0	0	0
Financial Instruments	123	0	0	123	(123)	0	0	0	0	(123)	0	0
Council Tax and NDR	567	0	0	567	(567)	0	0	0	(567)	0	0	0
Holiday Pay	92	0	0	92	(92)	0	0	0	0	0	(92)	0
Reversal of entries included in the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:												
Depreciation	2,373	0	0	2,373	(2,373)	0	0	(2,373)	0	0	0	0
Impairment Losses charged to CIES	(267)	0	0	(267)	267	0	0	267	0	0	0	0
Capital Grants and Contributions Applied	(2,234)	0	0	(2,234)	2,234	0	0	2,234	0	0	0	0
Revenue Expenditure Funded from Capital Under Statute	3,890	0	0	3,890	(3,890)	0	0	(3,890)	0	0	0	0
Movement in Market Value of Investment Property	2,336	0	0	2,336	(2,336)	0	0	(2,336)	0	0	0	0
Non Current Assets Written off on disposal or sale	3,092	0	0	3,092	(3,092)	0	0	(3,092)	0	0	0	0
Total Adjustments to Revenue Resources	14,114	0	0	14,114	(14,114)	0	(4,142)	(9,190)	(567)	(123)	(92)	0
Adjustments between Revenue and Capital Resources												
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,299)	3,299	0	0	0	0	0	0	0	0	0	0
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(21)	0	0	(21)	21	0	0	21	0	0	0	0
Capital Expenditure Financed from Revenue Balances	(1,742)	0	0	(1,742)	1,742	0	0	1,742	0	0	0	0
Total Adjustments between Revenue and Capital Resources	(5,062)	3,299	0	(1,763)	1,763	0	0	1,763	0	0	0	0
Adjustments to Capital Resources												
Use of the Capital Receipts Reserve to finance capital expenditure	0	(3,299)	0	(3,299)	3,299	0	0	3,299	0	0	0	0
Application of capital grants to finance capital expenditure	0	0	0	0	0	0	0	0	0	0	0	0
Total Adjustments to Capital Resources	0	(3,299)	0	(3,299)	3,299	0	0	3,299	0	0	0	0
Adjustment between Capital Adjustment Account (CAA) and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.	0	0	0	0	0	(275)	0	275	0	0	0	0
Total Adjustments	9,052	0	0	9,052	(9,052)	(275)	(4,142)	(3,853)	(567)	(123)	(92)	0

	General Fund balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable reserves	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Pooled Investments Adjustment Account	Short term Compensated Absences Account	Total Authority Reserves
2018/19	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources												
(Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:)												
Pension Costs	1,574	0	0	1,574	(1,574)	0	(1,574)	0	0	0	0	0
Financial Instruments	(53)	0	0	(53)	53	0	0	0	0	53	0	0
Council Tax and NDR	(470)	0	0	(470)	470	0	0	0	470	0	0	0
Holiday Pay	(23)	0	0	(23)	23	0	0	0	0	0	23	0
Reversal of entries included in the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:												
Depreciation	2,313	0	0	2,313	(2,313)	0	0	(2,313)	0	0	0	0
Impairment Losses charged to CIES	(188)	0	0	(188)	188	0	0	188	0	0	0	0
Capital Grants and Contributions Applied	(2,089)	0	0	(2,089)	2,089	0	0	2,089	0	0	0	0
Revenue Expenditure Funded from Capital Under Statute	2,853	0	0	2,853	(2,853)	0	0	(2,853)	0	0	0	0
Movement in Market Value of Investment Property	2,400	0	0	2,400	(2,400)	0	0	(2,400)	0	0	0	0
Non Current Assets Written off on disposal or sale	668	0	0	668	(668)	0	0	(668)	0	0	0	0
Total Adjustments to Revenue Resources	6,985	0	0	6,985	(6,985)	0	(1,574)	(5,957)	470	53	23	0
Adjustments between Revenue and Capital Resources												
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(607)	607	0	0	0	0	0	0	0	0	0	0
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(21)	0	0	(21)	21	0	0	21	0	0	0	0
Capital Expenditure Financed from Revenue Balances	(2,110)	0	0	(2,110)	2,110	0	0	2,110	0	0	0	0
Total Adjustments between Revenue and Capital Resources	(2,738)	607	0	(2,131)	2,131	0	0	2,131	0	0	0	0
Adjustments to Capital Resources												
Use of the Capital Receipts Reserve to finance capital expenditure	0	(607)	0	(607)	607	0	0	607	0	0	0	0
Application of capital grants to finance capital expenditure	0	0	0	0	0	0	0	0	0	0	0	0
Total Adjustments to Capital Resources	0	(607)	0	(607)	607	0	0	607	0	0	0	0
Adjustment between Capital Adjustment Account (CAA) and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.	0	0	0	0	0	(261)	0	261	0	0	0	0
Total Adjustments	4,247	0	0	4,247	(4,247)	(261)	(1,574)	(2,958)	470	53	23	0

4.5 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

	Balance 31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance 31 March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance 31 March 2020 £000
Capital:							
Lanes Capital Fund	45	0	15	60	0	15	75
GLL Reserve	273	0	0	273	(273)	0	0
Asset Investment Reserve	48	0	0	48	(48)	0	0
Total Capital Reserves	366	0	15	381	(321)	15	75
Revenue							
Transformation Reserve	150	0	0	150	(150)	0	0
Welfare Reform Reserve	200	0	0	200	(200)	0	0
Building Control Reserve	150	(65)	0	85	(81)	96	100
Cremator Replacement Reserve	850	0	114	964	0	116	1,080
Car Park Enhancement Reserve	107	(107)	0	0	0	0	0
Economic Investment Reserve	6	0	0	6	(6)	0	0
City Centre Reserve	42	(33)	0	9	(4)	0	5
Flooding Earmarked Reserve	2,014	0	0	2,014	(160)	94	1,948
Revenues & Benefits Reserve	338	0	0	338	(338)	0	0
Prosecutions and Representations	41	(15)	10	36	0	0	36
Promoting Carlisle Reserve	20	(10)	0	10	(10)	0	0
Revenue Grants Reserve	1,920	(1,008)	231	1,143	(355)	1,151	1,939
Planning Services Reserve	28	0	122	150	(32)	78	196
Apprentice Reserve	0	0	54	54	0	24	78
Waverley Viaduct Reserve	0	0	0	0	0	30	30
Total Revenue Reserves	5,866	(1,238)	531	5,159	(1,336)	1,589	5,412
Total Earmarked Reserves	6,232	(1,238)	546	5,540	(1,657)	1,604	5,487
General Reserves							
General Fund Balance	4,773	(655)	0	4,118	(802)	691	4,007
Carry Forward Reserve	927	(415)	0	512	(33)	175	654
Total General Fund Balances	11,932	(2,308)	546	10,170	(2,492)	2,470	10,148
Deferred Credits	20	0	0	20	0	0	20
Capital Grant Unapplied	136	0	0	136	0	0	136
Total Usable Reserves	12,088	(2,308)	546	10,326	(2,492)	2,470	10,304

4.6 Nature and Purpose of Usable Reserves

The Council is required to maintain a number of reserves under the provisions of the Code. The reserves and their broad functions are as follows.

(a) Earmarked Reserves

This balance represents monies available to support revenue spending but which the Council have earmarked for specific purposes. Further details on individual earmarked reserves are contained within the Council's Medium-Term Financial Plan, available upon request from the Corporate Director of Finance and Resources.

(b) Deferred Credits This represents the balance of capital debtors recognised within long term debtors in respect of Housing Act Mortgage Debtors which remain outstanding at the year end and, therefore, cannot be counted within the usable capital receipts reserve.

(c) General Fund Balances

This balance represents the cumulative surplus available to the Council to support revenue spending and which has not been earmarked for a specific purpose.

(d) Capital Grants Unapplied

This represents capital grants that have been received and recognised in the Comprehensive Income and Expenditure Statement, but which have yet to be applied to finance capital expenditure.

(e) Usable Capital Receipts Reserve

Capital reserves are not allowed to be used for revenue purposes and in certain cases can only be used for specific statutory purposes. The Usable Capital Receipts Reserve is a reserve established for specific statutory purposes.

An explanation of Unusable Reserves is detailed in Note 4.38.

Comprehensive Income and Expenditure

4.7 Other Operating Expenditure

2018/19 £000		Note	2019/20 £000
613	Parish Council Precepts		638
165	(Gains)/Losses on disposal of non-current assets	4.23	16
778	Total		654

4.8 Financing and Investment Income and Expenditure

2018/19 £000		Note	2019/20 £000
1,306	Interest payable and similar charges	4.13	1,445
860	Net Interest on the defined benefit liability (pension assets)	4.41	973
(321)	Interest receivable and similar income	4.13	(442)
(1,569)	Income and Expenditure in relation to investment properties and changes in their fair value	4.10	(1,144)
521	(Surplus)/Deficit on Trading Undertakings		364
(53)	(Gain)/Loss on Financial Assets measured at Fair Value through Profit or Loss	4.38f	123
744	Total		1,319

4.9 Taxation and Non-Specific Grant Income

2018/19 £000		Note	2019/20 £000
(7,553)	Council Tax Income	4.13	(7,808)
(5,634)	Non-Domestic Rates	4.13	(5,915)
(2,239)	Non-Ring-fenced Government Grants	4.20	(1,749)
(169)	Recognised Capital Grants & Contributions	4.20	(247)
(15,595)	Total		(15,719)

4.10 Investment Properties

Amounts that have been recognised in the Comprehensive Income and Expenditure Statement relating to investment property are:

2018/19 £000		2019/20 £000
(4,474)	Rental Income from investment property	(4,181)
625	Direct operating expenses arising from investment property that generated rental income during the period	992
2,400	(Increase) / Decrease in Fair Value of Investment Properties	2,336
(120)	(Gains)/Losses on Disposal of Investment Properties	(291)
(1,569)	Net (Gain)/Loss	(1,144)

4.11 Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2018/19				2019/20		
Net Expenditure Chargeable to General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
9,626	31	9,657	Community Services	9,818	1,114	10,932
1,786	947	2,733	Economic Development	1,256	2,127	3,383
1,376	299	1,675	Corporate Support	1,331	654	1,985
839	(963)	(124)	Finance and Resources	957	(912)	45
849	4,587	5,436	Governance & Regulatory Services	844	4,732	5,576
(197)	902	705	Corporate Management	(525)	1,428	903
0	0	0	Exceptional Item - Flood	(4)	0	(4)
14,279	5,803	20,082	Net Cost of Services	13,677	9,143	22,820
		(14,073)	Other Income & Expenditure			(13,746)
14,279	5,803	6,009	Surplus or Deficit	13,677	9,143	9,074
11,932			Opening General Fund Balance	10,170		
(6,009)			Less/Plus Surplus or (Deficit) on General Fund	(9,074)		
4,247			Adjustments between accounting basis and funding basis under regulations	9,052		
10,170			Closing General Fund Balance at 31 March	10,148		

4.12 Adjustments between Funding and Accounting Basis

2019/20				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Other Differences (Note c) £000	Total Adjustments £000
Community Services	(198)	1,425	(113)	1,114
Economic Development	0	461	1,666	2,127
Corporate Support	0	718	(64)	654
Finance and Resources	0	364	(1,276)	(912)
Governance & Regulatory Services	(69)	1,167	3,634	4,732
Corporate Management	2,374	(966)	20	1,428
Exceptional Items	0	0	0	0
Net Cost of Services	2,107	3,169	3,867	9,143
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services	2,107	3,169	3,867	9,143

2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Other Differences (Note c) £000	Total Adjustments £000
Community Services	(298)	622	(293)	31
Economic Development	0	196	751	947
Corporate Support	0	345	(46)	299
Finance and Resources	0	154	(1,117)	(963)
Governance & Regulatory Services	110	465	4,012	4,587
Corporate Management	2,313	(1,068)	(343)	902
Net Cost of Services	2,125	714	2,964	5,803
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services	2,125	714	2,964	5,803

(a) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

- **Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- **Financing and Investment Income and Expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and Non-Specific Grant Income and Expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxations and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

(b) Net Change for the Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income:

- **For Services** this represents the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

(c) Other Differences

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

- **For Financing and Investment Income and Expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and Non-Specific Grant Income and Expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in the future Surpluses or Deficits on the Collection Fund.

4.13 Expenditure and Income Analysed by Nature

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

2018/19 £000		Note	2019/20 £000
	Expenditure		
17,782	Employee Benefit expenses		20,758
41,065	Other Service expenses		39,221
2,125	Depreciation, amortisation and impairment		2,107
1,306	Interest payments		1,445
613	Precepts and levies		638
683	Gains on the disposal of assets		3,160
2,400	Change in Fair Value of Investment Property		2,336
65,974	Total Expenditure		69,665
	Income		
(11,229)	Revenue from contracts with service recipients	4.14	(11,081)
(201)	Fee, charge and other service income		(189)
(322)	Interest and Investment Income		(442)
(13,187)	Income from Council Tax, Non-Domestic Rates	4.9	(13,723)
(34,350)	Grants, Contributions and Reimbursements	4.20	(31,912)
(623)	Gain or Loss in Disposal of Non-Current Assets & Investment Property		(3,367)
(53)	(Gain)/Loss on Financial Assets measured at Fair Value through Profit or Loss		123
(59,965)	Total Income		(60,591)
6,009	(Surplus) or Deficit on the Provision of Services		9,074

4.14 Revenue from Contracts with Customers

The Council collects income from various sources, e.g. raising debtor invoices or collecting income through the bank. Some income is received in advance of services being delivered, and some is received after the service has been delivered.

The majority of Council income is collected upon delivery of the service, e.g. car parking income, so income is recognised as soon as the performance obligation is performed. There are some services, however, where income is collected in advance of a service being delivered; the main areas being Development Control (Planning Fees) and Building Control Fees.

Development Control Fees

Development Control fees are paid upfront at the time the application is submitted and depending on the type or complexity of the application submitted in association with the fees, the work could be carried out over a period of up to potentially 6 months or even longer. Once a 'valid' application has been received, this is when the performance obligation is satisfied as the City Council has agreed to consider and make a decision on the planning application submitted.

As at 31st March 2020, there were 7 applications which were invalid for which a total of £13,461 had been paid upfront for. As this is immaterial, no adjustments have been made to the income as at 31st March 2020.

Building Control Fees

For a Building Control application to be valid, a fee must be paid. No work will be carried out unless the required fee is paid.

As at 31st March 2020, there were no invalid applications that have a financial value attributable to them. Overall, 663 applications were commenced in 2019/20, with 424 outstanding by the year end. The approximate value of these outstanding applications was £55,000. Therefore, no adjustments have been made to the income as at 31st March 2020.

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:

2018/19 £000		2019/20 £000
	Revenue from contracts with service recipients	
(396)	Building Control	(393)
(811)	Development Control	(513)
(1,568)	Bereavement Services	(1,686)
(1,584)	Car Parking	(1,470)
(264)	Licensing	(260)
(4,572)	Rental Income from Properties	(4,488)
(2,034)	Other revenue from contracts with service recipients	(2,271)
(11,229)	Total included in Comprehensive Income & Expenditure Statement	(11,081)
19	Impairment of receivables or contract assets	31

Amounts included in the Balance Sheet for contracts with service recipients:

2018/19 £000		2019/20 £000
	Receivables, which are included in debtors	
13	Building Control	23
123	Bereavement Services	134
16	Car Parking	22
280	Rental Income from Properties	825
132	Other revenue from contracts with service recipients	84
564	Total included in Net Assets	1,088

4.15 Agency Income and Expenditure

In the Council's capacity as Billing Authority it acts as an agent in collecting and distributing Council Tax income on behalf of the major preceptors and itself. Only the Councils share of income and expenditure is shown in the Comprehensive Income and Expenditure Statement (£7.808million) (2018/19 - £7.553million).

The Council also acts as an agent in collecting Non-Domestic Rates (NDR) on behalf of the Government and County Council under the Business Rate Retention Scheme. Only the income received due to the City Council share (£5.915million); 2018/19 (£5.634million) is recognised in the Comprehensive Income and Expenditure Statement.

The Council is required to maintain a separate fund for the collection and distribution of amounts due in respect of Council tax and NNDR. The Collection Fund is included as a supplementary statement in these accounts.

4.16 Cumbria Business Rates Pool

During 2019/20, the Council participated in the Cumbria Business Rates Pool in order to benefit the Cumbria area by retaining any levies that would otherwise be payable to Central Government as a result of growth in Business Rates. The pool is made up of Cumbria County Council, Carlisle City Council, Allerdale Borough Council, Barrow Borough Council, Copeland Borough Council, Eden District Council and South Lakeland District Council.

The amount of retained growth kept by the Pool and redistributed is as follows:

2018/19 £000		2019/20 £000
	Retained Levy	
981	Allerdale Borough Council	998
680	Barrow Borough Council	489
1,031	Carlisle City Council	1,084
1,249	Copeland Borough Council	494
660	Eden District Council	823
1,646	South Lakeland District Council	2,004
6,247	Total Retained Levy	5,892
	Pooling Distribution of Retained Levy	
477	Allerdale Borough Council	597
345	Barrow Borough Council	330
489	Carlisle City Council	631
557	Copeland Borough Council	316
303	Eden District Council	456
708	South Lakeland District Council	1,058
2,125	Cumbria County Council	2,504
1,243	Volatility Reserve	0
6,247	Total	5,892

The distribution of the retained levy for the Council is shown within Business Rate Retention income in the Comprehensive Income and Expenditure Statement, along with the Council's own share of the growth achieved in the year (£1,084,414).

4.17 Members Allowances

The Code of Practice on Local Authority Accounting requires that Local Authorities disclose details of allowances paid to elected members during the year. Details of allowances paid in 2019/20 are as follows:

2018/19 £000		2019/20 £000
253	Type of Allowance	
85	Basic Allowance	197
12	Special Responsibility Allowance	85
	Conference/Other Allowances	8
350	Total	290

4.18 Officers' Remuneration

The Accounts and Audit Regulations 2015 require that local authorities disclose details of the number of employees whose remuneration exceeds £50,000 in bands of £5,000. The table below includes senior employees who are also subject to additional disclosure below.

Remuneration includes any payments made on termination of employment, but does not include pension contributions.

The Accounts and Audit Regulations 2015 also now requires that local authorities disclose the individual remuneration details of senior employees by job title for a number of categories if their annual salary is above £50,000. For the purpose of disclosure, senior employees are defined by the Council as Director level and above.

Remuneration Banding (incl Termination Payments)	Number of Employees					
	2019/20	Given Notice During Year	Left During Year	2018/19	Given Notice During Year	Left During Year
Between £50,000 and £54,999	2	0	0	2	0	0
Between £55,000 and £59,999	5	0	0	3	0	0
Between £60,000 and £64,999	1	1	1	1	1	1
Between £65,000 and £69,999	0	0	0	1	0	0
Between £70,000 and £74,999	3	0	0	2	0	0
Between £75,000 and £79,999	1	1	1	1	1	0
Between £80,000 and £84,999	1	0	0	1	0	0
Between £85,000 and £89,999	1	1	0	0	0	0
Between £90,000 and £94,999	1	0	0	1	0	0
Total Number of Employees (Including Senior Employees)	15	3	2	12	2	1

Post	Salaries, fees & allowances	Benefits in Kind (e.g car allowance)	Total Remuneration excluding pension contributions	Pension	Total
2019/20	£000	£000	£000	£000	£000
Chief Executive	111	11	122	17	139
Deputy Chief Executive	89	8	97	14	111
Corporate Director of Governance & Regulatory Services	72	7	79	11	90
Corporate Director of Economic Development	72	7	79	11	90
Corporate Director of Finance and Resources	72	7	79	11	90
Total	416	40	456	64	520

Post	Salaries, fees & allowances	Benefits in Kind (e.g car allowance)	Total Remuneration excluding pension contributions	Pension	Total
2018/19	£000	£000	£000	£000	£000
Chief Executive	109	15	124	17	141
Deputy Chief Executive	87	8	95	14	109
Corporate Director of Governance & Regulatory Services	71	6	77	11	88
Corporate Director of Economic Development	71	6	77	11	88
Corporate Director of Finance and Resources	67	6	73	11	84
Total	405	41	446	64	510

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

	Number of Compulsory Redundancies		Number of other Agreed Departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £000	2019/20 £000
£0 - £20,000	2	1	4	3	6	4	77	38
£20,001 - £40,000	3	0	2	0	5	0	152	0
£40,001 - £60,000	1	0	0	2	1	2	49	100
£60,001 - £80,000	0	0	0	1	0	1	0	61
£180,001 - £200,000	0	0	1	1	1	1	187	186
Total	6	1	7	7	13	8	465	385

4.19 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, the certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors.

2018/19 £000		2019/20 £000
41	Fees payable to the external auditor with regard to external audit services carried out by the appointed auditors	51
13	Fees payable to the external auditors for the certification of grant claims and returns	9
3	Fees payable to the external auditors for the certification of grant claims and returns for previous years	0
57	Total	60

From 2018/19 the external auditor for the certification of the Housing Benefit Subsidy Claim changed from Grant Thornton UK LLP to Mazars following a procurement exercise.

4.20 Grants, Contributions and Reimbursement Income

The Council credited the following grants, contributions and reimbursements to the Comprehensive Income and Expenditure Statement in 2019/20.

2018/19 £000		2019/20 £000
	Credited to Taxation and Non Specific Grant Income	
	Non Ringfenced Government Grants	
449	Revenue Support Grant	0
1,606	New Homes Bonus	1,565
184	Rural Services Delivery Grant	184
2,239	Total	1,749
	Recognised Capital Grants & Contributions	
19	Play Areas & Open Spaces Contribution	39
139	Crindledyke Cycleway (S106)	0
11	Sands Centre	206
0	Green Gyms	2
169	Total	247
	Grants - Credited to Services	
34	Economic Regeneration	960
104	Supporting Vulnerable People	616
24,590	Housing Benefit Subsidy	21,704
622	Revenues and Benefits	546
7	Exceptional Items	0
981	Other Grants	693
	Reimbursements - Credited to Services	
11	Economic Regeneration	80
4	Supporting Vulnerable People	7
1,408	Revenues and Benefits	859
0	Flood Related	0
646	Other Reimbursements	831
	Contributions - Credited to Services	
0	Economic Regeneration	64
32	Supporting Vulnerable People	62
179	Revenues and Benefits	178
0	Flood Related	0
1,404	Other Contributions	1,329
1,920	Revenue Expenditure funded by Capital	1,987
31,942	Total	29,916
34,350	Total Grants, Contributions and Reimbursements	31,912

4.21 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions will allow readers to assess the

extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 4.13 on reporting for resource allocation decisions. Grant receipts receivable at 31 March 2020 are shown in Note 4.20. As at 31 March 2020, the balance of Creditors owing to Central Government departments was £1.585million. The balance of debtors owed from Central Government departments was £0.574million.

Members

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 4.17. All elected members of the Council were asked to declare any direct financial relationship through outside bodies or companies with the Council for the financial year 2019/20.

Twenty-Five declared an interest in Community Centres around the Carlisle area. The Council paid £190,180 to Community Centres during 2019/20 (2018/19 - £192,580).

2018/19 £000		2019/20 £000
11	Belah Community Centre	11
13	Botcherby Community Centre	13
22	Brampton Community Centre	22
21	Currock Community Centre	21
14	Denton Holme Community Centre	14
9	Greystone Community Centre	9
27	Harraby Community Centre	25
27	Longtown Community Centre	27
29	Morton Community Centre	29
12	Petteril Bank Community Centre	12
7	Yewdale Community Centre	7
192	Grants paid to Community Centres	190

Officers

During 2019/20 16 officers who are considered to be key management personnel were asked to declare any direct financial relationship through outside bodies or companies with the Council for the financial year 2019/20. The response rate was 100%.

There were no material transactions relating to members or senior officers of the Council during 2019/20.

Other Public Bodies

Other related party transactions are as follows:

- the City Council's transactions with the Cumbria County Council Pension Fund, which are shown in Note 4.22 to the Financial Statements. The Council owed £90,042 to the Pension fund at 31 March for transactions in 2019/20, and this is shown as a creditor in the balance sheet.

4.22 Pension Costs

In 2019/20, the City Council paid an employer's contribution of £1,620,245 into the Cumbria County Council Pension Scheme, representing 15.6% plus £935,000 deficit funding (2018/19: £1,620,245 representing 15.6% and £935,000 deficit funding) of pensionable pay. The contribution rate is based on the triennial actuarial valuation carried out at 31 March 2017 by the Fund's Actuary. This contribution rate is effective for the three-year period commencing 1 April 2017. The Council is also responsible for all pension payments relating to unfunded added years benefits awarded to its employees together with any related increases. In 2019/20 the value of these benefits amounted to £286,478 representing 2.64% of pensionable pay (2018/19: £162,000 and 1.55% respectively). The pension costs charged to the Comprehensive Income and Expenditure Statement in accordance with IAS 19 are as follows:

2018/19 £000		2019/20 £000
3,341	Current Service Cost	3,609
62	Administration Expenses	87
3	Past Service Cost / (Gain)	2,068
232	Curtailment Cost	431
(3,805)	Interest on Plan Assets	(3,653)
4,665	Pension Interest Costs	4,626
4,498	Total	7,168
(2,924)	Contributions paid to Pension Scheme	(3,026)
1,574	Contributions (to) / from Pension Reserve	4,142

The reassessment of the pension liability for the effects of the McCloud judgement are shown in the above figures. Further detail can be found at note 4.41.

4.23 Gains/Losses on Sale of Property, Plant and Equipment

The Comprehensive Income and Expenditure Statement includes gains and losses from the sale of Council assets. The value of the gains and losses for the year 2019/20 is as follows: -

2018/19 £000		2019/20 £000
(3)	Preserved Right To Buy Sales	0
168	Other	16
165	Total	16

4.24 Revenue Expenditure Funded from Capital Under Statute

Items of revenue expenditure funded from capital under statute, which are not financed by government grants, are written off to the Comprehensive Income and Expenditure Statement during the year. The value for 2019/20 is as follows: -

2018/19				2019/20		
Expend- iture £000	Grants Utilised £000	Amounts Written Off £000		Expend- iture £000	Grants Utilised £000	Amounts Written Off £000
2,134	(1,811)	(323)	Disabled Facilities Grants	2,252	(1,937)	(315)
0	0	0	Castleway Crossing	1,338	0	(1,338)
719	(109)	(610)	Other	300	(50)	(250)
2,853	(1,920)	(933)	Total	3,890	(1,987)	(1,903)

4.25 Revaluations Charged to CIES

During 2019/20 the value of Non-Current Assets that were revalued and charged to the surplus/deficit on Provision of Services within the Comprehensive Income and Expenditure Statement were £2.069million (2018/19: £2.212million). This was split between investment properties £2.336million (downward revaluation) (2018/19: £2.400million (downward revaluation) and other items of Property, Plant and Equipment and surplus assets £0.267million (upward revaluation) (2018/19: £0.188million (upward revaluation). Change in fair value of Investment Properties were charged to the Comprehensive Income and Expenditure Statement under Financing and Investment Income as per Note 4.8. Movements in other Property, Plant and Equipment are shown in the Comprehensive Income and Expenditure Account within Net cost of Services. The table below shows the service line that all revaluations were originally charged to.

2018/19 £000		2019/20 £000
(298)	Community Services	(198)
110	Governance and Regulatory Services	(69)
(188)	Total Included in Net Cost of Services	(267)

Balance Sheet**4.26 Property Plant and Equipment**

2019/20	OPERATIONAL					NON OPERATIONAL		Total £000
	Council Dwelling £000	Other Land & Buildings £000	Vehicles Equip & Plant £000	Infra- structure £000	Community Assets £000	Assets under Constr £000	Surplus assets £000	
Cost or Valuation								
Valuation as at 1 April 2019	201	30,665	16,330	6,119	4,076	1,470	884	59,745
Additions/Enhancements	0	196	1,033	6	52	2,748	0	4,035
Disposals	0	(68)	(894)	0	0	0	0	(962)
Reclassifications	0	(80)	0	0	0	0	80	0
Revaluations Taken to Revaluation Reserve	0	1,498	0	0	0	0	2	1,500
Revaluations Charged to Surplus/Deficit on Provision of Services 2019/20	0	44	0	0	0	0	(5)	39
Valuation as at 31 March 2020	201	32,255	16,469	6,125	4,128	4,218	961	64,357
Depreciation								
Accumulated Dep'n at 1 April 2019	0	0	(10,106)	(896)	0	0	0	(11,002)
Depreciation Charge to CIES 2019/20	(5)	(940)	(1,299)	(115)	0	0	0	(2,359)
Depreciation on Disposals	0	4	832	0	0	0	0	836
Depreciation w/out to Revaluation Reserve	5	697	0	0	0	0	0	702
Depreciation w/out to Surplus/Deficit on Provision of Services	0	239	0	0	0	0	0	239
Accumulated Dep'n at 31 March 2020	0	0	(10,573)	(1,011)	0	0	0	(11,584)
Net Book Value at 31 March 2020	201	32,255	5,896	5,114	4,128	4,218	961	52,773
Net Book Value at 31 March 2019	201	30,665	6,224	5,223	4,076	1,470	884	48,743
Nature of Asset holding								
Owned	201	32,255	5,896	5,114	4,128	4,218	961	52,773
	201	32,255	5,896	5,114	4,128	4,218	961	52,773
Historic Cost Valuation								
Net Book Value 31 March 2020	138	21,173	5,896	5,114	4,128	4,218	895	41,562
Net Book Value 31 March 2019	143	21,462	6,224	5,223	4,076	1,470	856	39,454

Note: Valuations and Accumulated depreciation brought forward as at 1 April 2019 for Land and Buildings and Council Dwellings as had to be amended due to rounding anomalies.

2018/19	OPERATIONAL					NON OPERATIONAL		Total £000
	Council Dwelling £000	Other Land & Buildings £000	Vehicles Equip & Plant £000	Infra- structure £000	Community Assets £000	Assets under Constr £000	Surplus assets £000	
Cost or Valuation								
Valuation as at 1 April 2018	200	29,601	16,207	5,870	4,021	25	1,153	57,077
Additions/Enhancements	0	457	789	249	30	1,479	0	3,004
Disposals	0	(20)	(663)	0	0	(34)	(180)	(897)
Reclassifications	0	(5)	0	0	25	0	(20)	0
Revaluations Taken to Revaluation Reserve	0	628	0	0	0	0	10	638
Revaluations Charged to Surplus/Deficit on Provision of Services 2018/19	0	4	0	0	0	0	(79)	(75)
Valuation as at 31 March 2019	200	30,665	16,333	6,119	4,076	1,470	884	59,747
Depreciation								
Accumulated Dep'n at 1 April 2018	(2)	(15)	(9,530)	(788)	0	0	0	(10,335)
Depreciation Charge to CIES 2018/19	(4)	(932)	(1,241)	(108)	0	0	0	(2,285)
Depreciation on Disposals	0	1	662	0	0	0	0	663
Depreciation w/out to Revaluation Reserve	7	682	0	0	0	0	0	689
Depreciation w/out to Surplus/Deficit on Provision of Services	0	264	0	0	0	0	0	264
Accumulated Dep'n at 31 March 2019	1	0	(10,109)	(896)	0	0	0	(11,004)
Net Book Value at 31 March 2019	201	30,665	6,224	5,223	4,076	1,470	884	48,743
Net Book Value at 31 March 2018	198	29,586	6,677	5,082	4,021	25	1,153	46,742
Nature of Asset holding								
Owned	201	30,665	6,224	5,223	4,076	1,470	884	48,743
	201	30,665	6,224	5,223	4,076	1,470	884	48,743
Historic Cost Valuation								
Net Book Value 31 March 2019	143	21,462	6,224	5,223	4,076	1,470	856	39,454
Net Book Value 31 March 2018	148	21,434	6,677	5,082	4,021	25	1,135	38,522

Note: Accumulated depreciation brought forward as at 1 April 2018 for Land and Buildings has had to been amended due to rounding anomalies.

Note: The figure shown for accumulated impairment as at 31 March 2018 was incorrectly stated and should have been shown as accumulated depreciation from 1 April 2018. This is reflected in the 2018/19 table above.

(a) Depreciation

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

Asset Category	Rate	Basis
Dwellings & Other Buildings	5 – 50 Years	Straight Line
Infrastructure Assets	40 – 80 Years	Straight Line
Vehicles, Plant, Furniture & Equipment	3 – 20 Years	Straight Line
Intangible Assets	3 – 5 Years	Straight Line

(b) Capital Commitments

At 31 March 2020, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years; budgeted to cost £7,767,000. Similar commitments at 31 March 2019 were £895,000. The major commitments are:

2018/19 £000		2019/20 £000
408	Improvement Grant Commitments	680
0	Gateway 44	3,397
487	Vehicle Replacements	671
0	Civic Centre Redevelopment	3,019
895		7,767

A significant capital redevelopment of the Sands Centre Leisure Centre is underway but the level of capital commitments as at 31 March 2020 could not be fully quantified due to contracts still being finalised.

(c) Effects of Changes in Estimates

In 2019/20, the Council made no material changes to its processes and techniques for making accounting estimates for Property, Plant and Equipment.

4.27 Bases of Valuation

From 1 April 1994 all of the City Council's property, plant and equipment have been valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Details of the valuation bases applied are set out in Note 4.0 (Statement of Accounting Policies).

Valuations are carried out via an annual revaluation programme. Valuations for 2019/20 were carried out by R Richardson (Building and Estates Manager) RICS and C Smith (Carigiet Cowen) BSc MRICS as at 31 March 2020. Community Assets, Vehicles, Plant and Equipment and Infrastructure assets are all held at Historic Cost and are not subject to revaluations.

The table below shows the number and types of asset the Council reports on its balance sheet:

31 March 2019		31 March 2020
1	Civic Centre	1
11	Depots and Workshops	11
13	Off Street Car Parks	13
1	Leisure Centres	1
1	Swimming Pool	1
2	Museums	2
250ha	Parks & Recreation Grounds	250ha
1	Market Hall	1
3	Cemeteries	3
4	Hostels/Homeshares	4
1	Crematorium	1
75	Industrial Units	75
12	Community Centres	12
7	Industrial Estates	7

4.28 Investment Properties

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

property. The Council has obligations for repairs and maintenance on some of its investment properties.

The Council does not classify any property interests held under operating leases as Investment Properties.

The fair value of Investment property held on the Balance Sheet is based on the valuations which are reviewed annually. Valuations for 2019/20 were carried out by R Richardson (Building and Estates Manager) RICS and C Smith (Carigiet Cowen) BSc MRICS. These valuations were based on market conditions and known factors currently affecting specific assets, e.g. assets in the process of being marketed to sale.

2018/19 £000		2019/20 £000
87,484	Opening Balance at 1 April of Investment Property	85,038
6	Additions to existing assets	169
(52)	Disposals	(2,966)
(2,400)	Net gains or losses from fair value adjustments	(2,336)
85,038	Closing Balance at 31 March of Investment Property	79,905

4.28a Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2020 are as follows:

2019/20 Recurring Fair Value Measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2020 £000
Development Land	0	418	10,076	10,494
Retail	0	28,230	2,433	30,663
Industrial Sites	0	3,310	32,902	36,212
Residential	0	538	463	1,001
Education	0	0	275	275
Office Units	0	0	1,060	1,060
Airport	0	0	200	200
Total	0	32,496	47,409	79,905

2018/19 Recurring Fair Value Measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2019 £000
Development Land	0	418	13,023	13,441
Retail	0	29,940	3,815	33,755
Industrial Sites	0	3,240	32,169	35,409
Residential	0	538	310	848
Education	0	0	275	275
Office Units	0	0	1,110	1,110
Airport	0	0	200	200
Total	0	34,136	50,902	85,038

4.28b Transfers between Levels of the Fair Value hierarchy

There were no transfers between Levels 1 and 2 during the year and also no transfers between Levels 3 and 2.

4.28c Valuation Techniques used to determine Level 2 and 3 Fair Values for Investment Properties**Significant Observable Inputs – Level 2**

The fair value for retail, (at market rents) has been based on the direct market evidence available at the time of valuation.

Significant Unobservable Inputs – Level 3

The industrial sites located in the local authority area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the council's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

The council's development land has been valued using the market method of available market data with consideration given to the variables that will have an impact on the valuations.

4.28d Highest and Best Use of Investment Properties

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

4.28e Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

4.28f Reconciliation of Fair Value Measurements (using significant unobservable inputs categorised within Level 3 of the Fair Value Hierarchy)

2018/19 £000	Assets categorised within Level 3	2019/20 £000
51,872	Opening Balance	50,902
(60)	Transfers out of Level 3	0
(931)	Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	(684)
21	Additions/enhancements	157
0	Disposals	(2,966)
50,902	Closing Balance	47,409

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

4.28g Quantitative information about Fair Value Measurement in Investment Properties using significant Unobservable Inputs – Level 3

The table below shows where the income method has been used to measure Fair Value:

	Value as at 31/03/20 £000	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Retail	2,433	Investment - Term & Reversion	All Risks Yield (ARY)	4% - 12.0% (4.25% - 12.0%)	Changes in the ARY as a result of vacancy rates and rental income will result in a significantly higher or lower fair value
Industrial Sites	32,902	Investment - Term & Reversion	All Risks Yield (ARY)	5.0% - 8.0% (5.0% - 6.0%)	Changes in the ARY adopted for the income will result in significantly higher or lower fair value
Education	275	Investment - Term & Reversion	All Risks Yield (ARY)	10.0% - 12.0% (12.0%)	Significant changes in the ARY will result in a significantly higher or lower fair value
Office	1,060	Investment - Term & Reversion	All Risks Yield (ARY)	10.0% - 12.0% (12.0%)	Significant changes in the ARY will result in a significantly higher or lower fair value

Other investment properties categorised as Level 3 that have been measured using market conditions are explained below:

	Value as at 31/03/20 £000	Valuation technique used to measure fair value	Valuers comments and sensitivity
Development Land	10,076	Market	The Fair Value measurement of assets of this type is affected significantly by locational factors and lack of direct market comparable evidence. Further unknown factors such as planning and ground conditions and subsequent remediation works can have a significant impact on Fair Value measurement, and could result in a significantly higher or lower fair value.
Airport	200	Market	The Fair Value measurement of this asset is affected significantly by investor perception of windfall income for this asset.
Residential	463	Market	The Fair Value measurement of these assets has been significantly affected by the ongoing risk of flood events and limited availability of suitable market evidence.

4.28h Valuation process for Investment properties

The fair value of the council's investment property is measured annually at each reporting date. All valuations are carried out by a combination of internal and external valuers, 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 valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

4.29 Surplus Properties

The fair value of Surplus property held on the Balance Sheet is based on the valuations which are reviewed annually. Valuations for 2019/20 were carried out by R Richardson (Building and Estates Manager) RICS and C Smith (Carigiet Cowen) BSc MRICS. These valuations were based on market conditions and known factors currently affecting specific assets, e.g. assets in the process of being marketed to sale.

4.29a Fair Value Hierarchy

Details of the Council's Surplus properties and information about the fair value hierarchy as at 31 March 2020 are as follows:

2019/20 Recurring Fair Value Measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2020 £000
Development Land	0	200	320	520
Retail	0	0	341	341
Residential	0	0	100	100
Total	0	200	761	961

2018/19 Recurring Fair Value Measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2019 £000
Development Land	0	200	240	440
Retail	0	0	348	348
Residential	0	0	96	96
Total	0	200	684	884

4.29b Transfers between Levels of the Fair Value hierarchy

There were no transfers between Levels 1 and 2 during the year.

4.29c Highest and Best Use of Surplus Properties

In estimating the fair value of the authority's surplus properties, the highest and best use of the properties is their current use.

4.29d Valuation Techniques used to determine Level 2 and 3 Fair Values for Investment Properties**Significant Observable Inputs – Level 2**

The fair value for retail, (at market rents) has been based on the direct market evidence available at the time of valuation.

Significant Unobservable Inputs – Level 3

The council's development land has been valued using the market method of available market data with consideration given to the variables that will have an impact on the valuations.

4.29e Reconciliation of Fair Value Measurements (using significant unobservable inputs categorised within Level 3 of the Fair Value Hierarchy)

2018/19 £000	Assets categorised within Level 3	2019/20 £000
953	Opening Balance	684
0	Transfers into Level 3	80
(20)	Transfers out of Level 3	0
(69)	Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	(3)
(180)	Disposals	0
684	Closing Balance	761

Gains or losses arising from changes in the fair value of the surplus property are recognised in either the Net Cost of Services in the Comprehensive Income and Expenditure Statement or the Revaluation Reserve on the Balance Sheet.

4.30 Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Authority

	Statues, Monuments & historic Land- marks £000	Pictures, Prints & Sculpture £000	China, Glass & Porcelain £000	Archaeol- ogy £000	Natural History £000	Other Museum Collection £000	Civic Regalia £000	Total £000
Cost or Valuation								
Valuation as at 1 April 2018	817	14,000	950	1,300	500	1,550	385	19,502
Additions	1	0	0	0	0	0	0	1
Revaluations for additions	(1)	0	0	0	0	0	0	(1)
Valuation as at 31 March 2019	817	14,000	950	1,300	500	1,550	385	19,502
Cost or Valuation								
Valuation as at 1 April 2019	817	14,000	950	1,300	500	1,550	385	19,502
Additions	11	0	0	0	0	0	0	11
Revaluations for additions	(11)	0	0	0	0	0	0	(11)
Valuation as at 31 March 2020	817	14,000	950	1,300	500	1,550	385	19,502

a) Statues, Monuments and Historic Landmarks

The Council's collection of statues, monuments and historic landmarks are carried at Historic cost where known. This is primarily assets that have been previously been classified as Community assets and includes, Dixons Chimney, West Walls, Castle Banks and the Public Realm works for the Roman Frontier.

Other statues and monuments are not recorded on the balance sheet as valuation is not considered to be possible. These include the following assets:

- Market Cross, Greenmarket
- Queen Victoria Statue, Bitts Park
- James Creighton Statue, Hardwicke Circus,
- James Steel Statue, English Street
- Earl of Lowther Statue, The Crescent
- Cenotaph, Rickerby Park
- War Memorial, Greenmarket

- War Memorial, Richardson St Cemetery
- War Memorial, Botcherby Community Centre
- War Memorial, Stanwix Cemetery
- Hyssop Holme Well, Etterby

b) Pictures, Prints and Sculptures

The Council's collection of pictures, prints and sculptures is reported in the Balance Sheet at insurance valuation. The schedule covers some 4,800 items. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values. There is one item that has an individual valuation of £600,000 and this is a painting from 1868 titled Risen at Dawn; Gretchen Discovering Faust's Jewels, by Dante Gabriel Charles Rossetti. There are a further 4 items with an individual valuation of £250,000 each and a further 10 items valued over £100,000 each.

c) China, Glass and Porcelain

The Council's collection of china, glass and porcelain is reported in the Balance sheet at insurance valuation. The schedule covers some 800 items. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values. There are no significant individual items, the largest single valuation being £15,000 for a figurine.

d) Archaeology

The Council's collection of archaeology is reported in the Balance sheet at insurance valuation. The schedule covers some 20,000 items. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values.

e) Natural History

The Council's collection of natural history is reported in the Balance sheet at insurance valuation. The schedule covers some 816,500 items. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values.

f) Other Museum collection

The Council's other museum collections include items of social history, silver, coins and medals, fire-arms, musical instruments and costumes and clothing and is reported in the Balance sheet at insurance valuation. The schedule covers c.22,000 items. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values. There is one significant item within this part of the collection that is valued at £500,000.

g) Civic Regalia

The Council's Civic Regalia is reported in the Balance sheet at insurance valuation. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values.

h) Other heritage assets not included in the balance sheet

The Council's owns other items that are classified as heritage assets but which do not hold a valuation and for which it would not be cost effective to obtain a valuation. These include:

- Mayoral picture gallery, Civic Centre
- Various pictures, sculptures and paintings, 1st floor Civic Centre

4.31 Heritage Assets: Further information on the Museum's Collections

The collections fall into four main areas: Archaeology, Social History, Natural Sciences and Fine and Decorative Arts. Human history collections are centred on the **Social History** of Carlisle District, and the **Archaeology** of North Cumbria; **Natural Sciences** encompasses the flora, fauna and geology of Cumbria; and **Fine and Decorative Arts** includes British fine and decorative art, with particular reference to North Cumbria.

Fine and Decorative Art

a) Scope of the Collections

Wide ranging fine art collection consisting of 4,800 paintings, watercolours, drawings, prints, photographs, sketch books and sculpture by mainly British artists dating from about 1650 to the present day. This collection is mostly of regional significance but also includes works of national importance. Notable elements include:

Purchase Scheme 1933-75 (200 works)

Collection of 20th century British art including works of national importance. Key artists represented include: Stanley Spencer, William Rothenstein, Wyndham Lewis, Esmond Lowinsky, Vanessa Bell, Lucien Pissarro, Charles Ginner, L S Lowry, John Nash, Eric Ravilious, Carel Weight, Peter Blake and Roger de Grey.

Emily and Gordon Bottomley Bequest 1949 (600 works)

Collection of 19th and 20th century British art including works of national importance. Key artists represented include Pre-Raphaelites: Dante Gabriel Rossetti, Elizabeth Siddal, William Morris, Edward Burne-Jones, Ford Madox Brown and Arthur Hughes. Other key artists represented include Samuel Palmer, Charles Ricketts and Paul Nash.

Carel Weight Bequest 1999 (91 works)

Important collection of late 19th and 20th century mainly British art. Key artists represented include Lucien Pissarro, Stanley Spencer, L S Lowry, Thomas Barclay Hennell and Carel Weight.

Pre-Raphaelite Collection (48 works)

Nationally important collection of works by the Pre-Raphaelites acquired from the Howard family, William Rothenstein, the Purchase Scheme and Gordon Bottomley. Key artists listed above.

Local Art and Artists Collection (1,000 works)

Important collection of works by local and visiting artists many of which relate to northern Cumbria. Key artists represented include Sam Bough, William James Blacklock, Winifred Nicholson, Sheila Fell, Julian Cooper, Donald Wilkinson, Jem Southam and Keith Tyson.

Decorative Art (1,500 items)

Wide ranging collection mostly consisting of ceramics including the Williamson Bequest (1940) of 800 pieces of 18th and 19th century English porcelain, all major factories represented. The bequest also includes a 17th century table clock by Joseph Knibb of London. Textiles include a good collection of quilts (40). Items associated with the Arts and Crafts Movement include costume, textiles, furniture, ceramics and metalwork. A small collection of musical instruments includes strings by the Forster family and a decorated violin by Andrea Amati (1564).

Natural Sciences

a) Scope of the collections

Regionally significant collections of zoological, botanical and geological material, totalling some quarter of a million specimens. These collections are particularly strong in material of Cumbrian provenance and provide a unique resource relating to the landscape and biodiversity of the region.

Zoology (c. 210,000 items)

Significant collection of British birds and mammals (mounts and skins) and birds' eggs; some vertebrate skeletal material; extensive and significant collections of British insects; British and foreign Mollusca.

Botany (c. 26,000 items)

Lakeland and British herbaria, including mosses and lichens.

Fungi (c. 1,500 items)

Developing collection of Cumbrian fungi with special focus on montane and grassland species.

Geology (c.9,000 items)

Substantial holdings of fossil, rock and mineral material. Includes a major Cumbrian mineral collection and an important 19th century fossil collection

Cumbria Biodiversity Data Centre (570,000 records)

Tullie House operates the local biodiversity data centre for Cumbria, in partnership with a number of funding organisations. The computer database presently includes some 50,000 records deriving from specimens in the collections.

Social History**a) Scope of Collections** (c.22,000 items)

A wide-ranging collection of objects, ephemera and photographs (plus a limited range of oral history recordings and audio visual footage) relating to personal, community and working life in Carlisle district from the 1644-5 Civil War onwards. This includes a large collection of men's, ladies', children's and infants' costume and accessories dating from 1700 to the present.

The collections include a good general representation of working, domestic and recreational activities. Material includes items from the 1745 Jacobite Rising, 17th/18th century silver of the city and its trade guilds, coins and medallions from 16th to 20th centuries, Carlisle made watches, long case clocks and firearms, State Management branded pub material, traditional Cumbrian sports trophies and accessories, ephemera relating to 20th Carlisle Pageants and fairs, tools, equipment and products of local industry and agriculture, the Blue Streak Rocket Project Archive, costumes of notable individuals including Margery Jackson and Pilot Tadeusz Felc.

Archaeology**a) Scope of Collections** (c.20,000 items)

The collections cover the period from the arrival of humans into Cumbria up to the 1644-5 Civil War. It consists of artefacts and their associated documentation covering the whole period. This documentation includes original paper documents, photographs, digital records, publication offprints and other secondary sources. In addition, the museum is a repository for excavation archives undertaken by various bodies in the area, including English Heritage, Oxford Archaeology North, and North Pennines Archaeological Trust.

There are important items within the collections from the whole period. These include: rough-out material from the Langdale stone axes factories, pottery from Ehenside Tarn and Old Walls, a stone spear-mould from Croglin, a gold neck-ring from Greysouthern, and cemetery material from Garlands and Aglionby, which date to the prehistoric period. The material relating to the Roman occupation includes an internationally important collection of inscribed and sculptured stones from Carlisle and Hadrian's Wall as well as domestic and military material. The post-Roman and Early Medieval period includes objects from Viking burials at Ormside, Hesket and Cumwhitton and a Saxon sword from the River Thames. The medieval life of the city is represented by coins struck at the Carlisle Mint, ceramics from Carlisle and further away, city bell, muniment chest and stocks. The Elizabethan period is covered by weights and measures and racing bells. In addition, there is a fine collection of British coinage of all periods. A notable point about the collection is that the waterlogged conditions that can be found in the archaeological layers of Carlisle allow the preservation of wood and leather artefacts that do not survive in other places.

Preservation and Management

As the museum holds, and intends to acquire, archives, including photographs and printed ephemera. Its governing body will be guided by the Code of Practice on Archives for Museums and Galleries in the United Kingdom (3rd ed., 2002). The Council's policy on acquisition, disposals and management of Heritage assets provides further information on this.

4.32 Financial Instruments

(a) Categories of Financial Instruments

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

Financial Assets

	Non Current		Current		Total
	Investments	Debtors	Investments	Debtors	
	31-Mar 2020 £000	31-Mar 2020 £000	31-Mar 2020 £000	31-Mar 2020 £000	31-Mar 2020 £000
2019/20					
Fair Value through Profit & Loss	3,313	0	0	0	3,313
Amortised Cost	0	125	27,708	4,175	32,008
Total Financial Assets	3,313	125	27,708	4,175	35,321
Non-Financial Assets	0	0	0	1,619	1,619
Total	3,313	125	27,708	5,794	36,940

N.B Current investments includes cash and cash equivalents

	Non Current		Current		Total
	Investments	Debtors	Investments	Debtors	
	31-Mar 2019 £000	31-Mar 2019 £000	31-Mar 2019 £000	31-Mar 2019 £000	31-Mar 2019 £000
2018/19 Comparators					
Fair Value through Profit & Loss	3,436	0	0	0	3,436
Amortised Cost	0	139	16,147	2,177	18,463
Total Financial Assets	3,436	139	16,147	2,177	21,899
Non-Financial Assets	0	0	0	768	768
Total	3,436	139	16,147	2,945	22,667

Financial Liabilities

	Non Current		Current		Total
	Borrowings 31-Mar 2020 £000	Creditors 31-Mar 2020 £000	Borrowings 31-Mar 2020 £000	Creditors 31-Mar 2020 £000	
2019/20					
Amortised Cost	13,287	1,764	15,978	2,254	33,283
Total Financial Liabilities	13,287	1,764	15,978	2,254	33,283
Non-Financial Liabilities	0	0	0	3,200	3,200
Total	13,287	1,764	15,978	5,454	36,483

	Non Current		Current		Total
	Borrowings 31-Mar 2019 £000	Creditors 31-Mar 2019 £000	Borrowings 31-Mar 2019 £000	Creditors 31-Mar 2019 £000	
2018/19 Comparators					
Amortised Cost	15,000	1,078	963	2,066	19,107
Total Financial Liabilities	15,000	1,078	963	2,066	19,107
Non-Financial Liabilities	0	0	0	4,887	4,887
Total	15,000	1,078	963	6,953	23,994

Financial Instruments Designated at Fair Value through Profit or Loss

The Council only holds one Financial Asset designated at Fair Value through Profit or Loss. This is the long-term investment held in the CCLA property fund. The Council originally invested £3million (before entry costs) in 2014/15. The investment now has a notional value of £3.313million. The notional gain from this investment is held in the Pooled Investment Fund Adjustment account. This investment is held as a long-term investment for the Council due to the illiquid nature of the holding. Therefore, fluctuations in property valuations will determine the gains and losses in fair value. The fund invests in different classifications of property and at 31 March 2020 had an overall fund value of £1.206billion, making the Council's investment 0.27%.

The Council has seen its initial investment grow by £476,000 since 2014/15 and has benefited from increased investment dividend returns over the time period when compared to standard investments with banks and building societies.

Although historical performance is not a guarantee of future performance, the investment is held for the longer term and will be linked to the overall performance of the fund which will be affected by property values and rental income generated. Therefore, credit risk is considered to be low.

The outbreak of the COVID-19 pandemic has the potential to have a serious and immediate impact on the property industry. Transaction volumes which were already depressed, fell again upon the outbreak, which makes it increasingly difficult for valuers to keep in touch with market trends.

As it looks as though the outbreak of the virus is being felt most strongly in the retail areas as investors become concerned over the security of rental income and the ability of some assets and locations to bounce back when recovery comes. The portfolio the CCLA fund holds continues to have a bias towards industrial and office assets and away from retail; conventional stores provide less than 4% of total rental income.

It is likely that there will be further reductions in the valuation of the council's investment over the coming months as the impact of the virus is greater understood, however, the Council's investment has made over 10% gains in investment valuation since the initial investment, and it continues to receive dividends that exceed the standard returns on investment through money market transactions.

(b) Income, Expense, Gains and Losses

2018/19			2019/20	
Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000		Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
(53)	0	Net (Gains)/Losses on:	123	0
84	0	Financial Assets measured at Fair Value through Profit or Loss	33	0
		Financial Assets measured at Amortised Cost		
31	0	Total Net (Gains)/Losses	156	0
		Interest Revenue:		
(147)	0	Financial Assets measured at Fair Value through Profit or Loss	(146)	0
(174)	0	Financial Assets measured at Amortised Cost	(296)	0
(321)	0	Total Interest Revenue	(442)	0
		Interest Expense:		
1,306	0	Financial Liabilities measured at Amortised Cost	1,445	0
1,306	0	Total Interest Expense	1,445	0

(c) Fair Value of Assets & Liabilities carried at Amortised Cost

Financial liabilities and financial assets carried in the Balance Sheet at amortised cost. Their fair values are calculated as follows:

- The Council has based its fair value report on the borrowing/deposit rate for the same financial instrument from a comparable lender.
- A consistent approach has been applied to assets and liabilities.
- Estimated fair values have been calculated using the equivalent market interest rates as at 31 March 2020
- Early repayment or impairment is not recognised; and
- The fair value of operational liabilities and receivables is taken to be the invoiced or billed amount.
- The valuation basis adopted in this report uses **Level 2** Inputs – i.e. inputs other than quoted prices that are observable for the financial asset/liability.

31 March 2019			31 March 2020	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
15,963	17,197	Financial Liabilities held at amortised cost	29,265	28,073
1,078	1,078	Long Term Creditors	1,764	1,764
2,066	2,066	Short Term Operational Creditors	2,254	2,254
19,107	20,341	Total	33,283	32,091

The fair value is less than the carrying amount in 2019/20 because the Council's loan portfolio includes fixed rate loans where the interest rate payable is less than the rates available for similar loans at the Balance Sheet date.

31 March 2019			31 March 2020	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
14,547	14,547	Financial Assets held at amortised cost	23,065	23,065
139	139	Long Term Debtors	125	125
2,177	2,177	Short Term Debtors	4,175	4,175
1,600	1,600	Cash & Cash Equivalent	4,643	4,643
18,463	18,463	Total	32,008	32,008

Short Term Debtors and Creditors are carried at cost as this is a fair approximation of their value.

(d) Fair Values of Financial Assets through Profit or Loss

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

2018/19 £000		Input Level in Fair Value Hierarchy	Valuation technique used to measure fair value	2019/20 £000
3,436	Financial Assets measured at Fair Value through profit or loss	Level 1	Unadjusted quoted priced in active markets for identical shares	3,313
3,436	Total			3,313

(e) Risks arising from Financial Instruments

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

- **credit risk** – the possibility that other parties might fail to pay amounts due to the Council;
- **liquidity risk** – the possibility that the Council might not have funds available to meet its payment commitments; and
- **market risk** – the possibility that a financial loss might arise for the Council as a result of movements in interest rates.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Finance team, under policies approved by Council in the Annual Treasury Management Strategy Statement. The Council also maintains Treasury Management Practices (TMP's) that provide written principles for overall risk management as well as specific areas covering interest rate risk, credit risk and the investment of surplus cash.

(f) Credit Risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposure from the Council's customers. This risk is minimised through the annual investment strategy, which is available on the council's website at www.carlisle.gov.uk.

Credit Risk Management Practices

The Council's credit risk management practices are set out in section 10 and appendix B of the Treasury Management Strategy Statement.

Investments are not placed with credit rated banks and other financial institutions unless they have a minimum credit rating of Short-term P1, Support C or equivalent (Based on Moody's Credit Ratings). Some investments are placed with Building Societies that do not have a formal credit rating. This policy is dictated by the size of the Society (minimum £1billion Assets) and is grounded upon the strict regulatory regime with which all building societies must comply. The Council has a policy of not lending more than £6million of its surplus balances to any one appropriately credit rated institution (specific counterparties have been increased to £10million), with no more than 50% held as non-specified investments i.e. investments with a period to maturity of more than one year or placed with an institution without a formal credit rating.

The Council receives continual and up-to-date updates from its Treasury advisors on the credit ratings of all potential counterparties. As at 31 March the council's investment portfolio for Financial Assets held at amortised cost was as follows with the expected potential credit loss being immaterial.

Counterparty	Principal £000	Moody's Short Term Credit Rating	Historic Risk of Default	Expected Credit Loss £
Santander UK PLC	2,000,000	P1	0.024%	478
Santander UK PLC	3,000,000	P1	0.024%	717
HSBC UK Bank	5,000,000	P1	0.004%	206
HSBC UK Bank	2,000,000	P1	0.004%	82
Bank of Scotland PLC	2,000,000	P1	0.017%	335
Goldman Sachs International Bank	1,000,000	P1	0.003%	27
Goldman Sachs International Bank	1,000,000	P1	0.003%	32
Bank of Scotland PLC	2,000,000	P1	0.021%	417
Bank of Scotland PLC	2,000,000	P1	0.029%	582
Santander UK PLC	1,000,000	P1	0.006%	60
Bank of Scotland PLC	1,000,000	P1	0.035%	348
Bank of Scotland PLC	1,000,000	P1	0.035%	348
Svenska Handelsbanken PLC	3,400,000	AA	0.000%	2
	26,400,000			3,634

Amounts arising from Expected Credit Losses

The following analysis summarises the Council's potential maximum credit risk exposure, based on the experience gathered over the last five financial years, on the level of default on loans and receivables and adjusted for current market conditions:

	Value at 31 March 2020 £000	% Default based on previous experience	% Default adjusted for current market conditions	Estimated maximum exposure to default £000
Deposits with banks and other financial institutions	31,021	Nil	Nil	0
Gross Operational Debtors	5,599	44.24%	25.44%	1,424
				1,424

The percentage defaults shown in the above table are high due to the potential bad debt provision of £1,386,000 in relation to Housing Benefit overpayments. The remainder of the bad debt provision relates to sundry debtors and car park fines.

The Council does not expect any losses in respect of non-performance by counter-parties in relation to its wholesale deposits.

The Council does not generally allow credit to its customers. The current value at 31 March 2020 of outstanding debt excluding Housing Benefit Overpayments is £1.678million. Of this amount £0.962million is past its due date for payment. The aged-debt analysis of this sum is as follows:

2018/19 £000		2019/20 £000
376	Less than 3 months	715
8	3-5 months	9
213	More than 5 months	238
597	Total	962

In determining expected credit losses for trade receivables, the Council utilises the lifetime expected credit loss measurement basis under the simplified approach as per the Code of Practice. This approach determines the age of debts and applies the historical likelihood of debt recovery for debts of similar ages.

During the period the movement on the bad debt provision that related to customers including Housing Benefit Overpayments was as follows:

2018/19 £000		2019/20 £000
1,512	Opening Balance	1,502
(94)	Write Offs in Year	(111)
84	(Decrease)/Increase to Provisions	33
1,502	Closing Balance	1,424

(g) Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The budget set in February 2020 has identified a future borrowing requirement in order to finance new capital expenditure.

The maturity analysis of loans and borrowings within financial liabilities is as follows:

2018/19 £000		2019/20 £000
482	Less than 1 year	15,978
15,000	Between 1 and 2 years	950
0	Between 2 - 5 years	1,425
0	Over 5 years	10,912
15,482	Total	29,265

(h) Market Risk

The Council is exposed to some risk due to movements in interest rates on its loans and investments. As nearly all of the Council's borrowing and investments have been placed at fixed rates, this risk has to a large extent been minimised. Nevertheless, there remain some risks:

- An increase in interest rates will result in a fall in the fair value of borrowings and investments.

- A decrease in interest rates will result in a rise in the fair value of borrowings and investments.
- The value of interest received from investments will rise or fall depending on increases and decreases in interest rates and will impact on the Comprehensive Income and Expenditure Statement.

Borrowings and short-term investments are not carried in the Balance Sheet at fair value, so nominal gains and losses on fixed rate financial instruments have no impact on the Comprehensive Income and Expenditure Statement.

If interest rates had been 1% higher and all other variables were held constant the financial effect would have been:

	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Impact on Surplus/Deficit on provision of services	0
Decrease in Fair Value of investments (Excluding Property Fund)	0
Decrease in Fair Value of Borrowings	(1,445)

The approximate impact of a fall in interest rates by 1% would have had the same impact as above but would have reversed the movements.

The Council carries out its borrowing and investment function within parameters set out in its Treasury Management Strategy, which assesses interest rate exposure to feed into the budget process. Forecasts are updated regularly throughout the year, which allows any significant changes to interest rates to be reflected in current budget projections. The Treasury Management Strategy also advises on the limits for new variable and fixed-rate borrowing for the year.

4.33 Short Term Debtors

2018/19 £000		2019/20 £000
448	Central Government Bodies	574
224	Other Local Authorities	203
3,975	Bodies external to government	6,676
(1,702)	Expected Credit Losses	(1,659)
2,945	Total	5,794

4.34 Cash and Cash Equivalents

2018/19 £000		2019/20 £000
(481)	Cash and Bank	1,243
1,600	Short Term Investments with maturity of less than 3 months	3,400
1,119	Total	4,643

4.35 Assets Held for Sale

2018/19 £000		2019/20 £000
382	Balance outstanding at 1 April	0
0	Assets newly classified as held for sale:	0
(382)	Property Plant and Equipment	0
	Disposals	0
0	Balance outstanding at 31 March	0

4.36 Short and Long-Term Creditors

2018/19 £000	Short Term Creditors	2019/20 £000
(3,120)	Central Government Bodies	(1,585)
(838)	Other Local Authorities	(1,203)
(3,018)	Other Entities and Individuals	(2,574)
23	Employee Benefits	(92)
(6,953)	Total	(5,454)

Long Term Creditors relate to Section 106 agreements received that will be payable after 12 months. These are funds that have been received as part of planning consents agreed by the Council for further amenity work and projects that will be ongoing as part of a development. The long-term element of these amounts to £1,764,349 in 2019/20 (2018/19: £1,077,689).

4.37 Provisions

The movement in the level of provisions held by the Council during 2019/20 is as follows: -

	1 April 2019	Additions in year	Used in year	Unused Amounts reversed	31 March 2020
	£000	£000	£000	£000	£000
Insurance Claims	174	54	(73)	0	155
Cemeteries Perpetuity Fund	75	1	(1)	0	75
Land Charges Provision	59	0	(25)	0	34
Rickergate Properties Ringfenced Account	143	43	(13)	0	173
Other Provisions	77	94	(12)	0	159
Total	528	192	(124)	0	596
Business Rate Appeals (City Council Share)	1,321	701	(328)	0	1,694
Total (All Provisions)	1,849	893	(452)	0	2,290
Split as:					
Falling due within 1 year	1,495	755	(401)	0	1,849
Falling due after 1 year	354	137	(50)	0	441

(i) **Insurance Claims**

The Council has established a provision totalling £155,000 to meet insurance claims arising from public liability, employer's liability, motor vehicle and other claims. This figure is based on the estimated gross value of claims against the Council at 31 March 2020 and the insurance provision will therefore cover this value in full. However, it is expected that £131,000 will be reimbursed by the Council's insurers and through other third-party claims. It is difficult to predict the expected timings of any outflows relating to insurance claims due to their complicated nature.

(ii) **Municipal Mutual Insurance (MMI)**

The Council has a liability under the scheme of arrangement entered into following the transfer of the assets and goodwill of MMI Ltd. to Zurich Municipal on the 1 April 1993. The liabilities of MMI Ltd were not, however, transferred to Zurich Municipal and the company is exploring ways in which these liabilities can be transferred to another insurance company to enable MMI Ltd. to be wound up. During 2012/13 the Scheme of Arrangement was triggered giving rise to a liability for the Council. At 31 March 2020 the estimated maximum amount liable to clawback, in the event of the scheme being triggered, was £1,042,318. An initial levy of 15% was set by the Scheme administrators, Ernst and Young in January 2014, and this was increased to 25% in April 2016 in order to achieve a solvent run off for MMI. A total levy of £253,638 has been paid by the Council to date.

(iii) **Other Provisions**

a. **Business Rate Retention Appeals**

An appeals provision has been established in accordance with the new scheme. The City Council share of the outstanding appeals is £1,694,000 and this is also reflected in the Collection Fund Statement. The overall provision for appeals within the Collection Fund is £4,235,000.

b. Cemeteries Perpetuity Fund

This fund is used to maintain and repair cemetery headstones where owners cannot be contacted. It was agreed in 2009 to use the fund to carry out essential repair work on memorials.

c. Land Charges Provision

A provision set up to meet the potential liabilities of claims relating to potential refunds of personal search fees.

d. Rickergate Properties Ringfenced Account

This provision was previously held as a creditor and represents the net income from properties purchased in Rickergate with funds from North West Regional Development Agency. The Homes and Communities Agency have now taken over control of this scheme and have informed the Council that this income does not need to be repaid to it as was previously the case and can be used to fund any future costs on the scheme with their approval.

e. Other Provisions

The Council holds other minor provisions for liabilities with uncertain timing or amounts.

4.38 Unusable reserves**(a) Revaluation Reserve**

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

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

2018/19 £000		2019/20 £000
26,903	Balance at 1 April	27,969
1,357	Upward Revaluation of Assets	2,388
(30)	Downward Revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(186)
1,327	Surplus or Deficit on Revaluation of Non Current Assets not posted to the Surplus or Deficit on Provision of Services	2,202
(261)	Difference between Fair Value Depreciation and Historic Cost Depreciation	(275)
0	Accumulated gains on assets sold or scrapped	0
27,969	Balance at 31 March	29,896

(b) Capital Adjustment Account

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation reserve was created to hold such gains.

Note 4.4 provides details of the source of all the transactions posted to the Account.

2018/19 £000		2019/20 £000
114,754	Balance at 1 April	111,796
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(2,285)	Charges for depreciation and impairment of non-current assets	(2,359)
(28)	Amortisation of Intangible Assets	(14)
188	Revaluation losses on Property, Plant and Equipment	267
(2,853)	Revenue Expenditure Funded from Capital under Statute	(3,890)
(668)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(3,092)
(5,646)		(9,088)
261	Adjusting Amounts written out of the Revaluation reserve	275
(5,385)	Net written out amount of the cost of non-current assets consumed in the year	(8,813)
109,369		102,983
	Capital Financing Applied in the year	
607	Use of Capital Receipts Reserve to finance new capital expenditure	3,299
2,089	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,234
0	Application of grants to capital financing from the Capital Grants Unapplied Account	0
21	Statutory provision for the financing of capital investment charged against the General Fund	21
2,110	Capital expenditure charged against the General Fund	1,742
4,827		7,296
(2,400)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,336)
111,796	Balance at 31 March	107,943

(c) Pensions Reserve

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

2018/19 £000		2019/20 £000
(34,938)	Balance at 1 April	(41,080)
(4,568)	Remeasurements of the net defined benefit liability/(asset)	(2,100)
(4,498)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(7,168)
2,924	Employer's pensions contributions and direct payments to pensioners payable in the year	3,026
(41,080)	Balance at 31 March	(47,322)

(d) Collection Fund Adjustment Account

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

2018/19 £000		2019/20 £000
(165)	Balance at 1 April	305
470	Amount by which council tax income and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(567)
305	Balance at 31 March	(262)

(e) Accumulated Absences Account

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

2018/19 £000		2019/20 £000
(174)	Balance at 1 April	(151)
174	Settlement or cancellation of accrual made at the end of the previous period	151
(151)	Amounts accrued at the end of the current year	(243)
23	Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration charged in the year in accordance with statutory requirements	(92)
(151)	Balance at 31 March	(243)

(f) Pooled Investment Fund Adjustment Account

The Pooled Investment Fund Adjustment Account contains the cumulative gains and losses made by the Council arising from increases in the fair value of its investments classified as fair value through profit and loss in accordance with Statutory Instrument 2018/1207 – Local Authorities (Capital Finance and Accountancy) (England) (Amendment) Regulations 2018, regulation 30K.

2018/19 £000		2019/20 £000
546	Balance at 1 April	599
53	Upward/(Downward) Revaluation of Investments	(123)
53		(123)
599	Balance at 31 March	476

4.39 Capital Expenditure and Capital Financing

2018/19 £000		2019/20 £000
12,657	Opening Capital Financing Requirement	13,683
	Capital Expenditure	
3,004	Property, Plant and Equipment	4,035
6	Investment Properties	169
0	Intangible Assets	6
1	Heritage Assets	11
2,853	Revenue Expenditure funded from Capital Under Statute	3,890
5,864		8,111
	Sources of Finance	
(607)	Capital Receipts used to finance expenditure	(3,299)
(1,760)	Government Grants and Contributions	(1,900)
(2,110)	Revenue Financing & Reserves	(1,742)
(21)	Minimum Revenue Provision	(21)
(11)	Transferred Debt	(11)
(329)	Contributions from other bodies	(334)
(4,838)		(7,307)
13,683	Closing Capital Financing Requirement	14,487
	Explanation of Movements in year	
1,026	Increase in underlying need to borrow (unsupported by Government Finance Assistance)	804
1,026	Increase/(decrease) in Capital Financing Requirement	804

4.40 Leases

The Council acts as lessor in respect of land and property owned by it and leased to tenants, and for sub-leases on contract hire cars supplied to its staff. The value of the income from rents associated with these agreements, and included within the Council's Comprehensive Income and Expenditure Statement in 2019/20 was £4.181million (£4.474million 2018/19). At 31 March 2020 the minimum lease payments under operating leases and contract hire agreements were as follows:

2019/20	Property Leases £000
Not later than 1 year	835
Later than 1 year and not later than 5 years	2,962
later than 5 years	49,221
Total	53,018

2018/19	Property Leases £000
Not later than 1 year	786
Later than 1 year and not later than 5 years	2,844
later than 5 years	45,457
Total	49,087

The capital value held within the balance sheet at 31 March 2020 in respect of land and property generating leasehold income is £79.905million (£85.038million 2018/19). This figure represents the gross value of the Investment Properties and as these are non-operational fixed assets, they are not subject to a depreciation charge. The total contingent rents recognised as income in the period were £2,933,394; (2018/19: £2,958,577).

4.41 Disclosure of Net Pension Assets/Liabilities

As part of the terms and conditions of employment of its officers, the Council offers retirement benefits. Although these will not become payable until relevant employees retire, the Council has a commitment to make the payments that should be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme as administered by Cumbria County Council. This is a funded defined benefit final salary scheme which means that both the Council and employees, who are members of the Scheme, pay contributions into a fund independent of the Council's own assets. The contributions are calculated at a level estimated to balance the pension liabilities with investment assets.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated by to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather when the benefits are eventually paid as pensions. However, the charge that is made against council tax is based on the cash payable in the year, resulting in the real cost of providing retirement benefits being reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during 2019/20.

2018/19 £000		2019/20 £000
	Comprehensive Income and Expenditure Statement	
	<u>Net Cost of Services</u>	
3,403	Current Service Costs	3,696
3	Past Service Costs / (Gain)	2,068
232	(Gains)/Losses from Settlements	431
	<u>Financing and Investment Income & Expenditure</u>	
860	Net Interest Expense	973
4,498	Total Post Employment Benefits charged to Surplus or Deficit on Provision of Services	7,168
	<u>Other Comprehensive Income and Expenditure</u>	
	Remeasurements of the net defined benefit liability comprising:	
(5,019)	Return on Plan Assets (excluding the amount included in the net interest expense)	6,764
0	Actuarial (Gains) and losses arising on changes in demographic assumptions	(7,342)
9,587	Actuarial gains and losses arising on changes in financial assumptions	(3,162)
	Experience (Gains)/Losses	5,840
4,568	Total Other Comprehensive Income & Expenditure	2,100
9,066	Net Charge to the Comprehensive Income & Expenditure Statement	9,268
	Movement in Reserves Statement	
4,498	Reversal of net charge made for retirement benefits in accordance with IAS 19	7,168
(2,924)	Actual amount charged against the General Fund Balance for pensions in the year	(3,026)
1,574	Contribution (to) / from Pension Reserve	4,142

There have been reductions in the discount rates during the year and an increase in the CPI inflation assumption. There are also gains in investment markets over the period although there will be significant variation depending on the asset portfolio of the individual fund. The overall effect of these changes will vary from employer to employer but are likely to see deficits increase over the year.

(a) Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities (Defined Benefit Obligation):

31 March 2019 £000		31 March 2020 £000
180,451	Benefit Obligation at beginning of period (1 April)	193,296
3,341	Current Service Cost	3,609
4,665	Interest on Pension Liabilities	4,626
665	Member Contributions	744
0	Remeasurement (Gains) and Losses:	
0	Experience (Gains)/losses	5,840
0	Actuarial (Gains)/losses arising from changes in demographic assumptions	(7,342)
9,587	Actuarial (Gains)/Losses arising from changes in financial assumptions	(3,162)
3	Past Service Cost	2,068
232	Losses/(Gains) on Curtailments	431
(6,583)	Benefits/transfers paid	(6,518)
935	Lump Sum Pension Deficit repayment	956
193,296	Benefit Obligation at end of period (31 March)	194,548

Reconciliation of the Movement in Fair Value of the scheme (Plan assets):

31 March 2019 £000		31 March 2020 £000
147,404	Fair Value of plan assets at beginning of period (1 April)	153,172
3,805	Interest on Plan Assets	3,653
	Remeasurement gain/(loss):	
5,019	The return on plan assets, excluding the amount included in the net interest expense	(6,764)
(62)	Other - Administration Expenses	(87)
2,924	Employer Contributions	3,026
665	Member Contributions	744
(6,583)	Benefits/transfers paid	(6,518)
153,172	Fair Value of plan assets at end of period (31 March)	147,226

Pension Assets and Liabilities recognised in the Balance Sheet:

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

31 March 2019 £000		31 March 2020 £000
193,296	Present value of the defined benefit obligation	194,548
(153,172)	Fair Value of Plan Assets	(147,226)
40,124	Net Liability arising from defined benefit obligation	47,322

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.

The actual return on scheme assets in the year was a loss of £5,435,000 (2018/19: a gain of £8,824,000).

(b) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Council's liabilities within the Cumbria County Council Pension Fund have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries, with estimates being based on the latest full valuation of the scheme effective from 1 April 2017.

The main assumptions used in their calculations are:

2018/19		2019/20
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
23.20	Men	22.60
23.30	Women	25.20
	Longevity at 65 for future pensioners:	
25.50	Men	24.20
25.60	Women	27.10
2.20%	Rate of Inflation (CPI)	2.10%
3.70%	Rate of Increase in Salaries	3.60%
2.30%	Rate of increase in Pensions	2.20%
2.40%	Rate of discounting Scheme Liabilities	2.40%

Assets in the Cumbria Local Government Pension Scheme are valued at fair value, mainly market value for investments, and consist of the following categories by proportion:

2018/19		2019/20
£000		£000
72,605	Equity Investments	54,474
27,418	Government Bonds	33,862
9,649	Bonds	0
14,245	Property	12,808
7,505	Cash/Liquidity	5,742
21,750	Other Assets	40,340
153,172		147,226

The table below shows the sensitivity impact on actuarial assumptions of a change in the assumptions used

2019/20		+0.1% p.a. discount Rate	+0.1% p.a. inflation	+0.1% Pay Growth	1 Year Increase in Life Expectancy	+/-1% change in 2019/20 investment returns	
£000		£000	£000	£000	£000	£000 +1%	£000 -1%
194,548 (147,226)	Liability Assets	191,323 (147,226)	197,827 (147,226)	194,941 (147,226)	199,844 (147,226)	194,548 (148,689)	194,548 (145,763)
47,322	Deficit / (Surplus)	44,097	50,601	47,715	52,618	45,859	48,785
3,474	Projected Service Cost for Next Year	3,378	3,575	3,474	3,577	3,474	3,474
1,109	Projected Net Interest Cost for Next Year	1,074	1,190	1,121	1,239	1,074	1,144

(c) Impact on the Council's Cash Flow

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 3 years. Funding levels are monitored on an annual basis. The next triennial valuation was completed on 31 March 2020.

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

The authority anticipated to pay £2,608,036 expected contributions to the scheme in 2019/20. For 2020/21 the Council expects to pay total employer contributions of £2,250,000.

The weighted average duration of the defined benefit obligation for scheme members is 17 years in 2019/20 (17 years in 2018/19).

The annual report of the Cumbria Local Government Pension Scheme is available from Cumbria County Council, Cumbria House, Carlisle.

(d) Impact of McCloud Judgement

The Pension Liability reported in these statements take account of the recent judgement made in the Court of Appeal in the Sargeant/McCloud cases that ruled that the transitional protections afforded to older members when the Public Service Pension schemes were amended, constituted unlawful age discrimination.

4.42 Contingent Assets and Liabilities

There are no contingent assets for 2019/20. The items below are classified as contingent liabilities:

(a) Home Group

During 1992/93 the City Council entered into a joint scheme with Home Group to secure the development of two sites at Heysham Nursery and Gelt Road, Brampton to provide houses to rent. To fund the development programme, Home Group have raised a total of

£100million through a stock issue, which will mature in 2037. In order to enable Home Group to raise private finance from institutional investors all participating authorities, of which there were 29 in total, were required to enter into a standard form of guarantee in which they jointly and severally guaranteed the loan stock raised by Home Group. The maximum liability of each authority under the guarantee is £100million but because the liability is jointly and severally guaranteed, authorities would obviously not be prepared to expose themselves to the risk, however remote, of having to meet the full liability of the stock issue under their individual guarantee. Accordingly, there is a counter indemnity and contribution arrangement whereby each participating authority undertakes to reimburse any other authority, or authorities, paying more than their proportionate share of the guarantee. An authority's proportionate share is determined by reference to the estimated development expenditure in that authority's area. If the guarantee were called in, the worst situation for this Council would be that once it had recovered any contribution from other authorities it would be left to fund no more than the cost of the development in its own area. The guarantee figure as at 31 March 2020 was £2,299,000. This cost would be offset wholly, or partly, by the sums recovered from repossessing the units from Home Group and selling them on.

(b) Riverside (Formerly Carlisle Housing Association (CHA))

On 9 December 2002 the City Council completed the transfer of its housing stock to Riverside. Under the terms of the transfer the City Council is committed to providing, from the date of transfer, certain environmental and non-environmental warranties in favour of Riverside and lenders to the Association for periods of 25 years and 18 years respectively. The Council had insurance cover in place to meet the cost of claims arising from any breach of the environmental warranties in the first 12 years following the date of transfer. The reserve to the value of £488,000 which was set up to meet the future cost of insurance premiums in years 13 to 25 (£292,000) and the potential costs of any future claims (£196,000) was transferred into the General Fund Balance during 2015/16. In the period from the date of the transfer to 31 March 2020, the Council has not received any claims in respect of either environmental or non-environmental warranties.

(c) Environmental Enhancements

The Council recognises its responsibilities in relation to potential contamination works in the Carlisle area. Any potential works required would be included in the Council's capital programme as required.

(d) Business Rate Appeals

A provision has been included within the Collection Fund in relation to likely appeals made against Business Rates up to 31 March 2020. Local businesses can appeal against the rating list in 2017/18 and beyond. Because the majority of appeals against the 2010 Rating List will now have been lodged, it is difficult to quantify any potential new appeals against the updated 2017 list. Due to the uncertainty around these potential appeals the provision that has been included in the accounts is based on historical evidence of appeals being made and being successful, however it is recognised that any appeals could result in a liability for the Council if submitted that may not be covered by the appeals provision established.

(e) Dangerous Structures

The Council recognises it may have future responsibilities in relation to potential expenditure on dangerous structures in and around the Carlisle area that pose a risk to public safety in accordance with Section 78 of the Building Act 1984. During 2019/20 the Council used £1,338,000 of capital funding to make dangerous structures safe and similar obligations could arise in the future. No provision has been made for these in these accounts as it is not known if and when a transfer of economic benefit could occur and how much this could be.

4.43 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director of Finance and Resources on 27 August 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As highlighted previously the Council has received significant grant allocations to allow it to deal with the COVID-19 impact. These grants will be accounted for in the 2020/21 statement of accounts.

The Council repaid the £15million stock issue loan (shown in short term liabilities on the balance sheet) on 22 May. No further borrowing to replace it has yet been undertaken.

The NHS has been given leave for appeal against the High Court decision in the NHS charitable relief claim for business rates. The leave to appeal was granted on 28 July 2020. The potential appeal and provision for repayment of any business rates has not been included in the appeals provision on the balance sheet due to the continued uncertainty as to whether the leave to appeal will be proceeded with and also the uncertainty around its potential success.

4.44 Authorisation for Issue

The draft Statement of Accounts were authorised for issue on 27 August 2020 by the Corporate Director of Finance and Resources, Alison Taylor CPFA. This is the date up to which post balance sheet events have been considered.

Cash-Flow Statement

4.45 Cash Flow Statement – Operating Activities

2018/19 £000		2019/20 £000
6,009	(Surplus) / Deficit on the Provision of Services	9,074
	Adjustments to the net surplus or deficit on the provision of services for non cash movements	
(2,125)	Depreciation and downward revaluation charges	(2,106)
(2,400)	Movement in Fair Value of Investment Properties	(2,336)
(668)	Carrying amount of non current assets sold	(3,092)
(1,574)	Pension (IAS 19)	(4,142)
4	Increase/(decrease) in inventories	11
(4,754)	Increase/(decrease) in debtors	1,138
(2,322)	(Increase)/decrease in creditors	(1,519)
(935)	Lump Sum pension deficit repayment	(956)
93	Other non-cash items charged to net surplus/deficit on provision of services	(129)
(14,681)		(13,131)
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
607	Proceeds from the sale of property plant and equipment, investment property and intangible assets	3,299
169	Capital Grants charged to Comprehensive Income and Expenditure	247
776		3,546
(7,896)	Net Cash Flow from Operating Activities	(511)
	Shown within Net Cash Flow from Operating Activities	
1,305	Interest Payable	1,425
(281)	Interest Receivable	(427)
1,024		998

4.46 Cash Flow Statement – Investing and Financing Activities

2018/19 £000		2019/20 £000
	Investing Activities	
3,241	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	3,852
28,500	Purchase of Short Term and Long Term Investments	41,000
8	Other Payments for Investing Activities	0
(993)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,503)
(21,500)	Proceeds from Short Term and Long Term Investments	(32,500)
(61)	Other Receipts from Investing Activities	(851)
9,195	Net Cash Flows from Investing Activities	9,998
	Financing Activities	
	Other payments for financing activities	
0	Cash Receipts of short and long term borrowing	(14,000)
0	Repayments of short and long term borrowing	239
(1,629)	Movement in relation to Business Rates and Council Tax	750
(1,629)	Net Cash Flows from financing Activities	(13,011)

SECTION 5 – SUPPLEMENTARY FINANCIAL STATEMENTS

5.1 The Collection Fund Statement

The Collection Fund, established under the Local Government Finance Act 1988 (as amended), is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2018/19 Council Tax £000		2019/20 Council Tax £000
60,230	Amounts required by statute to be credited to the Collection Fund Council Tax (showing the amount receivable, net of benefits discounts for prompt payment and transitional relief)	63,675
60,230	Total Income	63,675
44,964	Amounts required by statute to be debited to the Collection Fund Precepts and demands from Major Preceptors and the Authority - Council Tax	47,259
7,854	Cumbria County Council	8,753
7,601	Police and Crime Commissioner for Cumbria	7,871
	Carlisle City Council	
	Impairment of debts/appeals for Council Tax	
(104)	Write Offs of uncollectable amounts	(100)
193	Allowance for Expected Credit Losses (Bad Debts)	353
97	Contribution towards previous year's estimated Collection Fund Surplus - Council Tax	50
60,605	Total Expenditure	64,186
937	Opening Fund Balance - Council Tax Surplus/(Deficit)	562
562	Closing Fund Balance - Council Tax Surplus/(Deficit)	51
(375)	Movement on Fund Balance - Council Tax	(511)

2018/19 Non-Domestic Rates £000		2019/20 Non-Domestic Rates £000
44,224	Amounts required by statute to be credited to the Collection Fund Non Domestic Rates (showing the amount receivable, net of discretionary and mandatory reliefs)	43,398
44,224	Total Income	43,398
	Amounts required by statute to be debited to the Collection Fund Shares of Non- Domestic rating income to major preceptors and the (billing) authority - Non-Domestic Rates	
4,076	Cumbria County Council	4,116
16,306	Carlisle City Council	16,466
20,377	Central Government	20,418
1,792	Transitional Protection payments non-domestic rates	567
179	Charge to General Fund for allowable collection costs for Non-Domestic Rates	179
319	Disregarded Amounts - Renewable Energy Schemes	351
5	Disregarded Amounts - Enterprise Zone	164
	Impairment of debts/appeals for Non-Domestic Rates	
316	Write Offs of uncollectable amounts	356
(27)	Allowance for expected credit losses (bad debts)	626
1,580	Movement in Provision for Appeals	932
(2,089)	Contribution towards previous year's estimated Collection Fund Surplus - Non-Domestic Rates	450
42,834	Total Expenditure	44,625
(1,252)	Opening Fund Balance - Non-Domestic Rates Surplus/(Deficit)	138
138	Closing Fund Balance - Non Domestic Rates Surplus/(Deficit)	(1,089)
1,390	Movement on Fund Balance - Non Domestic Rates	(1,227)

The Summary of the Collection Fund Balances is as follows:

2018/19 £000		2019/20 £000
(1,252)	Opening Fund Balance - Surplus/(Deficit) - Non-Domestic Rates	138
937	Opening Fund Balance - Surplus/(Deficit) - Council Tax	562
(315)	Total Opening Collection Fund Balance	700
1,390	Movement on Collection Fund - Non-Domestic Rates	(1,227)
(375)	Movement on Collection Fund - Council Tax	(511)
1,015	Total Movement on Collection Fund Balance	(1,738)
138	Closing Fund Balance - Surplus/(Deficit) - Non-Domestic Rates	(1,089)
562	Closing Fund Balance - Surplus/(Deficit) - Council Tax	51
700	Total Closing Collection Fund Balance - Surplus/(Deficit)	(1,038)

5.2 Notes to the Collection Fund

Council Tax

On the basis that surpluses and deficits are shared with the County Council and the Police and Crime Commissioner for Cumbria, the Council has accounted for the Collection Fund balance in its 2019/20 Statement of Accounts as follows:

- The £50,781 surplus is accounted for in line with the Code of Practice 2019 guidance, with the Council acting as the major precepting authorities' agent in the collection of Council Tax. The £6,197 Carlisle share of the surplus is shown as a balance on the Collection Fund Adjustment Account. The £37,644 share is attributable to the County Council and the £6,940 attributable to the Police & Crime Commissioner is used in the calculation for the difference in cash collected on behalf of the precepting authorities and that paid out to them and the corresponding year end debtor or creditor in the Balance Sheet.

Non-Domestic Rates

On the basis that surpluses and deficits are shared with Central Government and the County Council, the Council has accounted for the Collection Fund balance in its 2019/20 Statement of Accounts as follows:

The £1,089,131 deficit is accounted for in line with the Code of Practice 2019 guidance, with the Council acting as the major precepting authorities' agent in the collection of Business Rates. The £435,653 Carlisle share of the deficit is shown as a balance on the Collection Fund Adjustment Account. The £544,565 share is attributable to Central Government and the £108,913 attributable to the County Council is used in the calculation for the difference in cash collected on behalf of the precepting authorities and that paid out to them and the corresponding year end debtor or creditor in the Balance Sheet.

Council Tax base calculation

The council tax base set for 2019/20, as a Band D equivalent, was as follows:

Band	No. of Properties	Ratio	Band D Equivalent
Disabled	33.07	5/9	18.37
A	14,597.09	6/9	9,731.39
B	10,074.15	7/9	7,835.45
C	6,911.72	8/9	6,143.75
D	5,158.17	9/9	5,158.17
E	2,650.57	11/9	3,239.59
F	1,103.42	13/9	1,593.83
G	363.68	15/9	606.13
H	19.70	18/9	39.40
	40,911.56		34,366.08
Second Homes	186.97		186.97
Relevant Amount	40,724.59		34,179.11
Estimated Collection Rate			98.50%
Council Tax Base = Relevant Amount (Band D Equivalent) x Collection Rate			33,666.42

Income from Business Ratepayers

National Non-Domestic Rates (NNDR) are paid by businesses. The Government specifies an annual rate in the pound (50.4p in 2019/20), and local businesses pay an annual NNDR bill calculated by multiplying the rateable value of their business premises by this annual rate. The Council is responsible for collecting rates due from the ratepayers in its areas

The total rateable value for the Council's area was £110,206,166 for the year (2018/19: £108,269,928).

Billing and Precepting Authorities

Carlisle City Council is the billing authority for council tax and NNDR bills and therefore collects all the income due for the year. The Council pays over to Cumbria County Council and Cumbria Police Authority amounts they have requested to provide their services in the Council area. These sums are known as precepts and for 2019/20 the values were: -

2018/19 £		2019/20 £
7,600,663	Carlisle City Council	7,870,724
44,963,681	Cumbria County Council	47,259,200
7,854,375	Cumbria Police Authority	8,752,780

Included in the amount for the City Council is a precept of £637,627 (2018/19: £598,221) which is collected on behalf of Parish Councils. This is paid in full directly from the Councils Comprehensive Income and Expenditure Statement.

Debtors for Local Taxation

The total arrears on Council Tax at 31 March 2020 was £3,535,473. The City Council share of these arrears can be analysed as follows:

2018/19 £000		2019/20 £000
	Council Tax	
10	Less than three months	10
18	Three to Six months	18
158	Six months to One year	156
185	More than One year	183
371	Total	367

The total arrears on business rates at 31 March 2020 was £1,865,930 (including costs of £10,622). The City Council share of these arrears can be analysed as follows:

2018/19 £000		2019/20 £000
	Non-Domestic Rates	
23	Less than three months	37
47	Three to Six months	69
157	Six months to One year	237
264	More than One year	403
491	Total	746

SECTION 6 – ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a local Code of Corporate Governance ('the Code'), which is consistent with the principles of the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. A copy of the Code can be obtained from the Council's Corporate Director of Finance & Resources. The Council has also recognised the requirements of the 2010 CIPFA application note 'Statement on the Role of the Chief Financial Officer in Local Government (2015)' and the CIPFA Statement on the 'Role of the Head of Internal Audit (2010)'.

This statement explains how the Council has complied with the Code and application note and also meets the requirements of regulation 6(1) and (2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control – the Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost- effective services.

The system of internal control is a significant part of the Council's framework and is designed to enable it to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
- to evaluate the likelihood of those risks being realised and, if so realised, their impact; and,
- to manage the identified risks efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts for 2019/20. It should be noted that from the end of March 2020 the Council was significantly affected by the Covid-19 Global Pandemic and has had to change some processes and adapt to new ways of working; however, the principles of the Council's governance framework are unchanged.

The Governance Framework

The following are the key elements of the systems and processes that comprise the Council's governance arrangements:

The Council's vision of its purpose and intended outcomes

The Council's vision is proposed by the Executive as part of the Carlisle Plan ("the Plan") which is debated and agreed by full Council. This vision is then communicated through the Carlisle Plan itself, which is a guiding document for staff and members. An annual report will communicate the outcomes and performance of the Plan to residents and the end of year performance report presents the key outcomes to the Executive and Overview & Scrutiny Panels. The Carlisle Plan was updated in 2015/16 to better reflect the Executive's current priorities and the plan for 2015-2018 was adopted by full Council in November 2015. The plan time period has now expired, and it will be refreshed in 2020/21 based on the agreed priorities of the new Executive (there was a change of administration following the reorganisation of the Council in May 2019). Due to the aforementioned change, during 2019/20 the Council continued to progress and report on the priorities listed in the 2015/18 plan.

The Council's vision – implications for governance arrangements

The Carlisle Plan not only contains the Council's vision but also the key objectives to be delivered in support of it. The plan is accompanied by a 'Plan on a Page', this sets out the key actions for fulfilling the plan.

Arrangements for Overview and Scrutiny are reviewed every year as part of the annual report - thus ensuring consistency with council priorities. Portfolios on the Executive are reviewed every year by the Leader of the Council.

Measuring the quality of service for users

The Council's Performance Management framework, including Service Standards ensures that elected Members and officers monitor performance in key service areas on a regular basis. User satisfaction is measured through a variety of channels such as Carlisle Focus, Customer Contact Centre, online surveys and social media. The Council has set equality objectives to further improve services for all users; these objectives are reported upon annually alongside an action plan for improvement. Impact of key decisions are recorded in each of the Executive papers ensuring that appropriate assessments form part of all the Council's key and non-key decisions.

The work of the Transformation SMT sub-group has continued to develop service delivery following the launch of a new 'carlisle.gov' website. The focus is on the development of digitising Council Services, with an emphasis on using SharePoint websites and developing Information Governance. Performance in services provided to customers is monitored through management information indicators, highlighting short and medium term trends which are reported to the corporate Senior Management Team¹. Progress against Carlisle Plan priorities and key actions is reviewed quarterly and reported through the Executive² and relevant Overview & Scrutiny Panels with progress made in 2019/20 detailed below:

¹ The Chief Executive, Deputy CEO, S151 Officer, Monitoring Officer and Corporate Director of Economic Development.

² See Report to Executive for full details, 4th Quarter Performance Report 2019/20

During 2019/20 the Council was subject to a peer review from the Local Government Association. An action plan to address further improvements to the governance and decision-making process has been agreed and will be initiated in 2020/21.

PRIORITY – Support business growth and skills development to improve opportunities and economic prospects for the people of Carlisle

The City Centre redevelopment projects have been a focus, promoting the development opportunities and regeneration opportunities within the city centre (including Carlisle Station, Caldew Riverside, The Citadel, English Street and The Pools), with a draft business case prepared for the Future High Street Fund and shared with MHCLG. Ongoing development of the outline business cases has continued in the year to support the Borderlands Inclusive Growth Deal.

Support has continued for the delivery of a Carlisle Enterprise Zone at Kingmoor Park. So far this has delivered of approximately 200,000sqm of new employment related floor space, across 73ha creating an additional 3,000 jobs and representing private sector investment of £109m. The Enterprise Zone is effective from 1st April 2016 with the retention of business rates for a period of 25 years.

The Carlisle Lake District Airport commenced commercial passenger flights on 4 July 2019. We will continue to work with Carlisle Airport to support any future development plans.

The £345 million Borderlands Inclusive Growth Deal was awarded in March 2019. The Heads of Terms agreement were signed in June 2019 prior to the summer recess of the Scottish Government, it can typically take twelve months to agree and sign a deal based on the experience of other areas. The deal would then progress to the implementation and delivery phase, timescales for which would be dependent on individual projects or programmes. The key projects for Carlisle are Carlisle Railway Station, Citadels and Caldew Riverside.

The Infrastructure Delivery Plan remains aligned to the Carlisle District Local Plan 2015-30 and is critical to development of a masterplan and delivery strategy for St. Cuthbert's Garden Village. Progress includes ongoing engagement with infrastructure providers, continued research into funding streams and ongoing viability work.

The Local Industrial Strategy (LIS) was adopted by the LEP in 2019, we have continued engagement with the LEP and subgroups to ensure support to the LIS and emerging projects.

The Council continues to support the delivery of the city region Skills Plan aligned to business growth, sustainability requirements and the LEP Skills Strategy. The emerging Economic Strategy will contribute significantly towards the achievement of this objective through the exploration of the requirements of businesses and therefore linking requirements with targeted support, including through the Growth Hub.

The St Cuthbert's Garden Village Masterplan covering housing, design, employment land, community facilities, transport and infrastructure has been incorporated into a Development Plan Document (DPD), with an ongoing review of viability options and engagement with infrastructure providers.

PRIORITY - Further develop sports, arts and cultural facilities to support the health and wellbeing of our residents

The Council has completed an assessment of updated costs for the proposed Sands Centre Redevelopment and a decision was made by Council in June 2019 to progress the delivery of new leisure facilities at the Sands Centre. The Council's capital programme reflects the £25.5million scheme and funding with completion of the scheme anticipated in mid-2021. Progress continues to be made enabling work on-site and at the former Newman School site. Due to the Coronavirus epidemic some challenges have been encountered with regard to supply of materials and labour. In addition, the Sands Centre events hall was requisitioned as a Covid-19 Recovery Centre and was for a period converted into a temporary hospital facility.

The Council continues to work with key partners to deliver the World Health Organisation Phase VI Healthy City Action Plan. Phase VII details were released in 2019 for review. Work on mapping the links to the Cumbria Health and Wellbeing Strategy, Cumbria Public Health Strategy and the 6Ps will assist in action plan development. The Carlisle Partnership has completed further development of the Place Standard, with a funding submission to the National Lottery being successful.

The Carlisle Partnership continues to support and develop the Food City Partnership which includes: Local Healthy Eating Options; Carlisle Food Charter; food sector supply chain development; food skills; education and tourism. A mapping document has been developed to capture activity and identify need. The City Council was successful in its application to Sustainable Food Cities for both the campaigns grant and the coordinator grant, the award has been extended due to the current Covid-19 crisis.

Work has been undertaken with partners to promote workplace health across the partnership. The Council has led by example by achieving the Better Health at Work Silver Award (December 2019), we are now working towards a Gold Award.

PRIORITY – continue to improve the quality of our local environment and green spaces so that everyone can enjoy living, working and visiting in Carlisle

Kerbside recycling collections were extended to additional properties across Carlisle and at the same time the range of recyclable material collected from households was extended. Website pages and new literature have been developed to promote recycling and address some public misconceptions. Technical Officers have carried out resident surveys and supported events in supermarkets. This work was reviewed in year and considered as business as usual. It will be delivered through service planning with progress being monitored through existing KPIs.

Air Quality Assessment has been approved and monitoring results continue to show downward trends. We participated in the Clean Air Day on the 20th June and an Air Quality Report was presented to the Health and Wellbeing Scrutiny Panel on the 11th July. This work was reviewed in year and considered as business as usual, to include KPIs and dedicated report for Scrutiny.

PRIORITY – Address current and future housing needs to protect and improve residents' quality of life

A Draft Strategic Housing Market Assessment has now been received and is being finalised. This evidence base will feed into the Emerging Housing Strategy.

Work with partners to monitor progress against Carlisle's Inter-agency Homelessness Strategy 2015-20 continues. The current strategy ends in 2020 and as such a thorough review has been undertaken in 2019/20 in line with statutory guidelines to shape the next 5

years' priorities in line with local needs and government priorities. National and Countywide external funding streams and commissioned services are in place to positively address homelessness issues.

The drive to improve standards in the private rented sector (including student accommodation) through inspections, advice and, where necessary, enforcement continues.

The Council continues to develop and promote the Council's Empty Homes Service by delivering advice and information to empty homes owners.

The annual mandatory Disabled Facilities Grant Programme in respect of applications received has been completed. The revised Regulatory Reform Order Strategy is in place to improve expenditure compatible with the discretionary grant.

The Council has developed local solutions to ensure opportunities to maximise the delivery of affordable homes which respond to locally evidenced needs. We work proactively towards maximising the affordable housing delivery, through working in partnership with local Housing Associations, developers, HCA, and strategic partnership groups – such as the Cumbria Housing Supply Group and Cumbria LEP.

PRIORITY – Promote Carlisle regionally, nationally and internationally as a place with much to offer – full of opportunities and potential

A rolling events programme is in place to raise the profile of the city, with new events in 2019/20. A new star gazing event was held at Talkin Tarn, organised in partnership with the North Pennines AONB. A successful 'City of Lights' four-day event was delivered with partners. The centre-piece of the City of Lights event was a stunning visual spectacle in Carlisle Cathedral, visitors could see numerous buildings and local landmarks in the Court Square and Citadels area of the city illuminated with coloured lights and projections.

Work continues with Carlisle Ambassadors to raise the profile of Carlisle through business engagement. Over 190 businesses are now members and Carlisle Young Ambassadors has been established with growing interest. Carlisle Ambassadors had a presence at Lakes Hospitality Trade Show in February and Shout Network Greater Manchester Business Expo.

Roles and Responsibilities

The City Council comprises 39 elected Members (following a boundary review in May 2019) during 2019/20 and holds elections by thirds in three years out of every four. The Council operates executive arrangements under the Local Government Act 2000 and has done so since September 2001. The Council operates the "Strong Leader" model whereby the Council appoints the Leader for a four-year period, who then nominates his/her Executive Portfolio Holders and decides the scope of their portfolios and the extent of delegated powers to each.

For 2019/20 the Executive comprises the Leader and five Executive Members, one of whom the Leader is required to nominate as Deputy Leader. The operation of the Executive itself is prescribed by the Executive Procedure Rules set out in the Council's Constitution. It meets normally on a four-weekly cycle, with the Leader having oversight over both the agenda and the Notice of Key Decisions to be considered by the Executive over the coming month.

The Leader has set out the powers and responsibilities that they have delegated to both Portfolio Holders and Officers in an extensive Scheme of Delegation, incorporated into the Constitution, that they review at least annually but usually more frequently in practice. Any amended Scheme of Delegation is held within the Governance Directorate and all Members of the Council receive a copy. The document is available to all on the Council's website. All decisions made by the Executive, whether collectively or individually, are properly recorded and subject to call in and scrutiny by the Council's Overview and Scrutiny Panels, subject, of course, to the provisions applying to matters deemed urgent.

Under the Executive arrangements, the full Council is responsible for setting the Council's budget and policy framework within which the Executive must operate. The Council has three Overview and Scrutiny Panels: Health & Wellbeing, Economy Growth and Business & Transformation. These Panels undertake the statutory scrutiny role set out in the Act and assist with examining and commenting on those policies proposed by the Executive for adoption as part of the policy framework. The three Panels are supported by a dedicated Scrutiny Officer who services solely the scrutiny function of the Council to ensure transparency in the process.

Each Panel also has a nominated member of the Council's Senior Management Team to support it in its scrutiny function. The operation of the scrutiny function is set out in the Overview and Scrutiny Procedure Rules in the Council's Constitution.

The Council's Constitution reserves only 11 policies to full Council (meaning only Council can change or amend the 11 policy areas) and this means that decisions are able to be taken in a clear, transparent manner and, from a corporate governance perspective, it is a great deal more certain where responsibility for decision making rests, i.e. with the Council or the Executive.

The executive/scrutiny functions of the Council are supplemented by a number of regulatory Committees, established to deal with development control, licensing and certain non-executive employment matters. Their powers and Terms of Reference are set out in the Constitution, together with the delegated powers given by the Council to both the Committees and officers in respect of the various matters falling within the responsibility of the Committees. These powers are reviewed and approved by the Council annually.

The Council has an officer structure in place with roles, responsibilities and lines of communication clearly defined. Officers are led by the Senior Management Team, which, during 2019/20, comprised a Chief Executive, a Deputy Chief Executive and three Directors. The Team meets on a fortnightly basis to discuss corporate issues.

Codes of Conduct and Standards

The Council has formally adopted a Code of Conduct for its elected Members, underpinned by the Nolan principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty & leadership) together with approved arrangements for dealing with standards matters. These form part of the Council's suite of constitutional documents and all Members undertake to adhere to its provisions (standards of behaviour, declarations of interest, register of gifts/hospitality etc.) as part of their Declaration of Acceptance of Office when elected. The new Code of Conduct arrangements have been standardised across Cumbria as far as possible.

Oversight of the Members' Code of Conduct, to ensure both compliance and the proper training of Members, rests with the Council's Standards Committee, which comprises of 7 Members of the City Council who are advised by an Independent Person (appointment of 2 Independent Persons, ratified by Council). A Parish Member would be invited to attend the

Committee if any complaint or matter related to a Parish Member. Training on both the Code itself and the ethical principles behind it is provided to all newly elected Members of the Council as part of the standardised induction process and it will also be available to all members of the Council to participate in. Further training for Members on relevant Standards issues is provided by way of follow-up sessions as issues arise.

The Members' Code of Conduct is supplemented by a protocol governing Member and Officer working which was adopted by the Council as an additional guide to the Council's expectations and its cultural approach to the day-to-day working relations between Members and Officers. Training on this, is again, provided as part of the Member Induction Programme. Other supplemental guidance documents, adopted by the Council to assist with probity and best practice, include the Planning Code of Conduct for those Members serving on the Development Control Committee and the Members' Protocol on the Use of IT provided by the Council. Training is again provided in the Member Induction Programme. In-year training is also given to Members of the Development Control and Licensing Committees on the specialist issues and considerations that arise because of the particular work of those Committees.

The Council has its own Code of Officer Conduct (built under the same Nolan principles). The Code was formally approved by Members in September 2010 and forms part of the Constitution. The Council also has employee and management competency standards which highlight expected methods of work and behaviours – these were reviewed and updated in 2019/20. There is also a formal induction procedure for all new staff, supplemented by other information e.g. the Constitution, disciplinary procedures, etc.

During the year, the Council continued to develop and deliver its training schedule for both Members and officers to raise awareness of ethical governance issues across the Council, such as, for example, Procurement & Contracts and Budgetary Control issues and a Management Development Programme. This forms part of the Council's training programme with the Member programme being considered and agreed by the Members' Learning and Development Group.

Numerous e-learning packages (mandatory and optional) are also available to supplement the training schedule with further ones planned for future development; these will ensure that appropriate training can be targeted at relevant officers.

Standing Orders/Financial Procedure Rules

The Council's Contracts Procedure Rules and Financial Procedure Rules, together with the extent of delegation to officers in these areas, are set out extensively in the Council's Constitution. They define the overarching rules governing procurement by the Council and the powers and constraints on Members and officers in respect of the exercise of financial powers. The core documents, including authorised levels of spend, virement and "key decision" financial limits, are reviewed at least annually (and more frequently if circumstances arise) and updated by the Council. During the year the Directorate Scheme of Sub-Delegations to Officers continued to be developed which clearly set out any functions and named officers subject to such delegations and any terms and conditions attached to the sub-delegations.

The Council has revised and developed its risk management arrangements and has implemented a Risk Management Assurance Framework, incorporating the three lines of defence assurances model. Risk assessment is overseen in the Council by a formal Corporate Risk Management Group (CRMG) made up of relevant officers and the Portfolio Holder for Finance, Governance and Resources. A representative from the Council's Insurance Brokers/Advisers provides ad-hoc support, as required. The Group, led by the

Deputy Chief Executive, oversees the compilation and updating of both the corporate and operational risk registers maintained by the Council, where the main corporate and directorate-specific risks faced by the Council are scored against an agreed matrix and appropriate steps identified to mitigate such risks as far as possible. All risks are monitored through a management monitoring function in SharePoint.

A Risk Management SMT Subgroup supplements the CRMG and part of its remit is to monitor each operational risk register in place within the Council; to raise and discuss any emerging risks, audit risks and H&S risks, with regular updates being provided on the Council's Insurance provision, one of the mitigating control strategies we have in place to manage risk.

Over the last four years the Council has offered Risk Management/Liability workshops and training days to Members, Senior Management and key officers. Risk management training has been provided alongside training sessions on specific issues such as managing events safely and carrying out risk assessments. Following the flood in December 2015 work has continued to develop a programme to utilise the risk management training days with our insurers with the Council's usual Corporate Risk Management Policies & Processes training session being delivered to Members and Officers through the annual Ethical Governance training programme.

The Council has introduced an Information Governance Framework including guidance on various requirements of the General Data Protection Regulation (GDPR), information governance risk assessment, the retention of records and, continues to develop records management arrangements. Face to face training and guidance on data protection continues to be delivered to Members and Officers during the year as well as the requirement for staff to undertake refresher e-learning training. The Information Governance Manager monitors compliance, amongst other duties, with the new requirements of GDPR and undertakes random information governance spot checks which then inform feedback and learning. In addition, the Council's Internal Audit function continues to review records management as part of all individual audits.

Ensuring Effective Counter-fraud and Anti-corruption Arrangements are Developed and Maintained

In accordance with the "Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)", the Council has a Counter Fraud and Corruption Policy in place as well as an Anti-Money Laundering Policy. Training on Fraud & Corruption has been undertaken during the year and an e-learning module on Money Laundering is also available to all staff. Any investigations carried out during the year in relation to suspected fraud and corruption were undertaken by appropriately trained/experienced officers. As from 2019/20 Internal Audit deliver an annual review of counter-fraud arrangements to identify improvements against best practice. In 2019/20 work was undertaken to improve fraud awareness through the inclusion of fraud and whistle-blowing as part of the Council's induction hand-book.

Ensuring effective management of change and transformation

The Council developed a savings strategy several years ago to deliver efficiency savings under the Government's efficiency agenda and has been successful in achieving a significant amount of revenue savings. Its current transformation programme has identified that a further £1.850 million is required to be found by 2023/24. Until further details are known of how the Fair Funding Review, Comprehensive Spending Review and the Business Rate Retention Scheme are to affect the Council, these savings have been found on a non-recurring basis where possible. The impact of COVID-19 on the Council's financial position will continue to be closely monitored during 2020/21 with shortfalls of income,

additional expenditure, and the overall economic recovery and the impact on the Collection Fund being the main risks.

Managing transformational change effectively is critical to the successful delivery of the transformation programme and the delivery of the wider ambitions set out within the Carlisle Plan. The Deputy Chief Executive and the Corporate Director of Finance & Resources, supported by SMT, provides accountability for the delivery of the savings strategy thus ensuring that the transformation of Council services is controlled and managed effectively; with appropriate Corporate Directors being responsible for delivering individual schemes within the overall programme.

Financial Management Arrangements

The Council has a duty to comply the key principles contained within the revised CIPFA statement of the 'Role of the Chief Financial Officer in Local Government' and during 2019/20 the Council continued to comply with 5 key principles of the CIPFA statement.

The Council's Corporate Director of Finance & Resources is a qualified accountant and is a key member of both Senior Management Team (SMT) and Joint Management Team (JMT) and as such, has direct access to the Chief Executive. They lead and direct an adequately resourced, fit for purpose, finance function, comprising 20 officers, who support the proper administration of the Council's financial affairs, including leading the promotion and delivery of good financial management to safeguard public money at all times; to ensure the effective, efficient and economic use of resources; and to ensure that the short and long term implications of all material business decisions are fully considered and aligned to the Council's Medium Term Financial Plan.

The main controls for financial management are set out in the Constitution – these are the Budget and Policy Framework and the Financial Procedure Rules. These cover the arrangements for Financial Management, Financial Planning, Risk Management and Control of Resources, Financial Systems and Procedures and External arrangements. The Council also complies with the Prudential Framework for Local Authority Finance.

The Council has a Medium-Term Financial Planning process (MTFP) which integrates budget and corporate planning to match resources to the corporate priorities. The planning and monitoring framework is co-ordinated through the JMT which consists of the Executive Members and SMT. The MTFP for 2021/22 to 2025/26 will be presented to Executive, Business & Transformation Scrutiny Panel (BTSP) and Council between July and September 2020. All executive decisions are subject to a full impact assessment from a financial, economic and legal perspective. In addition, full option appraisals are included for all business cases for specific projects.

The Council has a Procurement and Commissioning Strategy that ensures best value is achieved (supported by the financial procedures and standing orders) whilst ensuring obligations to stakeholders are achieved through the setting out of clear social, economic and environmental responsibilities.

Value for Money benchmarking exercises are undertaken across service areas when required. The cost and performance of services are compared with other authorities both locally (Cumbria wide) and nationally. These profiles and benchmarks are used to inform Senior Managers and Members of service areas, which should be targeted for further challenge and improvement review.

Regular meetings are held with identified budget managers from which budget-monitoring reports are prepared for both Capital and Revenue expenditure and considered by the

Executive and BTSP. The Council is committed to improving the effectiveness of its budget monitoring arrangements and in strengthening the links between budget and performance monitoring.

The annual Statement of Accounts has been produced in accordance with the statutory deadlines (revised by the Government as a result of the Covid-19 pandemic) and year-end actual results are reported against budgets. The summary revenue position is shown within the narrative statement, comparing actual results against revised budgets. Out-turn reports produced for revenue and capital expenditure are presented to the Audit Committee and are considered by Executive, BTSP and Council. The Council is committed to making continuous improvements to comply with the Local Authority Code of Practice and International Financial Reporting Standards.

Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function

The Corporate Director of Governance & Regulatory Services is the Council's Monitoring Officer with the Legal Services Manager acting as the deputy. These officers have a duty to report to the Council and the Executive in any case where they believe any proposal, decision or omission will give rise to unlawfulness or if any decision or omission has given rise to or would constitute maladministration.

The Council's Code of Corporate Governance determines that the Monitoring Officer is 'responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with'. In addition to this, the Monitoring Officer provides a range of functions relating to the conduct of Councillors (for example maintaining the Register of Members' Interests, Code of Conduct complaints etc), advising the Audit Committee and providing commentary on every report to the Executive and Council. The Monitoring Officer conducts annual reviews of the Council's Constitution and makes recommendations for change, which are adopted by Council in May of each year.

As a member of the Senior Management Team and reporting directly to the Chief Executive, the Monitoring Officer has regular meetings (in addition to the actual meetings of SMT) with the Chief Executive and S151 officer in order to review current and likely future issues with legal, constitutional or ethical implications; thus ensuring the effective undertaking of his duties. The Authority also provides the Monitoring Officer with sufficient resources to undertake the role as required by the Local Government and Housing Act 1989.

Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function

The Council's Head of Paid Service is the Town Clerk and Chief Executive and contained within the Council's Code of Corporate Governance is the principle of 'Developing the entities capacity, including the capacity of its leadership and individuals within it' incorporating the requirement of 'ensuring that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained'. The Council's Constitution clearly sets out his role and responsibilities in respect of management structures and the discharge of functions by the Council. He will report to Council on:

- the manner in which the discharge of functions is co-ordinated;
- the number and grades of officers required for the discharge of functions;
- the organisation of officers.

He is currently supported in his role by a Deputy and three Corporate Directors and has regular access to and contact with the Leader of the Council and the Executive, through formal meetings of the Executive and informal Joint Management Team meetings. The Chief Executive supports the Business and Transformation Scrutiny Panel and currently has direct line management responsibilities for Customer Services, Revenues & Benefits and ICT Services.

The Head of Paid Service introduced the concept of SMT sub-groups to encourage greater cross-directorate working on operational and corporate projects. Four sub-groups are established, each led by a member of SMT, and each with clear functions and terms of reference. The aim is to promote a culture of empowerment thus ensuring that operational decisions can be made at the correct level within the organisation. SMT receive regular feedback on the work of each sub-group.

Audit Committee

As a means of ensuring best practice, the Council has an established Audit Committee to oversee the workings of the corporate governance arrangements of the Council and to report to Council on these and related financial probity issues. The Audit Committee operates in accordance with CIPFA's "Audit Committees – Practical Guidance for Local Authorities (2013)". This is supplemented by the Council's Standards Committee, established under the Act to be responsible for conduct issues relating to elected Members. The Council was due to complete an effectiveness review of the Audit Committee in March 2019, but this exercise has been postponed due to the Covid-19 pandemic

The Council has a duty to comply with the key principles contained within the 2010 CIPFA statement of the 'Role of the Head of Internal Audit' and during 2019/20 the Council continued to comply with 5 key principles of the CIPFA statement.

The Designated Head of Internal Audit is the Council's Financial Services Manager, who manages an in-house Internal Audit team comprising a Principal Auditor and two Auditors. Controls have been put into place to maintain the team's organisational independence, which are documented in the approved Internal Audit Charter.

The scope of internal audit work covers all aspects of the organisation's risk management, internal control and governance frameworks and the Internal Audit annual report feeds into the preparation of the Council's Annual Governance Statement. Where appropriate, Internal Audit advises the organisation on emerging risks and undertake priority risk audit (hot assurance) work on new projects and developments as they take place.

An annual audit opinion is provided to the Audit Committee based on the work undertaken by Internal Audit during the year from the agreed risk-based audit plan, which includes a wide range of council operations along with risk management, internal control and governance considerations. A **reasonable assurance** has been provided on the adequacy and effectiveness in respect of 2019/20, though the opinion notes a high level of recommendations relating to ICT Services due to a) limited progress in implementing existing recommendations and b) the deferral of remaining ICT work, as it was mutually agreed between Internal Audit and Senior Management that control concerns existed and further audit work would not add value. This is predominately due to the level of vacancies within the team, including the Head of Service. The Council are looking to recruit to this post during 2020/21 and Internal Audit will continue to work with the service to address identified concerns.

The Internal Audit team were subject to an External Quality Assessment in 2018/19. The assessment found the team to be compliant with Public Sector Internal Audit Standards.

Actions to address minor recommendations for improvement have all been implemented during the year. The team continue to perform annual self-assessments against the requirement of the Standards, with improvements for the coming year identified and actioned.

The Designated Head of Audit reports directly to the Council's section 151 officer and has direct access to the Senior Management Team (SMT) and Chief Executive as required. The Designated Head of Internal Audit and Principal Auditor attend all Audit Committee meetings and have the opportunity for private dialogue with the Chair as appropriate. The Principal Auditor also has the authority to report directly to the Chief Executive/Chair of Audit Committee if they have concerns about the suppression of audit evidence or the conduct of the designated Head of Internal Audit.

The resource available within Internal Audit is subject to a regular review and was assessed as fit for purpose for 2019/20. The audit team has a range of skills and qualifications. The Designated Head of Internal Audit is CIPFA qualified and has 6 years' experience in Local Government Internal Auditing. The Principal Auditor is PIIA qualified and has 10 years' experience in local government internal auditing.

Ensuring Compliance with Relevant Laws

Systems are in place to ensure that appropriate legal and financial advice is provided at relevant points in the decision-making process to ensure the vires of decisions made by the Council. All reports to Members requiring a decision incorporate an addendum from the Corporate Director of Governance & Regulatory Services (the Council's Monitoring Officer) and from the Corporate Director of Finance & Resources. This ensures that checks are made on the legal and financial consequences of any course of action prior to a decision being made. Both statutory officers are also members of the Joint Management Team and the Senior Management Team to ensure that financial and legal advice is available at the inception of any particular matter and when any issues relating to the Council's powers and duties are under consideration.

Similar representation by legal and financial officers is provided for on Officer Working Groups dealing with relevant policy issues so that a check is maintained on vires and financial issues at that level. Legal representation and advice is also provided as a matter of course at the Development Control, Regulatory and Licensing Committees to ensure that the quasi-judicial functions carried out by those Committees are undertaken lawfully. A legal adviser is also present at meetings of the Audit Committee, Standards Committee and Employment Panel and also at Appeal Panel meetings if necessary.

The Council has a variety of methods of receiving updates in legislative changes. In addition to the departmental roles in keeping up to date with legislative, regulatory and guidance changes, the Council subscribes to a corporate legal updating service which provides for daily updates directly to officers. The usual method of direct notification of legislative changes by Central Government also occurs on an ongoing basis. In addition, the legal services section ensures appropriate bulletins are promulgated to relevant clients.

Complaints and Whistle blowing

The Council operates a formal Corporate Complaints System in accordance with best practice recommended by the Local Government Ombudsman, giving members of the public capacity to complain about aspects of the Council's services with which they may be dissatisfied. The objective of the complaints process is to endeavour to resolve the complaint satisfactorily at local level, rather than it being referred to the Ombudsman,

although this, of course, is always an entitlement of the complainant if they remain dissatisfied with the Council's handling of the matter.

The basis of the corporate complaints process is that the relevant Directorate deals with the complaint initially but, in the event of the complainant still being dissatisfied, the process provides an internal Right of Appeal initially to the Chief Executive or nominee and then, if necessary, to a small panel of three elected Members who review the position. This includes a formal hearing at which the complainant may attend, in an endeavour to resolve the matter. Members of the Council's Appeal Panels receive training on the type of matters that they may consider in that role.

The Council has a Confidential Reporting Policy that is available to all members of staff.

Identifying the development needs of Members and senior officers

The Council has a formal appraisal scheme, which is mandatory for all officers, including all senior managers, which was reviewed and stream-lined in 2019/20. It is carried out each year and forms part of the review of the Carlisle Plan. Appraisals are recorded and there is monitoring of compliance by SMT along with an annual report to Members of the Business and Transformation Scrutiny Panel which includes the key findings of the biennial Employee Opinion Survey. The appraisal process has been developed to include team reflection on the cultures and values of the organisation as defined by the 3 C's; clear, committed and confident, and recruitment policies are in place that support the achievement of the Council's ethical values. A Workforce Development Plan has been prepared and approved and Service Plans include workforce planning and needs.

The management competency framework was developed further with ongoing provision of a range of workshops to enhance the skills and knowledge of managers and supervisors to fulfil their roles more effectively whilst promoting the culture, values of the organisation as well as the expected behaviour of all employees. A member mentoring programme is in place for members and a coaching programme has been introduced for employees.

The Council has signed the 'Time to Change' pledge to stop stigma about mental health and achieved the Silver Better Health at Work Award in 2019/20 (having previously held the Bronze award). There is an employee well-being programme in place, incorporating an employee assistance programme, occupational health and counselling services to all officers of the Council. Regular health checks are offered to staff through health and wellbeing days, lunchtime learning sessions and access to Occupational Health nurses.

Clear channels of communication

The Council's Communication Policy and Consultation Policy clearly set out its commitment to high quality, open, timely, relevant communications and consultation that encourage feedback from all sections of its local communities. All decisions and reports are publicly available unless justifiable reasoning is provided to maintain confidentiality and the Council is dedicated to ensuring transparency through adherence to the Local Government Transparency Code. These policies underpin the Council's developing Community Empowerment and Engagement Policies that will ensure local people's involvement in the design and delivery of more responsive local services.

The Council works closely with local groups representing those that are in a minority in the local communities, including those with a disability and ethnic minorities, to ensure that their communications and consultation needs are met. There is an annual budget consultation involving the public, local businesses, staff and the Trade Unions. Further stakeholder engagement with the public is achieved through media such as the Carlisle Focus

magazine and other online surveys, alongside continued growth in social media capacity, notably including a virtual consultation exercise for the St Cuthbert's Garden Village project. The Council also engages with its institutional stakeholders through the Carlisle Partnership, a strategic partnership with local authorities, health, police, public agencies and the business sector.

Enhancing the accountability for service delivery and effectiveness of other public service providers

Whilst the Council continues to deliver most of its key services directly there are a number of areas where services are commissioned. Arrangements are in place, to monitor both the administration of the services and the quality of that service and this information is reported back into the Council and monitored through the Overview and Scrutiny process.

These monitoring arrangements cover all those organisations deemed to be significant partnerships. However, many partnerships are contractual arrangements and definitions have been reviewed and revised to accommodate future monitoring and reporting requirements. This continues to form part of the monitoring process.

Enhanced monitoring arrangements for specific public services are embedded within the Council, and more robust challenges are made to partners/contractors to ensure that they are fulfilling their obligations and that the service provided continues to meet Members expectations. In respect of shared service agreements, the robust governance arrangements set up at the inception of the shared service continues to ensure that service delivery is effective and meets the partner's expectations.

The Council continues to review those organisations which receive grant aid from the Council. Many of these relate to third sector organisations with a significant contribution sum being made to local Community Centres.

Good governance in respect of Partnerships

The Council's key governance arrangements and procedures ensure that partnerships are entered into for the right reasons, all factors/implications are fully considered as part of the set-up process, the Council's role is clearly defined, expected outputs and outcomes are identified and the appropriate monitoring arrangements are in place. In all, the Council has robust management arrangements in place and a clear framework in which to operate. It is important to note that whilst these central control mechanisms exist, the actual appliance of and delivery of partnerships is the responsibility of individual service areas. Key control measures are outlined below:

The Council has a robust Partnership Policy in place that provides guidance on the nature and risks of partnerships. This Policy includes a clear definition of a partnership and, more specifically, what constitutes a significant partnership. Responsibilities for setting up, delivering and monitoring partnerships are clearly defined both in the Policy and in general working practices.

The Corporate Partnerships Register, maintained by Financial Services, is the central monitoring tool used to track all partnerships in progress. Consideration is given towards Exit / Succession strategies (if appropriate) at the initial set up and as part of the Annual Review.

A Business Case model, based around good practice measures, is used for all new proposed partnerships. These are considered by SMT. Proposed significant partnerships are also reported to the Executive.

The Council's Financial Procedure Rules contains specific guidance on officers' duties and responsibilities regarding partnerships. A flowchart provides an aid for officers to guide them through the partnership process. Supplementary guidance notes are also in place as well as the availability of one to one training and support to guide officers setting up new partnerships, through to annual reviews.

Operationally, risk assessments are maintained and shared with partners throughout the life of the partnership. Emerging significant risks are brought to the attention of the Council's Risk Management Group. Strategically, the Council manages the potential risk of new and existing partnerships through the Corporate Risk Register. The Corporate Risk Register is reviewed quarterly by the Risk Management Group and reported to Business and Transformation Scrutiny Panel and the Audit Committee.

Significant partnerships are subject to a robust set of measures. Annual reviews are undertaken for all significant partnerships, which has been extended to include all Shared Service arrangements, the results of which form part of the proposed annual summary reporting on partnership working arrangements. This reporting is co-ordinated by Financial Services and is considered by SMT and the Business and Transformation Scrutiny Panel.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Designated Head of Internal Audit's annual report, and by comments made by the External Auditors and other reviewing agencies and inspectorates. A peer review was carried out of the Council in late 2019/20 by the Local Government Association. An action plan to address the 2019/20 peer review will inform updates and improvements to the framework during 2020/21.

The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

An effective Governance Framework is maintained by ensuring that the Council's Constitution is reviewed and up-dated on a regular basis. This includes both the Council's and the Leader's Schemes of Delegation for Corporate Directors and Chief Officers, and encompasses and defines the roles of the Council, the Executive and the standing Committees including Overview and Scrutiny, Standards Committee and the Audit Committee. A full review of the Constitution is in train following the recent Peer Review.

Regular meetings of the Council and its Committees are held during each year and all reports to the Executive include comments from the Council's Corporate Director of Finance & Resources and the Corporate Director of Governance & Regulatory Services – the latter also being the Council's Monitoring Officer. The aforementioned statutory officers also oversee the reports considered by the Council's Regulatory and Audit Committees.

The Council also undertakes a continuous review of its risk-management responsibilities by ensuring that each Directorate maintains an up-to-date Operational Risk Register. Any risks that are considered to affect the Council as a whole are incorporated into the Corporate Risk Register (CRR). This is reviewed and updated by the Corporate Risk Management Group that meets on a regular basis. Progress on the CRR is reported half yearly to Members. In accordance with the requirements of the CIPFA Code of Practice for Internal Audit, the Designated Head of Internal Audit reports to the Audit Committee on a regular

basis, to appraise Members of any emerging control/governance/risk issues. The Designated Head of Internal Audit also presents an annual report that includes a statement of assurance relating to the Council's overall standard of internal control, which includes assurances obtained from self- assessment questionnaires of individual directorates, alongside the results of audit activity. The Council has also received external assurances in 2019/20 regarding the suitability of its disclosure and barring processes.

The Council also receives assurances for its external auditors, Grant Thornton, who provides annual opinions on the accuracy of the annual Statement of Accounts and on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (VFM conclusion). All recommendations provided through these opinions receive a management response and are implemented during the following year with progress being monitored by the Audit Committee.

The requirements outlined in the CIPFA/SOLACE document "Delivering Good Governance in Local Government" have been assessed. Where necessary any areas where action is required to ensure that the Council meets all of the defined requirements are identified on the Action Plan that forms part of this Statement.

We have been advised on the implications following the review of the effectiveness of the governance framework by the Audit Committee and that they continue to be regarded as fit for purpose in accordance with the governance framework.

We propose, over the coming year, to monitor and implement improvements to further enhance our governance arrangements. However, we are satisfied that any necessary improvements that were identified in the review of effectiveness are not deemed to be significant in nature, and are therefore not reported as part of this statement.

Signed on behalf of Carlisle City Council

John Mallinson
Leader of Council

Jason Gooding
Chief Executive

Alison Taylor
Corporate Director of Finance & Resources

Date: 27 August 2020

SECTION 7 - FINANCIAL ABBREVIATIONS USED IN THIS DOCUMENT

AGS	Annual Governance Statement
AMP	Asset Management Plan
CAA	Capital Adjustment Account
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CIES	Comprehensive Income and Expenditure Statement
DWP	Department for Work and Pensions
DFG	Disabled Facilities Grant
FRS	Financial Reporting Standards
IIA	Institute of Internal Auditors
IAS	International Accounting Standards
ISA	International Standards in Auditing
IFRS	International Financial Reporting Standards
JMT	Joint Management Team
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LGPS	Local Government Pension Scheme
MHCLG	Ministry for Housing, Communities and Local Government
MTFP	Medium Term Financial Plan
MRP	Minimum Revenue Provision
NNDR	National Non-Domestic Rates
PPE	Property, Plant and Equipment
PSIAS	Public Sector Internal Auditing Standards
RSG	Revenue Support Grant
SeRCOP	Service Reporting Code of Practice
SMT	Senior Management Team
VFM	Value of Money
WGA	Whole of Government Accounts

Report to Audit Committee

Agenda
Item:

A.5

Meeting Date: 24 September 2020
 Portfolio: Finance, Governance and Resources
 Key Decision: No
 Within Policy and Budget Framework YES
 Public / Private Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2020
 Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
 Report Number: RD 22/20

Purpose / Summary:

This report, which provides the regular quarterly summary of Treasury Management transactions for the first quarter of 2020/21, was received by the Executive on 17 August 2020. The Audit Committee is invited to make any observations on treasury matters which took place during this quarter although it will be noted from the report that this was a relatively quiet period in treasury terms.

Recommendations:

That the report be noted.

Tracking

Executive:	17 August 2020
Audit Committee:	24 September 2020
Council:	Not applicable

Report to Executive

Agenda
Item:

Meeting Date: 17 August 2020
 Portfolio: Finance, Governance and Resources
 Key Decision: No
 Within Policy and Budget Framework YES
 Public / Private Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2020
 Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
 Report Number: RD 22/20

Purpose / Summary:

This report provides the regular quarterly report on Treasury Transactions including the requirements of the Prudential Code.

Recommendations:

That this report be received, and the Prudential Indicators noted as at the end of June 2020.

Tracking

Executive:	17 August 2020
Audit Committee:	24 September 2020
Council:	Not applicable

1. BACKGROUND

1.1 The purpose of this report is to inform Members on various Treasury Management issues. The report is set out as follows:

(i) **Appendix A** sets out the schedule of Treasury Transactions for the period April– June 2020

- **Appendix A1** – Treasury Transactions April to June 2020
- **Appendix A2** – Investment Transactions April to June 2020
- **Appendix A3** – Outstanding Investments at June 2020

(ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2020/21

- **Appendix B1** – Prudential Code background
- **Appendix B2** – Prudential Indicators

2. RISKS

2.1 The Council's Treasury Management function is responsible for investing the Council's surplus cash balances and managing cash flows appropriately. The Treasury Management Strategy Statement and the Treasury Management Practices are completed and approved in line with the CIPFA Code and include appropriate mechanisms for dealing with the Council's investments and borrowing needs.

3. CONSULTATION

3.1 Audit Committee will consider the report on 24 September 2020

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

4.1 That this report is received, and the Prudential Indicators noted as at the end of June 2020.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

5.1 To ensure that the Council's investments are in line with appropriate policies including the Treasury Management Strategy Statement.

Contact Officer: Emma Gillespie

Ext: 7289

Appendices attached to report:	Appendix A1 – Treasury Transactions
	Appendix A2 – Investment Transactions
	Appendix A3 – Outstanding Investments
	Appendix B1 – Prudential Code background
	Appendix B2 – Prudential Indicators

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- **None**

CORPORATE IMPLICATIONS

Legal – Treasury Management activities are delegated to the Corporate Director of Finance and Resources and Financial Procedure Rule 3.19 requires that she prepare an annual report on the topic. This Report fulfils that obligation.

Property Services – Not applicable

Finance – Included in the report

Equality - This report raises no explicit issues relating to the public sector Equality Duty

Information Governance – No implications

TREASURY TRANSACTIONS
APRIL to JUNE 2020

1. LOANS (DEBT)

1.1 Transactions April to June 2020

	Raised		Repaid	
	£	%	£	%
P.W.L.B	0	0.00	0	0.00
Local Bonds	0	0.00	0	0.00
Short Term Loans	0	0.00	0	0.00
Overnight Borrowing	0	0.00	0	0.00
	0		0	

This provides a summary of any loans that have been raised or repaid, analysed by type, since the previous report.

1.2 Loans (Debt) Outstanding at end of June 2020

	£
PWLB	8,887,500
PWLB	4,875,000
Short Term Loans	12,800
	13,775,300

1.3 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Other £	Total £
Short Term Debt at end June 2020	475,000	0	12,800	487,800

2 INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	9,200,000	0.10-0.67	17,810,000	0.10-0.96
	9,200,000		17,810,000	

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at end of June 2020. The weighted average return achieved on all investments as at the end of June was 1.36% (0.81% excluding Property Fund). Bank base rate is currently 0.10%.

3 REVENUES COLLECTED

To: June 2020		Collected £	% of Amount Collectable %
2020/21	Council Tax NNDR	18,885,338 6,493,519	28.22 28.27
Total		25,378,857	28.23
2019/20	Council Tax NNDR	18,583,582 13,667,431	29.07 31.14
Total		32,251,012	29.92
2018/19	Council Tax NNDR	17,467,897 14,038,501	29.07 31.21
Total		31,506,398	29.98

4 BANK BALANCE

At end of June 2020, £320,221.54 in hand.

This is the Council's bank balance at the end of the last day covered by the report.

5 PERFORMANCE ON TREASURY MANAGEMENT BUDGET
TO END OF JUNE 2020
 April – June 2020

	Profiled Budget £000	Actual £000	Variance £000
Interest Receivable	(66)	(113)	(47)
Interest Payable	795	169	(626)
Less Rechargeable	0	0	0
	795	169	(626)
Principal Repaid (MRP)	0	0	0
Debt Management	12	13	1
NET BALANCE	741	69	(672)

The profiled budget is to the end of June 2020.

Interest receivable is higher than anticipated due to increased levels of investment. These extra funds were due to delays in capital projects which have now commenced. It should also be noted that since the onset of the coronavirus pandemic, interest rates have dropped significantly therefore future yields are expected to be much lower in the short term.

The dividends received from the property fund have maintained an income of approximately £36,000 per quarter. The yield to the end of June was 4.48%. The valuation of the investment at the end of June was £3,181,143.

Interest payable is currently below budget due to no new borrowing entered into yet and also a budget saving against the final stock issue interest payment.

APPENDIX A2

INVESTMENT TRANSACTIONS APRIL TO JUNE 2020

INVESTMENTS MADE			INVESTMENTS REPAYD	
	£			£
Federated Investors	4,000,000.00		Goldman Sachs	1,000,000.00
Svenska	600,000.00		Goldman Sachs	1,000,000.00
Standard Chartered	1,000,000.00		HSBC	8,000,000.00
Federated Investors	3,600,000.00		Standard Chartered	1,000,000.00
			Federated Investors	3,600,000.00
			Federated Investors	3,210,000.00
TOTAL	9,200,000			17,810,000
			Bfwd	29,712,995
			Paid	9,200,000
			Repaid	17,810,000
			Total	21,102,995
			CCLA	(131,852)
			Total	20,971,143

Outstanding Investments as at 30 June 2020

Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Days to maturity at execution	Total Interest Expected (£)
Y	MMF Federated Investors	790,000	0.27%		MMF		
R	Handelsbanken	4,000,000	0.10%		Call1		
R	Bank of Scotland Plc (RFB)	2,000,000	1.10%	11/09/2019	04/08/2020	328	19,770
R	Bank of Scotland Plc (RFB)	2,000,000	1.10%	01/11/2019	04/09/2020	308	18,564
R	Bank of Scotland Plc (RFB)	2,000,000	1.10%	05/11/2019	05/11/2020	366	22,060
R	Bank of Scotland Plc (RFB)	1,000,000	1.10%	07/01/2020	18/12/2020	346	10,427
R	Bank of Scotland Plc (RFB)	1,000,000	1.10%	20/01/2020	18/12/2020	333	10,036
R	Santander	2,000,000	1.00%		Call180		
R	Santander	3,000,000	1.00%		Call180		
Total Investments		£17,790,000	0.81%			336	£80,858

Borrower	Current Market Value (£)	Current Yield	Start Date	Initial Investment (£)	Initial Market Value (£)	Unrealised Growth (£)	% Growth
CCLA Property Fund	3,181,143	4.48%	31/07/2014	3,000,000	2,836,896	181,143	6.0%

1. Entry Costs were charged against Treasury Management Budget in 2014/15

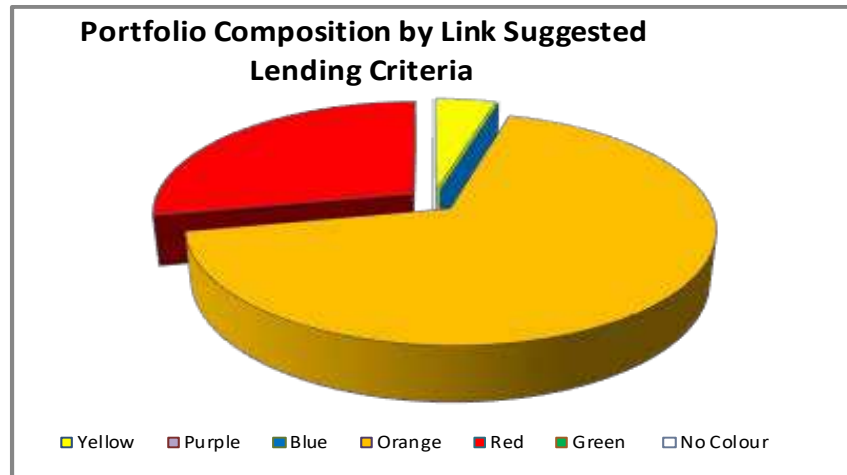
N.B Interest is recognised in the appropriate financial year in which it is due.

Investment Summary

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	Weighted Average Rate of Return WARoR	Weighted Average Days to Maturity WAM	Weighted Average Days to Maturity from Execution WAM at Execution
Yellow	4.44%	790,000	100.00%	790,000	4.44%	0.27%	0	0
Purple	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Blue	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Orange	67.45%	12,000,000	33.33%	4,000,000	22.48%	0.77%	67	224
Red	28.11%	5,000,000	100.00%	5,000,000	28.11%	1.00%	180	180
Green	0.00%	-	0.00%	-	0.00%	0.00%	0	0
No Colour	0.00%	-	0.00%	-	0.00%	0.00%	0	0
	100.00%	17,790,000	55.03%	9,790,000	55.03%	0.81%	94	198

Risk Score for Colour (1 = Low, 7 = High)	Jun-20	Mar-20	Dec-19	Sep-19
1	0.04	0.0	0.1	0.0
2	0.0	0.0	0.0	0.0
3	0.0	0.0	0.0	0.0
4	2.7	2.8	1.9	2.1
5	1.4	1.1	2.3	2.3
6	0.0	0.0	0.0	0.0
7	0.0	0.0	0.0	0.0
	4.1	3.9	4.3	4.4

	Link's Suggested Criteria
Y	Up to 5 Years
P	Up to 2 Years
B	Up to 1 Year
O	Up to 1 Year
R	Up to 6 months
G	Up to 3 months
N/C	No Colour



Normal' Risk Score	3.5	3.5	3.5	3.5
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THE PRUDENTIAL CODE AND PRUDENTIAL BORROWING

1. Introduction

- 1.1 The Local Government Act 2003 brought about a new borrowing system for local authorities known as the Prudential Code (the Code). This gives to Councils much greater freedom and flexibility to borrow without government consent so long as they can afford to repay the amount borrowed.
- 1.2 The aim of the Code is to support local authorities when making capital investment decisions. These decisions should also be in line with the objectives and priorities as set out in the Council's Corporate Plan.
- 1.3 The key objectives of the Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable, or if appropriate, to demonstrate that they may not be. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. These objectives are consistent with and support local strategic planning, local asset management planning and proper option appraisal. They also encourage sound treasury management decisions.

2. Prudential Indicators

- 2.1 To demonstrate that the Council has fulfilled these objectives, the Code sets out indicators that must be used. It is for the council to set any indicative limits or ratios. It is also important to note that these indicators are not designed to be comparative performance figures indicators but to support and record the Council's decision making process.
- 2.2 Appendix B2 sets out the latest performance indicators for the current year.

3. Prudential Borrowing

- 3.1 Local authorities have always funded a substantial element of their capital programme via borrowing. This continues to be the case but until the introduction of the Prudential Code any local authority borrowing was essentially based upon a government 'permission to borrow'. Following the introduction of the Prudential Code in 2003, the permission to borrow was essentially withdrawn and Councils were given greater freedom to borrow so long as they can demonstrate that the

revenue consequences of such borrowing (i.e. the cost of the debt) are sustainable, affordable and prudent in the medium to long term.

PRUDENTIAL INDICATORS

Central to the operation of the Prudential code is the compilation and monitoring of prudential indicators covering affordability, prudence, capital expenditure, and treasury management. Set out below are the indicators for 2020/21 to date as detailed in the Treasury Management Strategy Statement for 2020/21.

(a) Affordability

	2020/21 Original Estimate £	2020/21 Revised Estimate £
(i) Capital Expenditure	14,160,600	29,945,800
(ii) Financing Costs Total Financing Costs	1,241,500	936,500
(iii) Net Revenue Stream Funding from Govt Grants/Local Taxpayers	13,386,000	13,386,000
(iv) Ratio of Financing Costs to Net Revenue Stream The figures monitor financing costs as a proportion of the total revenue stream from government grants and local taxpayers. The increase in the ratio of financing costs is mainly attributable to the forecast reduction in investment income.	11.02%	7.00%
(v) Incremental Impact on Council Tax This indicator allows the effect of the totality of the Council's capital investment decisions to be considered at budget setting time.	8.39	17.69
(vi) Authorised Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities	44,100,000	44,100,000
	28,775,300	13,775,300
The authorised borrowing limit is determined by Council prior to the start of the financial year. The limit must not be altered without agreement by Council and should not be exceeded under any foreseeable circumstances.		

	2020/21 Original Estimate £	2020/21 Revised Estimate £
(vii) Operational Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities The operational borrowing limit is also determined by Council prior to the start of the financial year. Unlike the authorised limit, it may be breached temporarily due to cashflow variations but it should not be exceeded on a regular basis.	39,100,000 28,775,300	39,100,000 13,775,300
(viii) Capital Financing Requirement (CFR) As at 31 March The CFR is a measure of the underlying borrowing requirement of the authority for capital purposes.	38,793,000	34,814,000

(b) Prudence and Sustainability

	2020/21 Original £
(i) New Borrowing to Date No Long Term Borrowing has been taken in 2020/21 to date	0
(ii) Percentage of Fixed Rate Long Term Borrowing at June 2020	100%
(iii) Percentage of Variable Rate Long Term Borrowing at June 2020 Prudent limits for both fixed and variable rate exposure have been set at 100%. This is due to the limited flexibility available to the authority in the context of its overall outstanding borrowing requirement.	0%
(iv) Minimum Level of Investments Classified as Specified Level of Specified Investments as at June 2020 As part of the Investment Strategy for 2020/21, the Council set a minimum level of 50% for its specified as opposed to non specified investments. The two categories of investment were defined as part of the Strategy but for the City Council non specified investments will presently refer mainly to either investments of over one year in duration or investments placed with building societies that do not possess an appropriate credit rating. These tend to be the smaller building societies.	50.00% 100.00%

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 17 AUGUST 2020

EX.98/20 TREASURY MANAGEMENT: APRIL TO JUNE 2020
(Non Key Decision)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

The Deputy Leader presented report RD.22/20, the purpose of which was to inform Members on various Treasury Management issues.

Appendix A set out the Schedule of Treasury Transactions for the period April - June 2020, whilst Appendix B discussed the Prudential Code and Prudential Indicators for 2020/21.

The Deputy Leader then moved, and the Leader seconded, that the Executive receive the report and note the Prudential Indicators as at the end of June 2020.

Summary of options rejected None

DECISION

That Report RD.22/20 be received, and the Prudential Indicators noted as at the end of June 2020.

Reasons for Decision

To inform the Executive of various Treasury Management issues

