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**South
Cambridgeshire
District Council**

18 September 2007

To: Chairman – Councillor TJ Wotherspoon
Vice-Chairman – Councillor RT Summerfield
Members of the Corporate Governance Committee – Councillors NCF Bolitho,
EW Bullman, NS Davies, JA Hockney and SGM Kindersley

Quorum: 2

Dear Councillor

You are invited to attend the next meeting of **CORPORATE GOVERNANCE COMMITTEE**, which will be held in **SWANSLEY ROOM, GROUND FLOOR** at South Cambridgeshire Hall on **WEDNESDAY, 26 SEPTEMBER 2007** at **10.00 a.m.**

Yours faithfully
GJ HARLOCK
Chief Executive

Requests for a large print agenda must be received at least 48 hours before the meeting.

AGENDA		PAGES
1. Apologies for Absence To receive apologies for absence from committee members.		
2. Declarations of Interest		
3. Minutes of Previous Meeting To confirm the minutes of the meeting held on 29 June 2007 as a correct record.		1 - 6
4. Committee's Terms of Reference		7 - 10
5. Job Description for Chairman of Committee		11 - 12
6. Risk Management		13 - 80
7. Anti-Theft, -Fraud and -Corruption Policy		81 - 96
8. Continuation of Internal Audit Presentation		
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10. Financial Diagnostic		105 - 120
11. External Audit: Annual Report to those Charged With Governance		121 - 150
12. External Audit: Report on Health Inequalities		151 - 164

13. **External Audit: Matters of Topical Interest**
14. **Local Government Ombudsman' s Annual Letter 2007** **165 - 176**
15. **An Annual Report** **177 - 182**
16. **Date of Next Meeting**
Members are asked to bring their diaries.

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SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Corporate Governance Committee held on
Friday, 29 June 2007 at 10.00 a.m.

PRESENT:

Councillors:	NCF Bolitho JA Hockney RT Summerfield	EW Bullman SGM Kindersley TJ Wotherspoon
Officers:	Patrick Adams Adrian Burns Greg Harlock Chris Harris Suzanne Lane Steve Vinall	Senior Democratic Services Officer Head of Accountancy Chief Executive Internal Auditor Internal Auditor Internal Auditor
External:	J Collings J Golding Nigel Smith	Robson Rhodes Robson Rhodes Audit Commission

Councillors JD Batchelor, SM Edwards, Mrs VG Ford, Mrs EM Heazell and RMA Manning were in attendance, by invitation.

Apologies for absence were received from Councillor NS Davies.

1. DECLARATIONS OF INTEREST

Councillor TJ Wotherspoon declared a personal interest in discussions on grants as a receiver of a home renovation grant.

Councillor RT Summerfield declared a personal interest as he receives a pension from Deloitte and Touche, the Council's previous internal auditors.

2. ELECTION OF CHAIRMAN

Councillor JA Hockney proposed and Councillor EW Bullman seconded Councillor TJ Wotherspoon as Chairman. Councillor SGM Kindersley proposed and Councillor RT Summerfield seconded Councillor RT Summerfield as Chairman.

A vote was taken and Councillor TJ Wotherspoon was duly elected as Chairman.

3. APPOINTMENT OF VICE-CHAIRMAN

Councillor SGM Kindersley proposed and Councillor JA Hockney seconded Councillor RT Summerfield as Vice-Chairman. There being no other nominations Councillor RT Summerfield was duly elected unopposed as Vice-Chairman.

4. MINUTES OF PREVIOUS AUDIT PANEL MEETING

The Committee **NOTED** the minutes of the Audit Panel meeting held on 25 April 2007.

5. STATEMENT OF ACCOUNTS 2006/07

The Chief Executive, in his role as head of finance, introduced this report that requested the Committee to approve the Statement of Accounts, by praising the work of the Head of Accountancy and his team, who had managed to meet the deadline which had been brought forward three months in the last three years. The Chief Executive reminded the Committee that to maintain the Council's score of level 3 on financial reporting in the Use of Resources assessment there needs to be evidence that "the accounts were subject to robust member scrutiny prior to approval."

Corrections to report

The Head of Accountancy made the following amendments to the Statement of Accounts document:

- On page 39, note 18, car loans should be £13,696 and sundry debtors £1,226,533, as at 31 March 2007 there being no change to the total.
- On page 47 the top line should read "Deficit/(surplus) on General Fund" not Income and Expenditure Account.
- On page 57 the last line in note 43 should read "Payable to the Government"

Changes to statement of recommended practice

John Golding explained that although further changes to the statement of recommended practice which determined the contents of the statement of accounts were inevitable a repetition of the number of changes imposed this year were unlikely to be repeated next year.

Improvement plan

The Chief Executive explained that the Statement of Internal Control, which included the action to bring the business process reviews under the Improvement Plan, had been agreed by the Audit Panel in April. It was expected that the decision on whether to continue the business process reviews would be made by Council in July.

Loss on disposal of fixed assets

The Chief Executive explained that the "loss on disposal of fixed assets" related to the transfer of ownership of land and property at a rate below its full value due to its improvement costs.

Population increase

The Head of Accountancy explained that the population of the District for 2007/08 had been estimated as 140,000.

Direct Labour Organisation (DLO)

Councillor SM Edwards praised the staff at the DLO for returning a surplus for the last financial year, which represented an impressive turnaround.

Property revaluation

The Head of Accountancy reported that the Council's properties were revalued every five years. Concern was expressed regarding the way in which the value of the housing stock could be reported.

ISA 260 report

John Golding warned that External Audit had not yet audited the Statement of Internal Control due to the Government's revision of ISA 260.

Sending information to Members

It was noted that the Statement of Accounts was a lengthy document and every effort should be made by officers to ensure that its content was delivered to Members as soon as possible.

The Committee **APPROVED** the draft Statement of Accounts.

6. INTERIM AUDIT REPORT

John Golding introduced this interim audit report by explaining that it was a work in progress and summarising its main findings. The Committee raised the following points.

Equal Pay

In response to concerns about the Council's liability regarding equal pay claims John Golding explained that the Council had not yet received any claims and the situation was under constant review.

Income from meeting LPSA targets

The Chief Executive stated that he would raise the issue of Councils not recognising income from meeting LPSA targets appropriately at the next meeting of the Chief Finance Officers.

Funding secured by Partnerships

John Golding explained that the Council needed to review the expenditure by Partnership bodies which they were members of, irrespective of where the money came from.

Key Lines of Enquiry (KLOE)

It was noted that KLOE represented sets of questions and statements around either service or judgement specific issues which provide consistent criteria for assessing and measuring the effectiveness and efficiency of services.

Robson Rhodes merger with Grant Thornton

John Golding informed the Committee that by 2 July Robson Rhodes would be merging with Grant Thornton and the service to the Council would not be affected. The new organisation would be known as Grant Thornton.

7. CONCLUDING REPORT OF DELOITTE & TOUCHE ON 2006/07 WORK PROGRAMME

In the absence of a representative from Deloitte and Touche no report was presented. The Chief Executive announced that he had investigated the outstanding recommendations discussed at April's Audit Panel and had no concerns regarding them.

It was noted that Bentley Jennison would ensure continuity.

8. ROLE OF THE CORPORATE GOVERNANCE COMMITTEE - PRESENTATION

Chris Harris from Bentley Jennison gave a presentation on the role of the Corporate Governance Committee.

It was noted that unlike the Audit Panel, the Committee reported directly to Council. It was understood that the Committee was responsible for assessing internal control, risk management and corporate governance throughout the Council. However, it was suggested that a clear definition of the separate roles of this Committee and the Scrutiny Committee would be beneficial.

9. VERBAL UPDATE ON NEW ARRANGEMENTS

Chris Harris introduced Steve Vinall and Suzanne Lane also from Bentley Jennison. He explained that an audit on the Council's Corporate Governance would be tabled at the next meeting.

10. ANNUAL NEEDS ASSESSMENT AUDIT PLAN 2007/08

Chris Harris presented this report which provided an assessment of the Council's audit needs, which will be used to direct internal audit's resources to those aspects of the Council that are assessed as generating the greatest risk to the achievements of its objectives. Chris Harris invited questions from the Committee on the report and the following matters were raised.

Contact centre

Chris Harris explained that there were large risks associated with the Contact Centre, hence the number of audit days allocated to it. He invited Members to inform him of any specific concerns regarding this issue.

Housing Benefits

The Chief Executive explained that following a report from the Benefit Fraud Inspectorate (BFI) the previous internal auditors had doubled the number of audit days for Housing Benefits. Bentley Jennison had lowered the number of audit days for this service. The Chief Executive did not criticise this decision but felt duty bound to inform the Committee that this action, which was contrary to the BFI's recommendation, had been taken.

Flexibility

It was noted that the Internal Auditors would be able to reallocate audit days if it felt this was necessary.

The Committee **ENDORSED** this report.

11. REVIEW OF RISK MANAGEMENT

The Chief Executive presented this report which reviewed the Council's risk management process. The report had been agreed by Cabinet on 14 June. The Committee were asked to consider this report.

Executive Management Team (EMT)

The Chief Executive stated that risk management issues were considered quarterly at the meetings of the EMT.

Pandemic flu

It was suggested that the risk of a pandemic outbreak of influenza had declined. The Chief Executive agreed to reassess the likelihood of this risk.

Extreme weather

It was suggested that the threat posed to the District from extreme weather conditions, such as flooding caused by heavy rain, should be included in the risk register.

Presentation of risks

The Committee recommended that the narrative relating to the numbers plotted on the Risk Management Matrix be shown on the same page to make the matrix easier to understand.

John Golding praised this report, but suggested that more on the mitigation of risk should be included.

The Committee **NOTED** the report.

12. BRIEFING NOTE ON THE CIPFA SOLACE 2007 FRAMEWORK AND ACCOMPANYING GUIDANCE NOTE

The Chief Executive presented this report which advised the Committee on the implications of the anticipated updated Corporate Governance Framework and accompanying Guidance to be published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

The Chairman noted that the Guidance note recommended that the Council should identify a Committee responsible for monitoring and reviewing the authority's systems. He suggested that this Committee should be responsible for this. He also suggested that the Committee produce an annual report as recommended on page 71, paragraph 12 of the agenda.

The Chief Executive concluded that the purpose of this report was to bring this matter to the attention of Members. Members could expect further updates as more information came available.

13. REVIEW OF TRAINING REQUIREMENTS

It was noted that the Committee were receiving relevant training from Bentley Jennison on the purpose of the Committee. It was agreed that the terms of reference for the Committee should be on the agenda for the next meeting. It was re-iterated that the differences between the remits of this Committee and the Scrutiny Committee needed to be defined.

14. DATE OF NEXT MEETING

The Committee agreed to hold their next meeting at 10am on Thursday 27 September.

The Meeting ended at 12.45 p.m.

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Committee	Membership	Functions	Delegation of functions
<p>Corporate Governance Committee</p>	<p>7 councillors who are not Members of the Cabinet, appointed in accordance with the rules of political balance. The Chairman of the Scrutiny and Overview Committee shall not be eligible to Chair the Panel although he / she may be a member of it.</p>	<p>General Responsibility of the Corporate Governance Committee:</p> <ul style="list-style-type: none"> (i) to review and advise the Council on the embedding and maintenance of an effective system of corporate governance, risk management and internal control; (ii) to give assurance to the Council that there is a sufficient and systematic review of the corporate governance, risk management and internal control arrangements within the Council; (iii) in conjunction with the Chief Finance Officer, to commission such “value for money” or special studies as considered appropriate; (iv) to consider the Performance Indicators and Local Authority Profile as published by the Audit Commission and, as appropriate, initiate investigative action; (v) to recommend to the Council action in respect any issues of major concern arising from audit 	<p>To the Chairman of the Panel and Officers as appropriate</p>

		<p>reports and / or management letters; (vi) to maintain an overview of the main instruments of financial control, such as Standing Orders in relation to contracts, Financial Regulations etc., and, where appropriate, make recommendations to the Council for improvement; (vii) to approve the Statement of Accounts.</p>	
<p>Corporate Governance Committee continued...</p>		<p>Shared responsibility with the Cabinet: (i) to monitor the overall efficiency and effectiveness of the internal and external audit services. (ii) to be informed by the Chief Finance Officer, at his discretion, of any matters of suspected fraud and / or mal-administration, pending receipt of an interim or final report. External Audit Responsibility of the Corporate Governance Committee: (i) to oversee, generally, the work of external audit and provide a suitable forum for discussion of related matters;</p>	

<p>Corporate Governance Committee continued...</p>		<p>(ii) to consider, annually, the programme of work to be performed by external audit and the draft audit time budget;</p> <p>(iii) to confirm that the managed audit approach between external audit and internal audit is working for the maximum advantage of the Council;</p> <p>(iv) to receive, upon request, periodic presentations on specialist audit areas or other matters of interest.</p> <p>Shared responsibility with the Cabinet:</p> <p>(i) to receive copies of all external audit reports including value for money studies;</p> <p>(ii) to monitor, annually, or more frequently where deemed appropriate, the implementation of agreed recommendations in respect of both external audit reports and management letters.</p>	
		<p>Internal Audit Responsibility of the Corporate Governance Committee:</p> <p>(i) to review and confirm annually with the Chief Finance Officer the Audit Risk Index and Strategic Audit Plan;</p> <p>(ii) in association with the Chief Finance Officer, to consider the</p>	

	<p>total resource requirements for the coming year and the proposed level of fees and fee structure;</p> <p>(iii) to monitor the activities of the Internal Audit service provider and measure performance against plan;</p> <p>(iv) to review the annual report of the Internal Audit Manager;</p> <p>(v) to examine and review the planning and co-ordination of internal audits with the aim of confirming an effective and efficient service continues to be provided;</p> <p>(vi) to consider a quarterly report by the Audit Manager detailing audit coverage and the extent to which any major problems were highlighted;</p> <p>(vii) to consider the draft statement on internal control prior to its inclusion in the statement of accounts.</p>		
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DRAFT ROLE DESCRIPTION FOR THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee has been established to oversee the Council's corporate governance arrangements, specifically to ensure that the Council's risk management and internal control arrangements are sound. The Committee also has responsibility for approving the Council's annual Statement of Accounts.

The Committee will comprise non-Executive (Cabinet) Members only. The Chairman of the Scrutiny and Overview Committee shall not be eligible to Chair the Committee, although he/she may be a member of it.

ROLE DESCRIPTION

Main Purpose of Role

- To take a leading role in ensuring that the Council's systems of corporate governance, risk management and internal control remain robust, and that the Committee raises issues of concern with Council and Cabinet where necessary.

Duties and Responsibilities

- To Chair and manage the business of the committee in an efficient manner, ensuring effective engagement by all members.
- To provide leadership and direction for the committee.
- To determine priorities in the light of the volume of work presented to the committee.
- To ensure that the Committee successfully achieves its objectives set within its Terms of Reference¹, specifically
 - To ensure the Committee carries out timely and in-depth reviews of the Council's corporate governance, risk management and internal control arrangements such that it is able to provide assurance that these arrangements are sound.
 - To ensure that the Committee makes appropriate recommendations to Cabinet and Council regarding matters of concern, and that it monitors recommendations to ensure that they are implemented as agreed.
- To command the respect and confidence of the Council in relation to matters of corporate governance.
- To sign and date the Statement of Accounts to represent completion of the Council's approval process of the annual accounts; to ensure that the annual corporate governance statement meets the requirements expected by the relevant guidance, and to act as member champion for the Council's risk management strategy.
- To maintain effective working relationships and links with the Vice-Chairman and members of the committee, the Leader of the Council and other relevant members, the Chief Executive, Chief Finance Officer and other relevant officers.
- To maintain effective working relationships with the Council's external auditors, and to ensure that the Committee contributes fully to the agreement of annual programmes of work.

¹ Constitution Part 3, Table 1, Pages 46-48.

- To maintain an overview of best practice in the field of corporate governance (as exhibited in the CIPFA/SOLACE framework) and to ensure that this is reflected in the Council's local code of corporate governance.
- To bring forward suggestions for member training and development in relation to corporate governance issues.
- To represent, by virtue of his / her position, the Council and committee on relevant external bodies and events as required.

Accountability

- The tasks and duties outlined in this role description relate to the activities of the postholders within the political structures of the Council. Accountability for the postholders' performance is to the Council.

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO:	Corporate Governance Committee	26 September 2007
AUTHOR/S:	Chief Executive / Finance Project Officer	

RISK MANAGEMENT**Purpose**

1. The purposes of this report are for Corporate Governance Committee to review and agree:
 - (a) an updated risk management strategy for the Council;
 - (b) actions to address related matters;
 - (c) the strategic risks prioritised for the Council, together with management action plans to address risks above the tolerance line.

Background

2. The Council's risk management strategy was adopted in January 2004 and needed updating to reflect the authority's new political arrangements and management structure and the responsibilities of the Corporate Governance Committee regarding risk management. The opportunity has also been taken to revise the strategy to comply with best practice, based on guidance and advice from a range of sources, and in the light of experience of its operation.
3. At its meeting on 14 June 2007, Cabinet agreed:
 - (a) the risk management process in operation at the Council, including training for Cabinet and Corporate Governance Committee members;
 - (b) the risk scenarios, prioritisation matrix, strategic risk register and management action plans presented to it; and
 - (c) proposals to enhance consideration of risks, to strengthen the risk management process and to implement partnership risk management.
4. Cabinet asked that Executive Management Team (EMT) consider including flooding in the strategic risk register when it was next reviewed.
5. Suggestions and recommendations were made at the Corporate Governance Committee meeting on 29 June 2007, regarding:
 - (a) reassessing the risk of pandemic 'flu;
 - (b) including in the strategic risk register, risks related to:
 - (i) the new political leadership arrangements; and
 - (ii) extreme weather conditions, such as flooding caused by heavy rain;
 - (c) providing other risk logs referred to in the strategic risk register, for information;
 - (d) showing the titles of risks, rather than their reference numbers, in the prioritisation matrix;
 - (e) including more on the mitigation of risk; and
 - (f) opening the proposed risk management training to all Members.
6. At its meeting on 2 July 2007, EMT commissioned the Strategic Partnerships Officer (SPO) to carry out a review of external partnerships and feed the results back to Senior Management Team (SMT) for consideration in September 2007. The review

will look at the governance of partnerships and identify the level of risk involved with each partnership. The outcome of the review will be incorporated in the Council's risk management processes.

7. Bentley Jennison, the Council's new internal auditors, reviewed the Council's risk management arrangements in July 2007, with recommendations regarding:
 - (a) the revision and updating of the risk management strategy;
 - (b) terms of reference for EMT regarding its risk management role.

Considerations

Risk Management Strategy

8. The risk management strategy has been comprehensively reviewed and updated to take account of:
 - (a) the Council's new political arrangements and management structure;
 - (b) the responsibilities of the Corporate Governance Committee regarding risk management;
 - (c) the Audit Commission's Comprehensive Performance Assessment (CPA) Use of Resources, Key Lines of Enquiry (KLOEs);
 - (d) the Audit Commission's Corporate Governance Inspection (CGI) assessment criteria and comments in the CGI report published in February 2007;
 - (e) internal audit recommendations, from both Deloitte & Touche (April 2007) and Bentley Jennison (July 2007);
 - (f) best practice guidance and advice from other sources, notably East Cambridgeshire District Council.
9. Following the establishment of the Corporate Governance Committee with its wider remit, the question was raised as to the respective roles of Cabinet and Corporate Governance Committee. At its meeting on 13 September 2007, Cabinet agreed:
 - (a) subject to there being no adverse comments by the Council's internal and external auditors, to assign responsibility for risk management to the Corporate Governance Committee, with a review in one year's time;
 - (b) the revised risk management strategy, subject to the removal of 2.2 (d) (planning for the remedial actions to be taken in the event of risks occurring), and with delegated authority being given to the Chief Executive to make such changes to the Strategy as necessary to reflect the decision in (a) above, including the designation of the Chairman of the Corporate Governance Committee as Member Risk Management Champion;The draft revised risk management strategy has incorporated these changes.
(Note: Cabinet also agreed:
 - (c) to endorse Executive Management Team's role regarding risk management as set out in sections 8 to 10 of the revised strategy;
 - (d) to adopt the targets suggested for risk management;
 - (e) that adequate funding for risk management activities and training is available under the Council's insurance arrangements;
 - (f) that staffing resources identified in the revised strategy are suitable and appropriate for risk management activities and management; and
 - (g) the risk scenarios, the prioritisation matrix, the resulting strategic risk register and the management action plans, provided in Appendices D-G to the report.)
10. The draft revised risk management strategy is attached as **Appendix A**. A chart outlining the resulting risk management process is attached as **Appendix B**. If approved, the revised strategy and process will be communicated to staff by 31

October 2007 and implemented by 31 December 2007, i.e. it will be applied to the next quarterly review of the strategic risk register.

11. The draft revised strategy incorporates proposed changes to the formats of the strategic risk register, combining the current scenarios and register (Annex B to the strategy), and the action plan (Annex F). These changes are intended to streamline the documents and make them more useful and understandable. For example, the current risk scenarios consider “Vulnerability” (i.e. the background of the Council in the area of risk identified), “Trigger” (i.e. the issue which might cause the Vulnerability to be exposed) and the “Possible Consequences” that might result. This is not always the most straightforward way to describe potential risks. The proposed revised risk register would describe the potential risk event, *leading to* the consequence for the service/objective/priority affected, *resulting in* possible outcome(s). An example is attached as **Appendix C**. If approved, the new formats will be used in the next quarterly review.

Related matters

12. Terms of reference for EMT re risk management: The Council’s previous internal auditors, Deloitte & Touche, recommended that terms of reference for the then Risk Management Group (RMG) should be approved by Cabinet. The Council’s new internal auditors, Bentley Jennison, have recommended that appropriate terms of reference need documenting to clearly detail EMT’s responsibility regarding risk management. EMT’s proposed role is set out in sections 8, 9 and 10 of the revised strategy.
13. Minuting of EMT meetings: Deloitte & Touche also recommended that the then RMG meetings should be fully and formally documented. EMT does not currently formally minute its meetings; however, the Finance Project Officer (FPO) attends EMT for risk management items and records EMT’s discussions and decisions relating to risk management.
14. Targets: Deloitte & Touche recommended that targets for the implementation and embedding of risk management within the Council should be developed and monitored; Bentley Jennison have recommended that the risk management strategy should also include the Council’s approach to embedding risk management, including consideration of targets to monitor the embedding process.
 - (a) The revised strategy provides for: an annual review of the risk management strategy and process; quarterly reviews of risk registers and action plans; and training for staff and Members as and when appropriate. These may be regarded as targets.
 - (b) This report includes timeframes for: communicating and implementing the revised strategy and process (see paragraph 10 above); and for reporting the results of a review of external partnerships to SMT (paragraph 6). These may also be regarded as targets
15. Funding: Bentley Jennison recommended that the review of the risk management strategy should include ensuring that any funding required to implement risk management activities and training is made available. Funding is available under the Council’s insurance arrangements and, allowing for the Member training mentioned in paragraph 17 below, currently stands at £12,000, although this may also be used for other insurance etc related purposes.
16. Staffing resources: Bentley Jennison also recommended that an assessment should be undertaken to verify that suitable and appropriate staffing resources are available

for risk management activities and management. The revised strategy sets out staff roles and responsibilities, which have been developed and refined over time.

17. Training: Arrangements have been made for another risk management workshop, open to all Members, on the afternoon of Wednesday 17 October 2007. The cost of this will be met from funding available under the Council's insurance arrangements. It is also intended to arrange an in-house workshop for new members of staff involved in strategic or service area risk management.

Strategic Risk Scenarios, Prioritisation Matrix, Strategic Risk Register and Management Action Plans

18. Risks identified at the last review of the strategic risk register were reviewed with the nominated risk owners; members of EMT and previous members of the RMG were asked to raise potential new strategic risks facing the Council; relevant managers were asked to advise on flooding and the new political leadership arrangements as possible new strategic risks.
19. Service managers were asked for updates to their service area risk registers, to identify any significant, corporate or common risks to be considered for inclusion in the strategic risk register. There were no risks arising that need to be considered for inclusion in the strategic risk register.
20. Project managers were similarly asked for updates of their project risk logs. The strategic risk register includes the CGI Improvement Plan and Housing Futures projects.
21. EMT reviewed the resulting draft strategic risk register, as follows:
 - (a) Delivering the Medium Term Financial Strategy (MTFS): This remains a strategic risk and has been assessed at the highest potential impact and likelihood. At its October 2007 meeting, Cabinet needs to agree an effective policy for maintaining a balanced future MTFS. The previous 'Financial constraints/service pressure imbalance' risk has been integrated into this risk.
 - (b) CGI Improvement Plan: The likelihood of this risk occurring has decreased as the project plan is implemented.
 - (c) Planning for Growth: This risk continues.
 - (d) Equalities: The Council is progressing towards Level 1; however, the Council still faces potential risks in this area.
 - (e) Better Regulation Agenda: This risk is ongoing.
 - (f) Pandemic 'Flu: There is no change to the likelihood of this risk occurring or its potential impact.
 - (g) Housing Futures: The project plan is progressing and the likelihood and impact of this risk remain the same.
 - (h) Engagement in Local Area Agreement (LAA) process and outcomes: The likelihood of this risk has decreased with greater engagement.
 - (i) Recruitment & Retention: This risk is ongoing.
 - (j) Illegal Traveller Encampments or Developments: This risk has been expanded to include site developments.
 - (k) Choice Based Lettings: The potential impact of this risk has decreased.
 - (l) Flooding: Some Council services could be called upon to support the County Council and other agencies in their emergency planning roles. Some staff's journeys to work could be affected by flooding. This risk is predominantly covered by county-wide emergency planning arrangements and the Council's business continuity plans. Included in the strategic risk register.

- (m) The new political leadership arrangements: Any risks in this area are provided for by the Council's Constitution. Not included in the strategic risk register.
 - (n) Management capacity to deliver services as well as the Improvement Plan: Considered adequate over the period of the Improvement Plan. Not included in the strategic risk register.
 - (o) Managing the delivery of political priorities: Considered that managers need to discuss the implementation of priorities with Members, so that sufficient resources can be allocated and appropriate timeframes planned. Included in the strategic risk register as a likely risk in the short term.
22. EMT's decisions have been incorporated in the risk scenarios, prioritisation matrix and resulting strategic risk register, attached at **Appendices D, E and F**, respectively.
23. Management action plans prepared following the last review of the strategic risk register were reviewed with the nominated risk owners. Actions are proceeding in line with the plans, for example:
- (a) Delivering the MTFs: The Strategic Financial Diagnostic review has been undertaken.
 - (b) Better Regulation Agenda: Food safety and health & safety service plans refer to national priorities.
 - (c) Pandemic 'Flu: The annex to the business continuity plan has been agreed.
24. Service managers were also asked for updates on actions implemented to manage service area risks assessed above the tolerance line. Project managers were similarly asked for updates on countermeasures included in risk logs. Actions and countermeasures appear to be proceeding in line with service plans and risk logs.
25. The updated management action plans are attached at **Appendix G**. There are no management action plans for the CGI Improvement Plan and the Housing Futures risks, as these are already incorporated in those projects' risk logs. The risk logs for the Inspire Project and the Housing Futures Project are attached for information at **Appendices H and I**, respectively.

Options

26. In reviewing the draft revised risk management strategy (Appendix A), the Committee could suggest improvements or enhancements to the strategy, or the resulting process and formats.
27. In considering terms of reference for EMT regarding risk management (paragraph 12), the Committee could suggest amendments to the proposed role as set out in the draft revised risk management strategy.
28. In considering targets for risk management (paragraph 14), the Committee could agree other targets either in the strategy or as timeframes for implementing this report.
29. In considering funding for risk management activities and training (paragraph 15), the Committee could suggest further financial provision in an appropriate budget.
30. In considering staffing resources (paragraph 16), the Committee could suggest increasing the involvement of some officers in risk management or additional staffing for risk management.

31. In reviewing the strategic risk register, the Committee could:
- (a) add to, delete from, or make other changes to the risk scenarios (Appendix D), in terms of either their title or detail;
 - (b) alter the prioritisation of risk scenarios on the prioritisation matrix (Appendix E), in terms of either their impact or likelihood;
 - (c) move the risk tolerance line plotted on the prioritisation matrix;
 - (d) add to, delete, or make other changes to the management action plans (Appendix G), in terms of their detail.

Implications

32. Financial, Legal, Staffing	There are no immediate financial, legal or staffing implications resulting from this report. Some of the management action plans may have financial, legal or staffing implications; if so, these will be considered either in separate reports, or within the service plan process.
Risk Management	The updated strategy will ensure that the Council has a strategy that complies with best practice, is effective and reflects the authority's political arrangements and management structure. Risk management is undertaken regularly in order to minimise the possibility of the Council being adversely affected should either an unforeseen risk arise or an assessed risk not be properly planned for.
Equal Opportunities	The Council's risk management process has no inherent equal opportunities implications; however, Equalities is included as a risk area on the strategic risk register.

Consultations

33. Members of EMT, previous members of the RMG, risk owners, service managers and other relevant managers were consulted regarding various aspects of this report.
34. There will be liaison with officers as appropriate regarding the implementation of decisions made by the Committee regarding this report.

Effect on Annual Priorities and Corporate Objectives

35. Affordable Homes Customer Service Northstowe and other growth areas Quality, Accessible Services Village Life Sustainability Partnership	The proposals in this report contribute to the Council's corporate governance responsibilities; they also ensure that strategic risks involved in the delivery of the Council's Corporate Strategy and meeting the Corporate Objectives and Annual Priorities are identified and managed.
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Conclusions/Summary

36. The Council's risk management strategy needed to be revised and updated. The draft revised strategy complies with best practice and reflects the authority's new political and governance arrangements, management structure and risk management process.

37. The role of EMT set out in the draft revised strategy equates to appropriate terms of reference regarding its risk management responsibilities.
38. The provisions in the draft revised strategy and the timeframes included in this report may be regarded as adequate targets for risk management.
39. Adequate funding for risk management activities and training is available under the Council's insurance arrangements.
40. Staffing resources as identified in the draft revised strategy are sufficient for risk management activities and management.
41. Appendices D to G represent the risk scenarios, prioritisation matrix, strategic risk register and management action plans resulting from consultations and EMT's review.
42. The quarterly review of the strategic risk register and management action plans enables the Council to manage its strategic risks to an acceptable level.

Recommendations

43. The Committee is recommended:
 - (a) subject to there being no adverse comments by the Council's internal and external auditors, to take on responsibility for risk management, with a review in one year's time;
 - (b) to agree the revised risk management strategy (Appendix A), including the designation of the Chairman of the Corporate Governance Committee as Member Risk Management Champion;
 - (c) to endorse EMT's role regarding risk management, as set out in sections 8 to 10 of the strategy;
 - (d) to adopt the targets suggested for risk management;
 - (e) to agree that adequate funding for risk management activities and training is available under the Council's insurance arrangements;
 - (f) to agree that staffing resources identified in the revised strategy are suitable and appropriate for risk management activities and management;
 - (g) to agree the risk scenarios provided at Appendix D, the prioritisation matrix (Appendix E), the resulting strategic risk register (Appendix F) and the management action plans (Appendix G).

Background Papers: the following background papers were used in the preparation of this report:

CPA Use of Resources KLOE, Audit Commission
CGI assessment criteria, Audit Commission
CGI report, 8 February 2007, Audit Commission

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Appendix A: Draft risk management strategy



Risk Management Strategy

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1. Purpose

- 1.1 South Cambridgeshire District Council's primary role is to deliver high quality services that represent best value, accessible to all the community. The Council also aims to enhance quality of life and work in partnership to manage growth in the district.
- 1.2 The Council has an obligation to minimise risks involved in providing or enabling service delivery. This strategy is a key part of strategic planning and an integral part of service planning and performance management. It sets out the arrangements for the identification, assessment, management and review of risks that may adversely affect the Council's services or the achievement of its objectives and priorities.

2. Objectives

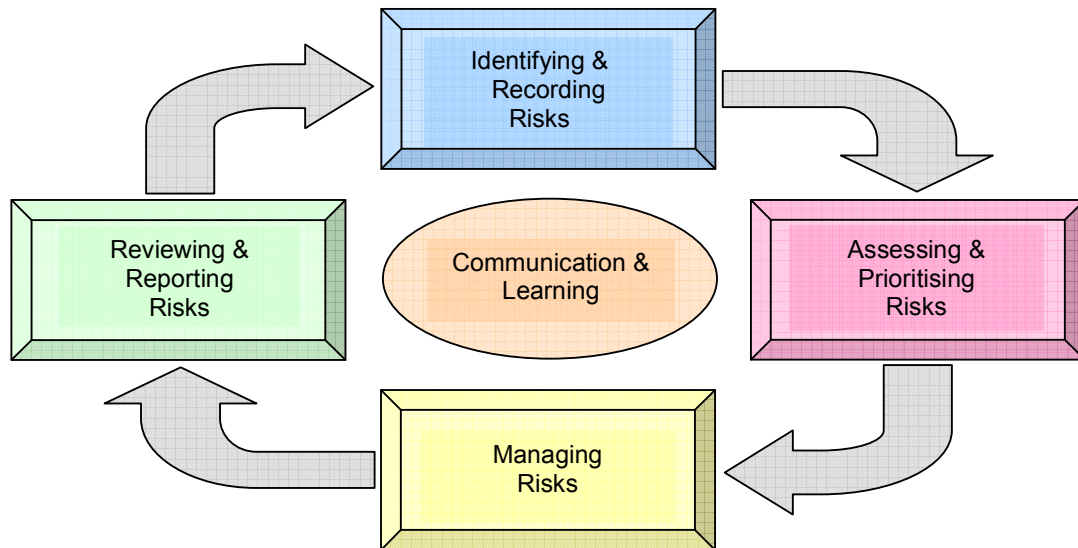
- 2.1 The Council's aim is to manage risk effectively, eliminating or controlling risk to an acceptable level. This is done by identification, assessment and management of potential risks, rather than reaction and remedy to past events.
- 2.2 The objectives of the strategy are to:
 - (a) Integrate risk management into the culture of the Council, including a process to identify and report upon existing and emerging risks to the Council.
 - (b) Anticipate and respond to changing social, environmental, legislative, etc requirements.
 - (c) Manage risks in accordance with best practice, so that they are eliminated or controlled to an acceptable level.
 - (d) Raise awareness of the need for risk management by managers responsible for the Council's delivery of services.
 - (e) Improve the delivery of Council services and enhance the Council's reputation and public image.
- 2.3 It will not always be feasible completely eliminate risk. Indeed, calculated risk-taking may be required in certain circumstances to achieve innovative or creative solutions that will help to improve the service to customers. However, reckless or unplanned risk-taking would never be acceptable.

3. Guiding principles

- 3.1 To fulfil its risk management objectives, the Council will:
 - (a) Develop a culture that involves the participation of all appropriate staff in risk management.
 - (b) Secure the commitment of Members and management at all levels to promote risk management and provide leadership and direction.
 - (c) Adopt agreed standards of risk management that are monitored at corporate and service level and ensure that further action is taken where necessary.
 - (d) Ensure that regular identification, assessment and management of significant risks is integral to all corporate and service planning.
 - (e) Ensure that effective processes are in place to facilitate prompt remedial action on adverse events and near misses and their identification and reporting.
 - (f) Have effective communication to make sure everyone is sufficiently informed about risk management.
 - (g) Provide information, training, guidance and advice, as appropriate, to meet these objectives.

4. Approach to risk management

4.1 The Council will employ a simple four step process to manage its risks:



4.2 These steps are outlined in the sections below.

4.3 In accordance with best practice, risk management at the Council started with the identification and management of strategic risks, then cascaded the process down to service area levels, and now incorporates project and partnership risks, thus embedding it throughout the Council.

5. Identifying and recording risks

5.1 Identifying risks

5.1.1 A risk is an event that may occur, which will have an impact on the Council's services, or the achievement of its objectives and priorities. This strategy requires the Council to identify strategic, service area (i.e. operational), project and partnership risks.

5.1.2 Types of risks are outlined in the diagram at **Annex A**. While not exhaustive, the diagram provides a starting point for identifying potential risks, including reputational risks, at both strategic and service area levels, as well as for projects and partnerships.

5.2 Recording risks

5.2.1 Identified risks will be recorded in the relevant strategic or service area risk register, project risk log, or partnership risk log/register. The strategic risk register template is attached at **Annex B**. The strategic risk register will identify the top risks facing the Council from a corporate perspective and will note relevant corporate objectives or annual/service priorities for each risk identified and the person nominated as responsible "risk owner".

(Note: The dotted line shows the Council's risk tolerance line (see 6.2.2 below).)

6. Assessing and prioritising risks

6.1 Assessing risks

6.1.1 Each of the identified risks, at both strategic and service area levels, will be assessed in terms of the likelihood of the risk occurring and the potential impact of it materialising, according to the guidelines in **Annex C** and **Annex D**, respectively.

6.2 Prioritising risks

6.2.1 A matrix of these assessments will be used to prioritise risks (see **Annex E**), enabling the Council to make decisions about their significance and prioritise action. The numbers in the matrix boxes indicate the order of priority of assessed risks. The strategic risk register will be re-scheduled in line with the order resulting from the prioritisation matrix.

6.2.2 The dotted line running through the matrix shows the Council's risk tolerance line, which depicts the Council's 'appetite' or willingness to accept risk. Those assessed risks that fall 'above the line' are considered to require further action to address the risk; action plans will be prepared for these risks (see 7.1 below).

7. Managing risks

7.1 At the strategic level, risk owners (i.e. the officers named in the strategic risk register) will work with the Finance Project Officer (FPO) to develop and implement action plans for managing risks assessed above the risk tolerance line (see template at **Annex F**).

7.2 These action plans will identify additional actions or controls to mitigate the risk and the person(s) responsible for implementing them. Where additional actions or controls affect other services, objectives or priorities, projects or partnerships, or require additional resources, these will be notified to the manager concerned and incorporated in the next review of the relevant plan or budget.

7.3 At the service area level, service managers will include actions in their service plans to manage service area risks above the tolerance line. Where actions require additional resources, these will be noted under 'Resources' against the relevant action, together with any estimated costs, which service managers will build in to the next review of the relevant service budget. The FPO will review service plans to ascertain that actions are appropriate and adequate to address the risks.

7.4 Project and partnership risks will be managed in accordance with their governance arrangements.

8. Reviewing and reporting risks

8.1 Reviewing risks

8.1.1 Risks are reviewed utilising existing service planning, project management, partnership, Executive Management Team (EMT) and Corporate Governance Committee meetings:

- EMT will review the strategic risk register resulting from the prioritisation assessments of likelihood and impact quarterly, together with relevant action plans.

- Service managers will review service area risk registers as part of the annual preparation of service plans and at quarterly intervals.
- Corporate managers may collate their service areas' risk registers, to give a comprehensive set of risks coming under their responsibility and enable moderation of likelihood and impact assessments; the FPO would facilitate this.
- Project managers and partnership lead officers will review their risk logs/ registers at frequencies set out in their project or partnership plans.

(Note: The service plan process is currently being reviewed. This strategy will be amended, as necessary, if it is affected by any change to the service plan process.)

8.1.2 Should significant risks arise between reviews, they will be considered when they are identified, as necessary.

8.2 ***Project risks***

8.2.1 Projects, such as those of a corporate or significant service nature, major ICT related projects, etc, are required to have their own risk logs, including nominated lead officers and appropriate countermeasures. Project managers will review project risk logs in accordance with their governance arrangements.

8.3 ***Partnership risks***

8.3.1 This strategy covers the way that the Council manages the risks facing it in the delivery of its services and the achievement of its objectives and priorities. Where these are delivered in partnership with other organisations, the application of this strategy may extend outside the Council's direct control.

8.3.2 The Council must therefore identify all the partnerships in which it participates and have an understanding of its involvement and the implications of that involvement in each partnership. Equally, each of the partnerships must have clearly set out objectives and an understanding of the Council's role in the partnership.

8.3.3 The Council must review its partnerships to identify those that are most strategic and important for it and the wider community. For these significant partnerships, a two stage approach will be adopted by those managing them:

- (a) Identify and assess, from the Council's perspective, the risks that face the Council from participating in the partnership. This analysis should identify the controls and contingency plans (including an appropriate exit strategy) that are or should be in place. This will be informed by the extent to which the partnership has effective controls and risk management procedures in place and whether it is able to provide the Council with the relevant assurances in this regard.
- (b) Champion effective risk and performance management procedures within the partnership, so that the threats to the achievement of the partnership's objectives are properly identified, assessed and managed.

8.3.4 Partnership lead officers will review partnership risk logs/registers in accordance with their governance arrangements.

8.4 **Links**

8.4.1 When reviewing the strategic risk register, EMT may cascade a strategic risk to an appropriate service area risk register, so that it can be included in the relevant service plan and the service manager can take a corporate lead on managing it. The FPO will facilitate this.

8.4.2 When reviewing their service area risk registers, service managers may escalate a service area risk for consideration by EMT for inclusion in the strategic risk register, if the risk is significant or has a corporate nature. The FPO will facilitate this and may similarly escalate a risk if it, or a similar one, is being recorded in more than one service area risk register.

8.4.3 The strategic risk register may also include project and partnership risks, if these are of a corporate or significant nature. The FPO will facilitate this. The project risk logs/partnership risk registers/logs will record the detailed risks and action plans relating to the particular project/partnership.

8.4.4 The FPO will keep a record of the risks included in the strategic risk register and the impact and likelihood assessments of them, so that the priority of identified strategic risks can be tracked over time.

8.5 **Reporting risks**

8.5.1 The FPO will report the draft strategic risk register and associated action plans to EMT quarterly, for review and recommendation to Corporate Governance Committee.

8.5.2 Corporate Governance Committee may report to full Council, if the Committee considers it necessary to ensure that strategic risks are appropriately managed.

8.5.3 Service managers will report service area risk registers alongside service plans to portfolio holders annually for approval. The service plans will include actions to address significant risks. Service managers will update their service area risk registers and actions included in service plans to the FPO quarterly, for EMT to consider in its quarterly review of the strategic risk register.

8.5.4 Project managers and partnership lead officers will report project and partnership risk logs/register in accordance with their governance arrangements and reporting frequencies. Project managers and partnership lead officers will update their risk logs/register, including countermeasures, to the FPO quarterly, for EMT to consider in its quarterly review of the strategic risk register.

8.5.5 If a risk materialises, it will be reported as follows:

- strategic: a report to the next meeting of EMT by the risk owner, in conjunction with the FPO, outlining the event that occurred, the consequence for the service, objective or priority and the outcome that resulted, together with recommendations for the application of any lessons to be learnt;
- service area: a similar report to the service manager by the officer nominated in the service plan;
- EMT or the service manager, as appropriate, will decide how the recommendations regarding lessons to be learnt will be implemented;
- for project or partnership risks materialising: a similar report by the project manager or partnership lead officer; decisions about how recommendations

regarding lessons to be learnt will be implemented; both, in accordance with the project or partnership governance arrangements;

- 8.5.6 Reports to Members contain as standard a Risk Management Implications section. Report writers use this section to describe risks associated with the report's proposals, possible consequences, the likelihood and potential impact of the risk occurring. Where the risk is assessed above the Council's tolerance line, report writers also outline the additional actions that will be taken to mitigate the risk and copy the report to the FPO, so that the risk can be incorporated in the strategic risk register and/or relevant service area risk register, project risk log, or partnership risk log/register, as appropriate. Members should be fully briefed on risks identified in the report.
- 8.5.7 Reports to Members also include as standard, Options and Financial Implications sections. Where reports relate to major options appraisal or capital investment decisions, report writers will also review relevant risk registers and logs, to identify any risks that need to be considered in the report.
- 8.5.8 The FPO will report to EMT on the risk management strategy and process (including staffing resources) annually, or if there is a material change during the year, for EMT to review the strategy and process and make any recommendations regarding them to Corporate Governance Committee.

9. Communication and learning

9.1 Communication

- 9.1.1 Relevant staff and Members will be given timely guidance and advice relating to their risk management responsibilities, including particular aspects such as review of risk registers.
- 9.1.2 Staff and Members will also be kept informed about risk management by creating a link to risk management matters on the front page of In-Site, the Council's intranet, and posting on the intranet:
- the risk management strategy,
 - the strategic risk register,
 - service area risk registers;
 - guidance and advice concerning risk management, including assessment criteria for the potential impact and likelihood of risks occurring;
 - risk management templates.

9.2 Learning

- 9.2.1 The Council will keep its risk management strategy and processes up to date by learning from a variety of sources:
- keeping up to date with the Audit Commission's Comprehensive Performance Assessment (CPA) Use of Resources, Key Lines of Enquiry (KLOEs) and Corporate Governance Inspection (CGI) assessment criteria, and similar standards;
 - applying best practice from other local authorities and organisations, as appropriate;
 - ascertaining whether risk management matters identified in one service area also apply elsewhere across the Council;

- providing relevant training for appropriate staff and Members, facilitated by external specialists if necessary. (EMT will decide the training to be provided to staff, following a recommendation by the FPO; the Chairman of the Corporate Governance Committee and the Staffing & Communications Portfolio Holder, responsible respectively for risk management and for Member training, will decide the training to be provided to Members, following a recommendation from EMT.)

(Note: Funding for external training is currently available under the Council's insurance contract, which is being re-tendered; funding for risk management training will be reviewed if no similar arrangement is available under the new contract.)

10. Organisational arrangements

10.1 The chart below summarises the Council's arrangements for risk management:

<p>Corporate Governance Committee</p> <p>The general functions that come under the responsibility of the Committee include:</p> <ul style="list-style-type: none"> • To review and advise the Council on the embedding and maintenance of an effective system of corporate governance, risk management and internal control. • To give assurance to the Council that there is a sufficient and systematic review of the corporate governance, risk management and internal control arrangements within the Council. <p>With regard to risk management, the Committee:</p> <ul style="list-style-type: none"> • Reviews the risk management strategy and process annually, updating them if necessary. • Reviews and approves the strategic risk register quarterly, together with action plans for risks assessed above the tolerance line. • Receives relevant training, as and when appropriate. <p>The Chairman of the Corporate Governance Committee is the lead Member for risk management.</p> <p>The Committee may report to full Council, if considered necessary to ensure that strategic risks are appropriately managed.</p>
<p>Cabinet</p> <ul style="list-style-type: none"> • Portfolio holders approve service area risk registers annually, alongside service plans. • Receives relevant training, as and when appropriate.
<p>Notes:</p> <ul style="list-style-type: none"> • The Chairman of the Corporate Governance Committee and the Staffing & Communications Portfolio Holder decide the training to be provided to Members, following a recommendation from EMT.

Executive Management Team (EMT)

- Reviews the risk management strategy and process annually, recommending changes to Corporate Governance Committee if necessary.
- Reviews the strategic risk register quarterly, together with action plans for risks assessed above the tolerance line; recommends the strategic risk register and associated action plans to Corporate Governance Committee.
- May cascade a strategic risk to an appropriate service area risk register.
- Considers reports on strategic risks that occur and decides how lessons learnt will be implemented.
- Promotes and champions risk management.
- Decides training to be provided to staff, following a recommendation from the FPO; recommends training to Corporate Governance Committee.
- The Chief Executive and Chief Finance Officer is the senior manager responsible for risk management.

“Risk owners”

(Note: The “risk owner” is the person nominated as the lead officer responsible for each risk identified in the strategic risk register.)

- Work with the FPO to develop and implement action plans for managing strategic risks assessed above the tolerance line.
- Report strategic risks materialising, in conjunction with the FPO, to the next meeting of EMT, recommending the application of any lessons to be learnt.

Service managers

- Review service area risk registers alongside service plans annually, reporting these to portfolio holders for approval, and at quarterly intervals.
- Where strategic risks are cascaded to a service area risk register, take a corporate lead on managing the risk.
- May escalate a service area risk for EMT to consider including in the strategic risk register.
- Include actions in service plans to manage service area risks assessed above the tolerance line and implement these actions.
- Build estimated costs of additional resources required for actions in to the relevant service budget at its next review.
- Update the FPO quarterly regarding service area risk registers and actions included in service plans.
- Consider reports on service area risks that occur and decide how lessons learnt will be implemented.
- Have primary responsibility for managing risks in their service areas: since they are best-placed to determine the appropriate actions to minimise risks to their customers, staff, services or budgets.

Project managers (including Inspire, Housing Futures)

- Review project risk logs at frequencies set out in project plans, reporting these in line with governance arrangements.
- Update the FPO quarterly regarding project risk logs, including countermeasures.
- Report project risks materialising, in accordance with governance arrangements.

Partnership lead officers

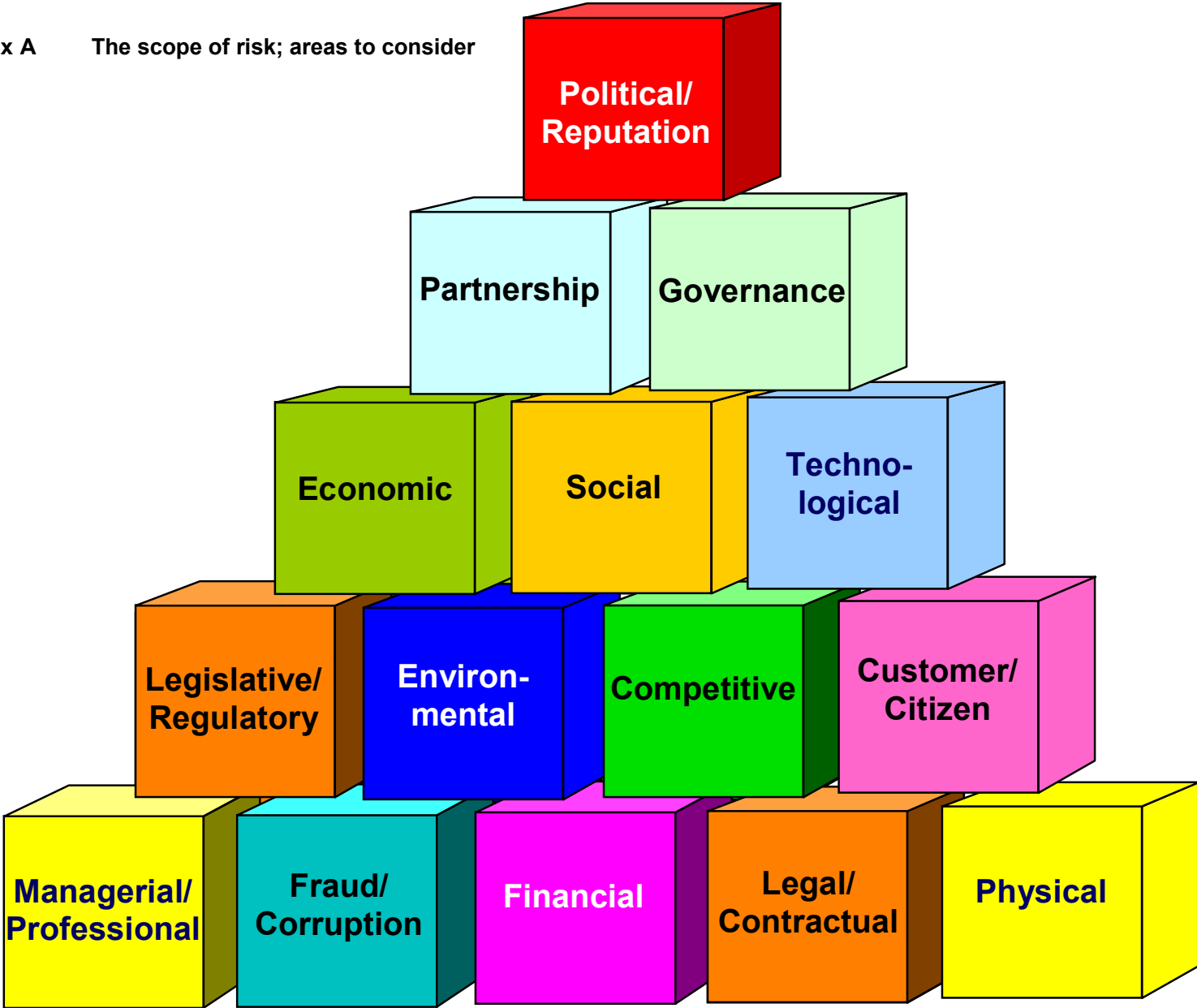
- Review partnership risk registers/logs at frequencies set out in partnership plans, reporting these in line with governance arrangements.
- Update the FPO quarterly regarding partnership risk registers/logs, including countermeasures.
- Report partnership risks materialising, in accordance with governance arrangements.

Finance Project Officer (FPO)

- Coordinates EMT's annual review of the risk management strategy and the resulting reports to the Corporate Governance Committee.
- Coordinates EMT's quarterly review of the strategic risk register and associated action plans, and the resulting reports to the Corporate Governance Committee.
 - Liaises with risk owners re existing strategic risks and with members of EMT re any new strategic risks, to update the strategic risk register for EMT's review.
 - Liaises with risk owners re their implementation of action plans, to update action plans for EMT's review.
- Assists nominated risk owners to develop and implement action plans to manage strategic risks assessed above the Council's risk tolerance line.
- Keeps a record tracking the priority of identified strategic risks.
- Assists risk owners to report on strategic risks that occur, together with recommendations regarding any lessons to be learnt.
- Coordinates service managers' reviews of service area risk registers and actions included in service plans, quarterly.
- Reviews service area risk registers to identify risks of a significant, corporate or common nature.
- Reviews service plans to ascertain that actions included to address risks are appropriate and adequate.
- Facilitates the collation of service area risk registers for corporate managers.
- Facilitates cascade of strategic risks to relevant service area risk registers and escalation of significant, corporate or common service area risks for EMT to consider including in the strategic risk register.
- Links project and partnership risk logs to the strategic risk register and/or service area risk registers, as appropriate.
- Facilitates inclusion of risks identified in reports to Members, in the appropriate risk register/log.
- Recommends training for staff and Members to EMT.
- Facilitates relevant training, guidance and advice on risk management.
- Communicates risk management matters to staff.

- 10.2 All staff, at every level, have a role to play in risk management, since they are often best placed to identify many of the risks faced by the Council. All staff therefore have a responsibility to identify and minimise risk. This includes taking prompt remedial action on adverse events and near misses, when necessary, and the reporting of these. Staff also have a responsibility to follow Council policies and procedures designed to manage risk and maintain a general level of risk awareness.

Annex A The scope of risk; areas to consider



Annex B Strategic Risk Register template

No.	Title/Description <i>(i.e. the risk event, leading to consequence for service/ objective/priority, resulting in possible outcome(s).)</i>	Impact/ Likelihood	Corporate Objectives	Annual Priorities	Owner

<u>Impact</u>	<u>Likelihood</u>	<u>Corporate objectives</u>	<u>Annual priorities</u>
A Extreme	1 Almost certain	O1 High quality, accessible, value for money services	P1 To improve customer service
B High	2 Likely	O2 Quality village life	P2 To achieve successful, sustainable new communities at Northstowe and other major new settlements
C Medium	3 Possible	O3 A sustainable future for South Cambridgeshire	P3 To increase the supply of affordable housing
D Low	4 Unlikely	O4 A better future through partnership	
	5 Seldom		
	6 Rare		

- Notes: 1. The dotted line shows the Council's risk tolerance line.
 2. The Council has adopted new corporate objectives and service priorities for 2008/09 onwards.

Annex C Assessment of Likelihood guidelines

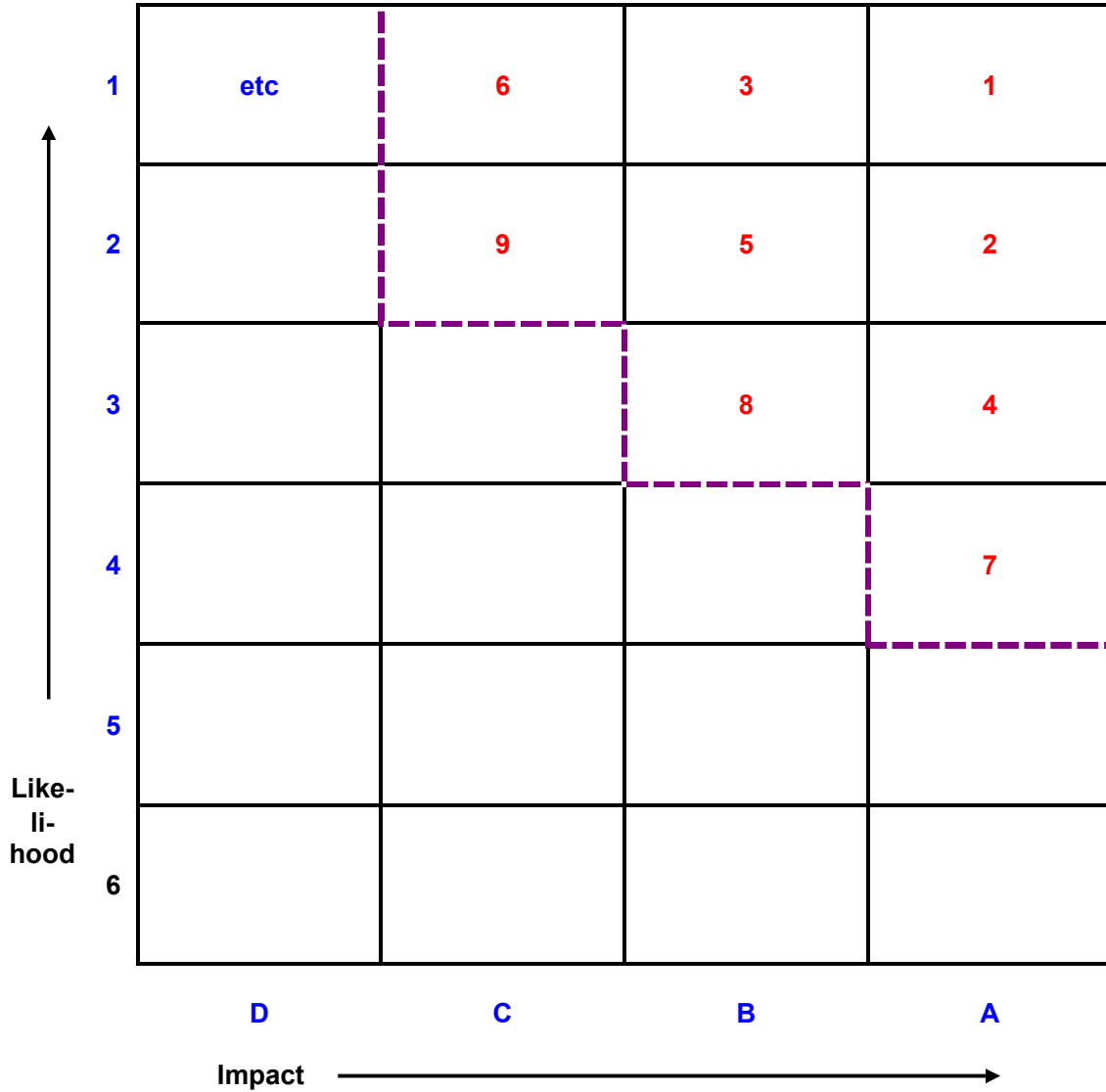
Likelihood	Guidelines
1 Almost certain	<ul style="list-style-type: none"> • Expected to occur in most circumstances (more than 90%), or • More than 90% likely to occur in the next 12 months
2 Likely	<ul style="list-style-type: none"> • Will probably occur at some time, or in most circumstances (71% - 90%), or • 71% to 90% likely to occur in the next 12 months
3 Possible	<ul style="list-style-type: none"> • Fairly likely to occur at some time, or in some circumstances (51% - 70%), or • 51% to 70% likely to occur in the next 12 months
4 Unlikely	<ul style="list-style-type: none"> • Is unlikely to occur, but could, at some time (31% - 50%), or • 31% to 50% likely to occur in the next 12 months
5 Seldom	<ul style="list-style-type: none"> • May occur in some circumstances (11% - 30%), or • 11% to 30% likely to occur in the next 12 months
6 Rare	<ul style="list-style-type: none"> • May only occur in exceptional circumstances (up to 10%), or • Up to 10% likely to occur in the next 12 months

Annex D Assessment of Impact guidelines

Impact	Classification	Guidelines
A Extreme	Service disruption	<ul style="list-style-type: none"> Total failure of service, or Impact at strategic level, on corporate objectives or annual/service priorities
	Financial loss	<ul style="list-style-type: none"> More than £500k
	Reputation	<ul style="list-style-type: none"> National adverse publicity, or Resignation of leading member or chief officer
	Statutory service/ legal obligations	<ul style="list-style-type: none"> Central government intervention, or Multiple civil or criminal suits, or Litigation, claim or fine, more than £500k
	People	<ul style="list-style-type: none"> Fatality of one or more clients/staff
B High	Service disruption	<ul style="list-style-type: none"> Serious disruption to service, or Impact on many other processes
	Financial loss	<ul style="list-style-type: none"> £251k - £500k
	Reputation	<ul style="list-style-type: none"> National publicity or press interest
	Statutory service/ legal obligations	<ul style="list-style-type: none"> Strong regulatory sanctions, or Litigation, claim or fine, £251k - £500k
	People	<ul style="list-style-type: none"> Serious injury to/permanent disablement of one or more clients/staff
C Medium	Service disruption	<ul style="list-style-type: none"> Disruption to service, or Some impact on other objectives
	Financial loss	<ul style="list-style-type: none"> £51k - £250k
	Reputation	<ul style="list-style-type: none"> Local adverse publicity
	Statutory service/ legal obligations	<ul style="list-style-type: none"> Regulatory sanctions, interventions, public interest reports, or Litigation, claim or fine, £51k - £250k
	People	<ul style="list-style-type: none"> Major injury to an individual (impairment lasting more than 1 month)
D Low	Service disruption	<ul style="list-style-type: none"> Some minor impact on service, or No impact outside single objective
	Financial loss	<ul style="list-style-type: none"> Up to £50k
	Reputation	<ul style="list-style-type: none"> Local publicity or press interest, or Internal adverse comment
	Statutory service/ legal obligations	<ul style="list-style-type: none"> Minor regulatory consequences, or Litigation, claim or fine, up to £50k
	People	<ul style="list-style-type: none"> Minor injuries to people, or } impairment Illness, or } lasting up to Damage to equipment } 1 month

Annex E Prioritisation Matrix template

Prioritisation matrix



Likelihood:

- 1 Almost certain
- 2 Likely
- 3 Possible
- 4 Unlikely
- 5 Seldom
- 6 Rare

Impact:

- A Extreme
- B High
- C Medium
- D Low

--- Risk Tolerance Line

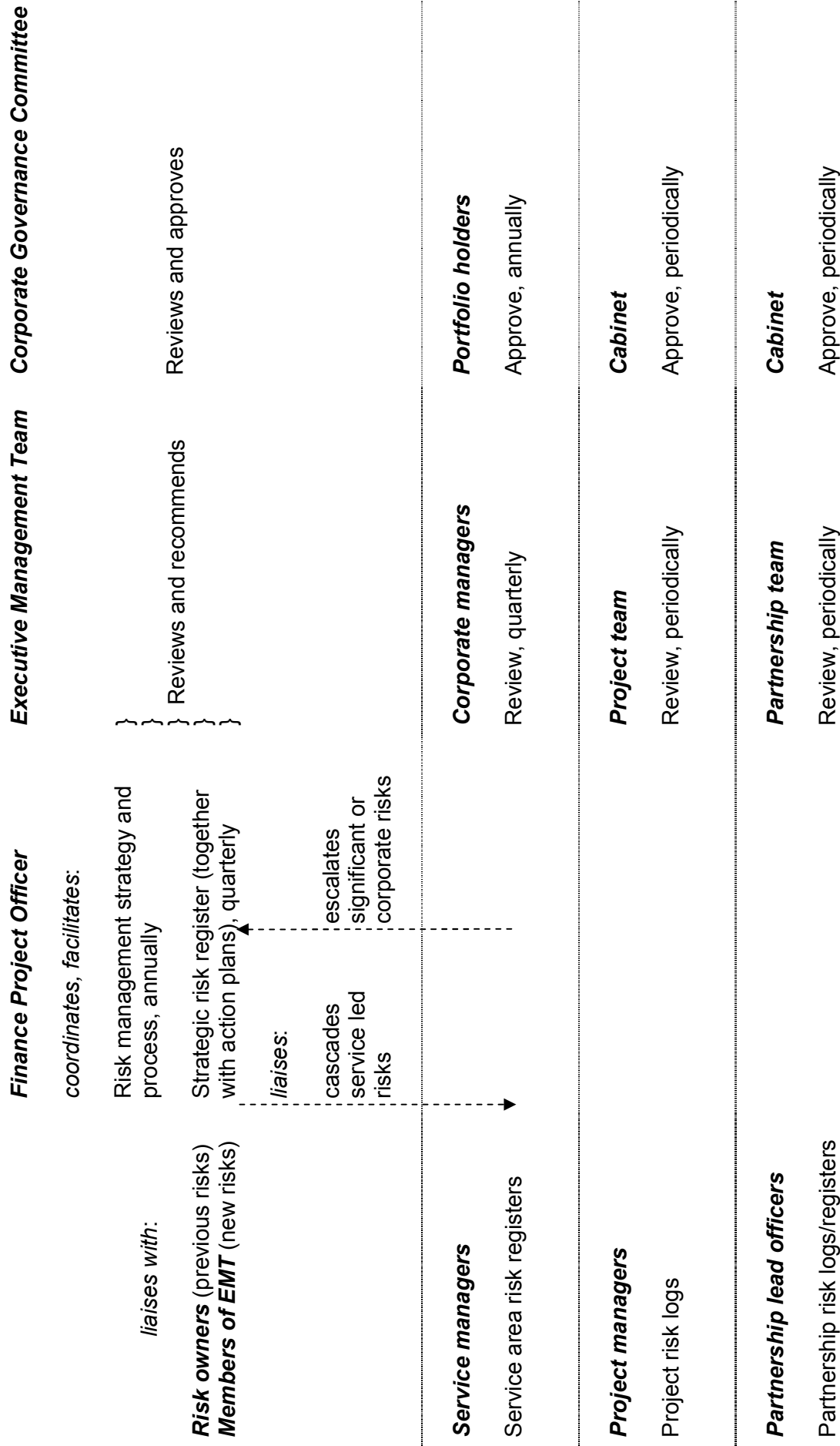
Annex F Action Plan template

[No.]	Action Plan: [Title, per strategic risk register]	Owned by: [Job title]
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Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Current and Target risk scores	Review frequency	Key dates
[actions/controls already being done that relate to this risk]	[how effective the actions/controls already in place are]	[new actions/controls required to manage the risk down to its target score]	[the person responsible for the action plan being carried out]	[current matrix position and target improved matrix position]	[frequency of reviewing this action plan (at least six-monthly; less if the risk is urgent or actions will occur more frequently)]	[milestones/ deadlines]

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Appendix B - Chart of SCD C risk management process



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Appendix C – Example of proposed revised Strategic Risk Register

No.	Title/Description <i>(i.e. the risk event, leading to consequence for service/ objective/priority, resulting in possible outcome(s).)</i>	Impact/ Likelihood	Corporate Objectives	Annual Priorities	Owner
7	Pandemic flu outbreak strikes the UK, leading to significant medium term staff absence, resulting in reduced ability to deliver services and increasing levels of stress	A4	O1	P1	Corporate Manager – Health & Environmental Services
10	Inability to recruit/retain key staff, resulting in reduced ability to deliver services and increasing levels of stress	C3	O1	P1	HR Manager

Impact

- A Extreme
- B High
- C Medium
- D Low

Likelihood

- 1 Almost certain
- 2 Likely
- 3 Possible
- 4 Unlikely
- 5 Seldom
- 6 Rare

Corporate objectives

- O1 High quality, accessible, value for money services
- O2 Quality village life
- O3 A sustainable future for South Cambridgeshire
- O4 A better future through partnership

Annual priorities

- P1 To improve customer service
- P2 To achieve successful, sustainable new communities at Northstowe and other major new settlements
- P3 To increase the supply of affordable housing

Notes: 1. The dotted line shows the Council's risk tolerance line.

2. The Council has adopted new corporate objectives and service priorities for 2008/09 onwards.

Appendix D - Strategic Risk Scenarios, September 2007

Vulnerability	Trigger	Possible Consequences (including Reputation)
<p>1 <u>Delivering the Medium Term Financial Strategy (MTFS)</u></p> <p>With the government's present capping criteria, the Council's current level of General Fund expenditure is not sustainable once balances and reserves have been reduced to their optimum level.</p> <p>The Council's approach is to maintain a balanced, sustainable MTFS. This depends on managing future spending requirements and maximising savings/cost reductions across all services.</p> <p>Part of the savings/cost reductions were to be delivered through a programme of business process reviews; however, the programme has now been ended.</p>	<p>Non achievement of balanced MTFS in the previously approved timeframe.</p> <p>The comparatively low tax base in relation to other shire districts means that SCDC is not able to increase the level of finance/funding available to meet future service demands.</p> <p>Service pressures mean that the authority is not able to meet these within financial constraints.</p> <p>(Note: A decision as part of Housing Futures to transfer the Council's housing to a Housing Association would have a significant impact on the Council's future financial position.)</p>	<p>Need to identify possible sources of external funding.</p> <p>Need to achieve further savings and efficiencies in some service areas through other means.</p> <p>Redirection of resources, e.g. towards other priorities.</p> <p>Need to make cuts in some service areas.</p> <p>Loss of services.</p> <p>Possible consequential impact on staff and Members.</p> <p>Possibly not able to meet statutory service requirements.</p> <p>Consequential impact on reputation with partner organisations and public.</p> <p>The lower aggregate spending limit means less opportunity to satisfy Gershon savings requirements.</p> <p>Lower staff morale/ loss of staff.</p>

Vulnerability	Trigger	Possible Consequences (including Reputation)
<p>3 <u>Better Regulation Agenda</u></p> <p>Drive to ensure risk-based approach to regulation targeting high-risk businesses and activities.</p> <p>Move in favour of compliance strategies with reductions in complexity and reduced regulatory burdens which do not jeopardise public protection etc.</p> <p>Regulatory Enforcement Sanctions Bill</p> <ul style="list-style-type: none"> • Primary authority proposals • New enforcement and penalty regime (civil and criminal sanctions) • Compliance code 	<p>Failure to comply with the Regulators compliance code.</p> <p>Failure to respond to the statutory guidance from LBRO.</p> <p>Failure to implement proposed new sanctions regime.</p> <p>SCDC designated as a primary authority.</p>	<p>Greater scrutiny</p> <p>Loss of public confidence</p> <p>Government intervention</p> <p>Uncertainty over review process</p> <p>Reconfiguration of services</p> <p>Could require additional resources</p> <p>Poor morale</p> <p>Customer expectations unmanaged.</p> <p>Poor CPA and Corporate Governance result</p> <p>Dissatisfied business community</p> <p>Reputational damage and adverse publicity</p>

Vulnerability	Trigger	Possible Consequences (including Reputation)
<p>4 <u>CGI Improvement Plan</u></p> <p>The Council has to implement an Improvement Plan to address the issues raised by the Audit Commission in its CGI report.</p> <p>The Improvement Plan also includes matters related to wider improvement objectives of the Council.</p>	<p>The Council is unable to attract the support and resources it needs to implement the Improvement Plan.</p> <p>The Audit Commission does not consider the Council's progress in implementing the Improvement Plan to be adequate.</p> <p>Note: The Improvement Plan has its own Risk Log, including countermeasures, so no separate Management Action Plan is required.</p>	<p>The Council has to divert resources away from other activities (possibly including front line services) in order to deliver the Plan.</p> <p>The Audit Commission will reconsider whether it is appropriate to exercise its power to make a recommendation to the Secretary of State to give a direction to the authority.</p> <p>Possible consequential impact on Members and staff, reputation with partner organisations and public, staff morale etc.</p>
<p>5 <u>Pandemic Flu</u></p> <p>Business continuity and emergency planning issues.</p>	<p>A pandemic flu outbreak occurs affecting South Cambridgeshire or organisations with whom we have a significant relationship.</p>	<p>Unable to provide full services.</p> <p>Unable to obtain required support.</p> <p>Involvement in emergency management.</p>

Vulnerability	Trigger	Possible Consequences (including Reputation)
<p>6 <u>Planning for Growth</u></p> <p>Requirement to accommodate significant growth in the District over 15 year period.</p> <p>Note: The following also need to be considered in relation to growth:</p> <ul style="list-style-type: none"> • There is a corporate risk generally re growth, not just related to planning. • There are other growth-related issues, e.g. affordable housing (already mentioned in Possible Consequences), community services, etc. 	<p>Further delays in government planning process.</p> <p>Inability to meet Structure Plan requirements (lack of capacity, either in house or in the market).</p> <p>The Council/ Cambs County could be impacted if other counties do not fulfil the requirements for their areas.</p> <p>Additional growth expectations.</p> <p>Failure to reach agreement with partners in respect of new working and decision making arrangements.</p>	<p>Secretary of State intervention.</p> <p>Lack of affordable housing.</p> <p>Failure to attract infrastructure development funding.</p> <p>Loss of income/ resources.</p> <p>Poor reputation with partner organisations and the public.</p>
<p>7 <u>Housing Futures</u></p> <p>Identification and delivery of a sustainable future for Council housing.</p> <p>Current forecasts suggest that the present funding level for the maintenance of the Council's housing is not sustainable from 2009/10 onwards. The process will look at alternative ways of managing this risk including the option to transfer the management and ownership of the housing.</p> <p>The CGI report highlighted options appraisal as a key decision to resolve.</p>	<p>Failure to effectively engage key stakeholders, e.g. tenants, Members, staff.</p> <p>Failure to obtain clear tenant or Member support for preferred option.</p> <p>Note: Housing Futures has its own Risk Log, including countermeasures, so no separate Management Action Plan is required.</p>	<p>Difficulty in implementing preferred option.</p> <p>Possible adverse publicity or other reputational damage.</p>

Vulnerability	Trigger	Possible Consequences (including Reputation)
<p>8 <u>Managing the delivery of political priorities</u></p> <p>Political priorities need to be incorporated into service and financial planning.</p>	<p>Pressure to deliver priorities in too short a timeframe, due to insufficient information about expectations and available resources.</p>	<p>Priorities not delivered due to insufficient capacity.</p> <p>The priorities may have unforeseen impacts on (other) services.</p> <p>The priorities may not be deliverable in the required timescale or to the requisite standard.</p>

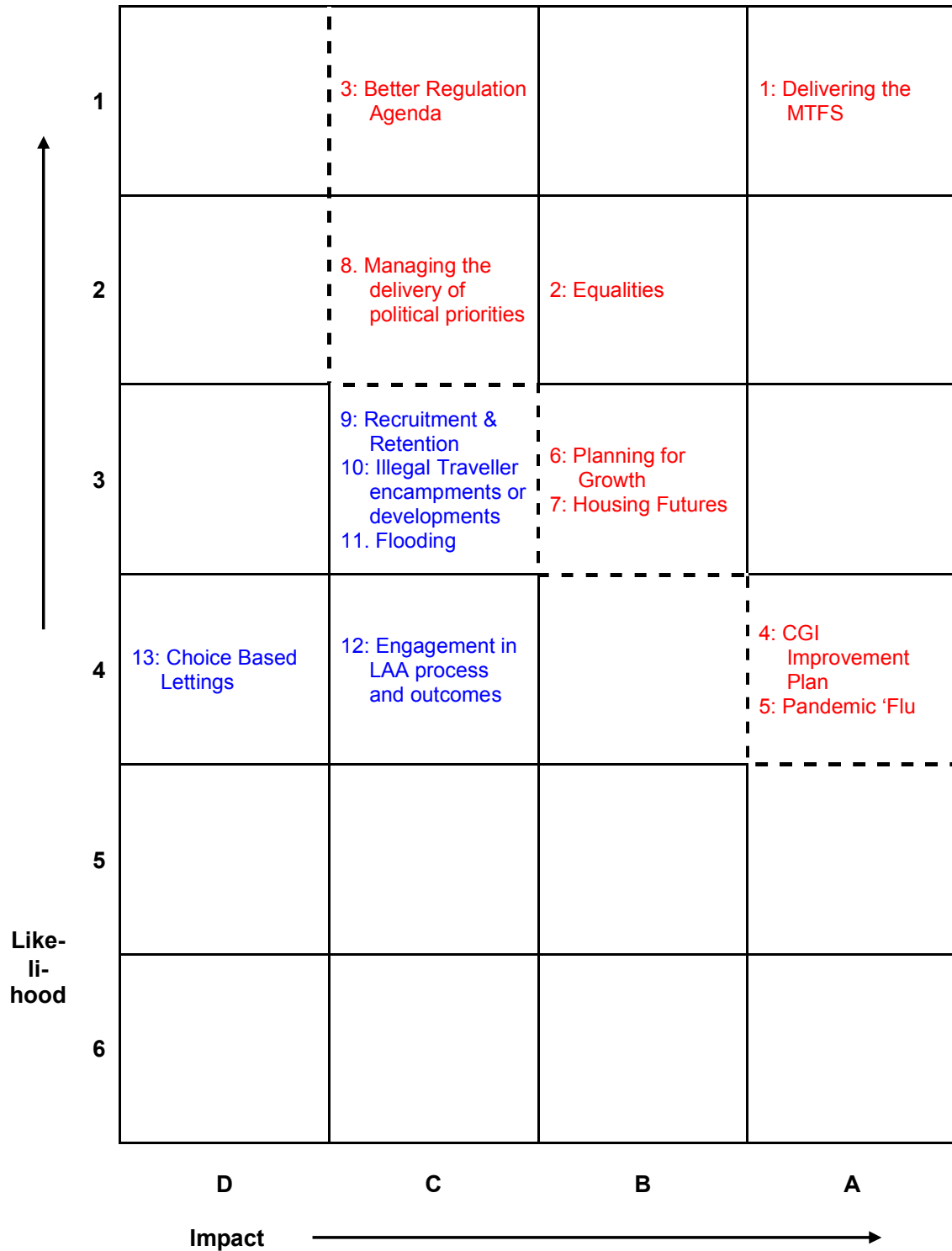
Vulnerability	Trigger	Possible Consequences (including Reputation)
<p>9 <u>Recruitment & Retention</u></p> <p>High cost of living area.</p> <p>Lack of supply of trained people in some specialist areas.</p> <p>Close competition in some professions.</p> <p>The private sector can offer better benefits packages.</p> <p>The image of local government generally and SCDC in particular.</p> <p>Note: This risk includes:</p> <ul style="list-style-type: none"> • Having the right number of staff, with the right skills, knowledge and competencies, to deliver services and meet the Council's corporate objectives. • Staff leaving the authority, for whatever reason, and not replaced. • Additional work required of remaining members of staff. • Training for people who are left and new incumbents. 	<p>Difficulties of recruiting to specific professions, in particular vocational areas.</p> <p>Relative inexperience of new staff; and training requirement for them.</p> <p>The current marketplace means that we might be having to pay people with less capacity, more to recruit them.</p> <p>Pressure on officers to deliver services.</p>	<p>Lack of capacity to meet service delivery needs.</p> <p>Impact on teams to provide cover.</p> <p>Cost of repeat recruitment.</p> <p>This also impacts on more senior staff, who lose time in mentoring etc new staff.</p> <p>Note: The workforce plan needs to include aiming to retain staff until succession planning is in place.</p> <p>Workforce plan afforded low priority in recent Policy & Performance and Corporate Work Plan, so the Management Action Plan for this risk is less effective; however, actions are taking place within the workforce plan and outside it to mitigate this risk.</p> <p>Loss of effectiveness in post.</p> <p>Increased absence rates</p> <p>Loss of effectiveness/ productivity</p>

Vulnerability	Trigger	Possible Consequences (including Reputation)
<p>10 <u>Illegal Travellers encampments or developments</u></p> <p>Local Authorities have to make provision for Travellers. Additional publicly-managed sites would involve land acquisition.</p> <p>Unauthorised developments on sites owned by the occupants present a challenge to the development management system. The Human Rights Act and Race Relations legislation have to be taken into account alongside planning law in regularising breaches of control.</p> <p>Note: This risk includes different aspects:</p> <ul style="list-style-type: none"> • Our response to unauthorised developments (e.g., the costs of injunctive action / implications for Council finances and the physical risks of any evictions). • Official expectations that we should provide for greater Traveller need in the context of lack of Council land/resources and difficulties in identifying suitable sites that will have community support. • The possibility of a CRE investigation. 	<p>Illegal encampments set up in the District.</p> <p>Failure to find required number of sites.</p> <p>Sites identified do not meet the needs of local Travellers.</p>	<p>Community tensions leading to disorder.</p> <p>Increase cost to all public service bodies/ organisations.</p> <p>Non payment of Council Tax.</p> <p>Provision of alternative sites and/or housing in the event of successful enforcement.</p> <p>Cost and workload of enforcement action.</p> <p>Public perception/ damage to reputation.</p>

Vulnerability	Trigger	Possible Consequences (including Reputation)
<p>11 <u>Flooding</u></p> <p>Some parts of the District could be affected by flooding.</p>	<p>Severe adverse weather causes flooding in parts of the District.</p>	<p>A number of SDCDC services could be called upon to assist the County Council and/or other agencies in their emergency planning roles.</p> <p>Some staff's journeys to work could be affected.</p> <p>Service disruption.</p> <p>(The risk to SDCDC services is predominantly covered by emergency planning arrangements and business continuity plans. There could be some short-term financial strain, which should be met by Government support.)</p>
<p>12 <u>Engagement in LAA process and outcomes</u></p> <p>Need to engage fully with the process to obtain the required outcomes.</p>	<p>Not engaged enough</p> <p>Unable to resource LAA input requirements.</p> <p>Lack of understanding of the process or priority within senior staff.</p> <p>Lack of relevance of LAA agenda to service.</p>	<p>Funding opportunities not realised</p> <p>Reductions in efficiencies provided by working in partnership on enviro-crime, waste and public health matters.</p> <p>Reputational risks</p> <p>Community leadership role unfulfilled</p> <p>CPA and corporate governance impacts</p>

Vulnerability	Trigger	Possible Consequences (including Reputation)
<p>13 <u>Choice Based Lettings</u></p> <p>The Government has set a target that all RSL and local authority landlords have a choice based letting (CBL) scheme in place by 2010. SCDC and sub-regional partners intend to implement a CBL scheme in January 2008.</p>	<p>Not prepared for the 'go live' date.</p> <p>Inadequacies of the IT system.</p> <p>New scheme does not meet local needs.</p>	<p>Delay in implementation.</p> <p>Lack of confidence from partner agencies.</p> <p>Inappropriate lettings, subject to legal challenge and poor public image.</p> <p>Reduced opportunity to let properties that have proven to be difficult to let in the past.</p> <p>High needs remain unmet, leading to more emergency rehousing and increase in expenditure.</p>

Appendix E - Prioritisation Matrix, September 2007



Likelihood:

- 1 Almost certain
- 2 Likely
- 3 Possible
- 4 Unlikely
- 5 Seldom
- 6 Rare

Impact:

- A Extreme
- B High
- C Medium
- D Low

Guidelines on assessing Impact and Likelihood of risks

<i>Impact</i>	<i>Classification</i>	<i>Guidelines</i>
A Extreme	Service disruption	<ul style="list-style-type: none"> • Total failure of service, or • Impact at strategic level, on corporate objectives or annual priorities
	Financial loss	<ul style="list-style-type: none"> • More than £500k
	Reputation	<ul style="list-style-type: none"> • National adverse publicity, or • Resignation of leading member or chief officer
	Statutory service/ legal obligations	<ul style="list-style-type: none"> • Central government intervention, or • Multiple civil or criminal suits, or • Litigation, claim or fine, more than £500k
	People	<ul style="list-style-type: none"> • Fatality of one or more clients/staff
B High	Service disruption	<ul style="list-style-type: none"> • Serious disruption to service, or • Impact on many other processes
	Financial loss	<ul style="list-style-type: none"> • £251k - £500k
	Reputation	<ul style="list-style-type: none"> • National publicity or press interest
	Statutory service/ legal obligations	<ul style="list-style-type: none"> • Strong regulatory sanctions, or • Litigation, claim or fine, £251k - £500k
	People	<ul style="list-style-type: none"> • Serious injury to/ permanent disablement of one or more clients/ staff
C Medium	Service disruption	<ul style="list-style-type: none"> • Disruption to service, or • Some impact on other objectives
	Financial loss	<ul style="list-style-type: none"> • £51k - £250k
	Reputation	<ul style="list-style-type: none"> • Local adverse publicity
	Statutory service/ legal obligations	<ul style="list-style-type: none"> • Regulatory sanctions, interventions, public interest reports, or • Litigation, claim or fine, £51k - £250k
	People	<ul style="list-style-type: none"> • Major injury to an individual (impairment lasting more than 1 month)
D Low	Service disruption	<ul style="list-style-type: none"> • Some minor impact on service, or • No impact outside single objective
	Financial loss	<ul style="list-style-type: none"> • Up to £50k
	Reputation	<ul style="list-style-type: none"> • Local publicity or press interest, or • Internal adverse comment
	Statutory service/ legal obligations	<ul style="list-style-type: none"> • Minor regulatory consequences, or • Litigation, claim or fine, up to £50k
	People	<ul style="list-style-type: none"> • Minor injuries to people, or } impairment • Illness, or } lasting up to • Damage to equipment } 1 month

Likelihood	Guidelines
1 Almost certain	<ul style="list-style-type: none"> • Expected to occur in most circumstances (more than 90%), or • More than 90% likely to occur in the next 12 months
2 Likely	<ul style="list-style-type: none"> • Will probably occur in most circumstances (71% - 90%), or • 71% to 90% likely to occur in the next 12 months
3 Possible	<ul style="list-style-type: none"> • Fairly likely to occur (51% - 70%), or • 51% to 70% likely to occur in the next 12 months
4 Unlikely	<ul style="list-style-type: none"> • Could occur at some time (31% - 50%), or • 31% to 50% likely to occur in the next 12 months
5 Seldom	<ul style="list-style-type: none"> • May occur in some circumstances (11% - 30%), or • 11% to 30% likely to occur in the next 12 months
6 Rare	<ul style="list-style-type: none"> • Will only occur in exceptional circumstances (up to 10%), or • Up to 10% likely to occur in the next 12 months

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Appendix F - Strategic Risk Register, September 2007

No.	Title	Impact/ Likelihood	Corporate Objectives	Annual Priorities	Owner
1	Delivering the Medium Term Financial Strategy	A1	O1 (O3, O4)		Chief Executive
2	Equalities	B2	O1		Chief Executive / Improvement Manager / Corporate Manager – Policy, Performance & Partnerships
3	Better Regulation Agenda	C1	O1,O4 (O2,O3)	P1	Corporate Manager – Health & Environmental Services
4	CGI Improvement Plan	A4	All	All	Improvement Manager
5	Pandemic 'flu	A4	O1	P1	Corporate Manager – Health & Environmental Services
6	Planning for Growth	B3	O2, O3, O4	P2	Corporate Manager – Planning & Sustainable Communities
7	Housing Futures	B3	All	P1, P3	Head of Housing Strategic Services
8	Managing the delivery of political priorities	C2	All	All	Chief Executive
9	Recruitment & Retention	C3	O1	P1	HR Manager
10	Illegal Traveller encampments or developments	C3	O2 (O1)		Corporate Manager – Planning & Sustainable Communities
11	Flooding	C3	O2, O4	P1	Corporate Manager – Health & Environmental Services
12	Engagement in LAA process and outcomes	C4	All	All	Improvement Manager
13	Choice Based Lettings	D4	O1, O4	P1	Housing Advice & Options Manager

Impact

- A Extreme
- B High
- C Medium
- D Low

Likelihood

- 1 Almost certain
- 2 Likely
- 3 Possible
- 4 Unlikely
- 5 Seldom
- 6 Rare

Corporate objectives

- O1 High quality, accessible, value for money services
- O2 Quality village life
- O3 A sustainable future for South Cambridgeshire
- O4 A better future through partnership

Annual priorities

- P1 To improve customer service
- P2 To achieve successful, sustainable new communities at Northstowe and other major new settlements
- P3 To increase the supply of affordable housing

Appendix G - Action Plans, September 2007

1. Delivering the Medium Term Financial Strategy (MTFS)

Owned by: Chief Executive

1	3	1
2	8	2
3	9,10,11	6,7
4	13	4,5
5		
6	D	A
	C	B
	Impact	

Risk Number	Current Risk Score	Target Risk Score	Description
1	A 1	B 2, initially	Non achievement of balanced MTFS in the previously approved timeframe. The Council's current level of General Fund expenditure is not sustainable once balances and reserves have been reduced to their optimum level.

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
Medium term financial strategy (MTFS).	The MTFS will be reviewed in the autumn.	Review the MTFS and implement necessary amendments.	Chief Executive	Balanced MTFS re-established.	As per MTFS timetable	October 2007
A Strategic Financial Diagnostic review has been undertaken (funded by DCLG) to advise the Council on its medium term financial planning.		Implement appropriate outcomes from diagnostic review. To go as an attachment to the MTFS and to Corporate Governance Committee.	ditto	Services continued.	ditto	ditto
		Investigate possible sources of external funding.	EMT		ditto	To feed in to MTFS
		Investigate opportunities to achieve further savings and efficiencies in service areas.	Service managers		ditto	ditto

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
Medium term financial strategy (MTFS)	Each, adequate in themselves, but the financial constraints and the growth demands on the authority mean that even these together will not be completely effective in enabling the authority to continue to maintain a balanced budget.	Growth spending pressures and further revenue savings, identified and integrated into a revised MTFS.		Overall, balanced budget achieved, services continued	MTFS timetable	
Budgetary control			Budget holders	Budget achieved	In line with MTFS, estimates etc timetables	Ongoing
Gershon efficiencies exercise		Implementation of savings proposals included in MTFS.	Corporate managers	Savings achieved	ditto	ditto
Other savings exercises		Implementation of outcomes to achieve savings	Relevant service managers	ditto	ditto	ditto
Management of growth etc bids		Maintaining growth spending within identified values.	Corporate managers	Growth spending within budget	ditto	Ongoing

2. Equalities

Owned by: Chief Executive/ Improvement Manager/ Corporate Manager – Policy, Performance & Partnerships

	1	3	2	1
Like		8	2	
li		9,10,11	6,7	
hood		13	12	4,5
	D	C	B	A
	Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
2	B 2	C 3	The Council is successfully challenged over not complying with legislation

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
The authority has already adopted and implemented various equalities policies. Relevant officers are aware of equalities legislation and are preparing appropriate policies and procedures for adoption and implementation.	Officers are not always specialists in particular equalities matters.	Adopt and implement policies and procedures re forthcoming equalities legislation	Lead officers	Policies and procedures implemented on time	Monthly	Due dates
	Capacity is tight to (a) prepare and implement new policies and procedures; and (b) assist with surveys etc.	Forward planning to include identification of future equalities issues and assessment of their impact	Chief Executive/ Improvement Manager/ Corporate Manager - Policy, Performance & Partnerships, as appropriate		In line with: Forward plan;	In line with: Forward plan
		Relevant service plans to include such items	Service managers		Service plans	Service plans
		Relevant officers to attend appropriate briefing and training on equalities issues	Relevant service managers		When relevant	When relevant
		Relevant officers to seek advice on best practice etc from competent authorities	ditto		ditto	ditto

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
Disabilities Panel established with disabled groups to comment on relevant aspects of planning applications.	Panel meeting regularly; applications going to it for consideration; some appropriate amendments already achieved.					

3. Better Regulation Agenda

Owned by: Corporate Manager - Health & Environmental Services

1	3	1
2	8	2
3	9,10,11	6,7
4	13	4,5
5		
6		
	D	B
	C	A
	Impact	

Risk Number	Current Risk Score	Target Risk Score	Description
3	C 1	C 1	Failure to comply with the Regulators compliance code. Failure to respond to the statutory guidance from LBRO. Failure to implement proposed new sanctions regime.

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
07/08 Service plan reviewed in light of Rogers Review on the 5 national priorities for local regulators. Alcohol licensing, food safety, health & safety and air quality already considered priority area. Approved and published enforcement policy	Improvement areas has emphasis in the priority areas of air quality, food safety, and health & safety. Educational awareness raising to ensure compliance area for improvement	Develop further partnership arrangements with the Health & Safety Executive for a Virtual Health & Safety approach to H&S compliance and enforcement in the District. In line with the Hampton principles, review and amend policies, codes, procedures and guidance within regulatory services with Environmental Health. Develop risk-based approaches to regulatory compliance work including nuisance/complaint work. Redraft enforcement policy to reflect Statutory Regulators Compliance code	Corporate Manager - Health & Environmental Services CM HES, PEHO, Environmental Services Manager and team leaders PEHO, Environmental Services manager, CM H&ES CM H&ES	Improved businesses customer satisfaction. Ability to meet Statutory Regulatory minimum standards No intervention from Local Better Regulation Office. To be advised but in interim BV166a,	As per signed MoU As per requirements of LBRO As per requirements of LBRO As required by code of practice	March 2008 March 2008 March 2008 March 2008

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
		<p>As a member of a regulatory partnership of authorities in Cams, take part in Phase II of the Retail Enforcement Pilot being undertaken by the Cabinet Office.</p> <p>Set up a Business Stakeholder Forum for S Cams on regulatory matters within Health & Environmental Services scope using the Council's consultants under the framework contract.</p>	<p>Food Control & Health & Safety team leader</p> <p>Environmental Health Officer (Public Health Specialist)</p>	<p>BV217, SE 204, SE206, SE230a</p>	<p>As per Cabinet Office Business plan</p> <p>Annual</p>	<p>March 2008</p> <p>March 2008</p>

5. Pandemic 'flu

Owned by: Corporate Manager - Health & Environmental Services

1	3	1
2	8	2
3	9,10,11	6,7
4	13	12
5		4,5
6		
	D	B
	C	A
	Impact	

Risk Number	Current Risk Score	Target Risk Score	Description
5	A 4	A 4	A pandemic 'flu outbreak occurs affecting South Cambridgeshire or organisations with whom we have a significant relationship.

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
Avian 'flu risk assessment	National alert system	Continue to monitor through website and pandemic 'flu coordinators meeting	Corporate Manager - Health & Environmental Services	Continuation of services within agreed business continuity parameters	Six-monthly	Production of service plans
Pandemic 'flu risk assessment	ditto	ditto	CM-HES			
Annex to business continuity plan agreed		Implementation of any actions resulting	CM-HES/ Health & Safety Adviser			In line with recommended timescales

6. Planning for Growth

Owned by: Corporate Manager - Planning & Sustainable Communities

1		3	1
2		8	2
3		9,10,11	6,7
4	13	12	4,5
5			
6			
	D	C	B
			A
	Impact		

Risk Number	Current Risk Score	Target Risk Score	Description
6	B 3	C 3	Further delays in government planning process. Inability to meet Structure Plan requirements. The democratic process results in applications and appeals, delaying the planning process. Other local authorities could impact on SCDG. Additional growth expectations. No corporate lead role

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
Planning team established, plus use of consultants	Needs to be able to focus on key issues	Effective corporate coordination.	Corporate Growth Area Team (CGAT)	Development timetable maintained	Monthly	Monthly
Major Developments Project Team	3rd tier officer level	Effective planning at service level, across all affected service areas	CGAT plus relevant service managers	Major developments proceed in line with timetable	As per revenue estimates and service plans timetables	As per estimates and service plan timetables
Working with City and County Councils and Cambridgeshire Horizons to co-ordinate development provision and funding	Good partnership working established and developing	Joint Planning Services Arrangement approved by Council on 25 May 2007; development control s.101; review s.29 committee for policy.	Executive Director	New decision making committees in being		
	Responsibility, resources and risk shared between organisations	Implement partnership arrangements, coordinate service planning and investment programme, including resources and budget	Chief Executive and CGAT	Project plan etc established within timetable	In line with JPSA	In line with JPSA

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
<p>Member groups:</p> <ul style="list-style-type: none"> - Planning Policy Advisory Group - Planning Committee - Cabinet - Council 	<p>Maintain development control; but: resource hungry; and time consuming</p>	<p>Meetings programmed to brief Members.</p> <p>Subject to relevant legal provisions, on 22 February 2007 Council delegated planning powers to joint development control committees, with a detailed scheme of delegation to officers to be prepared for subsequent approval.</p>	<p>Cabinet and Council</p>	<p>Development control maintained; developments proceed in line with timetable</p>	<p>As per meetings calendar</p>	<p>As per meetings calendar</p>
<p>Local Development Framework (LDF) adopted to improve plans and applications process</p>	<p>Focus on key areas; plans and applications can develop together; time constraints</p>	<p>Continue to work on the LDF, plus continuous review of resources</p>	<p>Planning Policy Manager</p>	<p>Development timetable maintained</p>	<p>As per LDF timetable</p>	<p>As per LDF timetable</p>
<p>Involvement of owners and their agents in the process</p>	<p>Application proposals in line with plans</p>	<p>Note: The proper democratic and planning processes could result in applications and appeals occurring at the same time as the plan is being developed, which could delay the plan</p>				

8. Managing the delivery of political priorities

Owned by: Chief Executive

1	3	1
2	8	2
3	9,10,11	6,7
4	13	12
5		4,5
6		
	D	B
	C	A
	Impact	

Risk Number	Current Risk Score	Target Risk Score	Description
8	C 2	C 3 initially	Pressure to deliver priorities in too short a timeframe, due to insufficient information about expectations and available resources.

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
Workshop between Cabinet and EMT held on 31 August 2007 to clarify political priorities and agree timescales.	A lot to implement within the expected timeframe.	Members of EMT to discuss details with relevant Portfolio Holders.	Members of EMT and Portfolio Holders	Political priorities achieved in expected timeframe and to budget.	In line service planning, MTFs and budgeting timetables.	Ongoing.

APPENDIX H

RISK LOG

PROJECT NAME: INSPIRE Project Plan

Version No: 5

Date Issued: September 2007

Risk No	Risk Description	Probability H/M/L	Impact H/M/L	Owner	Countermeasures	Action Date	Status (Open/Closed)
01	Audit Commission does not approve Improvement Plan	L	H	CT	Work with relationship manager in production of Improvement Plan		Closed
02	Project does not achieve objectives because other initiatives distract focus	H	H	GJH/CT	Effective project management. Improved Council business planning.	Continuing	Open
03	Objectives and Values not approved on time	L	H	CT	Work with Members to maintain momentum on approval of objectives. Objectives now approved in draft. Values work proceeding - report to October Cabinet	Up to Oct 07	Open
04	Lack of progress because of constraints on senior management time	M	H	GJH	Effective delegation and prioritisation; effective use of the project team. Effective use of additional resources and support from IDEa and other external support	Continuing	Open
05	Lack of progress because of bottlenecks in key services or corporate capacity	L	H	GJH/CT	Identify potential bottlenecks and consider use of resources to address problem areas. Areas such as HR, Communications and corporate support being addressed		Closed but review again in the light of the revised Plan

Risk No	Risk Description	Probability H/M/L	Impact H/M/L	Owner	Countermeasures	Action Date	Status (Open/Closed)
06	Counter productive press coverage or other adverse publicity	L	H	GJH/Leader/DR	Improved relationship established. Communications strategy	Continuing	Open
07	Community Strategy priorities not approved by September/October	L	M	CT/SMc	Effective project plan; focus on this key part of critical path	Up to Oct 07	Open
08	Failure to take members along with the improvement agenda	M	H	GJH/Leader	Effective involvement/ communication/ develop member roles/ training and development/ mentoring etc	At least for first year	Open
09	Failure to take officers/staff along with the improvement agenda	M	H	GJH/CT/DR	Effective communication and change management techniques	At least up to end of 2007	Open
10	Unsuccessful review of progress by Audit Commission in Autumn 2007	M	H	CT	Effective management of improvement plan Continue to work with Improvement Board and Relationship Manager	Up to end of 2007	Open
11	Momentum of change not sustained	H	H	GJH/Leader	Continued high level leadership and focus on the improvement plan	Continuing	Open
12	Uncertain outcome of Housing Futures exercise	M	H	Leader/Deputy/GJH/SH	Progress Housing Futures project and maintain flexibility in planning	For the next year	Open
13	Recruitment/retention of key staff	M	M	GJH/SH/SCG	The issue was addressed in the Workforce Plan – continue to review progress. Build into service plan process	Continuing	Open

Risk No	Risk Description	Probability H/M/L	Impact H/M/L	Owner	Countermeasures	Action Date	Status (Open/Closed)
14	LSP Capacity	M	M	CT/SMc	Measures to enhance LSP capacity – eg Council representation; Council support of LSP; participation in GO East scheme for assessing LSP capacity	At least up to April 08	Open

Abbreviations:

- GJH = Greg Harlock, Chief Executive
- SH = Steve Hampson, Executive Director
- CT = Cecilia Tredget, Improvement Manager
- SMc = Simon McIntosh, Corporate Manager
- DR = Dale Robinson, Corporate Manager and Leader of Communications Workstream
- SGC = Susan Gardner Craig, HR Manager

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Housing Futures Risk Log: 14 September 2007

Risk No	Risk Description	Probability H/M/L	Impact H/M/L	Owner	Countermeasures	Action Date	Status (Open/Closed)
01	Project management arrangements are inadequate	LOW	HIGH	SMT	<ul style="list-style-type: none"> identify project leader from outset provide adequate funding for the project and supporting project team ensure appropriate level of seniority for the post-holder and clear reporting lines 	<p>April 2007</p> <p>May 2007</p> <p>April 2007</p>	<p>Closed</p> <p>Closed</p> <p>Closed</p>
02	Lack of resources: Staffing Financial	LOW	HIGH	SMT/DL	<ul style="list-style-type: none"> core project team of 3 staff to be established using secondment opportunities where available/appropriate and/or creation of new posts eg Resident Involvement Officer identify membership of corporate project team prioritise project at senior management level project manager to be the nominated budget holder review capacity within corporate project team identify any additional resource requirements and engage consultants/temp staff early on in project 	<p>May 2007</p> <p>May 2007</p> <p>May 2007</p> <p>June 2007</p> <p>June 2007</p>	<p>Closed</p> <p>Closed</p> <p>Closed</p> <p>Closed</p> <p>Closed</p>
03	Lack of effective tenant engagement	MED	HIGH	DL	<ul style="list-style-type: none"> review previous stock options appraisal process for areas to focus on for improvement seek examples of best practice from elsewhere involve TPG in identification of new ways of engaging tenants more effectively through development and implementation of the Tenant Compact 	<p>June 2007</p> <p>June 2007</p> <p>June 2007</p>	<p>Open</p> <p>Open</p> <p>Open</p>

						<ul style="list-style-type: none"> involve staff more widely in consultation as part of their day to day work focus on more than just Decent Homes to find out what tenants really want from a housing service understand tenant profile from recent surveys and target consultation methods to hard to reach groups eg older people 	<ul style="list-style-type: none"> set up a Member/tenant Working Group to oversee the Housing Futures project seek responses to a Member involvement questionnaire organise member briefings/workshops individual meetings with Members to discuss issues upon request regular briefings/info provided through Weekly Bulletin proactively manage press coverage strong leadership from Leader of Council and Housing Futures PFH and SMT project to be given high corporate profile reports to Cabinet and Scrutiny arrange site visits to other LSVT and stock retention authorities/ RSLs 	<ul style="list-style-type: none"> invest time with staff to gain their understanding of the issues and potential benefits of the Housing Futures project at service, professional and personal levels seek responses to a staff involvement questionnaire discuss with individuals their concerns and aspirations and take these into account and/or address these as far as possible provide advice and support to staff outside 	<ul style="list-style-type: none"> June 2007 June 2007 June 2007 June 2007 July 2007 Aug 2007 Aug 2007 Aug2007 June 2007 June 2007 June 2007 June 2007 Aug 2007 June 2007 June 2007 June 2007 	<ul style="list-style-type: none"> Open Open Open Closed Closed Open Open Open Open Open Open Open Open Open Open Open 		
04	Lack of effective Member engagement	MED	HIGH	SMT/DL								
05	Negative attitude from/and lack of engagement from staff	LOW	HIGH	DL								

					<ul style="list-style-type: none"> housing whose roles may be 'at risk' if preferred option is a housing transfer involve staff in the evaluation of the housing futures and possible housing transfer options eg existing, new, Group RSL appraisals, 121's and team briefings to include Housing Futures as a standing item in order to provide an opportunity to discuss the project set up staff forum/staff briefings monthly staff newsletter Chief Execs briefings to include regular updates/key messages for staff on this issue work with management of contracting organisations and their staff to ensure a consistent message to tenants eg City Services arrange site visits to other LSVT and stock retention authorities/ RSLs 	<p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p>	<p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p>
06	Lack of other stakeholder engagement and/or support for proposal	LOW	MED	DL	<ul style="list-style-type: none"> seek support of the LSP and potentially also the LAA Board for the Housing Futures Project through reporting on issues and reasons for the process and implications for the SCS and LAA provide regular updates for the Board(s) produce bulletins/FAQs that can be disseminated to staff within partner organisations briefings for staff within partner organisations (particularly those in contact with tenants) consult with Parish Councils both through 	<p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p>	<p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p>

						written material and attendance at meetings with PC representatives eg CALC	June 2007	Open
						<ul style="list-style-type: none"> hold a stakeholder forum to discuss issues with wider stakeholders including voluntary sector 	June 2007	Open
07	Lack of co-ordination with other work streams:	LOW	MED	DL/MK		<ul style="list-style-type: none"> SCS currently being updated and will include housing priorities – should be agreed October/November 2007 Housing Strategy approved by Full Council in July 2007 work on the implementation of a new Tenant Compact is in progress and should be completed by the end of the year a sub-regional HMA is in progress with an anticipated completion date revised to September 2007 – this will provide up to date information on the local housing Market including likely current and future demand for the housing stock 	June 2007	Open
	<ul style="list-style-type: none"> Sustainable Community Strategy (SCS) Housing Strategy HMA Tenant Compact 						June 2007	Closed
							June 2007	Open
							June 2007	Open
08	Lack of robust and up to date information on the investment needs of the housing stock	LOW	HIGH	BO'H		<ul style="list-style-type: none"> an up to date stock condition survey completed early 2007 based on appropriate guidance financial modelling being carried out by independent suitably qualified consultant CLG financial model used with assumptions informed independent advice and local circumstances 	Early 2007	Closed
							June 2007	Open
							June 2007	Open
09	Negative media coverage	MED	MED	SMT/DL		<ul style="list-style-type: none"> regular press briefings/statements proactively manage media relationships develop, monitor and review a Communications Strategy ensure adequate resources/skills/capacity to respond to media coverage/issues 	April 2007 April 2007 June 2007	Open Open Open
							June 2007	Closed

							<ul style="list-style-type: none"> • key Members to have a high profile with local media and be accessible in order to help manage communications generally • collective ownership of project by Cabinet • corporate commitment to project including regular articles/features in South Cambs News • pre/post Housing Futures Working Group briefings for the Cambridge News 	April 2007 April 2007 April 2007 July 2007	Closed Closed Open Open
10	Lack of effective, open and transparent tenant participation arrangements	HIGH	MED	DL/PG			<ul style="list-style-type: none"> • seek nominations from TPG based on why they wish to be involved and how they will ensure they represent the interests of tenants in their area • letter to all tenants inviting them to get involved – including member of Working Group • conduct an election if more norms than places available • implement a new Tenant Compact alongside the Housing Futures process • appoint an ITA and Resident Involvement Officer in order to reach more tenants • at the outset invite all tenants to identify their preferred means of being involved in the stock options appraisal and use feedback to develop the communications plan in consultation with the ITA • Develop, implement and review a resident empowerment strategy 	June 2007 June 2007 June 2007 June 2007 June 2007 June/July 2007 June 2007	Closed Closed Closed Open Closed Closed
11	Lack of dedicated financial expertise and	MED	MED	SMT			<ul style="list-style-type: none"> • identify system development needs to provide routine and bespoke reports/information within Open Accounts, Revenues (Rents) and Land Terrier 	July 2007 May 2007	Open Closed

	ICT issues						<ul style="list-style-type: none"> identify and make available necessary resources to deliver information requirements of the project ensure that priority is afforded to the project by the Accountancy, ICT and related teams eg Rents 	May 2007	Closed
12	No suitable internal applicants for the posts required to support the project	LOW	MED	DL		<ul style="list-style-type: none"> identify and encourage suitable internal candidates to apply for the opportunities created emphasise the challenge and opportunity presented advertise as career development opportunity promote status of project 	May 2007	Closed	
13	Change in Government policy: - no further stock transfer programmes - a 'fourth option' agreed for direct investment in Council housing - new criteria for inclusion on stock transfer programmes	LOW MED LOW	HIGH HIGH LOW	DL		<ul style="list-style-type: none"> keep abreast of latest developments in govt policy liaise with GO-east on a regular basis ensure options will deliver in current and likely policy/legislative framework ensure that the preferred option will link to and contribute to delivery of key central govt agendas eg sustainable communities, LAAs seek written clarification from the Housing Minister on proposals for the future role of local authorities in direct provision of housing 	May 2007 April 2007 April 2007 April 2007 July 2007	Open Open Open Open Open	
14	Organised opposition to a	MED	HIGH	DL		<ul style="list-style-type: none"> ensure project is well resourced from the outset with appropriate contingency budget 	May 2007	Closed	

	housing transfer option				<ul style="list-style-type: none"> to respond to this sort of issue review means of tenant engagement to ensure that the Council's balanced message is getting across respond in a timely and appropriate fashion to material produced by anti-transfer campaigners ie in press or sent to tenants learn from others who have experienced anti-transfer campaigns and their responses/experiences key Members to be accessible by tenants, staff and others with questions and queries about anti-campaign material use local intelligence to understand the tactics being used by anti-transfer campaigners regular and ad hoc briefings with staff to advise on agreed response to anti-transfer campaigners 	<p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p>	<p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p>
15	Loss of key staff and/or increased staff turnover	LOW	MED	HSMT	<ul style="list-style-type: none"> promote project as an opportunity improve staff morale through valuing work and achievements regular and effective communications with staff encourage staff to discuss issues both individually and as teams provide opportunities for as many people as possible to get involved with the project encourage ideas and contributions from all staff provide feedback on contributions and suggestions 	<p>June 2007</p> <p>April 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p>	<p>Closed</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p>

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SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO:	Corporate Governance Committee	26 September 2007
AUTHOR/S:	Chief Executive / Finance Project Officer	

ANTI-THEFT FRAUD AND CORRUPTION POLICY

Purpose

1. The purpose of this report is for Corporate Governance Committee to review and agree an updated Anti-Theft Fraud and Corruption Policy for the Council.

Background

2. The Council's Anti-Theft Fraud and Corruption Policy was adopted in January 1998, in satisfaction of a request by the then Audit Panel. The policy is appended to the Officers' Code of Conduct in the Council's Constitution.
3. Following a recent internal audit, the Human Resources Manager reviewed staff related policy documents. The Anti-Theft Fraud and Corruption Policy did not appear to have been updated since January 1998, although some changes had been made since then, for example to include the Chairman of Scrutiny and Overview Committee and the Leader of the Council as people with whom Members could raise concerns.

Considerations

4. The Council's Anti-Theft Fraud and Corruption Policy needed updating to reflect the authority's new political arrangements and management structure, as well as developments in various procedures, in particular regarding housing or council tax benefit fraud. The draft revised Anti-Theft Fraud and Corruption Policy is attached as **Appendix A**.
5. The version of the Policy appended to the Officers' Code of Conduct includes as people with whom Members may raise concerns, the Chairman of the Council, the Chairman of Scrutiny and Overview Committee and the Leader of the Council. However, it is considered that the most appropriate people are the Chairman of the Council and the Chairman of Corporate Governance Committee; the draft revised policy has been amended to reflect this. As the policy is included in the Council's Constitution, this amendment will have to be approved by the Constitution Review Working Party.

Options

6. In reviewing the draft revised Anti-Theft Fraud and Corruption Policy, the Committee could suggest further improvements or enhancements.

Implications

7.

Financial, Legal,	There are no immediate financial or legal implications resulting from this report.
Staffing	The updated policy will reflect the authority's political arrangements and management structure.

Risk Management	The updated policy will ensure that the Council has a policy that is effective.
Equal Opportunities	The policy has no inherent equal opportunities implications.

Consultations

8. The following managers were consulted and their valuable contributions are appreciated:
- (a) Adrian Burns [Head of Accountancy];
 - (b) Lee Phanco [Head of Revenues];
 - (c) Susan Gardner Craig [Human Resources Manager];
 - (d) Steve Rayment [Head of ICT];
 - (e) Catriona Dunnett [Principal Solicitor];
 - (f) Richard May [Democratic Services Manager].

Effect on Annual Priorities and Corporate Objectives

9.	<table border="1"> <tr> <td>Affordable Homes</td> <td rowspan="7">The proposals in this report contribute to the Council's corporate governance responsibilities.</td> </tr> <tr> <td>Customer Service</td> </tr> <tr> <td>Northstowe and other growth areas</td> </tr> <tr> <td>Quality, Accessible Services</td> </tr> <tr> <td>Village Life</td> </tr> <tr> <td>Sustainability</td> </tr> <tr> <td>Partnership</td> </tr> </table>	Affordable Homes	The proposals in this report contribute to the Council's corporate governance responsibilities.	Customer Service	Northstowe and other growth areas	Quality, Accessible Services	Village Life	Sustainability	Partnership
Affordable Homes	The proposals in this report contribute to the Council's corporate governance responsibilities.								
Customer Service									
Northstowe and other growth areas									
Quality, Accessible Services									
Village Life									
Sustainability									
Partnership									

Conclusions/Summary

10. The Council's Anti-Theft Fraud and Corruption Policy needed to be reviewed and updated. The draft revised policy reflects the authority's new political arrangements and management structure, as well as developments in various procedures.

Recommendations

11. The Committee is recommended to:
- (a) approve the proposed revised Anti-Theft Fraud and Corruption Policy;
 - (b) recommend to Constitution Review Working Party, the changed list of people with whom Members may raise concerns (paragraph 5 above refers).

Background Papers: the following background papers were used in the preparation of this report:

None unpublished

Contact Officer: John Garnham – Finance Project Officer
Telephone: (01954) 713101

Anti-Theft, Fraud and Corruption Policy



1. Introduction

- 1.1 South Cambridgeshire District Council (the Council) is committed to dealing with theft, fraud and corruption both inside and outside the Council (the latter in so far as it relates to the business of the Council). This document formalises the Council's approach to acts of theft, fraud and corruption, recognising the good practice guidelines produced by the Audit Commission (Appendix A) and the Nolan Committee's 'Seven Principles of Public Life' (Appendix B).
- 1.2 This document sets out the Council's anti-theft fraud and corruption policy as it relates to:
- the culture of the Council;
 - Members;
 - officers;
 - systems;
 - prevention, detection and investigation;
 - punishment and sanction.

2. Summary

- 2.1 Overall responsibility for dealing with theft, fraud and corruption rests with the Chief Finance Officer through statutory, "section 151", responsibilities. Members and officers are encouraged to express concerns to the Chief Executive and Chief Finance Officer, Internal Audit, the Monitoring Officer (Executive Director) or any Corporate Manager in the knowledge that any statements will be treated seriously and in confidence.
- 2.2 It is the Council's intention to pursue all individuals or organisations who are suspected of having defrauded or committed corrupt acts and to report them to the Police if appropriate.
- 2.3 The Council's Members and staff will lead by example and ensure that they comply with all Council rules, regulations, instructions and policies.
- 2.4 The Council's commitment to dealing with theft, fraud and corruption is demonstrated by having in place systems and procedures designed to limit, as far as possible, the opportunities to commit fraudulent acts and to enable any such acts to be detected at an early stage. The Council also has a Whistleblowing Policy to encourage people to raise concerns and enable the Council to take appropriate action.

2.5 Allegations of theft, fraud and corruption will be investigated in a prompt, thorough and professional manner.

2.6 Housing or council tax benefit is potentially the most likely area for attempted fraud by people outside the Council. Section 10 below sets out the Council's particular provisions relating to this.

3. **Culture**

3.1 The Council wishes it to be known that the culture and tone of the authority is one of honesty and openness in all of its dealings with wholehearted opposition to theft, fraud and corruption in any form. The Council's Members and staff play an important part in creating and maintaining this culture.

3.2 The Council expects all of the suppliers, contractors, organisations and individuals that it deals with to act at all times with honesty and integrity and with no thoughts of committing theft, fraudulent or corrupt acts. The Council will in turn endeavour to ensure that all of its dealings will be on the same basis.

3.3 Officers will be encouraged to participate in local and national professional groups in order to exchange information, initiatives and ideas, some of which will have fraud and corruption implications. Liaison with other local authorities and relevant Government departments and agencies is also encouraged.

3.4 The Council's external auditors examine annually the Council's arrangements for the prevention, detection and investigation of theft, fraud and corruption and will report major deficiencies and concerns.

4. **Raising concerns**

4.1 Staff are encouraged to raise any matters that concern them relating to the Council's method of operation. Concerns can be raised in the certainty that they will be treated seriously and properly investigated in a confidential manner. Where staff feel unable to raise concerns with their immediate supervisor they may deal with another departmental manager. Failing this, they should raise concerns with:

- the Chief Executive and Chief Finance Officer;
- the Executive Director; or
- any Corporate Manager.

4.2 Members may wish to raise concerns with:

- the Chairman of the Council;
- the Chairman of the Corporate Governance Committee.

4.3 When raising concerns, staff and Members can be assured that confidences will be respected. Any allegation of theft, fraud and corruption will be dealt with in a thorough, prompt, professional and impartial manner.

4.4 Members of the public, organisations, Council suppliers and contractors are also encouraged to raise any issues that concern them through the channels listed above.

5. **Staff**

- 5.1 The recruitment and retention of high calibre staff is vital if it is to deliver quality services. The Council will take steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential staff.
- 5.2 Staff recruitment will be in accordance with the Council's Recruitment and Selection procedures and Criminal Records Bureau (CRB) policy.
- 5.3 Officers are bound by Contract Standing Orders and Financial Regulations, Council wide codes of conduct, conditions of service and departmental codes of conduct. Particular note should be taken of the Council's position on the giving or receipt of gifts and/or hospitality. Officers are also bound by codes issued by relevant professional bodies of which they are members where these are relevant to the officer's role within the Council. Copies of codes issued by professional bodies can be made available if Members wish to see them.
- 5.4 The Council's formal Disciplinary Policy and Procedure is to be followed whenever staff are suspected of committing a theft, fraudulent or corrupt act.
- 5.5 The role of staff in the Council's systems will be as laid down in Contract Standing Orders and Financial Regulations, job descriptions, departmental instructions and any applicable procedural manuals.
- 5.6 The Council recognises the importance of training in the delivery of high quality services.
- 5.7 The contents of this and other relevant documents should be presented to all staff through management group and staff meetings.
- 5.8 All new staff will receive training on fraud identification and reporting, particularly with regard to housing and council tax benefit fraud, as part of their induction process. Regular refresher training will be provided to key groups of staff who are likely to come across evidence of housing and council tax benefit fraud during their day to day work.

6. **Members**

- 6.1 Members are required to operate within:
 - Government legislation;
 - the local Code of Conduct;
 - the Protocol on Member-Officer Relations;
 - the Council's Contract Standing Orders/Financial Regulations;
 - the Procedural Guidance for Planning and Licensing.
- 6.2 The above matters are specifically addressed in the Member Toolkit. Members are required to provide the Chief Executive with specified information concerning their direct and indirect pecuniary interests and to keep that information up to date.
- 6.3 These matters listed above are supported by briefings received by new Members after election.

7. Systems

- 7.1 The Council has in place Contract Standing Orders and Financial Regulations that give Members and officers clear instructions, or guidance as the case may be, as to carrying out the Council's functions and responsibilities. The contents of these documents should be brought to the attention of all staff.
- 7.2 The Chief Finance Officer has a statutory duty under Section 151 of the Local Government Act 1972 to ensure that there are proper arrangements in place to administer the Council's financial affairs.
- 7.3 The Internal Audit planning process incorporates a risk assessment approach to planning audits, which will assist in determining the frequency of audits and the particular areas to focus attention on. The risk assessment process is subject to an ongoing review.
- 7.4 All of the Council's systems will incorporate, as far as is practicable, efficient and effective internal controls. The adequacy, appropriateness and effectiveness of internal controls will be independently monitored by the Internal Audit as part of their programme of work. Any weaknesses identified in internal control will be reported to management whose duty it will be to address and respond to all the issues raised.

8. Prevention, detection and investigation

- 8.1 The Council's systems should all incorporate internal control features and are designed such that theft, fraud and corruption should not be possible without collusion. Despite this, dishonest acts can be committed and agreed procedures can be disregarded.
- 8.2 The Council's Financial Regulations place a responsibility on certain officers to notify the Chief Finance Officer immediately of any irregularity or suspected irregularity.
- 8.3 Depending upon the nature of any irregularity, Internal Audit will work closely with management and other agencies, such as the Police, to ensure that all matters are investigated thoroughly and reported upon.
- 8.4 To enable a consistent approach to be applied to any investigation following the discovery of a financial irregularity, a protocol exists between the Chief Finance Officer and Internal Audit which sets out the steps to be followed from the initial discovery of a fraud through to investigation, and where appropriate, police involvement.
- 8.5 The Council will participate in the Audit Commission's National Fraud Initiative to exchange data for the purposes of detecting fraud.

9. Punishment and sanction

- 9.1 If the investigation indicates improper behaviour by an officer, the Council's Disciplinary Policy and Procedure will be followed. The Council may involve the Police where fraudulent or corrupt acts are discovered. This will be a matter for the Chief Finance Officer to decide in consultation with other relevant parties.
- 9.2 If the investigation suggests improper behaviour by a Member, the procedures of the Council's Constitution, including relevant Codes or Protocols, will be followed.

- 9.3 If the investigation reveals theft, fraud or corruption by another person or organisation, the Council will take whatever remedial action it considers relevant to the circumstances, including instigating criminal or civil legal proceedings where appropriate.
- 10. Housing Benefit and Council Tax Benefit Fraud**
- 10.1 The Council shall make particular provisions to prevent, detect and punish instances of Housing Benefit and Council Tax Benefit Fraud.
- 10.2 A robust verification process will be operated in accordance with national guidelines to verify the identity of claimants and eligibility to benefits.
- 10.3 The Council will operate and publicise a free and confidential telephone hotline so that members of the public can report concerns about benefit or other frauds. The facility to report suspicions of fraud will also be made available through the Council's website.
- 10.4 The Council will maintain a suitably resourced benefits fraud investigation team to detect and investigate housing and council tax benefit fraud. Procedures will be put in place to ensure that team members are fully trained in the law relating to fraud investigation, national guidelines, good practice and internal procedures. The team may undertake investigation of other types of fraud if requested to do so.
- 10.5 The investigation team will include an officer authorised under s110 of the Social Security Administration Act.
- 10.6 Any employee with concerns about a potential benefit fraud may speak in confidence to the Fraud Manager or Head of Revenues.
- 10.7 An interview room meeting the standards required by the Police and Criminal Evidence Act shall be made available to conduct formal tape recorded interviews held under caution.
- 10.8 Where the law allows and it is considered both proportionate to the alleged crime and an effective use of resources covert surveillance will be used to detect crimes and compile evidence. Sound and image recording equipment may be used to gather evidence during such surveillance. Covert surveillance will only be conducted when authorised by a suitably trained authorising officer following a risk assessment of safety and collateral intrusion.
- 10.9 Proper records will be kept of all surveillance and authorisations and will be made available to the Surveillance Commissioner on request.
- 10.10 The Council will enter into a Fraud Partnership Agreement with the Department for Works and Pensions, and work jointly with other local authorities, the police and other agencies to investigate and prevent fraud.
- 10.11 The Council will agree a prosecutions and sanctions policy in respect of housing and council tax benefit fraud, which will ensure sanctions are imposed proportionate to the crime and reflecting the public interest. (The policy is attached as Appendix C; it is currently being reviewed and the updated version will be attached to the anti-theft fraud and corruption policy in due course.)

- 10.12 The names and address of those individuals convicted in the courts of housing and council tax benefit fraud will be publicised where it is considered to be in the public interest. In particular where the publication will serve as a deterrent to others either engaged in or considering a similar course of conduct, or where it will raise public awareness of fraud and the mechanisms for reporting suspicions.
- 10.13 The Head of Revenues will make regular reports of the Council's performance in respect of Housing and Council Tax Benefit Fraud to the Resources Portfolio Holder.
- 10.14 The Council will participate in data matching through the Housing Benefit Matching Service and National Fraud Initiative and will subscribe to the National Anti-Fraud Network.

Approved by the Corporate Governance Committee, September 2007

Appendix A - Audit Commission recommendations

As a result of the growing anxiety among the public and the media about the alleged levels of fraud and corruption in Local Government, the Audit Commission in 1993 issued a document entitled *Protecting the Public Purse*. This was followed up in 1995 by an Audit Commission bulletin *Ensuring Probity in Local Government – 1995 Update* which recommended that local government should:

- incorporate the Nolan Committee's *Seven Principles of Public Life* into Codes of Conduct (see Appendix B).
- introduce codes of conduct where not issued;
- define what gifts and hospitality may be accepted by employees and members;
- establish audit committees;
- develop fraud strategy statements which emphasise the importance of probity;
- improve risk assessment by internal audit;
- create formal arrangements for employees to express concerns about suspected fraud and corruption;
- develop explicit investigatory protocols;
- continue developing relationships and effective liaison arrangements with other authorities and agencies; and
- develop data-matching initiatives and the fraud audit liaison network.

Appendix B - Nolan Committee

The Seven Principles of Public Life

Selflessness – Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity – Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity – In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards or benefits, holders of public office should make choices on merit.

Accountability – Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness – Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty – Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership – Holders of public office should promote and support these principles by leadership and example.

Appendix B

Benefit Prosecution Policy



1. Introduction

1.1 South Cambridgeshire District Council is committed to the professional delivery of housing and council tax benefit services (“the Service”) to its customers and the contribution that it can make to the corporate objective of providing quality, accessible, value for money services. Benefit is for those who are most vulnerable in society and the service objective is:-

- To provide an efficient and modern service to those in need, taking measures to increase awareness of and access to the service,

1.2 South Cambridgeshire District Council has a duty to protect public funds from abuse and is aware of the risks within the benefits system for fraud, error or other irregularity. In carrying out this duty, the authority may use information provided to it for the purpose of preventing and detecting of fraud. It may also share this information with other bodies administering public funds solely for these purposes.

1.3 South Cambridgeshire District Council will, wherever possible incorporate effective internal controls to minimise the risk of fraud occurring. Nevertheless it is a fact fraud can be perpetrated and therefore appropriate procedures need to be in place.

1.4 South Cambridgeshire District Council understands that some people will attempt to obtain benefit to which they are not entitled and sometimes this is done dishonestly. Where an investigation has revealed this is the case, then the Council will consider the individual circumstances of the case and where appropriate will consider criminal prosecution, alternatively an Administrative Financial Penalty or a Formal Caution may be applied.

1.5 The Social Security Administration Act 1992 allows authorities to consider offering offenders a financial penalty or a formal caution as an alternative to prosecution. Such sanctions can only be offered if the case could be brought to prosecution. However, should the offender refuse to accept such sanction then the Council may consider instigating proceedings against the individual.

1.6 The Council’s Prosecution Policy outlines the procedures to be followed with regard to the prosecution of benefit claimants, landlords, employees and members who have committed benefit fraud. The policy has been approved by Members of the Council as part of their overall endorsement of the Council’s Fraud Strategy and is to be observed by Fraud Officers.

2. The Policy

2.1 The Investigation Officers must adhere at all times to the requirements of the following legislation and Codes (as amended or superceded):

- Police and Criminal Evidence Act 1984(PACE)
- Social Security Administration Act 1992 (as amended)
- Social Security (Fraud) Act 1997
- Fraud Act 2001
- Code of Practice for Crown Prosecutors
- Criminal Procedures and Investigations Act 1996
- Regulation of Investigatory Powers Act 2000 (RIPA)
- Data protection Act 1998
- Child Support Pensions and Social Security Act
- And other relevant legislation

2.2 All cases where fraud has been proved, regardless of the level of the overpaid benefit, will be passed to the Fraud Manager who will recommend to the Chief Finance Officer (or other Officer authorised by him for this purpose), which course of action as listed below should be taken:

- Recommendation to the Principal Solicitor that the case is suitable for prosecution. In appropriate case the case will be referred for prosecution to another organisation such as the Police or Benefits Agency, depending on where the primary fraud appears to have perpetrated.-.
- Imposition of an administrative penalty (this can only be offered where there are sufficient grounds to prosecute but the penalty option is preferred).
- Imposition of a formal caution (this can only be offered where there are sufficient grounds to prosecute and the offence has been admitted at an interview).
- Closure of the case without sanction, as it would not be in the public interest to pursue the particular case.

2.3 Test of Public Interest

The public interest factors can increase the need to prosecute or may suggest an alternative course of action. The factors will vary from case to case. Not all the factors will apply to each case and there is no obligation to restrict consideration to the factors listed. In making a decision to prosecute all available information must be carefully considered.

The factors outlined below should be taken into consideration when determining whether or not to prosecute.

Public Interest Factors in Favour of a prosecution

- a) The defendant is alleged to have committed the offence whilst under an order of the court.
- b) The defendant's previous convictions or cautions are relevant to the present offence.
- c) A conviction is likely to result in a significant sentence.
- d) The defendant is in a position of trust.

- e) There is evidence that the offence was premeditated.
- f) There are grounds to believe that the defendant was motivated solely by personal gain.
- g) There are grounds for believing that the offences were likely to be continued or repeated e.g. by a history of recurring conduct.
- h) The offence is alleged to have occurred over a long period of time involving more than one period of deception.
- i) The offence, although not serious in itself, is widespread in the area where it is committed.
- j) There is evidence that the offence was carried out by more than one person.
- k) The evidence shows that the suspect was a ringleader or an organiser of the offence.
- l) The overpayment of benefit is over £1,500 or the fraud spans a period exceeding 52 weeks.
- m) A good case has been established and clear reports have been compiled at every stage of the investigation.

Public Interest Factors Against a prosecution

- a) There has been a long delay between the offence taking place and the date of the trial, unless
 - the offence is serious
 - the delay has been caused in part by the defendant
 - the offence has only recently come to light.
- b) The defendant is elderly or is, or was at the time of the offence, suffering from significant mental or physical ill health, unless the offence is serious or there is a real possibility that it may be repeated.
- c) The offence was committed as a result of a genuine mistake or misunderstanding (these factors must be balanced against the seriousness of the offence).
- d) It is a first offence and the loss or harm can be considered minor (based on each individual case) particularly if it was caused by misjudgement.
- e) The amount of the overpayment is less than £1,500 and the period spans less than 52 weeks.
- f) The court is likely to award a very small or nominal penalty.
- g) The defendant admitted the offence at the first opportunity and made an offer of repayment. Failure to honour such an agreement will result in the continuance of initiated action.

- h) The defendant (whether it is a landlord or tenant) has put right the loss or harm that was caused. However, simply because the defendant can pay compensation does not mean that s/he can avoid prosecution.
- i) Maladministration or delay of the housing/council tax benefit scheme has occurred at some period during the offence.

3. Alternatives to Prosecution

- 3.1 Only cases where there is sufficient evidence to prosecute will consideration be made to alternative sanctions. In essence, this means that the evidence must be sufficient to enable prosecution proceedings to be initiated otherwise the investigation is closed. If the evidence is insufficient then no alternative should be offered. In addition to reliable independent evidence, there must be an admission of guilt at the interview under caution for a formal caution to be considered. Investigations, which fail to meet the above criteria, will be closed.
- 3.2.1 The defendant must give his informed consent to the alternative procedure to prosecution being offered. If the offer is declined the Council must always be in a position to instigate criminal proceedings should it wish to do so. This means that an investigation must have been undertaken as if it was the intention to prosecute. An alternative to prosecution should only be considered where the evidence is such that a conviction is more likely than not in the event of a trial.
- 3.3 As a general rule the following cases should not normally be considered for an alternative to prosecution:
 - a) The defendant is a council member or employee.
 - b) The defendant has declined to accept or has withdrawn from their agreement to accept an administrative penalty.
 - c) The defendant has declined a formal caution.
 - d) The defendant has already received an administrative penalty or formal caution.
 - e) The defendant is subject to a prosecution by another agency for a similar offence.
 - f) The defendant has previous convictions for similar offences.
 - g) Where there is evidence that the defendant has used alias/es to claim benefit.

4. Formal Caution

- 4.1 A formal caution is an oral or written warning given to a person who has committed an offence as an alternative to prosecution. In any case selected for caution there must be evidence to prove the offence, an admission at an interview under caution, and the person being cautioned must give informed consent to this procedure. A formal caution is a deterrent, and does not affect the recipient except by re-offending when it may be cited in court on conviction. Where a caution has been declined the case must then be considered for criminal proceedings.
- 4.2 The Chief Finance Officer or other Officer authorised by him for this purpose, in

consultation with Fraud Manager will offer a formal caution in appropriate cases. These will include:

- a) A first offence that was disclosed by the defendant at the first opportunity.
- b) A first offence where the overpayment is normally less than £500.

5. Administrative Penalty

5.1 Section 115a of the Social Security Administration Act 1992, as amended by section 15 of the Social Security Administration (Fraud) Act 1997 introduced financial administrative penalties as an alternative to prosecution. A financial penalty amounting to 30% of the gross adjudicated overpayment can be offered in a fraud case if the following conditions are met:

- a) There is a recoverable overpayment of benefit under, or by virtue of, section 75 or 76 of the Social Security Administration Act 1992
- b) The cause of the overpayment is attributed to an act or omission on the part of the defendant, and
- c) There are grounds for instituting criminal proceedings for an offence relating to the overpayment upon which a penalty is based.

Other considerations to be taken into account before offering an administrative penalty are

- a) What action the Department of Social Security is taking on any part of the benefit it administers.
- b) All public interest criteria.

5.2 If the offender declines the offer of an administrative penalty or the offender withdraws his agreement to pay the penalty the case must be considered for prosecution.

The Chief Finance Officer or other Officer authorised by him for this purpose, in consultation with Fraud Manager will offer an administrative penalty in appropriate cases. These will include:

- a) An offence where the overpayment is significant enough to consider that the claimant be prosecuted, but also dependant on the length of time over, which the overpayment arose.
- b) Whether or not there has been an admission at an interview under caution.

6. Recording Sanctions and Prosecutions

6.1 For an effective regime of sanctions to be successful it is highly desirable that accurate records of all convictions, administrative penalties and formal cautions are maintained. This will enable the correct decisions to be made taking full account of the defendant's background. Therefore, it is important that a record of each is maintained.

6.1.1 All sanctions must be recorded by the Council and copies of all documents used to

consider and issue the sanction retained. Relevant paperwork must also be sent to the Department for Work and Pensions to update the central database on sanction activity.

7 Management Assurance

- 7.1 The Chief Finance Officer or other Officer authorised by him for this purpose, will provide assurance that the policy is being followed by checking each case at the point when the Fraud Manager has completed the Benefit Investigation closure form.

8 Publicity

- 8.1 It is the Council's intention to promote this policy as well as the outcome of any prosecutions, which should deter others from fraudulent activity. We will issue press releases for each case where prosecution is successful, which will appear on the Council's Website, 'SouthCams' Magazine and be released to local papers.

9 Reporting and Review

- 9.1 Summary information on cases and action taken will be reported by the Chief Finance Officer to the Portfolio Holder for Resources on a quarterly basis.
- 9.2 This policy will be reviewed annually or when changes in legislation require it.

South Cambridgeshire District Council

Internal Audit Progress Report

September 2007



Accountancy Age
Awards for Excellence 2006 winner
Large Firm of the Year



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Appendix A Periodic Plan Performance 2007/08

This report has been prepared for our client and should not be disclosed to any third parties, including in response to requests for information under the Freedom of Information Act, without the prior written consent of RSM Bentley Jennison and our client. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, it is based upon the documentation reviewed and information provided to us during the course of our work. Thus, no guarantee or warranty can be given with regard to the advice and information contained herein.

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1. Introduction

- 1.1 The periodic internal audit plan for 2007/08 was approved by the Corporate Governance Committee in June 2007. This report summarises the outcome of work completed to date against that plan, and Appendix A provides cumulative data in support of internal audit performance.
- 1.2 We are delighted to advise the Audit Committee that with effect from 21 August 2007, Bentley Jennison has joined the RSM International (RSMI) network of accountants and business advisors (www.rsmi.com). On joining the RSMI network we changed our name to RSM Bentley Jennison to be consistent with the other members of RSMI. Please be assured that this does not mean in any way that the ownership of our practice has changed and it remains owned and controlled completely by its partners.
- 1.3 RSM Bentley Jennison provides traditional auditing, accountancy, taxation, business planning and consultancy services to businesses throughout the United Kingdom and Europe. RSM Bentley Jennison is now 14th in the “Top Fifty” table for UK accountancy firms, and as partner of RSMI Group we are now a member of the 7th largest Accounting Group in the World. The firm has a turnover in excess of £60 million, 75 Partners and over 1,000 staff. We are justifiably proud of this growth, coming as it does within 20 years of our inception.

2. Final Reports Issued

- We have issued the following final report since the last Corporate Governance Committee:
- Risk Management

3. Key Findings from Internal Audit Work

- 3.1 The Corporate Governance Committee should note that the assurances given in our audit assignments will be taken into account when we form our overall opinion on the assurance that we can provide in our Annual Report at the end of the year. In particular the Corporate Governance Committee should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion.
- 3.2 No common weaknesses have been identified within our reports so far for 2007/08.

4. Work in Progress or Planned

4.1 The following audits are currently at the fieldwork stage:

- Housing Maintenance – planned and cyclical
- HR

4.2 There is currently one report at draft stage:

- IT Healthcheck

5. Changes to our Plan

5.1 There have been no changes to the audit plan since the last Corporate Governance Committee.

Appendix A: Operational Plan Performance 2007/08

Detailed below is a summary of the work undertaken in 2007/08 to date, showing the levels of assurance given and the number of recommendations arising. Reports being considered at this Committee are shown in *italics*. Definitions with regard to the levels of assurance and the classification of recommendations are provided overleaf.

Auditable Area	Date Planned	Date Started	Status	Audit approach	Days Planned	Assurance level given	Number of Recommendations Made				
							F	S	MA	In Total	Agreed
Work complete to date											
Home Improvement Agency	May 2007	May 2007	Final Report Issued	Advisory		N/A					
Risk Management	June 2007	6 June 2007	Final Report Issued	Systematic	8	Adequate	0	1	1	2	2
Totals to date:							0	1	1	2	2
Work in progress or yet to start (including reports still in draft)											
Governance	November 2007			Systematic/ Key Controls	8						
Civil Contingencies Act	August 2007	31 August 2007	Fieldwork Complete	Systematic/ Key Controls	7						
Improvement Planning and Performance Management	January 2008			Systematic/ Key Controls	10						
Best Value Performance Indicators	February 2007			Systematic/ Key Controls	15						
Contact Centre	October 2007	11 September 2007	Fieldwork Started	Systematic/ Key Controls	5						
Partnerships	November 2007			Systematic/ Key Controls	12						
Income & Debtors	October / November 2007			Systematic/ Key Controls	8						

Auditable Area	Date Planned	Date Started	Status	Audit approach	Days Planned	Assurance level given	Number of Recommendations Made						
							F	S	MA	In Total	Agreed		
General Ledger (including budget setting and monitoring)	October / November 2007			Systematic/ Key Controls	8								
Creditors	October/ November 2007			Systematic/ Key Controls	8								
Cash, Banking & Treasury Management	October/ November 2007			Systematic/ Key Controls	8								
Payroll (including Expenses & Pensions)	October/ November 2007			Systematic/ Key Controls	12								
Capital Expenditure	November 2007			Systematic/ Key Controls	10								
Procurement.	December 2007			Systematic/ Key Controls	8								
NNDR	January 2008			Systematic/ Key Controls	8								
Council Tax	January 2008			Systematic/ Key Controls	8								
Housing Benefits	February 2008			Systematic/ Key Controls	18								
Human Resources & Training	July 2007	11 July 2007	Fieldwork Complete	Systematic/ Key Controls	7								
Housing	October 2007			Systematic/ Key Controls	8								
Housing Maintenance	July 2007	3 July 2007	Fieldwork Complete	Systematic/ Key Controls	10								
Housing responsive repairs	August 2007			Systematic/ Key Controls	10								

Auditable Area	Date Planned	Date Started	Status	Audit approach	Days Planned	Assurance level given	Number of Recommendations Made						
							F	S	MA	In Total	Agreed		
Housing Rents	September 2007			Systematic/ Key Controls	10								
Contract Services	September 2007			Systematic/ Key Controls	8								
Section 106	October 2007			Systematic/ Key Controls	6								
ICT Review				Systematic	20								
ICT Review	July 2007	16 July 2007	Draft Report Issued	Healthcheck	Part of above								
Pro-active Fraud				Systematic	5								
Follow up				Follow Up	7								
Audit Management	-	-	-	-	20								
Contingency	-	-	-	-	8								
Other													

Recommendation Categorisation

Our findings and recommendations are categorised as follows:

Fundamental (F): action is imperative to ensure that the objectives for the area under review are met

Significant (S): requires action to avoid exposure to significant risks in achieving the objectives for the area under review.

Merits Attention (MA): action advised to enhance control or improve operational efficiency

Opinions

Risk Based Internal Audit Assignments

The definitions for the level of assurance that can be given are:

	Level	System Adequacy	Control Application
(positive opinions)	Substantial Assurance	Robust framework of controls ensures objectives are likely to be achieved.	Controls are applied continuously or with minor lapses.
	Adequate Assurance	Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger.	Controls are applied but with some lapses.
(negative opinion)	Limited Assurance	Risk of objectives not being achieved due to the absence of key internal controls.	Significant breakdown in the application of controls.

Follow Up Reviews

Our opinions reflect the progress made in implementing previous internal audit recommendations:

(positive opinions)	Good Progress
	Reasonable Progress
(negative opinion)	Little Progress

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO:	Corporate Governance Committee	26 September 2007
AUTHOR/S:	Chief Executive / Finance Project Officer	

STRATEGIC FINANCIAL DIAGNOSTIC**Purpose**

1. The purposes of this report are to summarise the findings of the independent strategic financial diagnostic review and to outline the Council's responses to its recommendations.

Background

2. The Audit Commission undertook a Corporate Governance Inspection (CGI) of South Cambridgeshire District Council in October 2006. The report was published on 8 February 2007 and made some key recommendations. The Council is working with its improvement partners on the integrated improvement plan, Inspire.
3. A short focused project around the finances of the Council was proposed to provide a picture of the Council's current financial situation and advice regarding medium term financial planning in relation to the Council's improvement path.
4. The specification for the project was that it should answer two key questions:
 - (a) What is the size of the medium term financial gap facing the Council ? and
 - (b) Is the Council planning effectively to bridge that gap ?
5. The Council sought competitive quotations from three consultants recommended by either the Department for Communities and Local Government (DCLG) or the Government Office for the East of England (GO East) and Neil Newton was appointed to carry out the review. The project has been funded by the DCLG.

Considerations

6. A copy of the independent consultant's report is attached as **Appendix A** and the main conclusions and recommendations are summarised in paragraphs 8 and 9 below. The report does not identify any issues that the Council were not already aware of; indeed, many of the report's observations, conclusions and recommendations were already being taken forward.
7. The report's main conclusions are:
 - (a) The latest version of the Medium Term Financial Strategy (MTFS, February 2007) shows that in three years' time there will be a shortfall of just below £1m p.a. between planned spending and expected resources. This is provisionally estimated to increase by around £600,000 p.a. after adjusting for additional funding necessary to resolve capacity issues and reflecting the discontinuation of the business process review exercise.
 - (b) The assumptions behind the figures are robust enough for planning purposes. Balances in the February 2007 MTFS are shown as £5m in five years' time, but are now estimated to reduce to £2m (still above normal levels, although not inordinately so). This is a provisional figure. The MTFS and the

underlying assumptions are currently being reviewed in detail and will be reported later this year.

- (c) As soon as the next MTFS is agreed, the Council should seek dialogue with the Government to try and agree the balance between council tax increases and use of reserves to support required spending. The balance thus agreed should be related to the Council's own and local circumstances, not just based on national capping criteria. As part of that dialogue, the Council must be seen to be putting its own house in order, by demonstrating tighter budgeting and a clear focus on the improvement plan.
8. The report's main recommendations for Council action are:
- (a) The authority must tighten up its budget setting and monitoring processes:
 - (i) accuracy of operational budgets;
 - (ii) savings proposals should have supporting implementation plans;
 - (iii) identify major budget variances earlier;
 - (iv) a rational and variable factor in estimates for staff vacancies;
 - (v) review the method of monitoring interest on balances.
 - (b) The authority should use its short term financial strength to resource the improvement plan to rectify the deficiencies referred to in the CGI report.
 - (c) The MTFS should concentrate on the next three years, with more detail on the growth pressures and the delivery of the improvement plan:
 - (i) growth elements in the MTFS should be detailed and linked with corporate and partnership priorities;
 - (ii) growth bids for essential services should be challenged, but not declined simply to meet a particular level of council tax or restriction on use of balances; rather, the resulting realistic budget should be the subject of continuing dialogue with the Government over the consequences of meeting the national policy of rapid growth in the area;
 - (iii) other budget savings should be justified in relation to the Council allocating a lower priority to the services to which the savings relate.
9. The principal actions the Council is taking to address the report's recommendations are:
- (a) Budgetary control in 2007/08 is identifying budget variances and monitoring staff vacancy levels and interest earned on balances. The next budget setting exercise will scrutinise operational budgets, savings proposals and bids to support growth or service development.
 - (b) The Council has approved up to £300,000 p.a. from 2007/08 for posts to strengthen its capacity to respond to the CGI recommendations, with the expenditure being financed initially by the use of reserves and reviewed as part of the next revision of the MTFS.
 - (c) The review of the MTFS (due to be approved at Cabinet on 18 October 2007) will incorporate the report's recommendations.
 - (d) The service planning process is being revised to link more closely with financial planning (including the MTFS) and service budgeting, as well as with the recently adopted corporate objectives and service priorities for 2008/09 onwards.
 - (e) Actions to improve some of the Use of Resources scores have been included in the Accountancy division's service plan for 2007/08.

Implications

10. Financial	The Council's MTFS underpins the achievement of its priorities and objectives and the delivery of its services. Implementing the independent consultant's recommendations will enable the Council to ensure that the MTFS is as accurate and robust as possible.
Legal	No specific implications.
Staffing	The Council needs sufficient staffing capacity to deliver both the improvement plan and existing and future service requirements. Implementing the independent consultant's recommendations will assist the Council to achieve this.
Risk Management	The Council's ability to deliver the MTFS was assessed as the highest strategic risk facing the Council in the most recent review of the strategic risk register in June 2007. Actions to mitigate this risk included implementing outcomes from the strategic financial diagnostic review and investigating possible sources of external funding. Implementing the independent consultant's recommendations outlined in paragraph 8 above will satisfy these mitigating actions.
Equal Opportunities	No specific implications.

Consultations

11. The independent consultant's report has been circulated informally to members of the Council's Cabinet, to inform them of its conclusions and recommendations.
12. The contents of the report and the question of further consideration by the Council will have been discussed with the Resources Portfolio Holder at her meeting on 23 August 2007 and I will be in a position to update the Improvement Board on the outcome at its meeting.
13. In implementing the report's recommendations, the Council will seek best practice advice and guidance from improvement partners, peer authorities and other organisations, as appropriate.

Effect on Annual Priorities and Corporate Objectives

14. Affordable Homes	The Council's financial position and financial planning affect all its annual priorities and corporate (and service) objectives. The Council's priorities and objectives will be achieved to the extent that the Council is able to fund existing and future service delivery.
Customer Service	
Northstowe and other growth areas	
Quality, Accessible Services	
Village Life	
Sustainability	
Partnership	

Conclusions/Summary

15. The independent consultant's report presents an accurate picture of the Council's current and future financial position and actions the Council should take to improve its financial planning. As stated earlier in the report, none of the consultant's observations, conclusions or recommendations were a surprise.

16. The Council intends to implement the consultant's recommendations in the next review of the MTFS and the next round of budget setting and monitoring, as set out in paragraph 9.

Recommendations

17. The Improvement Board is recommended to note the independent consultant's report and to join the Council in lobbying the Government for specific additional financial support and/or a relaxation in the application of the council tax capping criteria for the Council, so that the Council can adequately fund the implementation of its improvement plan, ongoing service delivery and pressures on services from the local development growth.

Background Papers: the following background papers were used in the preparation of this report:

- Strategic Financial Diagnostic report, July 2007

Contact Officer: John Garnham – Finance Project Officer
Telephone: (01954) 713101

Appendix A

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

STRATEGIC FINANCIAL DIAGNOSTIC

REPORT BY NEIL NEWTON JULY 2007

Background

1.1 The Audit Commission undertook a Corporate Governance Inspection of the Authority which was published in February of this year. Most of the recommendations related to wider governance issues rather than financial failures. Nevertheless such issues needed to be considered in the context of a rather chequered recent financial history which involved the Authority being capped in 2005/6. A short high level financial diagnostic was requested by the Council's partners in the improvement process to ensure the Improvement Plan had proper regard to financial resource parameters and that the financial position of the Authority was being correctly portrayed.

1.2 I have been asked to undertake this work and my bona fides are outlined in appendix 1, suffice to say in summary that I have been a Finance Director in every type of local authority during a career spanning thirty five years in the public sector. I have combined the roles of Chief Executive and Finance Director in a large authority for nearly ten years, and since my semi retirement in 2000 I have been heavily involved in the Government's modernisation and improvement programme. This has seen me lead the improvement planning process on behalf of the Government in three poor or weak authorities and I have carried out related financial diagnostics in nine authorities.

1.3 The key questions to be covered by the diagnostic are the challenging of the forecast medium term financial gap between available resources and the Authority's projected spending obligations and aspirations, and the efficacy of the planning processes in place to deal with the gap. In arriving at conclusions it is expected that a number of subsidiary issues will be commented on relating to the overall financial processes within the Council.

1.4 In the five days I have available, which includes report writing and formally reporting my findings, the ability to undertake detailed delving to provide my own empirical evidence is obviously limited. I have relied where I consider it appropriate, on the work of others, especially the Audit Commission, and the statements of the people I have met with. Despite these caveats, given my previous experience and knowledge I am confident in my assertions and broad conclusions.

High Level Summary Of The Financial Position Of The Authority

2.1 It is unique in my experience to be called to an authority with such underlying financial strength as is the case here. There is no imminent financial crisis, revenue

and capital reserves are currently very high in relation to annual spending programmes. The Authority have the resources to manage the balancing of annual income and expenditure on both the general revenue account and the housing revenue account, as well as the capital programme, over a time frame which is much longer than is the norm with authorities which have been subjected to a CGI. General revenue balances of c.£6.5m in the context of a net revenue budget of c.£13M are very high when compared with the norm, which is generally 5% of net expenditure. It is not planned to run down these balances in the immediate future, indeed they are expected to be slightly added to in this financial year and the next, but officers have correctly identified that running them down to £1.5m. should be the long term target. Similarly the HRA which is currently showing a small excess of income over expenditure in annual terms, has a general balances position of nearly £3m. On capital account the annual programme is expected to be around £12.5m. for the next few years with net in year resources substantially less. The gap is bridged by the use of capital receipts brought forward, but this will mean that such receipts will be used up by 2010. Thus the annual capital spending imbalance is more of an urgent problem, but again current resources ensure there is enough time to plan effectively. As this is largely a housing problem I return to the issue in the relevant section below.

2.2 I do not wish to imply that the Authority can thus defer difficult decisions or go on a spending spree. The capping crisis has rightly been identified in the CGI report as in part the result of past political prevarication and the ignoring of officer advice regarding necessary tax increases in previous years. The underlying financial strength is now being used to enable the Authority to blitz the capacity issues referred to in the CGI report as the Council has approved an additional £300,000 per annum for this purpose. This will accelerate the modernisation agenda by inputting extra resources, much of them on a short term basis. More importantly the Authority has to plan to meet the challenge of providing for the very rapid expansion of the population of the District which has to be financed in part before the resources accompanying that expansion follow on. I am told by the Chief Executive and Chief Financial Officer that although the current cabinet are aware of their current financial strength, they are also aware that it would be reckless of them to repeat the errors of the recent past in not planning to balance income and expenditure without undue recourse to finite reserves.

Strength Of The Finance Function

3.1 I have relied mainly on external validation to reach the conclusion that the function is adequate. The Authority is fortunate in that, although few in number, the technical accountancy staff have largely been in post for many years. Audit opinions have never been qualified, accounts are produced in accordance with statutory deadlines, supporting working papers are described as good, financial reporting is timely and relatively easy to absorb by a lay audience, if somewhat deficient in realism on occasions. The Use of Resources score, an important part of the Corporate Performance Assessment, is judged to be adequate, and with more attention to some of the more modern expectations of the finance function could quite easily move up a grade in my view.

3.2 The financial systems used by the Authority are stable and obviously fit for purpose in the light of the above. The main platform, OpenAccounts, is not widely used in the local authority sector which may present medium term risks to continuation of technical support and familiarity problems of newly recruited staff. For the foreseeable future, however, there are no urgent problems to address and data quality is assessed as adequate by external inspection.

Council Tax and Grant Subvention

4.1 Until the turn of the century the Authority had a long history of not levying a local council tax. External support, mainly Government grant, had been more than sufficient to fund the level of service provision the Council chose to provide. Not only was there no need to levy a local tax to fund local activity, in 2000/1 the general revenue reserves had accumulated to almost £12m., a year's expenditure. The tax levy is still a long way below the district council average, despite the rapid growth in population and the pressures that brings.

4.2 The fact that the Authority was forced to levy a tax post 2000 is not the consequence of a rapid rise in the provision of local discretionary services, rather it is the consequence of increases in general grant not keeping pace with the increasing expenditure base of the Authority. There are a number of both general and specific reasons for this in my view. There has been a deliberate shift of the total tax burden from the national to the local tax payer. The average national council tax increase is way above the inflation index for the last few years. In addition there has been a tendency in recent years to shift incremental Government subvention to support specific national priorities which are not applicable to S Cambs, for example education and the regeneration agenda. Although general grant is in the end distributed on a population basis, the infrastructure to provide for that population in terms of planning etc., has to be provided before the population arrives. In addition, the current practice of using projected population figures is not sufficient for fast growing areas as the projection is based on lower historic rates of growth S Cambs also loses grant, £167,000 in 2007/08, due to floor damping whereby S Cambs and other growth authorities have their grant entitlements reduced and transferred to other district councils to ensure that all districts receive at least a 2.7% increase in grant..

4.3 More importantly there are technical issues in the general grant system which affect S Cambs adversely. Although grant is eventually distributed on a per capita basis, the sum to be distributed is calculated by determining the relative needs of an authority, which is in turn population skewed by a large number of needs characteristics, poverty, ethnicity, demographic profiles, etc. From this needs calculation is deducted a figure which represents the amount a local authority is deemed to collect locally. This calculation is not totally locally based, but rests on assumptions of a national average council tax applied to the local tax base. Because S Cambs has a low council tax, the amount assumed to be collected locally is much more than is actually the case. The deduction from the local needs calculation is thus far higher than the actual council tax income it is meant to represent This problem was alluded to in both the Lyons Inquiry on Local Government Finance, and the Barker report on housing supply. They both outlined an option using a lagged tax base to support fast growing communities. An authority displaying such characteristics would

receive grant in accordance with an older smaller tax base, thus resulting in more generous funding for fast growing communities.

4.4 I am told that all the above points were referred to in some form in the Chief Executive and Chief Financial Officer's response to the consultation on the provisional 2007/08 settlement.

4.5 If for all the reasons outlined above grant increases have not kept pace with the underlying expenditure base of the Authority, then council tax and local expenditure must take the strain. S Cambs have not managed this process well in my view. For the first three years of the century council tax was levied at £50, and for the next three years held constant at £70. There was little correlation between tax levels and the underlying expenditure of the Authority, despite officers recommending that taxes be increased at a gradual rate to enable a planned strategy of balances depletion over a period of years with a gradual aligning of income and expenditure levels. Annual elections, hung councils and large reserves do not make good bedfellows when it comes to rational financial decision making. When the Authority attempted to address the problems of the expansion of the Authority and the lack of grant to keep pace, in 2005/6, by doubling the tax levy from £70 to £140, they fell foul of the capping legislation. This led to a short term hiatus when the Authority had to reduce the original 2005/6 budget by £2.6m, a very significant figure when the net budget is only £c.13m. Thus S Cambs. are hit with a double whammy, grant income is not keeping pace with their base expenditure and they cannot increase their tax levels because of the capping rules, despite being one of the lowest taxing authorities in the country. The only variable left is the net expenditure of the Authority, which despite my observations relating to perennial underspendings below, cannot be reduced further to any significant extent.

4.6 The Authority has deliberately been a low spend low tax authority for years, there is very little left to go at, especially after the budgets have been squeezed for the last two years. Balances can take the strain for the foreseeable future, but the Authority desperately want to manage the process more rationally than was the case in the years up to 2005/6.

4.7 In September 2006, soon after his appointment, the Chief Executive and Chief Financial Officer identified the need to address the most critical staffing shortages caused by the rapid expansion of the Authority, in his State of the Nation report. Further spending pressures over the next five years were identified, quantified and assessed with regard to progressing the Council's objectives. These included additional refuse rounds, planning staff, services for new communities, etc.. As mentioned above, the only variable is net expenditure so S Cambs in November 2006 had to approve further ongoing budget reductions of over £1.1 million per annum starting in 2007/08 in order to balance its Medium Term Financial Strategy.

4.8 After making total reductions of £3.7 million in the last two financial years, being 25% of the net budget, I reiterate, net expenditure cannot be expected to reduce further to any significant extent.

4.9 There is some recompense available to S Cambs to offset the costs of rapid growth, in that Cambridgeshire Horizons, a nationally funded organisation, can and

do fund expenditure related to the growth areas, but the sums are not large. The normal section 106 agreements also obviously apply, but such agreements tend to fund one of capital projects rather than ongoing revenue expenditure. It is also something of a paradox that arguably the fastest growing area of the country does not benefit from the Local Authority Business Growth Incentive scheme when some 300 authorities nationally do receive assistance via the scheme.

General Revenue Fund

5.1 The historical combination of low expenditure levels and very high revenue reserves gave rise to a very relaxed attitude when it came to budgetary preparation and tax setting. I justify that comment by reference to the table below

Net District Council General Fund Expenditure £m.

	Original budget	In year forecast (Sept)	Revised (Feb)	Eventual outturn	Underspend on original budget
2007/8	12.8				
2006/7	13.9	14.1	12.7	12.2	1.7
2005/6	14.6	capping	12.6	12.0	0.6 on capped bud.
2004/5	13.8	N/A	13.5	12.2	1.6

5.2 I am told that the perennial underspendings shown above have long been a feature of the authority. I looked at the report going to cabinet on 09/07/2007, which inter alia lists the variances for the financial year 2006/7 when comparing outturn to original budget. There were fifteen items of sufficient moment to warrant comment, every single one was an underspend. There was not one budget overspent, or overspent enough to trigger comment. In authorities which receive the top Use of Resources scores, underspends are treated as just as heinous a crime as overspends, for the obvious reason that ostensibly scarce resources have not been spent on the priorities they were intended to address and/or other opportunity impacts have been lost. What is even more striking is that in 2006/7 when the substantial budget reductions to get down to capping levels had their full year effect, the budget underspent by a massive £1.7m. Approximately £ 700.000 of the underspend was due to an underestimate of interest on internal balances, which is notoriously volatile in local authority budgets, but even with this figure out of the equation, the underspend on supposedly cut to the bone budgets does not reflect well on those charged with compiling the original budgets. An audit of the submissions the Authority made to the Government at the time of capping would I suspect make embarrassing reading. More importantly such underspends severely dent the protestations of Chief Officers that services are under massive pressure. There is no doubt that short term performance has declined, but I do not believe that financial reasons should have been the main

cause if closer budgeting had been in place. The growth budgets suggested by the relevant Chief Officers were cut substantially, but they did have room elsewhere in their base budgets to accommodate some growth. Given the continuing growth pressures and the capping of tax increases I do not believe the Authority has this slack built into future budgets.

5.3 I am told the Authority have made two significant changes in the very recent past to attempt to ameliorate the problem. Virement rules which enable Chief Officers and/or Portfolio Holders to switch money between budgets to cope with short term pressures in one area at the expense of other areas not under pressure, have been relaxed to give greater freedom of movement. This is meaningless of course when all major budget heads are underspending. Secondly the central precautionary budget allocation has been introduced to stop budget holders including in their budgets money to cover items which might or might not occur. Again the size of the underspends dwarfs the size of the precautionary budget, so the initiative has had limited effect.

5.4 The long history of budget underspends means habits are ingrained within the Authority. Officers have long been in the habit of being ultra cautious, the recent virement changes will help over time, but old habits die hard. I have looked for a pattern of budgets which are significantly underspent, but there is no consistency other than all budgets have been generously arrived at compared to actual spending patterns. The budget is of course dominated by expenditure on staff, approximately 75% at net expenditure level, and the practice of assuming all staff will be in post all year is obviously unrealistic and thus overgenerous in budgetary terms. This was especially the case when in the recent past the Authority had a retention and recruitment problem. For the first time in the current years budget a flat 2% vacancy rate has been assumed across all staffing budgets, which will address in whole or in part this area of perennial underspending. It is not possible for me to say with any accuracy what the effect will be, because I have not had the time or resource to back test the 2% rate, nor was it based on a detailed analysis by your officers, but the impact should be monitored closely. A flat rate across all areas can and should be more refined in future years, not only in the light of experience and more challenge by accountancy staff, but also to tease out those areas where short term vacancies have of necessity to be filled by agency staff, for example I would guess in the revenues and benefits area. I make recommendations for some sharpening of preparation and monitoring practises.

5.5 I mentioned above that a very large area of underspend last year was due to the inaccuracy of the estimate for interest on internal balances. It is a fact that this is a very difficult area to get completely right in most authorities because it usually is heavily dependent on cash flows. All local authorities are usually cash flow positive, grants and council tax are paid on time at fixed intervals, outflows for creditors and usually the capital programme are subject to drag, but the rate of cash flow is difficult to estimate accurately. In S Cambs., however, the figure is very high and more subject to cash brought forward than in year cash flows, simply because the Authority has very high balances and very high capital receipts on which interest is being earned. An income figure of £2m on a net budget of £13m is obviously important and as a volatile variable needs to be closely monitored. In the short term I believe the figure is understated in the current year's budget as the recent rise in interest rates was not

forecast. In the medium and long term as the balances are run down and the capital receipts spent the interest income figure will fall commensurately, a major factor in the long term funding gap as the MTFS correctly identifies. The gradual loss of this income which is currently funding some 15% of the net budget will need to be offset by lower growth or increased taxes.

Housing Revenue Account

6.1 The underspending characteristics which apply above to the general fund, are similarly portrayed in the housing revenue account, although to a slightly lesser extent.

Housing Revenue Account (Surplus)/Deficit 000k.

	Original	In Year	Revised	Actual	Underspend on original budget
2007/8	(273)				
2006/7	404	438	(425)	(885)	(1289)
2005/6	619	n/a	652	156	(463)
2004/5	1739	n/a	1336	900	(839)

6.2 The variables in the HRA are not so staffing dominated, but there are a few major items on which both budget preparation and monitoring should be tightened up.

Capital Account

7.1 The Authority has few capital assets, aside from housing, other than the office building and a country park. The Asset Management Plan and capital appraisal processes are well documented and accord with good practice. If the Housing processes are compliant with audit guidelines, and from a relatively cursory inspection I believe this to be largely the case, following the recommendations in the background papers to the Use of Resources report should help to move the Authority up the curve.

7.2 The capital programme agreed in February sets out very clearly that the current level of capital spend of £c.12m. is not sustainable beyond 2009/10 when the existing pool of capital receipts is exhausted. Annual spend is currently about £4m. p.a. more than in year receipts. Thus the problem on capital account of income/expenditure imbalance is much more urgent than that on revenue account. As the issue is largely a housing matter and the Authority is considering its options as to future ownership, I do not need to go further. Suffice to observe that under the current rules of the game, which show no signs of being reviewed, the three year capital programme starkly portrays that on purely financial grounds the choice is obvious. With stock in reasonably good condition, repair response times reasonably good and overall tenants

satisfaction ratios reasonably good that financial message will be offset by some powerful factors.

Medium Term Financial Strategy

8.1 The Authority have published a medium term financial strategy for at least the last ten years. It is robust in its overall assumptions, but suffers from spurious accuracy in the longer term and insufficient detail and linkages with other planning activity in the short term. The year on year changes have also been more dramatic than they ought to be because of the perennial underspending problem.

8.2 One of the criticisms of the Audit Commission and a factor which is an important drag on the Authority bettering their Use of Resources score, is the inability of the MTFS to demonstrate how resource movements reflect the pursuit of the objectives of the Authority and their strategic partners. As the Authority is currently in a state of flux with regard to both its corporate objectives and the Community Strategy, the ability to improve the MTFS in this regard is somewhat limited until the required planning framework is in place, which in turn is an important part of the Improvement Plan. I reiterate that the Authority has the requisite short term financial strength to blitz this problem and that the Chief Executive and Chief Financial Officer has been given the resources to rectify matters within the agreed timescale. It follows that resource issues are not then a reason for any failure. Sometimes the necessary links to priorities are in place, but not overtly demonstrated. For example if the cuts process in 2005 had been detailed in the MTFS then the four levels of reductions agreed to preserve front line services as far as possible would have demonstrated that the Authority had a rationale based on conscious prioritisation. This may seem cosmetic but it is important to be seen to be following good practice as recognised in the Use of Resources methodology.

8.3 At the next consideration of the MTFS, which will take place in the Autumn, there should be more detail of the spending pressures and the growth agenda to explain where the extra cash is going and what objectives, such as there are in place, are being responded to. This detail should cover the current and the next two or three financial years. This greater detail should also tease out which resources to meet the delivery of The Improvement Plan are time limited and which are ongoing. The longer term imbalances and the continuing reliance on the large general reserves position should still feature, but in their current highly summarised format. It is not unusual for local authorities to plan in detail for longer than three years, beyond that the exercise becomes somewhat conjectural. In national terms the Comprehensive Spending Review which governs the grant regime for local authorities is a three year process. In local terms the outcome of the housing appraisal for example could have a massive impact on the Authority, it is by far the biggest service, accounts for nearly all the capital programme and approximately a third of the staff. It is true that the Community Strategy will almost certainly contain a visionary element stretching out to say twenty years, but the good ones also contain much shorter operational plans and targets over a three year time frame.

8.4 There are four major components to the MTFS as published and I have no quarrel with any of the major assumptions built in

1. The existing base budgets are rolled forward and inflated by 2.5% p.a. As the Authority is already one of the lowest spenders in the country, I agree it would be unrealistic to build in further savings.
2. The new growth consequences for general district council services such as additional refuse collection rounds are built in. I reiterate that there should be more detail included here. Once the basic strategies and plans are in place, the ongoing processes should be manageable by Chief Officers as part of their mainstream activity, the secondments and short term measures should disappear, but the additional £300,000 is ultimately for permanent staff and, therefore, will be on-going. The sooner the Improvement Plan is implemented the better; the public perception of the Authority, and perhaps more crucially staff morale, depends on external validation. There will inevitably be some continuing corporate capacity costs, the Authority is rapidly becoming a sizeable entity and must be governed accordingly. I have no doubt the history of frugality will keep such expansion to a minimum.
3. Council tax increases have been assumed at 4.9% p.a., to accord with current capping limits. Again I have no better assumption, but this area might have to give depending on the outcome of the discussions I refer to in the conclusion.
4. Government grant has been inflated at the same rate as base expenditure, but the growth in the tax base has been discounted by 50% to reflect the problem highlighted in para. 4.3 above. The council tax take at local levels will not match the assumption in the resources block deduction from the needs assessment block before grant is distributed. I have no idea whether the 50% reduction is a realistic proxy for this phenomena, but I support the logic and the local tax rate is not far from being 50% of the national average district council tax

8.5 The Chief Executive and Chief Financial Officer has already recognised that, when the MTFS is updated, it will need to incorporate the additional expenditure of £300,000 per annum and to exclude the savings from the Business Process Review if Council agree not to continue with this project. The specific costs relating to the new town of Northstowe, such as community facilities and landscaping, I am told have been estimated by Ernst and Young to start in 2008/09 and by 2015/16 to reach over £2 million (at constant prices and excluding lifecycle replacement and funding costs). The parish precept for Northstowe is by 2015/16 estimated to raise £0.5 million if levied at the same rate as Cambourne. The balance of expenditure not met by the parish precept may need to be included in the next MTFS update. The increase in the number of dwellings in Northstowe is already included in the forward projection of the tax base.

Recommendations For Local Action

- The authority must tighten up the budget setting and monitoring processes. The financial staff should challenge the budgets of their operational colleagues, based on their long experience. Part of the annual appraisal of corporate managers and cost centre managers should be related to the degree of accuracy of the budgets they are associated with. Members should not accept major savings proposals in future budgets without detailed

- implementation plans. The business process review savings for example should have only been included after they had been identified and not before.
- The profiling and monthly monitoring of major budgets by the Management Team and the relevant portfolio holder should be revisited to assess why the major budget variances are not being picked up earlier. This is especially true of the staffing budgets and the major budgets in the housing revenue account.
 - The flat rate 2% vacancy rate should be revisited in next year's budgets in the light of experience, and a more rational and variable vacancy factor applied.
 - The current method of monitoring the interest on internal balances should be re visited.
 - The recommendations in the background papers to the Use Of Resources score should be allocated to finance staff. An improvement in some of the scores is already included in the Accountancy service plan and, where appropriate, will cascade down into their appraisals.
 - The resources applied to the Improvement Plan to rectify the deficiencies referred to in the CGI report, should in my view err on the side of generosity. The Authority undoubtedly has the short term financial strength to do so. The delivery of this plan is arguably the most important task of the Chief Executive and Chief Financial Officer over the remainder of his contract, and resource levels should not be an issue.
 - Growth bids for essential services should be stringently challenged, but not in my view denied simply because a pre set net budget level has to be met for tax capping reasons and/ or balances subvention restrictions. If the Authority have now squeezed out their previously padded budgets then the continuing dialogue with the Government over the consequences of meeting the national policy of rapid growth in the area should be conducted on the basis of realistic budgets.
 - The Medium Term Financial Strategy should concentrate on the next three years with more detail on the growth pressures and the delivery of the Improvement Plan. It is important to highlight the longer term summary and the fact that revenue balances are being run down to normal levels, but this does not happen until the middle of the next decade in the current MTFS. Much can happen in the interim.
 - The growth elements in the MTFS should be detailed and linked with such corporate and partnership priorities as are available.
 - Any further savings in budgets, however limited, should be justified in relation to the lack of priority

Conclusions

It is widely accepted that the Authority faces unprecedented financial growth pressures over the next decade. The specific extra resources provided by Government relating to these pressures do not have a significant impact. The growth in the local tax base which obviously increases as the new residents arrive, has to be discounted in medium term financial planning, because the local tax level is well below the assumed national average which governs in the general grant distribution the amount that is taken from the needs element to account for the assumed local tax take.

Local expenditure cannot be reduced further to any significant extent. The Authority has long been a low spending authority, with per capita expenditure well below the district council average. Local discretionary service provision is not high. After several years of unnecessary padding, current budgets I believe are relatively accurate in overall terms, with the cuts necessitated by capping now resulting in more realism.

If specific resources to meet the growth pressures are not forthcoming and expenditure cannot be reduced, then in the absence of the threat of capping it would have been inevitable that the local tax will inexorably rise towards the district council average. However, S Cambs is a collection of 102 villages and raising taxes across the Authority to fund services in the new growth areas not widely available across the Authority, will undoubtedly cause tensions which more specific resources could ease.

Balances are very high and can take the strain for several years, but the Authority are desperate not to repeat the errors of the recent past in relying too heavily on balances subvention and not increasing tax levels in line with underlying expenditure growth.

As soon as the next MTFS is agreed the Authority should seek dialogue with the Government to try and reach agreement as to the balance between tax increase and balances support which is related to local circumstances not the relatively blunt national capping criteria. As part of that dialogue the Authority must be seen to be putting its own house in order, by demonstrating tighter budgeting and a clear focus on The Improvement Plan.

The initial key question was what is the size of the financial gap facing the Authority and are they planning to bridge that gap effectively. The latest version of the MTFS (February 2007) shows that in three years time the gap between planned spending and expected resources will be just below £1m. p.a. This gap is provisionally estimated by the Chief Executive and Chief Financial Officer to increase by around £0.6 million at outturn prices when the General Fund element of the additional £300,000 per annum is included and if the Business Process Review is discontinued, partly offset in the immediate future by increased interest on internal balances.

The assumptions behind those figures are robust enough for planning purposes, and if anything err on the side of underestimating the growth pressures, especially for Northstowe, in my subjective view. Balances in the February forecasts are shown as £5m in five years time, but can be expected to reduce below this level when the MTFS is reviewed this Autumn. The Chief Executive and Chief Financial Officer provisionally estimates they will reduce to £2m in that time frame still above normal levels although not inordinately so.

I support the Authority in their wish to take a very measured programme of balances depletion in the interests of longer term stability, and the effective case they make for greater assistance to manage the tensions which rapid population growth in the national interests, create within the existing rural population.

South Cambridgeshire District Council
Annual Report to those Charged with Governance

Last updated 14 September 2007

Draft

Our Ref JCG/JC/aj

The Corporate Governance
Committee
South Cambridgeshire District
Council
South Cambridgeshire Hall
Cambourne Business Park
Cambourne
Cambridge CB23 6EA

14 September 2007

Dear Sirs

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL - ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE

This Annual Report to those Charged with Governance has been prepared in order to record the key matters arising from our audit. We have discussed our report with Greg Harlock, Chief Executive and Adrian Burns, Chief Accountant who confirm its factual accuracy, although the views expressed are those of Grant Thornton. The purpose of the document is further detailed in Section 1.

We would like to take this opportunity to thank the Chief Executive and other staff and directors for the co-operation and assistance afforded to us during the course of our audit.

Yours faithfully

Grant Thornton UK LLP

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1 Executive Summary

1.1 Background and purpose of the report

South Cambridgeshire District Council (the Council) is responsible for the preparation of accounts which record its financial position as at 31 March 2007 and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Council's accounts 'present fairly' the financial position of the Council. Our detailed findings are set out in section two.

Under the Audit Commission's Code of Audit Practice we are also required to reach a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (VFM conclusion). The pieces of work that have informed our VFM conclusion, and our detailed findings, are set out in section three.

The Audit Commission's Statement of Responsibilities, which sets out the respective responsibilities of the Council and the auditor in relation to the accounts and arrangements for securing economy, efficiency and effectiveness in the use of resources, have been reproduced in full in Appendices A and B and reflect the scope of our audit.

This report summarises the principal matters arising from our audit. The issues raised have been discussed with the Chief Executive and his team and other officers as appropriate. International Standards on Auditing (UK & Ireland) require us, as the Council's external auditors, to report to those charged with governance certain matters before giving an opinion on the accounts and the Code of Audit Practice requires us to report key matters relating to our VFM conclusion. For the Council, this function will be carried out by the Corporate Governance Committee at its meeting on 26 September 2007.

1.2 The accounts opinion – current status and key issues

We have performed our audit of the 2006/07 accounts in accordance with the Audit Commission’s Code of Audit Practice and applicable auditing standards. Our approach follows that set out in the Audit and Inspection Plan 2006/07, agreed with the Council.

We have still to complete our audit finalisation procedures which include:

- finalisation of the workings for the income and expenditure account and Statement of Movement of General Fund balance
- review of the revised notes to the cash flow statement
- review of the audit work of the auditors of the Cambridgeshire County Council Pension Fund
- review of the final version of the statement of accounts
- updating our Post Balance Sheet Events review to the date of signing the accounts.

Subject to satisfactory resolution of the above issues, we expect to issue an **unqualified opinion on the Council’s accounts** by the 30 September deadline.

We would like to note that this was a difficult year for all councils in preparing accounts, due to the nature of the changes to the accounts required by the 2006 Local Government Statement of Recommended Practice (“SoRP”). We are pleased to note that officers have worked well with us to resolve these issues, which led to a smooth audit of the accounts.

There are a small number of recommendations arising from our audit, which can be found in the Action Plan at Appendix C. The key issues to report to those charged with governance are set out below.

Accounts adjustments

There was one adjustment arising from our audit that has been adjusted by management. A misclassification has been identified between the National non-domestic ratepayers debtors and creditors of £668,000. We note that this adjustment does not impact on General Fund balances. Details are included in Appendix D.

Further adjustments have been made to the income and expenditure account and Statement of General Fund balance which are yet to be finalised. We will confirm these adjustments once finalised. We note that these adjustments do not impact on General Fund balances.

Other presentational and disclosure adjustments have been proposed to improve the presentation of the accounts, however these are trifling adjustments, that in our view, do not warrant separate mention in the report as they do not impact on the reported financial position.

There was one further adjustment arising from our audit that impacted on the income and expenditure account. An estimate has been made in the notional rent element of the negative housing subsidy payment to the Department of Communities and Local Government (“CLG”), which proved to be inaccurate. The value of this estimate was £34,000. We note that this adjustment does

not impact on General Fund balances, but would reduce the Housing Revenue Account balance. Details are included in Appendix E.

Management has not agreed to process the accounts adjustment described above as it is not material to the fair presentation of the Statement of Accounts, and we would ask the Committee if they agree, or not with management on this matter.

Control issues identified

We identified two control issues that we reported to the Corporate Governance Committee in June 2007. These were noted as computerised controls over allocation of council tax income to the correct account code were not working effectively and that improvements have been made in budget monitoring processes, but further actions needed to align budgets to priorities.

We note that the Council under spent against the revised General Fund budget by £555,000 in 2006/07. Included within this under spend are a number of positive and negative variances against the budget, the most significant of these were refuse and recycling (£101,000 favourable), depreciation charges (£126,000 favourable) and deferred charges (£202,000 adverse).

The Council under spent against the original Housing Revenue Account balance by £1,290,000. Included within this under spend are a number of positive and negative variances against the budget, the most significant of these were through sheltered housing (£394,000 favourable), transfer to national pool (£301,000 favourable), unused provision for unanticipated expenditure

(£180,000 favourable) and a gross rent income (£138,000 favourable).

We acknowledge that under spends against the budget are generally better than over spends against the budget. Good practice is that there should be neither over nor under spending, as the Council needs to ensure that expenditure is sufficient to ensure that its objectives are met.

Overall, there are no other significant concerns over the controls in place at the Council that we wish to draw to the attention of the Committee.

assurance we will write to the Council confirming 2006/07 KLoE scores, in November 2007.

1.3 The VFM conclusion – current status and key issues

We have substantially completed our work on the Council's arrangements for achieving economy, efficiency and effectiveness in its use of resources.

At the date of writing this report, the only matter still outstanding relating to the Use of Resources conclusion is completion of a review to update our 2006/07 use of resources work for significant events up to the date of signing our conclusion.

Subject to satisfactory completion of the above work, we expect to issue an **unqualified VFM conclusion** by the 30 September deadline.

There are no significant issues we wish to draw to Members' attention. We did, however, make a number of recommendations in our March 2007 Use of Resources report. These recommendations have been followed up in part as part of our use of resources key lines of enquiry assessment (KLoE) for 2006/07. This work, which is nearing completion, confirms that arrangements, in each of the areas assessed remain at least adequate. Key messages can be found in Section three. Following national submission of scores and Audit Commission quality

1.4 Use of this report

This report has been prepared solely for use by the Council to discharge our responsibilities under the Audit Commission Code of Audit Practice and relevant auditing standards. This report should not be used for any other purpose or copied to third parties without our written consent. No responsibility is assumed by us to any other person. This report should be read in conjunction with the Council's draft letter of representation, which is appended to this report.

This report includes only those matters that have come to our attention as a result of performance of the audit. An audit of the accounts and use of resources is not designed to identify all matters that may be relevant to those charged with governance. Accordingly the audit does not ordinarily identify all such matters.

We would like to take this opportunity to remind the Corporate Governance Committee of the need to monitor implementation of the recommendations arising out of this report (see Appendix C) and other reports issued during the year (see Appendix F).

1.5 Independence

We are able to confirm our independence and objectivity as auditors and note the following:

- we are independently appointed by the Audit Commission
- the firm has been assessed by the Audit Commission as complying with its required quality standards
- the appointed auditor and client service manager are subject to rotation periodically
- we comply with the Auditing Practices Board's Ethical Standards. We have not undertaken any non-audit work for the Council (Appendix G).

1.6 Acknowledgments

We would like to record our appreciation for the co-operation and assistance provided to us by the Council's management, officers and members during the course of our audit.

2 Accounts Opinion

2.1 Introduction

We summarise in this section matters arising from our audit of the Council's 2006/07 accounts which we are required, under auditing standards, to report to those charged with governance.

2.2 Approach to the Audit

Our approach to the audit was set out in our 2006/07 audit plan. We have planned our audit in accordance with auditing standards and the Audit Commission's Code of Audit Practice. Other key factors to highlight include:

- we consider the materiality of items in the accounts both in determining the audit approach and in determining the impact of any errors
- we have been able to place appropriate reliance on the key accounting systems operating at the Council for final accounts audit purposes. We do, however, draw the Corporate Governance Committee's attention to control weaknesses identified in the Statement on Internal Control, prepared by management. We provide details in Appendix C of recommended improvements to systems arising from our accounts audit
- in 2006/07, we have been able to place reliance on the work of internal audit in respect of key accounting systems

- no significant changes have been made to our audit approach in the year.

2.3 Key audit findings

We summarise our key audit findings below:

Accounting policies and practices

We consider that the Council has adopted appropriate accounting policies in the areas covered by our testing. Accounting policies adopted are in accordance with the 2006 Local Authority Statement of Recommended Practice (SoRP).

We are satisfied that the relevant financial information disclosed in the Explanatory Foreword is consistent with the accounts.

Material risks and exposures

The Council has confirmed in its draft letter of representation that it has no material risks and exposures, to date, which should be reflected in the accounts.

Our audit procedures have not identified any significant risks and exposures to the Council, to date, which should be reflected in the accounts.

This review will be updated on the date the Council signs the final letter of representation and we sign our audit opinion.

Audit adjustments

There was one adjustment arising from our audit that has been adjusted by management. A misclassification has been identified between the National non-domestic ratepayers debtors and creditors of £668,000. We note that this adjustment does not impact on General Fund balances. Details are included in Appendix D.

Further adjustments have been made to the income and expenditure account and Statement of General Fund balance which are yet to be finalised. We will confirm these adjustments once finalised. We note that these adjustments do not impact on General Fund balances.

Other presentational and disclosure adjustments have been proposed to improve the presentation of the accounts, however these are trifling adjustments, that in our view, do not warrant separate mention in the report as they do not impact on the reported financial position.

There was one further adjustment arising from our audit that impacted on the income and expenditure account. An estimate has been made in the notional rent element of the negative housing subsidy payment to the CLG, which proved to be inaccurate. The value of this estimate was £34,000. We note that this adjustment does not impact on General Fund balances, but would reduce the Housing Revenue Account balance.

We also recommended a number of presentational adjustments, being mainly to improve clarity of disclosure in the accounts.

Unadjusted error

Management did not agree to the proposed adjustment in respect of the housing subsidy payable. The unadjusted item does not have a significant effect on the accounts, and we are satisfied with management's decision not to adjust.

Details of the unadjusted error are set out in Appendix E.

The Corporate Governance Committee should confirm that it is prepared to accept the unadjusted error.

Other matters

The overall quality of the Council's working papers to support the 2006/07 accounts was good. One key area for improvement would be to provide evidence of movements in balances between the current year and prior year, as well as current year and budget.

We were presented with draft accounts on 25 June 2007. The Corporate Governance Committee approved these draft accounts on 29 June 2007.

The appointed day for electors to ask the auditor questions on the accounts this year was 20 August 2007. We received no questions or objections from the public in relation to the accounts.

Having considered the Council's medium term financial strategy and 2007/08 budgets it is appropriate for the Council to account on a going concern basis. We would however urge continued vigilance in arrangements for budgetary control, delivery of efficiency savings and maintenance of adequate levels of reserves as a cushion against future unanticipated events.

We have not identified any further matters, that we have not already reported, that require the attention of the Corporate Governance Committee.

We have discussed these and other matters arising with the Chief Executive and his team and have reflected their responses to the matters raised in the Action Plan attached at Appendix C.

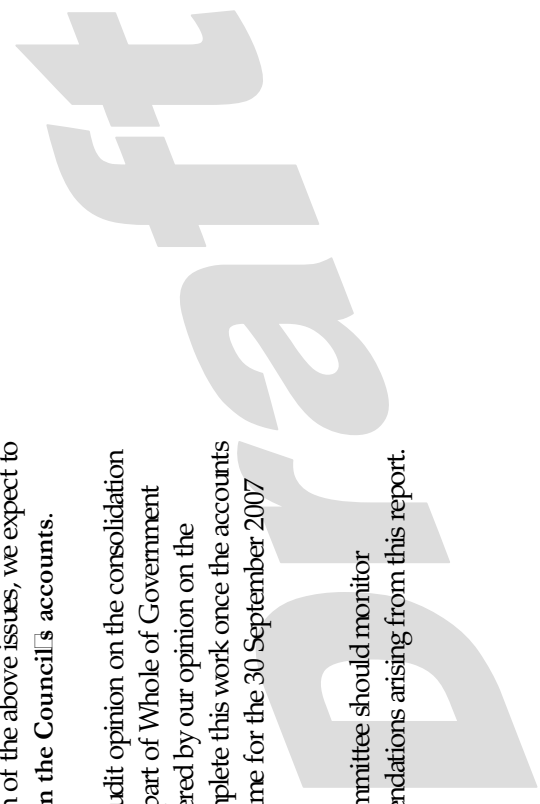
Next Steps

We will continue to work with the Council to ensure that outstanding finalisation issues are completed in time for the accounts opinion to be formally signed in accordance with the statutory deadline of 30 September 2007.

Subject to satisfactory resolution of the above issues, we expect to issue an **unqualified opinion on the Council's accounts**.

We are required to provide an audit opinion on the consolidation pack that is to be completed as part of Whole of Government Accounts. This work is not covered by our opinion on the Council's accounts. We will complete this work once the accounts audit has been finalised and in time for the 30 September 2007 deadline.

The Corporate Governance Committee should monitor implementation of the recommendations arising from this report.



3 VFM Conclusion

3.1 Background

The Code of Audit Practice requires us to reach a conclusion on whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in the use of its resources (‘VFM conclusion’). Our conclusion is supported by an assessment of arrangements against twelve criteria specified in the Code of Audit Practice (‘Code criteria’).

The following pieces of work have informed our assessment against the Code criteria:

- assessment of the Council’s arrangements for financial reporting, financial management, financial standing, internal control and value for money, using the Commission’s key lines of enquiry (KLoE)
- assessment of the Council’s data quality management arrangements, using criteria prescribed by the Audit Commission
- statutory audit of the Council’s 2006/07 Best Value Performance Plan (BVPP)
- review of relevant findings from the Council’s Comprehensive Performance Assessment (CPA) corporate assessment, as updated by the latest Direction of Travel statement.

Our conclusions for each of the twelve Code criteria are set out in Table 1:

Table 1 – Use of resources conclusions

No.	Code criteria – arrangements required	Arrangements adequate?
1	Setting, reviewing and implementing strategic and operational objectives	Yes
2	Communication with service users and other stakeholders including partners, and monitoring arrangements to ensure that key messages about services are taken into account	Yes
3	Monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members	Yes
4	Monitoring the quality of published performance information, and reporting the results to members	Yes

5	Maintaining a sound system of internal control	Yes
6	Managing significant business risks objectives	Yes
7	Managing and improving value for money	Yes
8	Maintaining a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver strategic priorities	Yes
9	Ensuring that spending matches available resources	Yes
10	Managing performance against budgets	Yes
11	Managing the asset base	Yes
12	Promoting and ensuring probity and propriety in the conduct of business	Yes

A summary of our audit work, relating to the above Code criteria, is set out overleaf.

3.2 Overall use of resources findings

We reported interim Use of Resources findings and recommendations in our Use of Resources report 2006 (March 2007). The overall report was positive, with the Council making progress in improving its risk management and internal control arrangements. The Council also received average scores in four out of five themes assessed by our key lines of enquiry work and above average scores in the financial reporting theme.

The report included a number of recommendations and suggestions for action. We will update the Committee at the next meeting of the Committee with our detailed findings in our updated work to be concluded in September 2007.

It is apparent that good progress has been made by the Council in implementing our use of resources recommendations from prior years. More detailed findings can be found under the key lines of enquiry judgements section below.

3.3 Corporate assessments, performance management arrangements and BVPP audit

We are required to review the Council's latest corporate assessment in order to satisfactorily conclude on Code criteria 1 to 3 (see Table 1). In completing this work we are not required to re-perform the work of the corporate assessment team and the relationship manager, rather we are looking to place reliance on this work.

Our assessment for criteria 1 to 3 has therefore been based on the latest Direction of Travel statement (December 2006),

checked against our existing assessment of the Council's arrangements in these areas (reported most recently in our Use of Resources report of March 2007).

Based on this work, we assess the Council as having adequate arrangements for Code criteria 1 to 3, based on well developed arrangements for objective setting, consultation and performance management.

3.4 Data Quality Audit Work

The audit work that we have used to reach our conclusion in respect of Code criteria 4 is our 2006 audit of the Council's corporate management arrangements for data quality.

Our audit concluded that the Council's management arrangements for data quality are adequate. We did, however, identify a number of reporting points for the Council to address and these were agreed in the Action Plan of the Data Quality report of November 2006.

We have recently completed our 2007 review of data quality management arrangements, which supports our conclusion that the Council's arrangements are adequate for Code criteria 4.

We will update this assessment, as required, following completion of our testing of a sample of the Council's performance indicators and will write to management with results of this work, in November 2007.

Our 2007 KLoE assessment is almost complete. We are not able to formally report scores to the Council until after the Audit Commission's national quality assurance processes are complete. We will share key messages from our work when we report to this Committee after November 2007.

3.5 Next Steps

We will continue to work with the Council to ensure that outstanding work is completed in time for the Use of Resources conclusion to be formally signed in accordance with the statutory deadline of 30 September 2007.

Subject to satisfactory completion of the above work, we expect to issue an **unqualified VFM conclusion**.

The Corporate Governance Committee should monitor implementation of use of resources recommendations arising from this and other reports issued during the year.

The Council will also need to prepare for changes to the use of resources KLoE criteria in 2008 and the wider changes to the VFM assessment framework which will take effect from 2009, as part of the Comprehensive Area Assessment.

A Statement of Responsibilities - Accounts

The accounts, which comprise the published accounts of the audited body, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources.

It is the responsibility of the audited body to:

- put in place systems of internal control to ensure the regularity and lawfulness of transactions
- maintain proper accounting records
- prepare accounts that present fairly the financial position of the body and its expenditure and income.

The audited body is also responsible for preparing and publishing with its accounts a statement on internal control.

Auditors audit the accounts and give their opinion, including:

- whether they present fairly the financial position of the audited body and its expenditure and income for the year in question

- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

Subject to the concept of materiality, auditors provide reasonable assurance that the accounts:

- are free from material misstatement, whether caused by fraud or other irregularity or error
- comply with statutory and other applicable requirements
- comply with all relevant requirements for accounting presentation and disclosure.

Auditors examine selected transactions and balances on a test basis and assess the significant estimates and judgements made by the audited body in preparing the statements.

Auditors evaluate significant financial systems, and the associated internal financial controls, for the purpose of giving their opinion on the accounts. Where auditors identify any weaknesses in such systems and controls, they will draw them to the attention of the audited body, but they cannot be expected to identify all weaknesses that may exist.

APPENDIX A

Auditors review whether the statement on internal control has been presented in accordance with relevant requirements and report if it does not meet these requirements or if it is misleading or inconsistent with other information of which the auditor is aware. In doing so auditors take into account the knowledge of the audited body gained through their work in relation to the audit of the accounts and through their work in relation to the body's arrangements for securing economy, efficiency and effectiveness in the use of its resources.

Auditors are not required to consider whether the statement on internal control covers all risks and controls, nor are auditors required to form an opinion on the effectiveness of the audited body's corporate governance procedures or risk and control procedures.

Draft

B Statement of Responsibilities - VFM / Use of Resources

It is the responsibility of the audited body to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them. Such corporate performance management and financial management arrangements form a key part of the system of internal control and comprise the arrangements for:

- establishing strategic and operational objectives
- determining policy and making decisions
- ensuring that services meet the needs of users and taxpayers and for engaging with the wider community
- ensuring compliance with established policies, procedures, laws and regulations
- identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working
- ensuring compliance with the general duty of best value, where applicable
- managing its financial and other resources, including arrangements to safeguard the financial standing of the audited body
- monitoring and reviewing performance, including arrangements to ensure data quality
- ensuring that the audited body's affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption

The audited body is responsible for reporting on these arrangements as part of its annual statement on internal control.

Auditors have a responsibility to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In meeting this responsibility auditors should review and, where appropriate, examine evidence that is relevant to the audited body's corporate performance management and financial management arrangements, as summarised above, and report on these arrangements. Auditors of specified local government bodies (best value authorities) also have a responsibility to consider, and report on, the audited body's compliance with statutory requirements in respect of the preparation and publication of its best value performance plan.

Auditors are responsible for reporting annually their conclusion, having regard to relevant criteria specified by the Audit Commission, as to whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Auditors report if significant matters have come to their attention that prevent them from concluding that the audited body has put in place proper arrangements. However, auditors are not required to consider whether aspects of the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources are effective.

APPENDIX B

In planning their audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, auditors consider and assess the relevant significant business risks. These are the significant operational and financial risks to the achievement of the audited body's statutory functions and objectives, which apply to the audited body and are relevant to auditors' responsibilities under the Code, and the arrangements it has put in place to manage these risks. The auditor's assessment of what is significant is a matter of professional judgement and includes consideration of both the quantitative and qualitative aspects of the item or subject matter in question. Auditors discuss their assessment of risk with the audited body.

When assessing risk auditors consider:

- the relevance and significance of the potential business risks faced by all bodies of a particular type
- other risks that apply specifically to individual audited bodies
- the audited body's own assessment of the risks it faces
- the arrangements put in place by the body to manage and address its risks.

In assessing risks auditors have regard to:

- evidence gained from previous audit work, including the response of the audited body to previous audit work
- the results of assessments of performance carried out by the Commission
- the work of other statutory inspectorates

- relevant improvement needs, identified in discussion with the Commission or other statutory inspectorates.

Where auditors rely on the reports of statutory inspectorates as evidence relevant to the audited body's corporate performance management and financial management arrangements, the conclusions and judgements in such reports remain the responsibility of the relevant inspectorate or review agency.

In reviewing the audited body's arrangements for its use of resources, it is not part of auditors' functions to question the merits of the policies of the audited body, but auditors may examine the arrangements by which policy decisions are reached and consider the effects of the implementation of policy. It is the responsibility of the audited body to decide whether and how to implement any recommendations made by auditors and in making any recommendations, auditors should avoid any perception that they have any role in the decision making arrangements of the audited body.

While auditors may review audited bodies' arrangements for securing economy, efficiency and effectiveness in the use of resources, they cannot be relied on to have identified every weakness or every opportunity for improvement. Audited bodies should consider auditors' conclusions and recommendations in their broader operational or other relevant context.

Auditors are not required to report to audited bodies on the accuracy of performance information that the audited bodies

APPENDIX B

publish. Auditors' work is limited to a review of the systems put in place by the audited body to collect, record and publish the information, in accordance with guidance issued by the Commission. Nor are auditors required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by those audited bodies that are required to prepare best value performance plans.

Audit work in relation to the audited body's arrangements to ensure that its affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption, does not remove the possibility that breaches of proper standards of financial conduct, or fraud and corruption, have occurred and remained undetected. Nor is it auditors' responsibility to prevent or detect breaches of proper standards of financial conduct, or fraud and corruption, although they will be alert to the possibility and will act promptly if grounds for suspicion come to their notice.

Draft

APPENDIX C

C Action Plan - Accounts

Finding	Action required for 2006/07 accounts	Other system improvement required	Management response	Implementation date and responsibility
Issues relating to proposed adjustments				
A misclassification has been noted in respect of NDR ratepayer debtors and creditors.	Adjustment has been proposed in Appendix D.	None.		
A number of non-material adjustments are to be made to the income and expenditure account to allocate gains and losses appropriately between the income and expenditure account and the Statement of Total Recognised Gain and Losses.	Adjustment has been proposed in Appendix D.	None.		
An estimate was made to the housing subsidy payable to the CLG, which overstated the notional rental income used to calculate the liability.	Adjustment has been proposed in Appendix E.	None.		

D Accounts adjustments agreed

Finding	I+E account Dr £000	I+E account Cr £000	Balance sheet Dr £000	Balance sheet Cr £000
Accounting adjustments that affect the reported surplus/ deficit on the Income and Expenditure account				
None.				
Accounting adjustments that do not affect the reported surplus/ deficit on the Income and Expenditure account				
A misclassification has been noted in respect of NDR ratepayer debtors and creditors.			668 (to reduce creditors)	668 (to reduce debtors)
A number of disclosure adjustments have been agreed to improve clarity and presentation of the accounts which do not affect the reported financial position.				

E Accounts adjustments not processed by management

Finding	I+E account Dr £000	I+E account Cr £000	Balance sheet Dr £000	Balance sheet Cr £000
Accounting adjustments that would affect the reported surplus/ deficit on the Income and Expenditure account				
An estimate was made to the housing subsidy payable to the CLG, which overstated the notional rental income used to calculate the liability.	34			34
Accounting adjustments that would not affect the reported surplus/ deficit on the Income and Expenditure account				
None.				

APPENDIX F

F Reports issued

Report title	Date issued
Audit and inspection plan 2006/07	March 2006
Use of Resources report 2006	March 2007
Annual report to those charged with governance	September 2007

Draft

G Audit fees update

Audit Area	Plan 2006/07	Actual 2006/07
Accounts	£34,500	£32,000
Use of resources	£78,000	£78,000
Total Code of Audit Practice fee	£112,500	£110,000

Code of Practice audit

As shown in the table above, the 2006/07 actual fee was £2,500 less than the planned fee. The original plan included £2,500 for Whole of Government Accounts which was charged directly to the Audit Commission, after the audit plan was drafted.

Grant claims audit

Grant claim certification work will be completed between August and December 2007. The fee for this work was originally estimated at £20,000.

Our work is charged to the Council based on the cost of auditing each claim and the overall fee normally varies from estimate, depending on the number and complexity of claims to be audited, as well as the quality of claim compilation and supporting documentation.

We will update the Council on the final fee charged for 2006/07.

Non audit work

We have not carried out any audit work outside of the Code of Audit Practice audit and have not provided any non-audit services to the Council.

{Prepare on client letterhead}

Our Ref
Your Ref

Grant Thornton UK LLP
Daedalus House
Station Road
Cambridge
CB1 2RE

26 September 2007

Dear Sirs

We are writing to confirm to the best of our knowledge and belief, and having made appropriate enquiries of other officers of the authority, the following representations given to you in respect of your audit of the Statement of Accounts for the year ended 31 March 2007.

- i we acknowledge our responsibilities for ensuring that the Statement of Accounts are prepared which present fairly the financial position of the authority and for making accurate representations to you
- ii as far as we are aware:
 - a there is no relevant audit information of which you are unaware; and
 - b we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that you are aware of that information
- iii all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the authority have been properly reflected and recorded in the accounting records
- iv all other records and related information, including minutes of all authority and Committee meetings, have been made available to you
- v we acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the 2006 SORP, we selected the estimation technique considered to be the most appropriate to the authority's particular circumstances for the purpose of giving a presents fairly view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions

we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:

- i. to reduce debtors to their estimated collectable amounts;
 - ii. for any impairment losses identified in relation to tangible fixed assets;
- vi on the basis of the process we established to enable us to include the information required by FRS 17 "Retirement benefits" in our financial statements, and having made appropriate enquiries, we confirm that we are satisfied that the actuarial assumptions underlying the valuation of scheme liabilities are consistent with our knowledge of the business. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for unfunded commitments
- vii the financial statements are free of material misstatements, including omissions
- viii we acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud
- ix we are not aware of any irregularities, including fraud, involving management or employees of the authority; nor are we aware of any instances of actual or possible non-compliance with laws, regulations, contracts, agreements or the authority's constitution that might result in the authority suffering significant penalties or other loss. No allegations of such irregularities, including fraud, or such non-compliance have come to our notice
- x we have disclosed to you all related parties and there were no transactions with officers, members or other related parties which should be disclosed in the financial statements
- xi except as stated in the accounts:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the authority has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- xii there are no employee or other claims, legal proceedings or other matters which may lead to a loss falling on the authority or which could result in the creation of an unrecorded asset, that should be disclosed in the financial statements
- xiii the authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities

that could have a material effect on the financial statements in the event of non-compliance

- xiv we have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements
- xv no significant events having an effect on the financial position of the authority have taken place since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto
- xvi we believe that the authority's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the authority's needs. We believe that as at {INSERT DATE OF APPROVAL OF ACCOUNTS} no further disclosures relating to the authority's ability to continue as a going concern for the foreseeable future need to be made in the financial statements.
- xvii we have not adjusted the misstatements brought to our attention on the audit differences and adjustments summary, included as Appendix E to the Annual Report on the Accounts, as they are immaterial to the results of the authority and financial position at the year-end

The financial statements have been fully explained to and discussed with us.

Approval

The approval of this letter of representation was minuted by the Corporate Governance Committee at its meeting on 26 September 2007.

Signed on behalf of South Cambridgeshire District Council.

Name	Name
Position	Position
Date	Date

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Performance Project Brief

Last saved:

Health Inequalities

Cambridgeshire County Council

Cambridgeshire PCT

Cambridge City Council

East Cambridgeshire DC

Fenland DC

South Cambridgeshire DC

Audit 2007/2008

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Trust/Council

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

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For further information on the work of the Commission please contact:

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www.audit-commission.gov.uk

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Introduction

- 1 Health and wellbeing is a key national focus for improvement. Narrowing the health gap between disadvantaged groups and the rest of the country is a top priority. The single overarching target to reduce health inequalities is a national Public Sector Agreement (PSA) target. The target is based on *Tackling Health Inequalities: A Programme for Action* (2003).

By 2010, reduce inequalities in health outcomes by 10 per cent as measured by infant mortality and life expectancy at birth.

- 2 This target has since been underlined in subsequent policy documents, including two White Papers; *Choosing Health* (2004) and *Strong & Prosperous Communities* (2006). It is now one of the four top level priorities in the 2007/08 NHS Operating Framework.
- 3 The latest data shows that there has been a widening of these inequalities. In fact, positive trends in health determinants can go hand-in-hand with widening, not diminishing, inequalities in the population. For example rising levels of educational attainment could mask a growing gap in attainment between the highest and lowest social groups.

Health inequalities are differences in health experience and **health outcomes** between different population groups. These groups are determined by socio-economic status, geographical area, age, disability, gender or ethnic group.

Health inequities are the differences in **opportunity** for different population groups that result in unequal life chances and unequal access to health services, nutritious food, adequate housing and so on. These can lead to health inequalities.

- 4 Public sector organisations must therefore determine whether resources are appropriately targeted in relation to the health needs of different groups. Without this, people can experience inequality of provision, access and take-up of services.
- 5 A sample of the many targets which reflect this broad range of issues and underpin the overarching 2010 PSA target are outlined in Appendix 1.

Background

- 6 The promotion of healthier communities has an effect on the well-being and prosperity of the population and investment is likely to yield significant long term benefit. Addressing such a large issue is not the preserve of any organisational sector alone, but must be addressed through co-operation and shared vision.
- 7 Healthier Communities is one of the five Local Area Agreement (LAA) blocks and provides a focus for joint work to reduce health inequalities. However, it is acknowledged that joint working across different organisations has been facilitated by various previous developments including Local Strategic Partnerships (LSPs), joint commissioning and, earlier still, Health Action Zones (HAZ). The introduction of LAAs provides a further mechanism for building on and improving that joint working, and strengthening the role of the LSPs.
- 8 The development of the local LAA demonstrates the active involvement of senior representatives from a broad spectrum of partners. There are not only the mechanisms in place but also an ongoing commitment to joint working.
- 9 There are many different partners involved in the health inequalities agenda. These often have competing priorities and all have many other demands on scarce resources. Some partners involved, particularly in the health sector, have also been subject to recent large scale reorganisation. In this environment, there is a significant risk that the governance arrangements put in place to reduce health inequalities may not be robust enough to deliver all partners' priorities and also achieve value for money. Across the country, early partnership action on LAAs has been initiated but the pace of change is often limited by the capacity of individual organisations and staff to deliver and implement the changes. Universally, there is a need to establish a number of key arrangements, often including performance and risk management, as well as scrutiny and effective challenge.

Agreement to sharing information

- 10 So that we can deliver an effective cross-cutting piece of work across a large number of audited bodies, we aim to pool both information and audit staff. In practice this means:
 - audit staff carrying out work at your authority/trust may be employed by the Audit Commission, KPMG, PKF, PwC or Robson Rhodes;
 - auditors involved in the project will share information about individual audited bodies with other members of our project team; and
 - the final reports/presentational material produced as part of the project may include summarised information about individual organisations. These reports will be shared with all audited bodies participating in this project.

- 11 Notwithstanding the Commission's statutory rights of access to information, and the statutory powers of the Commission and its auditors for the purposes of their functions, the Commission will always exercise care when obtaining, keeping or disclosing information. To that end it is Commission policy to notify any organisation that it is obtaining, keeping or disclosing information that relates to it. In addition (but without prejudice to the statutory rights referred to above) the Commission seeks to obtain the consent of that body or individual before sharing this information.
- 12 On that basis we would be grateful if each organisation involved would confirm by signing and returning the letter in Appendix 2 that they have understood and, on behalf of their organisation, agreed to this approach. The letter can be sent in e-mail format to Colin Rockall as Team Leader (see Paragraph 17 below).

Objectives

- 13 To identify key local health inequalities in addition to arrangements in place and future plans for their reduction, including:
 - establishing strategic and operational objectives;
 - determining policy and making decisions;
 - ensuring that services designed to address health inequalities meet the needs of the local population;
 - identifying and managing governance and financial risks, including those arising from partnerships;
 - managing financial and other resources, demonstrating value for money is being managed and achieved; and
 - monitoring and reviewing progress.

The main benefits of this review to the partnership as well as to at least some of the individual organisations involved are the facilitated joint assessment between partners of:

- arrangements in place for achieving effective value for money outcomes in the key local health inequality areas identified;
- key weaknesses in partnership and governance arrangements; and
- key strengths in the notable practice area identified.

The outcomes from this review will include a joint summary report of the above as well as:

- joint action plans to address the key weaknesses identified, developed in facilitation between partners;
- a small number of joint high level recommendations distilled from these action plans; and

- sharing of the strengths of the notable practice to aid wider learning and improvement.

Audit approach

- 14 We propose to undertake the work in three distinct phases – focus, evidence, improvement. The approach to be firmed up in discussion.

Table 1 Key questions

What evidence is there of local partners reducing health inequalities?

- 1 What targets have been agreed between partners?
- 2 Are targets being met and actions followed through by partners?
- 3 What is the local pattern of health inequalities and where are the gaps?
- 4 What is already going on locally and is it working
- 5 How is access to services being increased for disadvantaged groups?

How are partners progressing action to achieve/improve on targets and longer term actions?

- 6 What is the level of understanding about health inequalities and local partners' roles in tackling them?
- 7 Are governance arrangements robust?
- 8 What is the current capacity and capability for delivering on health inequalities?
- 9 How effectively is performance managed? Do current arrangements provide value for money?
- 10 How effective is decision-making and resource allocation?

Table 2 Proposed approach

<p>Phase 1</p> <p>July to September</p>	<p>Focus</p>	<p>Objective: to clarify and agree the focus (including the topic to be reviewed under the theme of health inequalities) and arrangements for the fieldwork:</p> <ul style="list-style-type: none"> • in discussion with key partner representatives; and • including one or two examples where things are working well. <p>Identify a small group of key partners with whom the report and proposed action plans will be progressed.</p> <p>A small group of named contacts within the key partner organisations is being identified, with whom we will liaise on behalf of all partners. Arrangements will include gaining the written agreement to sharing of information (see Appendix 2), arranging single and cross-agency interviews, issuing the self-assessment snap survey, assisting with the circulation of the brief, timetable, feedback and reports to all parties involved and co-ordinating responses.</p> <p>Contacts are asked initially to:</p> <ul style="list-style-type: none"> • consider relevant partners for participation in the survey and cross-agency interviews and action planning to follow; and • Assist in issuing the self-assessment snap survey to an agreed address list. This could include wider partners, for example, community groups/voluntary sector, where relevant to the specific topics selected. <p>Data and documents (see Appendix 3) will be requested from partner organisations where these are not available on the internet or already held by the Audit Commission.</p>
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Phase 2 September/ October	Evidence gathering	<p>Objective: to prepare for cross-agency interviews and action planning.</p> <p>Analysis of data and documents pertaining to target areas selected.</p> <p>Analysis of self-assessment snap survey responses.</p> <p>Interviews – a small number of individual interviews to be held to inform data collection on the topic to be reviewed</p> <p>The application of any notable practice will be explored.</p> <p>Interviews may include partners beyond those being audited such as voluntary organisations.</p>
Phase 3 October to December	Improvement planning	<p>The survey responses will help inform discussions at a multi-agency workshop (possibly in November):</p> <ul style="list-style-type: none"> • to facilitate understanding amongst partners of key barriers and levers to action in the selected target areas; • to facilitate joint action planning to combat these;
Report by Spring		<p>Purpose of the Report:</p> <ul style="list-style-type: none"> • to report to key partners these findings and action plans plus a summary of related recommendations. These to be monitored in subsequent work. • To include key themes in a brief summary East of England report to the SHA

Reporting and timescales

- 15 Initial contact will be made during July/August in order to prepare for the cross-agency interviews and action planning to be held in the Autumn 2007. Subject to the review progressing to the timescale described, we would aim to issue a single, joint report in Spring 2008 to the audited bodies involved. This could be circulated by audited bodies to additional partners if deemed appropriate. A summary report for the SHA will also be produced.

- 16 Notwithstanding the Commission's statutory rights of access to information, and the statutory powers of the Commission and its auditors for the purposes of their functions, the Commission will always exercise care when obtaining, keeping or disclosing information. To that end it is Commission policy to notify any organisation that it is obtaining, keeping or disclosing information that relates to it. In addition (but without prejudice to the statutory rights referred to above) the Commission seeks to obtain the consent of that body or individual before sharing this information.

Audit personnel and key contacts

- 17 Key personnel who will carry out this work are as follows.

Colin Rockall c-rockall@audit-commission.gov.uk 07901513873	Team Leader. Performance Specialist, Audit commission
Tanya Simpson t-simpson@audit-commission.gov.uk 07813038597	Performance Specialist, Audit Commission
Howard Burton howard.burton@uk.pwc.com	Performance Specialist, PWC
Nigel Smith	Relationship Manager, Audit Commission

Appendix 1 – Example targets

The single overarching target to reduce health inequalities is the national PSA requirement:

By 2010, reduce inequalities in health outcomes by 10 per cent as measured by infant mortality and life expectancy at birth.

Source: Department of Health PSA target

- 1 A sample of the kind of specific targets to direct local action to achieve this overarching target is included below. These would be adapted for local circumstances.
 - Reduce mortality rates from heart disease, strokes and related diseases by 34.3 per cent in people under 75 by 2008.
 - Reduce mortality rates from cancer by 17.1 per cent in people under 75.
 - By the end of March 2008, to accumulate to a total of 2,000 people each achieving a loss of at least 5 per cent body weight upon completion of a 12 week 'Slimming on Referral' course.
 - Increase by 3 per cent the proportion of adults taking part in sport and recreational physical activity for at least 30 minutes at least three days a week.
 - Increase the number of people who quit smoking, measured after four weeks from 1,853 (2003/04) to 4,746 (2007/08).
 - All public sector organisations to be smoke free by end of 2006.
 - All enclosed public places and work places to be smoke free by the end of 2007.
 - Increase the number of patients completing treatment for Chlamydia infection from 2,341 (2003) to 3,801 (2008).
 - Increase the number of community psychiatric nurses acting as link workers in GP surgeries from 0 to 12.
 - Reduce the number of days spent in acute hospital beds by people aged 75 and over as a result of emergency admissions by 17.8 per cent.
 - Reduce under 18 conception rates as part of a broader strategy to improve sexual health from 32.8 (2003) to 34.4 in 2008 per 1,000 young women aged 15-17.
 - Aggregate net change in Disability Adjusted life Years (DALYs) expected from the changes in BMI (Target an additional 173 DALYs).
 - Reduce the number of low birth rates from 6.8 per cent (2003) to 5.9 per cent by 2008.

- Increase number of mothers in Sure Start programmes breastfeeding at birth from 60 to 66 per cent by 2008.
- Increase number of mothers in Sure Start programmes breastfeeding at six weeks from 42 per cent to 48 per cent by 2008.
- Increase the number of school based drop-in centres from 9 to 12.
- Increase the number of adult drug users in treatment.
- Increase drug and alcohol education and awareness events.
- Increase the area of green space managed in whole or in part for its ecological interest.

DRAFT

Appendix 2 – Sharing information

We would be grateful if each organisation involved would confirm by signing and returning this letter, with the adjustments where indicated, that they have understood and, on behalf of their organisation, agreed to the sharing of information, as outlined in paragraphs 10-12.

Sample letter from Chief Executive of the council/PCT etc

Dear Team Leader

Health inequalities: Disclosure of information relating to [Council/PCT etc]

I consent to you sharing information that you have obtained when carrying out the Health inequalities project with other auditors from the Audit Commission, PKF, PwC and Robson Rhodes.

I also consent to you sharing summarised information you have obtained when carrying out the Health inequalities project with other participating audited bodies including the Strategic Health Authority (SHA).

Yours sincerely

XXXXXXXXXX

Chief Executive

Appendix 3 – Data and document request

We will request documents in the first instance from within the Audit Commission.

No	Document	What we are looking for	Key questions
1	Community Strategy	contextual population data joint work to reduce inequalities	1, 2, 5, 6
2	Local Area Agreement	as above specific targets joint health inequalities strategy	1, 2, 3, 5, 8, 10
3	Latest Public Health annual report	contextual population data joint work to reduce inequalities	1, 2, 3, 4, 5, 6
4	High level planning and delivery documents for health inequalities	joint and single health inequality strategies specific health inequalities projects specific targets	1, 2, 5, 6, 7, 8, 9
5	LSP plans	as above	1, 2, 3
6	Local Strategic Partnership(s) remit and terms of reference	joint decision-making and governance arrangements	3, 7, 10
7	Commissioning plans for health inequalities	specific initiatives commissioned match of local and joint work	7
8	Overview and scrutiny committee(s): <ul style="list-style-type: none"> • remit; • terms of reference; and • recent relevant work. 	joint decision-making and governance arrangements	7, 10
9	Performance monitoring	impact of any changes made	4, 5, 9
10	Health equity audits or similar	assessment of impact of interventions joint working	3, 4, 9
11	Resourcing plans	allocated resources	10
12	Evaluations, eg cost-benefit analysis	re specific health inequalities projects	9

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO:	Corporate Governance Committee	September 2007
AUTHOR/S:	Senior Management Team	

LOCAL GOVERNMENT OMBUDSMAN – ANNUAL LETTER 2006/07**Purpose**

1. To report to the committee the Local Government Ombudsman (LGO) annual report and the authority's response.

Background

2. The LGO investigates complaints by members of the public who consider that they have been caused injustice through administrative fault by local authorities and certain other bodies. Each year the LGO issues a letter which includes a summary of information about complaints received. That letter is attached at [Appendix A](#). The Chief Executive's response is attached at [Appendix B](#).

Considerations

3. While the number and type of complaints in 2006/07 were broadly in line with those received in previous years the LGO has drawn attention to a number of points. Of the 26 complaints received, the LGO found against the Council in one case. This was reported to Cabinet at its meeting on 14 June 2007.
4. The proportion of premature complaints was found to be relatively high and the LGO recommends that the Council looks at its complaints process to see whether earlier resolution could be achieved. The Council's scrutiny committee considered the complaints procedure in March and a new complaints and compliments procedure was adopted by Cabinet on May.
5. Access to the Council's complaints procedure was not easy through its website. The websites infrastructure has been redesigned to give a higher profile to the complaints page.
6. The response time for LGO enquiries was 66 days against a target of 28 days. This is unacceptable and the Chief Executive has charged the Executive Director with taking urgent action to improve response times for the current year. For the first quarter of 2007/08 the average response time was 50 days. From 1 July 2007 the Council has received 1 new LGO enquiry, but the LGO referred it to the Council's complaints procedure.
7. A joint training session for officers involved in complaint handling is to be organised with the LGO for October 2007. The Council is also hosting the LGO's regional seminar at South Cambridgeshire Hall on 16 October 2007.

Implications

8.	Financial	Failure to resolve complaints may result in the LGO awarding costs against the Council
	Legal	The LGO has statutory powers with which it can force the Council's Officers to attend its offices rather than submit comments in writing
	Staffing	LGO enquiries can consume significant amounts of staff time and can take key managers off normal service duties
	Risk Management	The Council's reputation can be at risk if it fails to respond appropriately to complaints.
	Equal Opportunities	None

Effect on Annual Priorities and Corporate Objectives

9.	Affordable Homes	None
	Customer Service	The Council adopted its Customer Service Strategy in July 2007 which sets out how it will improve customer service and learn from complaints
	Northstowe and other growth areas	None
	Quality, Accessible Services	See above
	Village Life	None
	Sustainability	None
	Partnership	None

Recommendations

10. That the Corporate Governance Committee notes the content of the LGO annual letter for 2006/07 and actions taken in response to its findings

Background Papers: the following background papers were used in the preparation of this report:

- LGO annual letter – appendix A
- CE response – appendix B

Contact Officer: Steve Hampson – Executive Director
Telephone: (01954) 713021

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e: scdc@scambs.gov.uk
dx: 729500 Cambridge 15
minicom: 01480 376743
www.scambs.gov.uk

Mr J R White
Local Government Ombudsman
The Oaks No 2 Westwood Way
Westwood Business Park
Coventry
CV4 8JB



Our ref:
Your Ref:
Date: 13 July 2007

Contact: Greg Harlock
Direct Dial: 01954 713081
Direct email: greg.harlock@scambs.gov.uk

Dear Mr White

Re: Annual Letter 2006/07

Thank you for your letter of 20 June 2007 including your Annual Letter 2006/07.

I am very disappointed to see the Council's poor response times to your enquiries over 2006/07, and I appreciate and share your sentiment that this is unacceptable.

Earlier this year the Council revised its complaints procedure, a copy of which I enclose for your information. The new procedure was implemented on 1 April 2007 and involves a more robust monitoring and management of complaints and their outcomes.

My Executive Director, Steve Hampson, has previously attempted to contact your Assistant Ombudsman to discuss how the Council might work more effectively with the Local Government Ombudsman to resolve complaints promptly. Mr Hampson has, since receipt of your letter, spoken to Stephen Purser and is discussing with him the organisation of training for Council staff in September of this year, and for the Council to host your regional seminar in November at South Cambridgeshire Hall.

In addition, I have charged Mr Hampson with affecting an immediate improvement in the Council's response times to Local Government Ombudsman enquiries. I note that the Council's response for the first quarter of 2007/08 was 50 days and I fully expect this to improve significantly over the remaining three quarters of the year.

I hope that the above provides you with re-assurance that the Council recognises that its response times to complaints raised by the Local Government Ombudsman are not good enough, and that it has embarked upon an urgent process of improvement. In the mean time I am keen for the Council and your office to work together to promote a better understanding of each other's roles and responsibilities with the aim of improving standards of service to local people.

Yours sincerely

Greg Harlock
Chief Executive

Enc:

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20 June 2007



The Commission for
Local Administration in England

Mr G Harlock
Chief Executive
South Cambridgeshire District Council
DX 5848
Cambridge

Jerry White
Local Government Ombudsman

Neville Jones
Deputy Ombudsman

Our ref: JRW/B1/AAN
(Please quote our reference when contacting us)

If telephoning contact: Stephen Purser on 024 7682 0000
Email: s.purser@lgo.org.uk

Dear Mr Harlock

Annual Letter 2006/07

I am writing to give you a summary of the complaints about your authority that my office has dealt with over the past year and to draw any lessons learned on your authority's performance and complaint-handling arrangements. I hope you find this letter a useful addition to other information you have on how people experience or perceive your services.

The format of the annual letter is slightly different to last year and is set out as a separate document attached. I would again very much welcome any comments you may have on the form and content of the letter.

We will publish all the annual letters on our website (www.lgo.org.uk) and share them with the Audit Commission, as we did last year. We will again wait for four weeks after this letter before doing so, to give you an opportunity to consider the letter first. If a letter is found to contain any material factual inaccuracy we will reissue it.

I would again be happy to consider requests for me or a senior colleague to visit the Council to present and discuss the letter with councillors or staff. We will do our best to meet the requests within the limits of the resources available to us.

I am also arranging for a copy of this letter and its attachments to be sent to you electronically so that you can distribute it easily within the council and post it on your website should you decide to do this.

Yours sincerely

A handwritten signature in black ink, appearing to read "J. White".

J.R. White
Local Government Ombudsman

The Oaks No 2 Westwood Way
Westwood Business Park Coventry CV4 8JB
Tel 024 7682 0000 Fax 024 7682 0001
DX 702110 Coventry 6
www.lgo.org.uk



The Commission for
Local Administration in England

**The Local Government Ombudsman's
Annual Letter**

South Cambridgeshire District Council

**for the year ended
31 March 2007**

The Local Government Ombudsman (LGO) investigates complaints by members of the public who consider that they have been caused injustice through administrative fault by local authorities and certain other bodies. The LGO also uses the findings from investigation work to help authorities provide better public services through initiatives such as special reports, training and annual letters.

Annual Letter 2006/07 - Introduction

The aim of the annual letter is to provide a summary of information on the complaints about your authority that we have received and try to draw any lessons learned about the authority's performance and complaint-handling arrangements. These might then be fed back into service improvement.

I hope that the letter will be a useful addition to other information your authority holds on how people experience or perceive your services.

There are two attachments which form an integral part of this letter: statistical data covering a three year period and a note to help the interpretation of the statistics.

Complaints received

Volume

We received 25 complaints this year, an increase on the 19 received in the previous year. I expect to see fluctuations over time and I see no significance in the rise.

Character

As I noted in last year's letter the largest number of complaints related to planning and the number of issues complained about has been broadly similar year on year. Eleven complaints were received about planning, and six about housing. Three complaints were received in the 'other' category and these were all about anti-social behaviour. Three complaints were received about benefits and one about local taxation which we now record as 'public finance'. The number of complaints received in these categories is commendably low.

Decisions on complaints

Reports and local settlements

We use the term 'local settlement' to describe the outcome of a complaint where, during the course of our investigation, the Council takes, or agrees to take, some action which we consider is a satisfactory response to the complaint and the investigation does not need to be completed. These form a significant proportion of the complaints we determine.

Three complaints were settled locally, all of which concerned planning. In one, the Council met with the complainants to assess the impact of breaches of planning conditions upon them and agreed a resolution that my investigator considered was satisfactory. The second complaint concerned the handling of a planning application and noise arising from development. I found no maladministration in the Council's handling of the application but the Council agreed to install noise monitoring equipment to establish whether there was a noise problem. The third complaint was about a failure to confirm whether planning conditions had been complied with. The Council agreed to pay the complainant compensation of £250 and to provide the required response.

When we complete an investigation we must issue a report. I issued one report against the Council during the year and this concerned the handling of a planning application for residential development near a business premises. The complainants owned the business premises and complained that due to failings in the handling of a planning application, they felt they were vulnerable to noise complaints from residents of the new dwellings. I concluded that the Council failed to consider how noise from the business premises would impact on the new properties, failed to consider its own policies on noise and had misunderstood the relevance of Government guidance on noise when assessing the planning application. To remedy the complaint I recommended that the Council should extend an intended noise survey to take into account the new houses nearest the business premises and inform me of the outcome of the survey so that I can consider whether any further remedy is necessary. I

also recommended that the Council should contribute £5,000 towards the legal costs incurred by the complainants in pursuing their complaint with the Council and with me. My report was issued just before the end of the year and a response is expected shortly.

Other findings

Twenty six complaints were decided during the year. Of these three were outside my jurisdiction for a variety of reasons. Eight complaints were premature, and, as I mentioned earlier, three were settled locally and one report was issued. The remaining eleven were not pursued because no evidence of maladministration was seen or because it was decided for other reasons not to pursue them.

Your Council's complaints procedure and handling of complaints

The proportion of premature complaints is relatively high when set against the number of decided complaints. Three of these premature complaints were resubmitted, and one was settled locally only after I investigated the complaint. The Council may wish to look at these cases to see if there is anything more it could have done through its complaints process to secure early resolution.

In last year's letter I commented that the Council's complaints process was available on the Council's website although I also suggested that the location could be more clearly signposted. As far as I can tell, the situation remains unchanged and I hope that the Council will now look carefully at ways of helping customers make complaints quickly and effectively via its website, clearly signposting the facility from the home page so that customers can find the online complaints facility quickly.

Training in complaint handling

As part of our role to provide advice in good administrative practice, we offer training courses for all levels of local authority staff in complaints handling and investigation. The feedback from courses that have been delivered over the past two and a half years is very positive.

The range of courses is expanding in response to demand. In addition to the generic Good Complaint Handling (identifying and processing complaints) and Effective Complaint Handling (investigation and resolution) we can run open courses for groups of staff from smaller authorities and also customise courses to meet your Council's specific requirements.

All courses are presented by an experienced investigator so participants benefit from their knowledge and expertise of complaint handling.

I have enclosed some information on the full range of courses available together with contact details for enquiries and any further bookings.

Liaison with the Local Government Ombudsman

We made enquiries on 11 complaints this year, and the average time for responding was 66 days against a target of 28 days, a significant increase on the 43 days it took last year. This is utterly unacceptable and makes your Council one of the least responsive in the country. Initially there were signs of an improvement in your response times but there were three cases where the delay was so bad that the Assistant Ombudsman was obliged to write to you to request a response. I have no doubt that the way my enquiries are dealt with centrally by the Council could be improved. The Council must now improve its response times here, particularly given the relatively low number of enquiries I made of the Council. If there is no improvement I shall have to consider using my statutory powers to require officers to attend at my offices with their files.

No one from the Council has attended the annual link officer seminar recently and you may wish to consider sending someone to the seminar to be held later in November. If so, please let Stephen Purser, my Assistant Ombudsman, know and he will arrange for an invitation to be sent.

In addition, if it would help for Mr Purser to visit the Council and give a presentation about how we investigate complaints I would be happy to arrange this.

I would like to hold a regional seminar in Cambridgeshire during 2007/2008. These seminars have proved popular and enable Members and Officers to obtain a better understanding of my role and of our role in complaint handling. If your Council would be willing to host such a seminar please let Stephen Purser know. Assuming a venue can be found, I will be sending out invitation letters later in the year.

LGO developments

I thought it would be helpful to update you on a project we are implementing to improve the first contact that people have with us as part of our customer focus initiative. We are developing a new Access and Advice Service that will provide a gateway to our services for all complainants and enquirers. It will be mainly telephone-based but will also deal with email, text and letter correspondence. As the project progresses we will keep you informed about developments and expected timescales.

Changes brought about by the Local Government Bill are also expected to impact on the way that we work and again we will keep you informed as relevant.

We have just issued a special report that draws on our experience of dealing with complaints about planning applications for phone masts considered under the prior approval system, which can be highly controversial. We recommend simple measures that councils can adopt to minimise the problems that can occur.

A further special report will be published in July focusing on the difficulties that can be encountered when complaints are received by local authorities about services delivered through a partnership. *Local partnerships and citizen redress* sets out our advice and guidance on how these problems can be overcome by adopting good governance arrangements that include an effective complaints protocol.

Conclusions and general observations

I welcome this opportunity to give you my reflections about the complaints my office has dealt with over the past year. I hope that you find the information and assessment provided useful when seeking improvements to your Council's services.

J R White
Local Government Ombudsman
The Oaks No 2
Westwood Way
Westwood Business Park
Coventry
CV4 8JB

June 2007

Enc: Statistical data
Note on interpretation of statistics
Leaflet on training courses (with posted copy only)

Complaints received by subject area	Benefits	Housing	Other	Planning & building control	Public finance	Transport and highways	Total
01/04/2006 - 31/03/2007	3	6	3	11	1	1	25
2005 / 2006	1	1	5	12	0	0	19
2004 / 2005	1	5	5	14	1	1	27

Note: these figures will include complaints that were made prematurely to the Ombudsman and which we referred back to the authority for consideration.

Decisions	MI reps	LS	M reps	NM reps	No mal	Omb disc	Outside jurisdiction	Premature complaints	Total excl premature	Total
01/04/2006 - 31/03/2007	1	3	0	0	7	4	3	6	18	26
2005 / 2006	0	4	0	0	10	4	3	3	21	24
2004 / 2005	0	2	0	0	23	2	3	5	30	35

See attached notes for an explanation of the headings in this table.

Average local authority response times 01/04/2006 to 31/03/2007

Response times	FIRST ENQUIRIES	
	No. of First Enquiries	Avg no. of days to respond
01/04/2006 - 31/03/2007	11	66.5
2005 / 2006	10	43.7
2004 / 2005	26	46.0

Types of authority	<= 28 days %	29 - 35 days %	> = 36 days %
District Councils	48.9	23.4	27.7
Unitary Authorities	30.4	37.0	32.6
Metropolitan Authorities	38.9	41.7	19.4
County Councils	47.1	32.3	20.6
London Boroughs	39.4	33.3	27.3
National Park Authorities	66.7	33.3	0.0

Notes to assist interpretation of the Commission's local authority statistics

1. Complaints received

This information shows the number of complaints received by the LGO, broken down by service area and in total within the periods given. These figures include complaints that are made prematurely to the LGO (see below for more explanation) and which we refer back to the council for consideration. The figures may include some complaints which we have received but where we have not yet contacted the council.

2. Decisions

This information records the number of decisions made by the LGO, broken down by outcome, within the periods given. **This number will not be the same as the number of complaints received**, because some complaints are made in one year and decided in the next. Below we set out a key explaining the outcome categories.

MI reps: where the LGO has concluded an investigation and issued a formal report finding maladministration causing injustice. (The figures for the year 2002/3 may include reports which had a finding of 'local settlement'. For legal reasons, the LGO no longer issues reports with this finding.)

LS (local settlements): decisions by letter discontinuing our investigation because action has been agreed by the authority and accepted by the Ombudsman as a satisfactory outcome for the complainant.

M reps: where the LGO has concluded an investigation and issued a formal report finding maladministration but causing no injustice to the complainant.

NM reps: where the LGO has concluded an investigation and issued a formal report finding no maladministration by the council.

No mal: decisions by letter discontinuing an investigation because we have found no, or insufficient, evidence of maladministration.

Omb disc: decisions by letter discontinuing an investigation in which we have exercised the Ombudsman's general discretion not to pursue the complaint. This can be for a variety of reasons, but the most common is that we have found no or insufficient injustice to warrant pursuing the matter further.

Outside jurisdiction: these are cases which were outside the Ombudsman's jurisdiction.

Premature complaints: decisions that the complaint is premature. The LGO does not normally consider a complaint unless a council has first had an opportunity to deal with that complaint itself. So if someone complains to the LGO without having taken the matter up with a council, the LGO will usually refer it back to the council as a 'premature complaint' to see if the council can itself resolve the matter.

Total excl premature: all decisions excluding those where we referred the complaint back to the council as 'premature'.

3. Response times

These figures record the average time the council takes to respond to our first enquiries on a complaint. We measure this in calendar days from the date we send our letter/fax/email to the date that we receive a substantive response from the council. The council's figures may differ somewhat, since they are likely to be recorded from the date the council receives our letter until the despatch of its response.

4. Average local authority response times 2005/06

This table gives comparative figures for average response times by authorities in England, by type of authority, within three time bands.

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee 26 September 2007
AUTHOR/S: Chief Executive / Principal Accountant

AN ANNUAL REPORT?

Purpose

1. To consider whether the Council should publish an annual report.

Background

2. There is currently no statutory requirement for local authorities to produce an annual report and this Council has not produced an annual report for several years. There are expectations that local authorities should at least formally consider producing an annual report.
3. Some councils produce an annual report which is usually published in late summer and relates to the previous financial year ending on the 31 March. These reports typically cover;
 - an introduction and overview for the year;
 - the organisational structure of the Council;
 - objectives, priorities and goals;
 - key performance indicators; and
 - summarised financial accounts.

Considerations

4. Use of resources is an Audit Commission assessment of how well local authorities manage their financial resources. It considers five themes of financial reporting, financial management, financial standing, internal control and value for money. Each theme is scored on a scale of 1 to 4 (highest). This Council's score was level 2, minimum requirement – adequate performance, for 2006. The websites of shire district councils which achieved an overall score of 4 for 2006 were accessed to review the content of their annual reports:

Shire district	Annual report
Cambridge City	Could not find on website
Chichester	Strategic aims, strategic objectives and related key projects Financial review Glossary 40 pages; colour photographs and charts
Elmbridge	Could not find on website
Runnymede	Could not find on website
Sevenoaks	Council priorities and achievements related to those priorities External inspection and performance indicators Financial summary 16 pages; no photographs; colour charts
Vale Royal	Council priorities with narrative Statistics and some performance indicators Financial summary

	Cabinet, elected Members and management structure 29 pages; colour photographs
Wychavon	Basic statistics Achievements in each month of year Members and Committees Spending and achievements classified by priorities Performance indicators Promises classified by priorities 24 pages; colour photographs

5. The Council currently produces:
 - a council tax leaflet;
 - performance plan (the publication of a performance plan will no longer be a statutory requirement after 2007/08);
 - detailed statement of accounts; and a
 - summary of the accounts.

6. The score for each theme in the Use of Resources is assessed using key lines of enquiry and the key lines in the 2008 assessments referring to annual reports are:
 - i. the council can demonstrate that it is considering the views of a range of stakeholders in making its decision whether to publish an annual report (level 3);
 - ii. the council publishes summary financial information that meets the needs of a range of stakeholders (level 3);
 - iii. the council publishes in accessible format an annual report or similar document which includes summary accounts and an explanation of key financial information /technical terms designed to be understandable by members of the public (level 4); and
 - iv. the annual report or similar document includes information and analysis about the council's environmental footprint (level 4).

7. The recent "Delivering Good Governance in Local Government Framework" document also refers to the publication of an annual report. An annual report on a timely basis communicating the council's activities and achievements, its financial position and performance is quoted as being a means of demonstrating that it is "exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users".

Options

8. The results of an annual report survey were gathered over a period of three months, responses being invited through the Council's website and through postal questionnaires. It should be noted that the number of responses received and the views expressed may not be indicative of the views of all organisations and residents of the district. The results show that 58% of respondents were not in favour of the Council publishing an annual report.

9. If an annual report were to be published the preferred content should cover the Council's political and management structures, objectives, priorities, performance, financial summary and include cross-references to Council strategies and other publications.

10. Respondents voted against a printed annual report, with opinion divided equally with regard to providing an online report.

11. Should the Council decide to publish a printed Annual Report resources may need to be made available to cover the cost of publication. Alternately, the report could be made available solely on the Council website. If the Council chooses not to publish an annual report either printed or online the Council will be unable to achieve a Use of Resources level 4 assessment for financial reporting. However, as the Council considered the views of stakeholders through the annual report survey a decision not to publish would fulfil the requirements for Use of Resources level 3 financial reporting.
12. The options available are;
 - (a) To print an annual report and make available online
 - (b) To publish an annual report online only
 - (c) To not publish an annual report either online or in print.

Implications

13. Financial	Cost of printed annual report has not been quantified; may be nil if produced in-house
Legal	None
Staffing	
Risk Management	
Equal Opportunities	

Consultations

14. Opinion was sought through mailing a selection of organisations representing local interests such as Cambridgeshire Chamber of Commerce, CALC, local businesses and Parish Councils; responses were also invited from residents, a questionnaire being available for on-line completion on the South Cambridgeshire website and its availability being reported in the South Cambs magazine.
15. The annual report survey addressed three main areas;
 - Should the Council publish an annual report?
 - If the Council publishes an annual report what should be the content?
 - In what format should the annual report be published?
16. Only 12 replies were received. The results of the annual report survey are summarised below and detailed in Appendix A.
 - (a) To publish an annual report
 - Of respondents to the survey 58% considered an annual report would not be useful to a significant number of stakeholders, 75% would not be prepared to see resources diverted from other services to meet the cost of producing an annual report.
 - (b) Content of an annual report
 - 50% of respondents would like to see an overview of the Council's political structure and an outline of objectives, priorities and milestones, and 42% requesting an overview of the Council's management structure, key performance indicators and cross referencing to other relevant publications and strategies.
 - (c) Format of annual report
 - 75% of respondents were against the use of a printed, full colour report, and 50% against a cheaper printed report (25% in favour). An online only report received equal votes both for and against, whilst a pdf email received 33% support.

Effect on Annual Priorities and Corporate Objectives

17.	Affordable Homes	An annual report may help in publicising the Council's annual priorities and corporate objectives and in reporting on the achievement of those priorities and objectives.
	Customer Service	
	Northstowe and other growth areas	
	Quality, Accessible Services	
	Village Life	
	Sustainability	
	Partnership	

Recommendations

18. It is recommended that an on-line annual report is produced commencing with the 2007-08 financial year.

Background Papers: the following background papers were used in the preparation of this report:

Completed surveys

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APPENDIX A

Annual Report Survey Results

	YES	NO	No preference expressed
Whether to publish?			
Do you consider that an annual report would be useful to a significant number of stakeholders (e.g. residents, businesses, etc.)?	33.3%	58.3%	8.3%
Do you consider that an annual report would provide additional information that is not already in the Council's Performance Plan and Statement of Accounts?	33.3%	58.3%	8.3%
Would you be prepared to see resources diverted possibly from front line services to the public to meet the cost of producing an annual report?	25.0%	75.0%	0.0%
What content would you like to see?			
An overview of the Council's political structure showing committees, portfolios, etc.?	50.0%	16.7%	33.3%
An overview of the Council's management structure showing what each department does and is responsible for?	41.7%	25.0%	33.3%
An outline of the Council's objectives, priorities and milestones?	50.0%	16.7%	33.3%
A list of key performance indicators showing performance against target?	41.7%	25.0%	33.3%
A cross reference to other relevant publications and strategies that the council has?	41.7%	25.0%	33.3%
What format would you prefer?			
Expensive, glossy version with numerous full colour photographs?	0.0%	75.0%	25.0%
Cheaper printed version not in full colour	25.0%	50.0%	25.0%
More emphasis on charts and diagrams rather than text and tables?	8.3%	66.7%	25.0%
Online only with no printed versions available to save on costs	41.7%	41.7%	16.7%
Sign up for a pdf version sent by email	33.3%	50.0%	16.7%

