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Thursday 15 October 2009

To: Chairman – Councillor Peter Topping
Vice-Chairman – Councillor Nigel Bolitho
Members of the Corporate Governance Committee – Councillors John Batchelor,
Francis Burkitt, Douglas de Lacey, Janice Guest and Richard Summerfield

Quorum: 3

Dear Councillor

You are invited to attend the next meeting of **CORPORATE GOVERNANCE COMMITTEE**, which will be held in **MONKFIELD ROOM, FIRST FLOOR** at South Cambridgeshire Hall on **FRIDAY, 23 OCTOBER 2009 at 2.00 p.m.**

Members are respectfully reminded that when substituting on committees, subcommittees, and outside or joint bodies, Democratic Services must be advised of the substitution *in advance of* the meeting. It is not possible to accept a substitute once the meeting has started. Council Standing Order 4.3 refers.

Yours faithfully
GJ HARLOCK
Chief Executive

The Council is committed to improving, for all members of the community, access to its agendas and minutes. We try to take all circumstances into account but, if you have any specific needs, please let us know, and we will do what we can to help you.

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 2009 as a correct record.	1 - 6
AUDIT REPORTS	
4. Internal Audit Quarterly Report For Period Ending 30 September 2009	7 - 40
5. External Audit Reports - Annual Governance Report - To Follow The report, which incorporates Data Quality and Use of Resources will be available on Tuesday 20 October.	41 - 42

INFORMATION ITEMS

- | | | |
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| 6. | Anti-theft, Fraud and Corruption Policy | 43 - 62 |
| 7. | Pension Fund - For General Discussion | 63 - 98 |
| 8. | Strategic Risk Register | 99 - 118 |
| 9. | Matters of Topical Interest | |
| 10. | Dates of Next Meetings | |
- Meetings of the Committee have been scheduled to take place on the following dates:
- 23 December 2009
 - 6 January 2010 (Provisional)
 - 31 March 2010
- All meetings to be held at 9:30am.

GUIDANCE NOTES FOR VISITORS TO SOUTH CAMBRIDGESHIRE HALL

While the District Council endeavours to ensure that visitors come to no harm when visiting South Cambridgeshire Hall, those visitors also have a responsibility to make sure that they do not risk their own or others' safety.

Increased hygiene at South Cambridgeshire Hall

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Security

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Emergency and Evacuation

In the event of a fire, a continuous alarm will sound. Evacuate the building using the nearest escape route; from the Council Chamber or Mezzanine viewing gallery this would be via the staircase just outside the door. Go to the assembly point at the far side of the staff car park.

- **Do not** use the lifts to exit the building. If you are unable to negotiate stairs by yourself, the emergency staircase landings are provided with fire refuge areas, which afford protection for a minimum of 1.5 hours. Press the alarm button and wait for assistance from the Council fire wardens or the fire brigade.
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If someone feels unwell or needs first aid, please alert a member of staff.

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Toilets

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Recording of Business

Unless specifically authorised by resolution, no audio and / or visual or photographic recording in any format is allowed at any meeting of the Council, the executive (Cabinet), or any committee, sub-committee or other sub-group of the Council or the executive.

Banners, Placards and similar items

No member of the public shall be allowed to bring into or display at any Council meeting any banner, placard, poster or other similar item. The Chairman may require any such item to be removed.

Disturbance by Public

If a member of the public interrupts proceedings, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room. If there is a general disturbance in any part of the meeting room open to the public, the Chairman may call for that part to be cleared.

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Visitors are asked to make sure that their phones and other mobile devices are set on silent / vibrate mode during meetings or are switched off altogether.

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SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Corporate Governance Committee held on
Monday, 29 June 2009 at 9.30 a.m.

PRESENT:	Councillor PW Topping – Chairman Councillor NCF Bolitho – Vice-Chairman	
Councillors:	JD Batchelor Dr DR de Lacey RT Summerfield	FWM Burkitt Mrs JM Guest
Officers:	Adrian Burns Steve Hampson Greg Harlock	Head of Accountancy Executive Director, Operational Services Chief Executive
External:	Neil Gibson Chris Harris Hanson	Audit Commission Bentley Jennison Audit Commission

Councillors SM Edwards and TJ Wotherspoon were in attendance, by invitation.

4. DECLARATIONS OF INTEREST

None.

5. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 29 April 2009 were agreed as a correct record.

The minutes of the meeting held on 21 May 2009 were agreed as a correct record subject to the rearranging of the agenda items into the order they occurred.

Number of audit days

It was noted that the Chief Executive and Chris Harris had discussed how the trend of reducing the number of audit days carried out by Internal Audit could continue.

Review of ICT Network Security

It was noted that this would be received at a future meeting of the Committee.

6. APPROVAL OF STATEMENT OF ACCOUNTS

The Chief Executive introduced this report which sought the Committee's approval of the Statement of Accounts and their confidence in the responsible financial officer.

The Committee noted the following amendments to the Statement of Accounts:

- On page 21 the 7th bullet point under the heading The Corporate Governance Committee was amended to read "To receive reports from the External Auditors".
- On page 38, under the heading Cash Inflows the amount in column 2008/09 for Other Government Grants was increased by £683,065 to £2,467,402, whilst the amount in the same column for Cash received for goods and services was decreased by the same amount to £7,352,877.
- On page 38 the heading Revenue expenditure funded from capital under statute was moved to be under the heading Revenue Activities - Cash Outflows.

- On page 38 the heading Net cash inflow before financing was amended to read Net cash outflow before financing.
- On page 50 the figure for Sundry Debtors for 31 March 2008 was to be amended.
- On page 76 the heading Adjustment for 2006/07 was amended to Adjustment for previous year.

Low Council Tax graph

It was suggested that the graph on page 6 of the Accounts needed to be reconfigured to emphasise that the Council had the 7th lowest Council tax in the Country.

Increasing population

It was noted that the Council relied on the 2001 census for its population figure and an increase of 33% by 2016 was projected.

Housing Futures Project

It was noted that the allocation of the cost to the General Fund on this project had increased from 39% of the total cost to 66%. This had resulted in a £61,000 underspend in the Housing Revenue Account.

The Chief Accountant explained that there had been a fall in the value of the housing stock and this had led to a deficit in the Housing Revenue Account. The Chief Executive added that there was currently £3.1 million in the balances on the HRA and that the minimum level had been increased to £1.5 million, due to uncertainties regarding the economic situation, the decline in capital receipts, rent arrears and the housing stock not being insured.

Calculating overspends/underspends

It was noted that overspends and underspends could be calculated from either the original or the revised estimate. It was suggested that the task and finish group could examine this.

The Committee requested that in future underspends and overspends should be displayed in both percentage and absolute terms.

Business Monitoring reports

Councillor SM Edwards, Finance and Staffing portfolio holder, explained that quarterly Business Monitoring reports would help to ensure accurate financial monitoring.

Concessionary Fares

It was noted that there had been a £287,000 underspend on the concessionary fares scheme.

Pensions

It was noted that the employers' contribution rate was due to increase from 17.5% in 2008/09 to 21.7% in 2010/11, although more conservative estimates on the pension fund's investments suggested that the employers' contribution rate would need to increase to 25-30% in the future.

It was understood that the Council's pension deficit was estimated at £23.6 million. In response to questioning the Chief Executive explained that in the past the Council had paid money directly into its pension fund but the influence this had had on the Council's contribution was unclear and so he could not recommend that the Council repeat this.

Concern was expressed at the fact that the Council representation on the Cambridgeshire

Pensions Fund Board was restricted to a single member from a different Cambridgeshire District Council.

It was suggested that the issue of pensions should be put on the Council's Risk Register. The Chairman agreed that the matter of pensions should be put on the agenda of a subsequent Committee meeting.

Income

It was suggested that the Council should examine its charging policies and carefully consider if it could increase its income.

Public Relations

It was suggested that the above title had political connotations and that "communications" would be a more accurate description.

Payment of rent to Government

The Chief Accountant reported that last year the Council paid the Government £0.56 for every £1 of rent received. The Chief Executive stated that the Council continued to challenge the Government on the unfairness of this practice. It was noted that if the charge for rent was increased, more money would go to the Government.

Employees' remuneration

The Chief Accountant explained that the increase in the number of employees being paid more than £50,000 could have been caused by officers being appointed part of the way through 2007/08 and so only being paid their full annual salary last year.

Decline in demand

In response to questioning the Chief Executive explained that due to the economic downturn the Council was bringing-in less income and the possibility of making staff redundant needed to be weighed against the requirement to re-hire staff when demand increased.

The Corporate Governance Committee **APPROVED** the Statement of Accounts, subject to the above amendments.

7. CORPORATE GOVERNANCE SELF EVALUATION

The Committee discussed the report which listed the findings of their self-evaluation process.

The Committee confirmed the findings listed in this report and instructed officers to support them in achieving the improvements identified. A 30-minute planning session would be introduced before the start of all subsequent meetings of the Committee.

8. INTERNAL AUDIT PROGRESS REPORT

Chris Harris presented this report to the Committee, which summaries the outcome of the work completed against the periodic internal audit plan for 2009/10. He explained that there had been no changes to the Audit Plan since the last meeting of the Committee.

Management responses

Chris Harris assured the Committee that he was not concerned that management responses were awaited for the audit on the IT Disaster Recovery Planning and Follow Up and it was expected that responses would be received by the next meeting of the Committee.

The Committee **NOTED** the report.

9. EXTERNAL AUDIT REPORT ON USE OF RESOURCES: UPDATE BY NEIL GIBSON

Debbie Hanson, External Auditor, circulated a report on the new Use of Resources assessment, which would use different Key Lines of Enquiry than the previous system. The aim of the new assessment was to focus less on process and more on outcomes.

It was understood that the Council was being assessed in three areas and that the Committee would receive feedback on this at their meeting in November.

Concern was expressed by members of the Committee that this was a tougher assessment and the Council would not achieve the same grade of 3 as last year. It was also stated that it would have been helpful to have received an earlier notification on how the new assessment process differed from last year.

The Committee **NOTED** the report.

10. LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW

The Chief Executive presented this report which summarised the Local Government Ombudsman's annual review of 2008/09.

The Committee noted that the Council's response time of 37.5 days was an improvement on the previous year and it was expected that the trend would continue, as the authority attempted to achieve its target of 28 days. It was agreed that the Committee should receive an update on the Council's performance in responding to complaints at its next meeting.

The Committee **NOTED** the report.

11. RISK MATURITY ACTION PLAN

The Chief Executive presented this report which detailed the progress on implementing the action plan resulting from Internal Audit's risk review. It was noted that Internal Audit considered the Council to be a level below its own assessment.

Chris Harris stated that it was inevitable that not all internal audit recommendations would be accepted by management. He hoped to report back on this subject at the Committee's next meeting.

The Committee **NOTED** the report.

12. FINANCIAL REGULATIONS

The Chief Executive presented this report, which recommended that the Council's Financial Regulations be amended to nominate an additional officer to authorise payments.

It was noted that although the Constitution stated that both the Chief Finance Officer and Corporate Manager (Finance and Support Services) could authorise payments, both these roles would be the responsibility of the new Executive Director post and so the proposed recommendation was not increasing the number of post holders who could authorise payments.

The Committee

RECOMMENDED TO COUNCIL

That the post of Finance Project Officer be added to paragraph 6 (Operation of Bank Accounts) of the Financial Regulations with the Council's Constitution.

13. STRATEGIC RISK REGISTER

The Chief Executive presented this report, which enabled the Committee to carry out its quarterly reviews of the strategic risk register and action plans to address risks above the Council's tolerance line and to consider the actions being taken to achieve risk management targets.

Pandemic 'flu

The Chief Executive explained that following advice from Environmental Health Executive Management Team had decided to upgrade the risk of pandemic 'flu from A4 to A1. It was noted that staff were being trained on how to cover other sections in the event of an increase in sickness and that the Council was prepared to provide strategic assistance in the event of a regional outbreak. The Committee considered downgrading the risk to either B1 or B2 in light of the mildness of the cases reported in Britain and that the 'flu was likely to have less of an impact in the summer months. However, it was decided to accept the advice of the officers who were receiving daily updates on this particular risk.

Housing services budgeting and staffing

The Chief Executive explained that whilst this would obviously have an impact on the Housing Revenue Account it would also impact on the Capital programme of the General Fund, which would have to be reduced by £600,000. He defended the designation of A4 for this risk, as he was confident that the Housing Portfolio Holder would agree a plan to implement efficiencies and savings to mitigate the impact on services.

Equalities and EU Services Directive

The Chief Executive explained that whilst Executive Management Team hoped that both of the above risks would be downgraded in the future, the decision had been taken for them to remain at B2 and be monitored closely.

Climate Change

The Chief Executive explained that the Council needed to develop measures to safeguard its services against climate change. It was suggested that the Council should consider promoting neat oil.

Fire

The Chief Executive explained that robust procedures were in place to mitigate the risk fire posed to the Council's services, both in terms of prevention and recovery. The Chairman requested an update at the next meeting of the Committee.

The Committee

APPROVED

- A) The strategic risk register, prioritisation matrix and action plans
- B) The actions being taken to achieve risk management targets

14. MATTERS OF TOPICAL INTEREST

None.

15. DATE OF NEXT MEETING

The Committee **NOTED** that the meeting was due to be held on 30 September 2009 at 9:30 am. There would be a briefing for Members at 9am.

The Meeting ended at 12.15 p.m.

South Cambridgeshire District Council

Internal Audit Progress Report

October 2009

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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 2009/10 has previously been approved by the Corporate Governance Committee. This report summarises the outcome of work completed to date against the plan, and Appendix A provides cumulative data in support of internal audit performance.

2. Final Reports Issued

2.1 All 2008/09 audit report have been finalised and reported to previous Corporate Governance Committee meetings.

2.2 We have issued the following 2009/10 final reports since the last Corporate Governance Committee:

- Housing Maintenance – Planned and Cyclical;
- HR – Absence Management;
- Emergency Planning and Business Continuity (Civil Contingency Act);
- Housing Rents;
- Contract Services – Regular and High Payments Review;
- Risk Maturity;
- Housing Allocations and Voids; and
- Review of Counter Fraud Arrangements.

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.

3.3 We have included, within Appendix B of our report, an update to the 2007/08 Anti-Fraud, Corruption and Security Healthcheck report issued by RSM Bentley Jennison.

4. Work in Progress or Planned

4.1 The following audits from the 2009/10 plan are currently at the draft report stage:

- ICT Review;
- General Ledger (including Budgetary Control); and
- Capital Expenditure and Asset Management.

4.2 The following audit is currently at the fieldwork stage:

- Cash, Banking and Treasury Management; and
- Payroll.

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 2009/10

Detailed below is a summary of the work undertaken in 2009/10 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 below.

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

2009/10 Internal Audit Plan

Auditable Area	Date Planned	Date Completed	Status	Audit approach	Days Planned	Days Actual	Last year actual	Assurance level given	Number of Recommendations Made				
									F	S	MA	In Total	
Work complete to date													
Housing Responsive Repairs	09/04/09	17/04/09	Final Report Issued	Systematic	8	8	8	Adequate	0	0	11	11	11
Housing Maintenance – Planned & Cyclical	11/05/09	28/05/09	Final Report Issued	Systematic	8	8	8	Adequate	0	2	7	9	9
Absence Management	22/06/09	30/06/09	Final Report Issued	Systematic	8	8	8	Adequate	0	2	5	7	7
Emergency Planning and Business Continuity (Civil Contingency Act)	13/07/09	17/07/09	Final Report Issued	Key Controls	8	8	8	Substantial	0	1	3	4	4
Housing Rents	12/08/09	18/08/09	Final Report Issued	Key Controls	8	8	8	Adequate	0	2	3	5	5
Risk Maturity	Jul-09	14/08/09	Final Report Issued	Advisory	8	8	8.5	Risk Managed	0	2	10	12	12
Contract Services	20/07/09	23/07/09	Final Report Issued	Systematic	8	8	8	Adequate	0	4	4	8	8
Housing Allocations and Voids	12/08/09	24/08/09	Final Report Issued	Systematic	8	8	10	Adequate	0	0	6	6	6
Review of Counter Fraud Arrangements	29/07/09	31/07/09	Final Report Issued	Thematic	10	10	5	Advisory	0	2	6	8	8
Totals to date:					74	74	71.5		0	15	55	70	70

Auditable Area	Date Planned	Date Completed	Draft Issued	Status	Days Planned	Audit approach	Assurance level given	Number of Recommendations Made			
								F	S	MA	In Total
Work in progress or yet to start (including reports still in draft)											
ICT Review	07/09/09	15/09/09	24/09/09	Awaiting Management Responses	10						
General Ledger	21/09/09	24/09/09	02/10/09	Awaiting Management Responses	7						
Capital Expenditure and Asset Management	21/09/09	24/09/09	06/10/09	Awaiting Management Responses	7						
Cash, Banking & Treasury Management	15/10/09			Fieldwork Started	7						
Payroll (including Expenses & Pensions)	05/10/09			Fieldwork Started	12						
Income & Debtors	19/10/09				7						
Procurement	19/10/09				8						
Creditors	26/10/09				7						
Insurance	06/11/09				6						
NNDR	09/11/09				7						
Council Tax	16/11/09				7						
Housing Benefits	04/01/10				14						
Performance Management	11/01/10				8						
Environmental Health	01/02/10				8						
Customer Services	01/02/10				8						
Growth					10						
Housing Futures					10						

Appendix B: Anti-Fraud, Corruption and Security Healthcheck, Further Update on Progress

No.	Recommendation	Priority	Update progress (29/4/09)	on progress (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response SCDC further response where applicable (13/10/09).</i>
Organisational Governance & Ethics						
1	The Council should consider implementing an appropriate software package designed to improve the process for communicating policies and getting staff to formally accept these policies such as CETIS.	Merits Attention	Currently drawing up a procurement specification for e-induction software – will depend on budget being identified.	No further progress on this specifically, but have procured Learning Pool a 'Learning Platform' that will enable us to do something very similar.	HR Manager ("HRM")	Learning Platform being tested re Government Connect; HR will then check its usefulness re induction and policies such as these, no target date available yet. Accepted - Government scheme would appear to address this recommendation.
2	As an overarching requirement, all standard contracts of employment should request all employees to act in accordance with the Council's rules and regulations.	Significant	Actioned already implemented on new contracts (April 2008).	N/A		Accepted.
3	The Council should consider circulating the following documents to all, suppliers and third parties with whom the Council conducts business, to ensure they are aware of the Council's requirements and expectations: <ul style="list-style-type: none"> ▪ Conflicts of interests; ▪ Code of conduct; ▪ Use of confidential information; 	Significant	Considering making sure all documents are on the Council's website and sending an email to the list of suppliers on the contracts register via the service manager.	Documents or links have been placed on the website; Procurement Officer will email service managers to advise their suppliers/contractors	Procurement Officer ("PO")	30 September 2009. E-Documents are available on the website and assurance provided that the email was sent prior to 30th September 2009.

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response SCDC further response where applicable (13/10/09).</i>
4	<ul style="list-style-type: none"> ▪ Compliance with the law (Public Interest Disclosure Act 1998, Proceeds of Crime Act 2002 etc); and ▪ Security and protection of assets <p>It is recommended that the Council urgently considers the implementation of a Surveillance/CCTV Policy. Such policies would promote the Council's compliance with the Office of Surveillance Commissioners 'best practice' guidelines and relevant legislation (i.e. Regulation of Investigatory Powers Act (RIPA) 2000), as well as ensuring that clear and concise policies and procedures are in place should any instances requiring the implementation of these policies arise. With effect from April 2006, the SCDC have been required to have in place a CCTV Operational Requirement and Users' Policy for CCTV in line with the requirements set out in the Data Protection Act (DPA) 1998.</p>	Fundamental	CCTV Policy for Cambourne HQ will be considered alongside renewal of CCTV contract, together with a policy for Waterbeach depot. The Council does not have any other permanently fixed surveillance/CCTV. Occasional other use of surveillance/CCTV is currently covered by best practice guidelines and relevant legislation – no policy required.	A Facilities Manager was appointed on 1st August 2009. After reviewing and updating the various FM contracts, he will be reviewing and updating policies, including CCTV.	Facilities Manager ("FM")	31 December 2009. <i>An explanation has been provided regarding the recruitment of the Facilities Manager – SCDC are minded to consider this is a Fundamental recommendation and assurances must be sought prior to December 2009 that this recommendation has been actioned. We only have CCTV at SCH and Waterbeach (the depot is rented, not sure who is therefore responsible for CCTV there). We wouldn't therefore have called this Fundamental; however, the Facilities Manager is reviewing and updating the CCTV Policy for SCH, for 31/12/09</i>
5	It is recommended that a Fraud Response Plan is implemented and that the	Fundamental	Fraud Response Plan drafted – to be agreed by	Being collated with ATFC Policy, Whistleblowing	Finance Project Officer	7 October 2009 <i>RSM BJ has had involvement and</i>

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response SCDC further response where applicable (13/10/09).</i> <i>the Fraud Response Plan meets recognised sector good practice.</i>
6	<p>Fraud Response Plan should be held as a separate document. The document should have restricted disclosure, giving management advice and direction to those responsible for responding to allegations of fraud and corruption. Due to this it is advisable that the Fraud or Incident Response Plan is not a public, widely disseminated policy.</p> <p>It is recommended that the Recruitment & Selection Policy contains sufficient information on Fraud/Security related matters and then circulated to specific personnel, as per 3.1.12.</p>	Significant	CFO.	Policy and recent IA Counter Fraud Review; to go to SMT on 7 October 2009	HRM	30 November 2009 As per response (5)
7	<p>We recommend the implementation of a corporate Anti Fraud & Corruption training plan and periodic delivery package should be undertaken to establish an Anti Fraud culture at South Cambridge District Council.</p>	Fundamental	Not yet actioned - corporate training budget has been reduced therefore no funds available to procure this. It has been proposed that the Council contacts neighbouring authorities to see what they have in place with a view of using these as	Still no training funds available; other policies have taken priority on funds that are available, e.g. Safeguarding; we will seek to link our action to the proposal under #1 above.	HRM	As for 1 above. As per response (1)

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <u>RSM BJ response</u> <u>SCDC further response where applicable (13/10/09).</u>
Fraud, Corruption & Money Laundering – Risk Evaluation & Management						
8	It is recommended that a review is conducted into the departments within the Council which have not been subjected to a review of the potential risks of a security nature in key areas. Upon completion of this review the findings should be analysed and a Security Risk Fraud Management action plan developed.	Significant	These issues are reviewed but due to the size of the operation at Waterbeach there is little or no room for change.	N/A		It has been stated that the Waterbeach operation has limited resource to undertake this recommendation. SCDC are advised to obtain further explanation of their own response and ensure that this recommendation is given further consideration. <u>FIM is also updating the Security Policy for SCH for 31/12/09.</u>
9	All anti-fraud and corruption policies should be reviewed on a periodic basis, such as annually. This should include the Fraud Policy, Fraud Response Plan and Anti-Money Laundering Policy.	Significant	Agreed. Anti-Theft, -Fraud and -Corruption Policy – recently reviewed by Internal Audit Fraud Response Plan – provision for review has been included in the draft.	N/A		Accepted.
10	The Chief Executive is also the Chief Finance Officer but appears not to have a named deputy to cover in his absence. It is recommended that an individual is considered to act as cover in the Chief Executive absence and the list of persons who can be	Fundamental	Once the new S151 Officer is appointed this will be addressed as they will appoint a deputy.	The recently appointed Executive Director (s151 officer) will be discussing a restructuring proposal with the Chief Executive, which will identify	Executive Director (Corporate Services) (“ED(CS)”)	31 October 2009 Accepted.

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response SCDC further response where applicable (13/10/09).</i>
11	<p>contacted, when staff or members have concerns be distributed to all staff, third parties and contractors.</p> <p>It is highly recommended that an Anti-Money Laundering Policy is put into place and the following, as a minimum, implemented:</p> <ul style="list-style-type: none"> ▪ Training of staff (key staff trained on the law and their responsibilities) ▪ MLRO (Money Laundering Reporting Officer) ▪ Internal and external reporting requirements ▪ The handling of suspicious individuals/businesses ▪ Procedures for checking who the organisation is doing business with ▪ Cash acceptance policy ▪ Types of money laundering in the sector 	Fundamental	Agreed, the Accountancy team should produce this but there are resource issues for completion.	a deputy s151 officer.	Head of Accountancy (“HOA”)	<p><i>No target date has been provided by SCDC, it is of concern that this fundamental recommendation has not been actioned and it is advised that this is addressed and actioned without further substantial delay.</i></p> <p><i>There is an anti-money laundering policy re treasury management. AS we don't receive large amounts of cash, this is the only area of the Council at risk and again we would not have thought this is fundamental and don't think there's any proposal to widen the AML policy.</i></p>
12	<p>The Fraud Response Plan should cover as a minimum;</p> <ul style="list-style-type: none"> ▪ Assignment of responsibilities; ▪ Conduct of Investigations, (PACE, RIPA, CPIA 	Fundamental	Fraud Response Plan taking Audit's recommendations and template into account – to be agreed by CFO.	N/A		<p><i>RSM BJ have had involvement with this key document – suggested that the Fraud Response Plan is implemented without further delay as no date provided by SCDC.</i></p> <p><i>The date was given under 7.</i></p>

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response</i> <u>SCDC further response where applicable (13/10/09).</u>
	<ul style="list-style-type: none"> ▪ etc.); and, consequence of non compliance (criminal, civil, disciplinary) It is therefore highly recommended that the Council should implement the following response plan; <ul style="list-style-type: none"> ▪ Introduction – SCDC policy and to be read in conjunction with other SCDC procedures. ▪ Purpose of the plan – to define authority levels, responsibilities for action and reporting lines in the event of suspected fraud, corruption or other irregularity. ▪ Initiating Action – How suspicions of fraud or irregularity may be captured including, Whistleblowing policy, planned audit work, third party knowledge, SCDC personnel. ▪ Prevention of further loss – SCDC procedures to prevent further loss. ▪ Responsibility for Investigation of Suspected Fraud 					

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response</i> <i>SCDC further response where applicable (13/10/09).</i>
	<p>Irregularity or Corruption.</p> <ul style="list-style-type: none"> ▪ Police Investigations – who has responsibility for informing the police ▪ Recovery of Losses ▪ Reporting Lines ▪ References for employees disciplined or prosecuted for fraud ▪ Legal advice ▪ Procedures to follow if informing the press, radio or other third party ▪ Contact names and details ▪ Ensuring this is a standalone policy ▪ Ensuring only disseminated to senior staff who would be involved in the investigation process ▪ Only suitably trained staff are those responsible for conducting investigations ▪ Requirement for the plan to be reviewed annually and after its use to consider its effectiveness ▪ Enable criminal and disciplinary actions to be conducted at the same time if the instance arises 					

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response SCDC further response where applicable (13/10/09).</i>
	<ul style="list-style-type: none"> Consideration of civil recovery as an option against an individual 					
13	<p>Security Procedures & Incident Response Planning</p> <p>It is recommended that the Council should conduct a review into the current procedures and consider implementing a concise Security Policy encompassing its Security Procedures & Incident Response Plan, which as a minimum should include;</p> <ul style="list-style-type: none"> Physical security of premises; Physical security of assets; Physical security of staff; Assignment of responsibility; and, Consequence of non-compliance (criminal, civil, disciplinary) 	Fundamental	Waterbeach depot is covered by an intruder alarm linked to the police and a fire alarm linked to the fire brigade, which is tested weekly and the appropriate risk assessment is on display. There are also 4 cctv cameras covering movements within the depot space. Cambourne HQ is similarly covered by intruder alarms, fire alarms and cctv cameras. Other aspects of a security policy are being considered. A Safety Policy is already in place, to which the Security Policy would need to	A Manager was appointed on 1st August 2009. After reviewing the and updating the various FM contracts, he will be reviewing and updating policies, including Security.	FM	31 December 2009 As per Response (4)

No.	Recommendation	Priority	Update progress (29/4/09)	on as appropriate.	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <u>RSM BJ response SCDC further response where applicable (13/10/09).</u>
14	We recommend that key employees should receive regular security awareness training to maintain and improve their awareness.	Significant	From a Health & Safety perspective, Induction training, training in "Dealing with Difficult Customers", "Lone Working" and Risk Assessment are provided to all staff who require it. Corporate training budget has been reduced therefore no funds available to procure further training.	N/A			It appears that SCDC are addressing personal security – this does not address this recommendation concerning 'Security Awareness' – It is advised that the Facilities Manager is advised without delay of this recommendation and this is included in recommendations to be implemented by 31 st December 2009. <u>SCDC states FM to consider by 31st December 2009</u>
15	It is suggested that the findings of the Security Reports are disseminated to Senior Management.	Significant	If any security reports had identified adverse findings, these would have been reported to the appropriate management forum.	N/A			This conflicts with the response provided on the questionnaire submitted by SCDC during the initial Healthcheck. However if this response is accurate then this is accepted. <u>Some recent incidents have been reported to senior management</u>

Organisational Wide Procedures

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response</i> <u>SCDC further response where applicable (13/10/09).</u>
16	<p>The application form should be amended to include the following:</p> <ul style="list-style-type: none"> ▪ the consequences of those completing a false application or falsifying details as part of the signed declaration. ▪ a question asking if the applicant has any pending convictions. 	Significant	Already in place	N/A		<p>The application form provided during this review on the 14th September 2009 does not ask these questions. SCDC are advised to ensure that recommendation is followed up and an explanation provided regarding the response provided.</p> <p>HR a</p>
17	<p>It is recommended that the application form should ask applicants if they have ever been dismissed by an employer. Although this information may not necessarily affect a candidate's suitability for a Council position, it is vital that the Council requests such information in order to facilitate a clearly informed decision making and appointment process.</p>	Significant	Do not agree – normal reference processes will identify employment issues.	N/A		<p>This is recognised good practice although SCDC are confident that this will be identified during the reference process.</p> <p><u>HR would have to comment on this – but HR currently unavailable.</u></p>
18	<p>The Council should undertake credit reference checks on all individual employees (prospective or existing).</p>	Significant	Several queries over why we would want to check all employees, how we would use the information, how long we would keep it for and	N/A		<p>It is recognised that this recommendation should be not applicable to all employees. Although SCDC are recommended to consider that key personnel in known risk areas (HR/Finance/Procurement/Accounts) should be subject to credit reference checks pre-employment</p>

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response SCDC further response where applicable (13/10/09), and at periodic intervals after. HR would have to comment on this – but HR currently unavailable</i>
19	It is recommended that the Council should identify the most risk-sensitive positions by conducting a sensitivity analysis and carrying out enhanced background checks on those who are employed in such positions. The Council will require a signed release by the potential employee to obtain such records, or should make the provision of such information by the candidate themselves a condition of permanent employment.	Significant	<p>how often would we need to re-check? There are also cost and resource implications: cost for basic Experian check £3.50 per employee, plus internal administrative cost.</p> <p>Agreed that the Council should identify the most risk sensitive positions; however, it is not agreed that enhanced CRB/ISA checks are completed. Robust recruitment practices such as thorough checks or references, professional body membership, certificates to practice etc and career history should be sufficient.</p>	<p>The Establishment List has a flag against posts that require a CRB check; a similar flag can be placed against posts that are judged to be risk sensitive – however, who makes this judgment and on what criteria?</p>	HRM	<p><i>RSM BJ can provide further documentation in relation to identifying risk sensitive positions, if agreed, to be provided by 01/11/09.</i></p>

No.	Recommendation	Priority	Update progress (29/4/09)	on	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response</i> <i>SCDC further response where applicable (13/10/09).</i>
20	The Council should ensure that background checks of employees supplied by contractors and agencies have been undertaken. The Council should seek assurance from the contractors and agencies that these checks are conducted, as well as CRB checks when required.	Significant	Agencies undertake checks on employees as per the requirements of the Agency Contract. Contract Regulations (approved Council 17/7/08) does ask for this and when involved in the tender process we ask for relevant certificates and where relevant CRB checks as part of the tender response.	N/A			Accepted
Data Protection Standards							
21	SCDC should formulate a procedure which stipulates clear financial definitions when references prior to the purchase of ICT equipment are required.	Significant	Contract Regulations set out the requirements for ascertaining whether external procurement is required and detail the criteria that can be used for assessment of bids.	N/A			Accepted

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response SCDC further response where applicable (13/10/09).</i>
			<p>Only Officers authorised by the Chief Finance Officer can accept ICT contracts over £500. These are considered sufficient for the letting of ICT related contracts.</p> <p>It should also be noted that most ICT equipment is sourced through frameworks where the contract has been pre vetted by another Government body. It is considered that use of an OGC/ESPO contract should be sufficient to cover the risks here.</p>			
22	<p>It is recommended that to protect its own interests SCDC implement a policy where Contract staff are subject to confidentiality agreements</p>	Significant	<p>Confidentiality agreement could be implemented – Internal Audit will be asked to provide a sample. In addition Parts</p>	<p>Employees sign a contract of employment; code of conduct in place; data protection measures in</p>	HRM	<p><i>RSM BJ will provide requested documentation by 01/11/09</i></p>

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment RSM BJ response SCDC further response where applicable (13/10/09).
			26, 27 and 28 of the Council's standard General Conditions of Contract for Professional Services cover Data Protection. These will be reviewed to see whether they need updating to be more relevant.	place; covered at induction; need to be careful about granting agency etc staff employment rights		
	Protection of Information					
23	<p>SCDC does have standard procedures in place when classifying or disclosing information in accordance with the Data Protection Act 1984 & 1998 and the Freedom of Information Act 2000, it is recommended following additions are included in addition to SCDC procedures:</p> <ul style="list-style-type: none"> ▪ All Sensitive information to be clearly marked; ▪ Release of Information on a strict need to know basis; ▪ The owner to maintain a circulation list; ▪ Sensitive information to be locked away when not 	Merits Attention	A Records Management Survey is currently being undertaken. This will be considered in the context of the outcome of that survey.	Survey identified records, those containing personal information and those stored in unlocked cabinets The Records Mgt Manual addresses clear desk policy. Services are being asked to consider the value of scanning vital or confidential records.	Senior Lawyer/ Document and Records Management Analyst ("SL/DRMA")	Report to EMT, October 2009; completion of outcomes from survey, possibly by September 2010. Accepted.

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response SCDC further response where applicable (13/10/09).</i>
	<p>in use and particularly overnight; and,</p> <ul style="list-style-type: none"> ▪ The secure destruction of all unwanted records 			<p>A new protective marking policy has been issued in draft as part of the GCSX requirements.</p>		
24	<p>It is recommended that SCDC implements a Security & Health and Safety Review of the Remote Garages facility which is used for storing Revenues & Benefits archived materials.</p>	<p>Merits Attention</p>	<p>Revenues Services have been proactive in identifying offsite document storage as an issue. Quotes were obtained from a number of storage suppliers, but rates were typically 6 times higher than garage rents. Legal Services have instigated a records management review and this issue will be considered as part of the review.</p>	<p>SCDC is partnering with Cams CC who have negotiated a contract with a commercial off-site storage facility. SH/DL/MH will be working with other services to identify, document and securely dispose/ shred old documentation. All shredding to be securely carried out with a company.</p>	<p>SL/DRMA</p>	<p>end September 2009</p> <p>As 23. above</p> <p>As 23. above</p> <p>Accepted if delivered to timescales stated.</p>
25	<p>It is recommended that a review is conducted which concentrates on the role & responsibilities of the departed Information Manager. This review should include the re-</p>	<p>Significant</p>	<p>This will be considered in the context of the Records Management Survey currently</p>	<p>An Information Management Officer is now in post, assisting SH/DL in</p>	<p>SL/DRMA</p>	<p>Completed</p> <p>First meeting, September 2009</p> <p>Accepted if delivered to timescales</p>

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response SCDC further response where applicable (13/10/09).</i>
	allocation of the duties to other posts to ensure continuing compliance.		being undertaken	completing the survey. The survey findings also helped develop recommendations for the new ICT & Information Governance Steering Group.		
Screening of New Partnerships/Initiatives/Major Purchases						
26	It is strongly recommended that to protect itself with regard to the Screening of New Partnerships, Initiatives, and Major Purchases, that:	Fundamental	Not aware of any major ventures in which the Council shares liability. When Contract Regulations are next reviewed such points will be included with regard to the consideration of any major venture.	Will be included in the review of Contract Regulations	PO	31 January 2010 Accepted in relation to timescales and SCDC stating that not aware of any major ventures.

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response</i> <u>SCDC further response where applicable (13/10/09).</u>
	<p>official responsible for negotiating the project or acquisition prior to the funds being released.</p> <ul style="list-style-type: none"> ▪ A written report of the security clearance/due diligence reviews and authorisations undertaken. ▪ An independent security/due diligence review or audit into the proposed appointment of contractors, partner, suppliers is undertaken before any contracts are signed (i.e. taking up business references and performing financial viability checks as a minimum) 					
27	<p>SCDC should consider altering its conditions of business such that there is a requirement that all contractors agree to provide full audit access to their records on request, should this need arise.</p>	<p>Merits Attention</p>	<p>This will be considered in the next review of Contract Regulations.</p>	<p>As for 26. above</p>	<p>PO</p>	<p>31 January 2010 Accepted if delivered in timescale as stated.</p>
28	<p>A contractual review should be undertaken urgently to prevent issues involving insufficient contractual documentation.</p>	<p>Significant</p>	<p>The database has been brought up to date. Contract</p>	<p>In line with the recent Contract Services review, documentation will</p>	<p>PO</p>	<p>31 March 2010 Accepted if delivered in timescale as stated.</p>

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response</i> <i>SCDC further response where applicable (13/10/09).</i>
			documentation is in the process of being located, scanned and archived.	be updated in a prioritised programme		
Incident Reporting						
29	<p>The requirement of all Security Incidents to be reported should form part of the Council's policies and procedures. It is therefore recommended that appropriate arrangements are put in place to ensure that;</p> <ul style="list-style-type: none"> ▪ An appropriate person be appointed and given responsibility for Incident Reporting ▪ All incidents are reported and this requirement is clearly stated in the Council's procedures i.e. by forming part of the Security Policy; ▪ Incident reports should be serialised; ▪ Statistics from incidents are summarised so that trends can be detected and any preventative work undertaken as a result of this process is acknowledged; and, 	Significant	As stated above, if any security reports had identified adverse findings, these would have been reported to the appropriate management forum. This will be included in the consideration of a security policy.	As for 13. above	FM	31 December 2009 Accepted if delivered in timescale as stated.

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response SCDC further response where applicable (13/10/09).</i>
	<ul style="list-style-type: none"> The incident register should be made available at each Audit Committee meeting for review. 					
30	The Council should consider providing guidance on the types of Security incidents that may need to be reported, giving relevant sector specific examples to staff.	Merits Attention	This will be included in the consideration of a security policy.	As for 13. above	FM	31 December 2009 Accepted if delivered in timescale as stated.
Personnel Policies						
31	It is recommended that leave interviews are not conducted by the employee's supervisor. If the interview is conducted by a third party, and not the employees supervisor, this may assist in providing information concerning organisational weaknesses, concerns or complaints.	Merits Attention	Employees can request to have the interview with a member of HR team or they can complete the form themselves and send it in confidence to HR. It is considered that this is already covered within HR procedures and the Whistleblowing policy.	N/A		Accepted
32	SCDC should consider a policy in relation to the searching of premises, desks and lockers.	Significant	Do not agree that this should be a separate policy – if necessary it should form part	N/A		Accepted

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response</i> <i>SCDC further response where applicable (13/10/09).</i>
			of the policy on conduct of investigations.			
Conduct of Investigations						
33	<p>Conduct of Investigations (outside the remit of Benefit Fraud) is highly recommended.</p> <ul style="list-style-type: none"> ▪ The policy should make it clear that all employees are expected to co-operate in an investigation and that they may be subject to disciplinary action if they fail to do so. ▪ Only trained individuals should undertake the collection of evidence and the taking of witness statements, ▪ The Conduct of the Investigation will be in accordance with prevailing legislation ▪ The intention of SCDC to report all cases to the Police ▪ To press for criminal prosecution, ▪ To seek redress by civil recovery and dismissal. 	Significant	<p>Agreed, however need to consider resources to complete. Revenues Services can provide assistance in the development of a policy. It should be noted that in order to implement the recommended policy the Council will need to ensure there are officers fully trained in PACE, RIPA etc to collect evidence and build a case. A service planning bid was made for the creation of a counter-fraud intelligence officer</p>	<p>A protocol exists between Internal Audit and the Chief Finance Officer for the conduct of investigations; a similar protocol has been drafted for discussion and implementation with the Benefit Fraud Manager.</p>	ED(CS)	31 October 2009 Accepted if delivered in timescale as stated.

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response</i> <u>SCDC further response where applicable (13/10/09).</u>
			to enable the current remit of the benefit fraud team to be expanded to allow for proactive counter fraud work in areas other than benefits.			
Insurance						
34	It is recommended that an evaluation is undertaken of the current organisation's risk to establish if the interests of SCDC are adequately covered in the event of a subsequent Insurance claim.	Significant	This will be undertaken as part of the next insurance review.	The Insurance Officer will discuss this with the Council's insurers	Insurance Officer	30 September 2009 Accepted if delivered in timescale as stated.
Preventative Security						
35	It is recommended that a Preventative Security policy is implemented to protect the interests of SCDC.	Significant	As stated above, aspects of a security policy are being considered.	As for 13. above	FM	31 December 2009 Accepted if delivered in timescale as stated.
36	It is highly recommended that procedures are put into place where the background checks of security guards, cleaners, maintenance workers etc that conduct out of office hours	Significant	Background checks are included in appropriate contract specifications and	As for 13. above	FM	31 December 2009 A sample contract was provided and SCDC stated that the cleaning contractor stated that verbal and or written references were obtained for

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response SCDC further response where applicable (13/10/09).</i>
	work on SCDC premises, which are conducted by third parties are contractually bound, prior to allowing these personnel onto the business premises.		will be discussed with the relevant contractors.			<i>their employees and the cleaning contractor stated that SCDC should bear the costs of the background checks if required. SCDC are advised to ensure that this recommendation is actioned.</i>
37	It is highly recommended that SCDC conduct a thorough Preventative Security Assessment of its business premises and interests	Significant	As stated above, aspects of a security policy are being considered.	As for 13. above	FM	31 December 2009 <i>Accepted if delivered in timescale as stated.</i>
ISA240 Compliance (Financial Statements)						
38	It is recommended that the concerns of the Procurement Team are addressed. They have stated that within the tendering and quotation process, there is scope to review the procedures, make them simpler, and more fool proof to ensure compliance.	Merits Attention	Contract Regulations have been updated and a simplified process has covered these concerns.	N/A		Accepted
39	The following recommendations should be considered: For purchases less than £50k a chief officer can purchase items, for higher amounts	Significant	Not agreed. This is not realistic, would cause confusion and	N/A		<i>This is an acceptable response.</i>

No.	Recommendation	Priority	Update progress (29/4/09)	on	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <u>RSM BJ response</u> <u>SCDC further response where applicable (13/10/09).</u>
	<p>committee approval is required. It is suggested to occasionally reduce the £50k limit without notice as an audit test to ensure compliance.</p> <p>It is recommended reviewing employees do not avoid exceeding their purchasing authorities, by means of splitting larger invoices into smaller amounts. This can also be conducted as an audit test on a sample basis of purchases.</p> <p>There are no checks undertaken where employees could use inside information to their advantage (sealed bids) for Capital Purchases, including land, buildings, computer systems etc.</p> <p>Budget Holders are currently not required to sign an annual</p>		<p>would be difficult to administer.</p> <p>Contract Regulations have been made clearer to help eliminate this possibility.</p> <p>Contract Regulations underline the competitive process and logging mechanisms to prevent this type of activity and to ensure transparency and fairness.</p> <p>The process for staff declarations of interest is currently being reviewed and will include consideration of this.</p>	<p>N/A</p> <p>N/A</p> <p>The review is complete and will be mentioned in September's Corporate Brief</p>	<p>Principal Solicitor</p>	<p>30 September 2009</p> <p>Accepted if delivered in timescales as stated.</p>	

No.	Recommendation	Priority	Update progress (29/4/09)	on	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response SCDC further response where applicable (13/10/09).</i>
	<p>declaration of interest of any potential conflict of interests. It is recommended that SCDC implement this annual requirement to prevent potential undeclared conflict of interests.</p> <p>It is recommended that SCDC also address these weaknesses:</p> <p>At present the credentials of suppliers are not checked prior to entry on SCDC files.</p> <p>Purchase Orders/Contracts are not raised in all cases</p> <p>Partial orders for good and services are not closely controlled and no records are kept.</p> <p>There is no system for ensuring that credits are received for goods returned to suppliers</p>		<p>These will be reviewed.</p>			<p>HOA</p>	<p><i>SCDC should provide a clear indication of when these findings will be considered as SCDC remain exposed to potential risk.</i></p> <p><u>Accountancy to comment on</u></p>
Disbursements & Sales							
40	It is recommended that the procedure is reviewed and	Merits Attention	This will be considered.		HOA		No update provided by SCDC.

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response SCDC further response where applicable (13/10/09).</i> <u>Accountancy to comment on</u>
41	<p>consideration given to entering the invoice details in a format where names/initials are more difficult to change, as this may prevent alteration (i.e. IBM to IB Miller etc).</p> <p>It is recommended that returned cheques should be inspected for signs of alteration or conversion. Such inspections on returned cheques may identify potential fraud or highlight fraudulent behaviour/patterns.</p>	Merits Attention	The returned cheques process will be reviewed.		HOA	<p>No update provided by SCDC.</p> <p><u>Accountancy to comment on</u></p>
Fixed Assets						
42	<p>It is recommended that the control of Fixed Assets is reviewed to prevent further incidence of theft of SCDC assets. However, it has been stated that it is not practical given the staffing resources of SCDC to adequately monitor the security of fixed assets in order to prevent theft.</p>	Significant	<p>The number of fixed assets held at Waterbeach has now been significantly reduced with the outsourcing of the DLO stores to Travis Perkins. An inventory is kept and checked.</p>	N/A		Accepted.
43	<p>It is recommended that a specific policy is implemented regarding acceptable Mobile Phone usage.</p>	Significant	<p>Agreed. This is already in progress and all options are to be included in the</p>	<p>In draft. A report is going to the ICT & Information Governance Steering Group on</p>	Head of ICT	<p>ICT & Information Governance Steering Group, 22 September 2009</p> <p>Complete review of ICT security etc</p>

No.	Recommendation	Priority	Update progress (29/4/09)	Further update (14/09/09)	Officer responsible	Target date & SCDC comment <i>RSM BJ response SCDC further response where applicable (13/10/09).</i>
			<p>review. This will cover the use of desk based phones as well. A report will be presented to the appropriate management forum in due course.</p>	<p>22 September 2009 recommending that the ICT related policy be overhauled, including telephone usage, both desktop and mobile.</p>		<p>policies due by April 2010.</p> <p>Accepted if delivered in timescales as stated.</p>

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee

23 October 2009

AUTHOR/S: Executive Director Corporate Services

ANNUAL GOVERNANCE REPORT – AUDIT 2008/09

Purpose

1. To receive the District Auditor's Annual Governance Report.

Background

2. The District Auditor is required to provide an annual report to Members on the work undertaken through the audit and to set out her findings and conclusions from that work. The report also sets out her conclusions on the Council's use and management of its resources to deliver value for money. The report is attached to this document.
3. The audit of the Council's accounts have highlighted some discrepancies in the way housing assets have been recorded between the various housing databases. Although the numbers of properties involved is relatively small, the inaccuracy in the way assets have been classified in the Council's accounts is deemed to be high enough to warrant amendment to the accounts even though this doesn't significantly alter the Council's overall financial position. In reality, the discrepancies have existed in previous years accounts but this was not identified by previous auditors.

Considerations

4. The attached report sets out the detail of the audit conclusions and suggests an action plan the Committee may wish to adopt in responding to the report.

Options

5. To consider the report and accept its recommendations in full or in part.

Implications

6. The report highlights some improvements the Council should adopt in its financial reporting and corporate governance arrangements. No other significant implications have been identified.

7.	Financial	None identified
	Legal	None identified
	Staffing	None identified
	Risk Management	None identified
	Equal Opportunities	None identified

Effect on Strategic Aims

8.	Commitment to being a listening council, providing first class services accessible to all.
	The Annual Governance Report and the Statement of Accounts provide key information to the Council's stakeholders on the Council's corporate governance arrangements, its financial position and the way it uses the resources at its disposal.
	Commitment to ensuring that South Cambridgeshire continues to be a safe and healthy place for all.
	None identified
	Commitment to making South Cambridgeshire a place in which residents can feel proud to live.
	None identified
	Commitment to assisting provision for local jobs for all.
	None identified
	Commitment to providing a voice for rural life.
	None identified

Conclusions/Summary

9. At the date of the Committee meeting it has not been possible to complete a fully audited set of accounts although the work to produce them is now substantially finished. It is, therefore, necessary to provide the Council with a mechanism to allow the accounts to be published in a timely manner and so it is proposed that the relevant authority be delegated to the Chairman of the Committee and to the Executive Director (Corporate Services) as set out at paragraphs 10(b) and (c) below. The Annual Governance Statement, published within the accounts, also needs amendment to cover the issues raised within the audit and it is recommended the Leader of Council and the Chief Executive be invited to re-sign that statement accordingly.

Recommendations

10. It is recommended
- (a) that the contents of the Annual Governance Report be noted,
 - (b) that the Executive Director (Corporate Services) be authorised to issue a Letter of Representation as requested at Appendix 4 to the Annual Governance Report,
 - (c) that the Chairman of the Committee and the Executive Director (Corporate Services) be authorised to approve a final Statement of Accounts for publication,
 - (d) that the Leader of Council and the Chief Executive be invited to re-sign the Annual Governance Statement within the accounts,
 - (e) that the revised accounts be presented to the next meeting of the Committee, and
 - (f) that the Committee consider any proposed responses to the Action Plan as set out at Appendix 6 to the Annual Governance Report at its next meeting.

Background Papers: the following background papers were used in the preparation of this report: None identified

Contact Officer: Alex Colyer, Executive Director (Corporate Services),
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SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO:	Corporate Governance Committee	23 October 2009
AUTHOR/S:	Executive Director (Corporate Services) / Finance Project Officer	

ANTI-THEFT, -FRAUD AND -CORRUPTION POLICY

Purpose

1. The purpose of this report is to enable Corporate Governance Committee to comment on a proposed updated Anti-Theft, -Fraud and -Corruption (ATFC) Policy.

Background

2. RSM Bentley Jennison, the Council's internal auditors, have recently conducted two reviews that relate to the ATFC Policy: one, of the policy itself; and the second, of counter fraud arrangements, which made another recommendation about the ATFC Policy.
3. The opportunity has also been taken to propose amendments to reflect some other changes and bring the policy up to date with good practice.
4. A summary of the proposed amendments and a copy of the resulting draft revised ATFC Policy are provided in **Appendices A and B**, respectively.

Considerations

5. The ATFC Policy was last reviewed and updated by Corporate Governance Committee in September 2007. Discussions with the Democratic Services Manager have indicated that, as a corporate policy, the ATFC Policy should be approved by the Finance & Staffing Portfolio Holder. The draft policy will therefore be taken to that portfolio holder's next meeting for approval. However, we wish to give Corporate Governance Committee the opportunity to comment on the proposed updated policy in advance.

Options

6. In reviewing the draft revised ATFC Policy, Corporate Governance Committee could suggest further improvements or enhancements.

Implications

7.

Financial, Legal, Staffing	There are no immediate financial or legal implications resulting from this report.
Staffing	The updated policy will reflect changes to the authority's management and Member responsibilities.
Risk Management	The amendments 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 have been consulted about the proposed amendments to the ATFC Policy:
- (a) Executive Director (Corporate Services);
 - (b) HR Manager;
 - (c) Benefit Fraud Manager;
 - (d) Senior Lawyer (Deputy Monitoring Officer)
 - (e) Democratic Service Manager.

Effect on Strategic Aims

9.	Commitment to being a listening council, providing first class services accessible to all.
	The proposals in this report contribute to the Council's corporate governance responsibilities.
	Commitment to ensuring that South Cambridgeshire continues to be a safe and healthy place for all.
	Commitment to making South Cambridgeshire a place in which residents can feel proud to live.
	Commitment to assisting provision for local jobs for all.
	Commitment to providing a voice for rural life.

Conclusions/Summary

10. The proposed amendments ensure that the Council's ATFC policy reflects best practice and is up to date.

Recommendations

11. Corporate Governance Committee is requested to recommend approval of the proposed revised Anti-Theft, -Fraud and -Corruption Policy to the Finance & Staffing Portfolio Holder.

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

Appendix A

Summary of proposed amendments to Anti-Theft, -Fraud and -Corruption Policy

Source and reason for proposed amendment	Proposed amendment
The newly appointed Executive Director (Corporate Services) is the manager responsible for dealing with matters of theft, fraud and corruption, through statutory "section 151" responsibilities.	The wording of paragraphs 2.1 and 5.1 have been amended to reflect this.
<u>Recommendation from Internal Audit (IA) review of Anti-Theft, -Fraud and -Corruption (ATFC) Policy</u> It is recommended that the ATFC Policy is revised to include a concise list of all interlinked policies.	Included as new Annex C, referred to in paragraph 2.4.
<u>Recommendation from IA review of ATFC Policy</u> It is recommended that the ATFC Policy, in accordance with good practice, is reviewed on an annual basis.	Included as new paragraph 2.6
<u>Recommendation from IA review of ATFC Policy</u> It is recommended that SCDC consider the relevance of the inclusion of the Section 10, Housing Benefit and Council Tax Benefit Fraud in an ATFC Policy. If this section is to remain in the policy, it is recommended that consideration is given this being held as an Appendix to the ATFC Policy. [Note: This was included in the ATFC Policy in response to a previous IA recommendation. Housing or council tax benefit is the most likely area of fraud the Council faces. We therefore consider it important to note within the overall ATFC Policy that there are specific anti-fraud procedures to follow in this area.]	Moved to new Annex D, referred to in paragraph 2.7.
<u>Recommendation from IA review of ATFC Policy</u> It is recommended that South Cambridgeshire District Council (SCDC) consider inclusion of the definitions of the Fraud Act, as an explanation of their meaning will assist in providing the reader of the Anti-Theft, Fraud & Corruption (ATFC) Policy with an improved understanding of what constitutes Fraud, Theft and Corruption.	Included as new Section 4.
The Council's Monitoring Officer should be the person with whom Members raise concerns.	The wording of paragraph 5.2 has been amended to reflect this.

Source and reason for proposed amendment	Proposed amendment
<p><u>Recommendation from IA review of ATFC Policy</u> It is recommended that Section 4 of the ATFC Policy should clearly state that employees of SCDC should not contact the police if they have any concerns regarding Theft, Fraud or Corruption but this is a course of action that the Council will decide upon and that employees should only address their concerns to those indicated within the policy.</p>	<p>Included as new paragraph 5.3</p>
<p><u>Recommendation from IA review of ATFC Policy</u> It is recommended that Section 4, ATFC Policy is revised to include details of the Whistleblowing Policy and that this revision provides guidance for anonymous reporting and the contact details of Public Concern at Work. Public Concern at Work is a Whistleblowing Charity who offer free, confidential advice to people concerned about crime, danger or wrongdoing at work.</p>	<p>Included as new paragraph 5.6. (Note: The guidance recommended is not included in this new paragraph, as this would duplicate the Whistleblowing Policy - but it is clearly referenced.)</p>
<p>Contract Standing Orders were re-titled Contract Regulations when they were last reviewed.</p>	<p>The wording of paragraphs 6.3, 6.5, 7.1 and 8.1 have been amended to reflect this.</p>
<p><u>Recommendation from IA review of Counter Fraud Arrangements</u> SCDC must ensure that Internal Audit is notified in all instances where fraud is suspected in accordance with the ATFC Policy. To further ensure compliance with the ATFC policy, SCDC must ensure that the ATFC policy is revised to reflect that the Benefit Fraud Manager can undertake corporate fraud investigations.</p>	<p>Included as new paragraph 9.3 and paragraph 9.4 amended to include reference to the Fraud Manager.</p>
<p>With the recent departure of the Head of Revenues, the Benefits Manager has line management responsibility for the benefit fraud team.</p>	<p>The wording of Annex D, paragraphs 6 and 13, have been amended to reflect this.</p>
<p>The Finance and Staffing Portfolio Holder is the Member to whom reports of the Council's performance in respect of housing and council tax benefit fraud should be made.</p>	<p>The wording of Annex D, paragraph 13 has been amended to reflect this.</p>

Appendix B

Draft Anti-Theft, -Fraud and -Corruption Policy

**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 (**Annex A**) and the Nolan Committee's 'Seven Principles of Public Life' (**Annex 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 Executive Director (Corporate Services), the Council's Chief Finance Officer, through statutory, "section 151", responsibilities. Members and officers are encouraged to express concerns to the Executive Director (Corporate Services), Internal Audit, the Executive Director (Operational Services) as the Council's Monitoring Officer, 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. A concise list of policies to which this policy refers is attached at **Annex C**.
- 2.5 Allegations of theft, fraud and corruption will be investigated in a prompt, thorough and professional manner.
- 2.6 In accordance with recognised good practice, the Anti-Theft, Fraud and Corruption Policy will be reviewed on an annual basis.
- 2.7 Housing or council tax benefit is potentially the most likely area for attempted fraud by people outside the Council. **Annex D** 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. **Definitions**

- 4.1 The definitions of the Fraud Act 2006, and an explanation of their meaning, will assist in providing an improved understanding of what constitutes Fraud, Theft and Corruption.
- 4.2 The Fraud Act 2006 introduces provision for a general offence of fraud which is separated into three sections:
- Fraud by false representation;
 - Fraud by failing to disclose information;
 - Fraud by abuse of position.

4.3 ***Fraud by false representation***

Representation must be made dishonestly, and is made with intention of making a gain or causing a loss or risk of loss to another.

A representation is defined as false if it is untrue or misleading and the person making it knows that it is, or might be, untrue or misleading. Representation can be stated by words or communicated by conduct, i.e. written, spoken or by electronic means.

4.4 ***Fraud by failing to disclose information***

Fraud by failing to disclose information details that a fraud will have been committed, if a person fails to declare information which he/she has a legal duty to disclose. There is a requirement that the person acts dishonestly and intends to make a gain for him/herself, cause a loss to another or expose another to a risk of loss.

4.5 ***Fraud by abuse of position***

Fraud by abuse of position requires a person who is in a privileged position to act dishonestly by abusing the position held; and by doing so, fails to disclose to another person, information which he/she is legally required to disclose. The dishonest act must be with the intention of making a gain for him/herself or another. Alternatively, it may be with the intention of causing a loss or risk of loss to another. The offence may be committed by omitting to make a declaration as well as by an act.

4.6 The introduction of the Fraud Act 2006 does not prevent the prosecution of offences using the remaining Theft Act legislation and Forgery and Counterfeiting legislation, e.g. theft, counterfeiting and falsification of documents.

4.7 ***Corruption*** - where someone is influenced by bribery, payment or benefit-in-kind to unreasonably use their position to give some advantage to another.

4.8 ***Irregularity*** - An irregularity may be any significant matter or issue, other than fraud or corruption, which may warrant consideration or investigation. An example of an irregularity may be where a member of staff makes a genuine error or mistake in the course of their duties/responsibilities, but where this error or mistake is subsequently hidden, perhaps to the on-going detriment. Additionally, an irregularity may also involve consideration of the possible inappropriate use of Council funds or assets, which may or may not constitute fraud, theft or corruption.

5. **Raising concerns**

5.1 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 Executive Director (Corporate Services);
- the Executive Director (Operational Services), as the Monitoring Officer; or
- any Corporate Manager.

In the absence of the Executive Director (Corporate Services), concerns may be raised with either the Executive Director (Operational Services) or the Chief Executive.

5.2 Members may wish to raise concerns with:

- the Monitoring Officer, i.e. the Executive Director (Operational Services);
- the Chief Executive; or
- the Chief Finance Officer, i.e. the Executive Director (Corporate Services), as appropriate.

5.3 While later sections of this policy make reference to the circumstances in which the Police might be informed, that is a course of action which the Council would decide upon. Employees should not contact the Police direct if they have any concerns regarding theft, fraud or corruption; employees should address their concerns only to those officers indicated in this policy

5.4 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.

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

5.6 Issues of concern regarding theft, fraud or corruption should generally be raised according to the provisions of this policy. However, there may be times when the matter either does not relate directly to this policy or needs to be handled in a different way, in which case the Council's Whistleblowing Policy should be invoked. A copy of the Whistleblowing Policy is available on In-Site, the Council's intranet, at <http://insite/StaffMatters/Whistleblowing/reminder.htm>, together with other related documents and associated guidance, including anonymous reporting and the contact details of Public Concern at Work, a Whistleblowing charity that offers free, confidential advice to people concerned about crime, danger or wrongdoing at work.

6. **Staff**

6.1 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.

6.2 Staff recruitment will be in accordance with the Council's Recruitment and Selection procedures and Criminal Records Bureau (CRB) policy.

6.3 Officers are bound by Contract Regulations 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.

6.4 The Council's formal Disciplinary Policy and Procedure is to be followed whenever staff are suspected of committing a theft, fraudulent or corrupt act.

6.5 The role of staff in the Council's systems will be as laid down in Contract Regulations and Financial Regulations, job descriptions, departmental instructions and any applicable procedural manuals.

- 6.6 The Council recognises the importance of training in the delivery of high quality services.
- 6.7 The contents of this and other relevant documents should be presented to all staff through management group and staff meetings.
- 6.8 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.

7. **Members**

- 7.1 Members are required to operate within:
- Government legislation;
 - the local Code of Conduct;
 - the Protocol on Member-Officer Relations;
 - the Council's Contract Regulations /Financial Regulations;
 - the Procedural Guidance for Planning and Licensing.
- 7.2 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.
- 7.3 These matters listed above are supported by briefings received by new Members after election.

8. **Systems**

- 8.1 The Council has in place Contract Regulations 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.
- 8.2 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.
- 8.3 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.
- 8.4 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.

9. **Prevention, detection and investigation**

- 9.1 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.
- 9.2 The Council's Financial Regulations place a responsibility on certain officers to notify the Chief Finance Officer immediately of any irregularity or suspected irregularity.
- 9.3 The Chief Finance Officer will decide the initial action to be taken and determine the most appropriate person to undertake it (e.g. Internal Audit, the Fraud Manager, or another suitably trained person). In any event, Internal Audit will be notified in all instances where fraud is suspected.
- 9.4 Depending upon the nature of any irregularity, Internal Audit/the Fraud Manager will work closely with management and other agencies, such as the Police, to ensure that all matters are investigated thoroughly and reported upon.
- 9.5 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.
- 9.6 The Council will participate in the Audit Commission's National Fraud Initiative to exchange data for the purposes of detecting fraud.
10. **Punishment and sanction**
- 10.1 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.
- 10.2 If the investigation suggests improper behaviour by a Member, the procedures of the Council's Constitution, including relevant Codes or Protocols, will be followed.
- 10.3 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.

To be approved by the Finance & Staffing Portfolio Holder

Annex 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 Annex 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.

Annex 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.

Annex C - Related policies

Whistleblowing Policy

Recruitment & Selection Procedures

Criminal Records Bureau (CRB) Policy

Contract Regulations

Financial Regulations

Officer Code of Conduct

Member Code of Conduct

Disciplinary Policy & Procedure

Protocol on Member – Officer Relations

Procedural Guidance for Planning and Licensing

Member Toolkit

Annex D - Housing Benefit and Council Tax Benefit Fraud

- 1 The Council shall make particular provisions to prevent, detect and punish instances of Housing Benefit and Council Tax Benefit Fraud.
- 2 A robust verification process will be operated in accordance with national guidelines to verify the identity of claimants and eligibility to benefits.
- 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.
- 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.
- 5 The investigation team will include an officer authorised under s110 of the Social Security Administration Act.
- 6 Any employee with concerns about a potential benefit fraud may speak in confidence to the Fraud Manager or the Benefits Manager.
- 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.
- 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.
- 9 Proper records will be kept of all surveillance and authorisations and will be made available to the Surveillance Commissioner on request.
- 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.
- 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 **Annex E**; it is currently being reviewed and the updated version will be attached to the anti-theft fraud and corruption policy in due course.)
- 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.

- 13 The Fraud Manager (or the Benefits Manager) will make regular reports of the Council's performance in respect of Housing and Council Tax Benefit Fraud to the Finance & Staffing Portfolio Holder.
- 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.

Annex E - Benefit Prosecution Policy

1. Introduction

1.1 South Cambridgeshire District Council (SCDC) 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 SCDC 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 SCDC 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 SCDC 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 superseded):

- 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, 'South Cambs' 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.



**PENSION FUND
ANNUAL REPORT
2008-2009**

CAMBRIDGESHIRE PENSION FUND ANNUAL REPORT

1. INTRODUCTION

- 1.1 The Pension Fund provides pensions and other benefits for employees of the County Council, Peterborough City Council, District Councils, and other public sector and charitable organisations within Cambridgeshire. A complete list of these organisations is given in Appendix A. The fund does not include police and firefighters nor, generally, teachers for whom independent pension arrangements apply. The Fund's accounts are a separate entity from the remainder of the Council's accounts, and are not incorporated in the Balance Sheet.
- 1.2 The Pension Scheme regulations govern the way the Pension Fund operates. It is a statutory scheme with relatively limited discretion available to each employer. The contribution rates made by the employers will however be affected both by the investment returns on the fund, and by other issues (e.g. levels of early and ill health retirements). Benefits and employees' contributions are determined by the regulations and not affected by the investment performance of the Fund.
- 1.3 There are two relevant groups involved in the management of the Pension Funds. The Pensions Committee is responsible for the overall investment strategy and management arrangements, and the Pensions Forum represents the views of employers and scheme members on all aspects of the pension scheme. More details of the management arrangements are given in the Governance Compliance Statement in Appendix B and the arrangements for communications within employers and members are given in Appendix C.

2. ANNUAL INVESTMENT REVIEW

- 2.1 The credit crunch which had started in the year 2007-08 became a major problem in 2008-09. The failure of financial institutions and the subsequent economic recession caused major falls in stock markets globally, and all pension funds have seen significant reductions in asset values.
- 2.2 Since the year-end there have been signs that the worst of the recession is over and some stability is returning to the world economy. However the huge increases in government borrowing and expected tax increases will be a major constraint on the pace of future economic recovery.

3. INVESTMENT MANAGEMENT AND PERFORMANCE

- 3.1 The investment policy of the Fund is undertaken in accordance with the Statement of Investment Principles shown in Appendix D.
- 3.2 The total value of the fund was £1,100m, a reduction of £231m on the previous year. At the start of the year the fund employed Schroders as a multi-asset manager and Aberdeen Asset Management and UBS as specialist managers for the major part of the fund, together with three private equity managers. During the year the agreement with UBS was terminated due to continual under-performance of their target, and European equities were taken from the Schroder mandate due also to under-performance. The management of these fund assets was transferred to four new specialist managers, giving a complete management structure summarised as follows:-

Manager	Investment Mandate
Schroders	UK equities, Far East equities, Bonds, Property Unit Trusts
Aberdeen	Bonds
Newton	International equities
RCM	International equities
Credit Agricole	European equities
State Street	UK equities (index tracking)

Following the end of the year the Aberdeen mandate has been terminated and the assets transferred to Schroders and State Street.

- 3.3 Management fees are an agreed percentage of the funds under management. A benchmark return is calculated quarterly, based on the stock market index numbers for each sector, and target returns in excess of the benchmark are agreed for each manager. An additional percentage is paid when the investment return exceeds the target.
- 3.4 The private equity managers with mandates to invest in international private equity funds are Adams Street Partners (\$92m) and Harbourvest Partners (\$56m plus €28m); UBS have an investment of \$30m in an infrastructure fund and N W Brown Capital Partners Ltd have a mandate to invest £2m in the Cambridge Gateway Fund. The Adams Street and Harbourvest sums will be invested over a period of several years, and the total value of private equity investments to date is £56.8m.
- 3.5 The investment adviser to the fund is Hymans Robertson. Fees are paid on the basis of meetings attended and advice on specific areas of investment.
- 3.6 The fund actuary is Hymans Robertson. An agreed fee is paid for the triennial actuarial valuation, and advice on specific fund issues is charged at an hourly rate.

- 3.7 A measure of how well the Fund's investments have performed compared with other local authorities is given in statistics of investment returns published by the WM Company, who also provide a report on the long-term performance of the fund. The ranking of the fund in bands of 1% (where 1 is highest), annualised over periods from one to ten years, is as follows:-

	Annualised Return %	Percentile
2008/09 (one year)	-18.8	35
2006/09 (three years)	-5.8	42
2004/09 (five years)	3.4	37
1999/09 (ten years)	1.6	61

The annualised performance of the fund has therefore been in the third quartile over the last ten years. This is partly due to the under performance of at least one of the investment managers at various times over this period, and partly due to an above average holding of equities at times of market weakness. This has been addressed by changes in the management arrangements over the period, the most recent being in 2008/09. Over the last five years the fund has achieved a return in the second quartile.

4. ACTUARIAL VALUATION

- 4.1 The ability of the Fund to provide statutory benefits is assessed every three years by the Council's consulting actuary, and employers' contributions determined in the light of his report. The most recent report was at 31st March 2007, and this concluded that it was necessary to increase the average employers' contribution rate from 17.4% to 18.2% from 1 April 2008, phased in over the remaining three years of a six-year period which began at the 2004 valuation. Differential rates were determined for individual participating authorities in accordance with their differing liabilities. The approach used by the actuary is summarised in the approved Funding Strategy Statement in Appendix F and the valuation certificate in Appendix G.
- 4.2 The main reason for the increased contribution rate was the need to provide for an increase in the longevity of fund members.
- 4.3 As a result of the high investment returns achieved over the three years to March 2007, the fund moved from a position of being funded at a level to which assets were only sufficient to meet 79% of liabilities at 31 March 2004 to 86% at 31 March 2007. The employer contributions are intended to recover this deficit over a 20 year period.

5. CONTRIBUTORS AND PENSIONERS

5.1 This table gives the number of contributors and pensioners at 31st March 2009.

	31 March 2009				31 March 2008
	County Council	Scheduled Bodies	Admitted Bodies	Total	Total
Contributors	11,287	10,361	1,423	23,071	22,308
Pensioners	5,870	5,003	731	11,604	11,054

5.2 All employees other than casually employed staff are admitted to the scheme unless they choose to opt out. Participation is encouraged by the provision of a scheme information booklet and regular newsletters. The main benefits provided by the scheme are as follows:

- a tax-free lump sum on retirement
- a guaranteed pension based on final pay
- the ability to increase the pension by paying extra contributions
- voluntary retirement from age 60
- an ill health pension from any age
- redundancy cover from age 50
- a death in service lump sum of two times final pay
- a widow's or widower's pension
- children's pensions
- the index-linking of benefits to ensure that they keep pace with inflation

6. ANNUAL ACCOUNTS AND AUDIT STATEMENT

The Fund's accounts are published as a separate section within the accounts of the County Council and are attached at Appendix H.

Statement by the Appointed Auditor to the Members of Cambridgeshire County Council

We have examined the financial statements of the Pension Fund Annual Report for the period ended 31 March 2009 which comprise the Fund Account, the Net Assets Statement and the related notes.

This report is made solely to Cambridgeshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. We do not, in giving our opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Respective responsibilities of Chief Financial Officer and auditors

The Chief Financial Officer is responsible for preparing the Annual Report in accordance with the Local Government Pension Scheme (Amendment) (No. 3) Regulations 2007 (SI 2007/ 1561).

Our responsibility is to report to you our opinion on the consistency of the financial statements within the Annual Report with the statutory financial statements. We also read the other information contained in the Annual Report and consider the implications for our report if we become aware of any misstatements or material inconsistencies with the statutory financial statements.

Basis of opinion

We conducted our work in accordance with the principles expressed in paragraphs 15-18 of Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board, in so far as it is applicable to these financial statements.

Opinion

In our opinion the financial statements included in the Annual Report are consistent with the statutory financial statements of the Authority for the year ended 31 March 2009.

PricewaterhouseCoopers LLP

Cambridge

Date

ORGANISATIONS PARTICIPATING 31 MARCH 2009**APPENDIX A****SCHEDULED BODIES:****Cambridgeshire County Council****Peterborough City Council****District Councils**

Cambridge City Council
 East Cambridgeshire District Council
 Fenland District Council
 South Cambridgeshire District Council
 Huntingdonshire District Council

Town Councils

Chatteris Town Council
 City of Ely Council
 Huntingdon Town Council
 Ramsey Town Council
 Soham Town Council
 St. Ives Town Council
 St. Neots Town Council
 Wisbech Town Council

Parish Councils

Bretton Parish Council
 Burwell Parish Council
 Cambourne Parish Council
 Doddington Parish Council
 Eye Parish Council
 Fulbourn Parish Council
 Gamlingay Parish Council
 Girton Parish Council
 Hardwick Parish Council
 Histon & Impington Recreation Ground
 Committee
 Histon Parish Council
 Holywell-cum-Needlingworth Parish
 Council
 Impington Parish Council
 Kimbolton & Stonely Parish Council
 Linton Parish Council
 Little Downham Parish Council
 Little Paxton Parish Council
 Littleport Parish Council
 Manea Parish Council
 Milton Parish Council
 Sawston Parish Council
 Sawtry Parish Council
 Somersham Parish Council
 Sutton Parish Council

Thorney Parish Council
 Tydd St Giles Parish Council
 Waterbeach Parish Council
 Wimblington Parish Council
 Yaxley Parish Council

Internal Drainage Boards

Burnt Fen IDB
 Drysides IDB
 Feldale IDB
 Haddenham Level Commissioners
 Holmewood & Stilton IDB
 Littleport & Downham IDB
 March East IDB
 March Fifth IDB
 March Sixth IDB
 March Third IDB
 Maxey IDB March & Whittlesey IDB
 Middle Fen & Mere IDB
 Middle Level Commissioners
 North Level IDB
 Old West IDB
 Padnal and Waterden IDB
 Ransonmoor IDB
 Swaffham IDB
 Waterbeach Level IDB
 White Fen IDB
 Whittlesey Fifth IDB
 Whittlesey IDB
 Yaxley IDB

Other Organisations

Anglia Polytechnic University
 Cambridge Regional College
 Cambridgeshire Association of Local
 Councils
 Cambridgeshire & Peterborough Fire
 Authority
 Cambridgeshire Magistrates' Courts
 Committee
 Cambridgeshire Police Authority
 Cambridgeshire Probation Committee
 Cambridgeshire Valuation Tribunal
 Hills Road Sixth Form College
 Huntingdonshire Regional College
 Isle College, Wisbech
 Long Road Sixth Form College
 Peterborough Regional College
 The College of West Anglia

ADMITTED BODIES:

Friends Therapeutic Community	Cambridgeshire Alcohol Advisory Service
Cambridgeshire Society for the Blind	The Westgate and Petros Project
Cambridgeshire Society for Mentally Handicapped Children	Wisbech Grammar School
Orton Family Centre	Mepal Outdoor Centre
Railway House Association	Peterborough Council for Voluntary Service
Eastern Provincial Council for Local Authorities	Peterborough Development Corporation
Cambridge Water Company	St Martin's Day Centre
Homerton College	Peterborough Council for Community Relations
Homerton School of Health Studies	St Columba Centre
Kimbolton School	Cambridgeshire Information & Technology Centre
Perse School for Girls	Bowthorpe Hall Centre
The Cresset	Conservators of the River Cam
Eastern Arts Board	Hereward Housing Association
St Raphael Club	Ormiston Trust
Hughes Hall	Commissions East Ltd
Wisbech & Fenland Museum	Huntingdonshire Citizens' Advice Bureau
Nene Valley Research Committee	Tennant Support Service Company Ltd
Cambridge Sports Hall Trust Limited	St Neots Museum Ltd
Peterborough Youth Stadium	Centre 33
Cambridgeshire Association for Social Welfare	M.D.A (Europe)
Cambridge & County Folk Museum	Huntingdonshire Housing Partnership
Cambridge Institute of Education	The Farmland Museum
Romsey Town Churches Youth & Community Centre	Ely Museum
Cambridgeshire PCT	ADEC
Peterborough PCT	Home Close
Ecovert	Home Meadow
Roddens Housing Association	The Hillings
Cambridge Sports Lake Trust	Exelcare
Peterborough College of Adult Education	Methodist Homes
APS Limited	ITNET
Oxford Archaeology	CSCI
CRI	Screen East
Innovative Services Ltd	Turning the Red Lights Green
Cucina Ltd	Sport and Leisure Management
Taylor Shaw Ltd	Cross Keys Housing Association
Ethelred House	

INTRODUCTION

This Governance Compliance Statement is required to be published by the Local Government Pension Scheme Regulations, and complies with advice issued by Central Government.

RESPONSIBILITY FOR PENSION FUND INVESTMENTS

The County Council's Pensions Committee is responsible for determining the investment strategy and overseeing the management of the pension fund and its administration.

- (a) Investment Strategy & Performance
- Appointment of Investment Adviser to the Committee
 - Determining the investment strategy in accordance with the Pension Regulations, taking advice where necessary
 - Appointment of investment managers
 - Appointment of Global Custodian
 - Receiving regular monitoring reports from investment managers engaged by the Council to carry out the day to day management of the fund
 - Monitoring the performance of the fund on a regular basis. In particular the Committee shall satisfy itself that investments are being made in accordance with the agreed investment strategy and that an acceptable return on investment is being achieved.
- (b) Valuation
- Appointment of Actuary to the Fund
 - Reviewing valuation reports
- (c) Administration
- Determine discretions reserved to the Administering Authority under the Pensions Regulations
 - Determine policy relating to Admissions Agreements for Scheduled and Resolution Bodies
 - Oversee effective and efficient administration and communication by Cambridgeshire's Pensions Service

SCHEME OF DELEGATION

A scheme of delegation to officers approved by the Council sets out the executive decisions that council officers have the power to take. This scheme delegates to the Corporate Director: Finance, Property and Performance the detailed implementation of the investment strategy as determined by the Investment Committee, and the issuing of any instructions to fund managers consistent with the strategy or required as a matter of urgency to safeguard the Council's position.

PENSIONS COMMITTEE

Membership of the Committee is determined by the Council, and consists of three County Councillors, one Peterborough City Councillor, one District Councillor representing all other

employers participating in the fund and an employee representative nominated by the trade unions. All members have equal voting rights. Meetings are held quarterly, and the investment managers are requested to attend meetings half-yearly.

Communications Policy Statement for Cambridgeshire Local Government Pension Fund

Clear and effective communication is an essential part of service that is needed from the Administering Authority. This statement sets out the current communications policy and approach adopted by the Cambridgeshire Local Government Pension Fund.

The Fund aims to use the most appropriate communication channels for the audiences receiving the information. This often involves utilising a combination of communication channels to ensure that information is effectively disseminated.

Providing Information to Individuals in the Scheme

The Fund has a policy of only providing personal and confidential information to fund members by post. Letters are sent to either a home address OR to the person through their employer. Suitable security protocols are in place to ensure that only the scheme member can change their home address on their pension record.

Where a scheme member chooses to send in certificates or other important documents using registered post those documents are returned in this manner.

More general information is provided through a range of mechanisms:

- All new prospective Scheme members are provided with a Local Government Pension Scheme booklet and appropriate membership forms upon appointment
- All pensioners receive a monthly payslip
- Guidance notes are provided in circumstances where scheme members are required to make a decision or complete forms.
- Individual questions are answered and guidance given in person, via the telephone, via Email and via letter, as deemed most effective.
- Annual benefits statements are produced for both active and deferred scheme members
- A range of generic information is provided through a variety of communication channels.

Supporting Employers

The Fund has a policy of supporting employers in delivering their roles and responsibilities in respect of the pensions function. These mechanisms include:

- An employers manual for larger employing organisations
- Specific case by case support for small employing organisations.
- Named contacts who can provide support as required
- Regular employers' newsletters
- Pensions Forum

Representatives of Fund Members and Prospective Fund Members

Currently the Fund does not do anything specific for these two groups. However they are often involved in communication exercises designed for scheme members or employers. For example, much of the generic communication is available for prospective members and representatives.

Understanding the Details

Scheme Members Newsletter

We issue a newsletter to active members of the Fund approximately every six months or when major issues need communicating. It covers current pension topics.

A newsletter is issued to pensioners with their April payslip giving details of Pensions Increase and other issues of interest to pensioners.

Benefit Statements

An Annual Benefit Statement is sent to all active scheme members who were contributing to the Fund at the end of the previous financial year. Dispatch is through employers.

Benefit Statements are sent direct to the home address of deferred members where their current home address is known. Dispatch is in late spring following the completion of Pensions Increase procedures.

Pensioners Pay Advices

The Fund continues to issue monthly pay advices to Scheme pensioners. We believe these reinforce the need for pensioners and their relatives to ensure that in the event of their demise or change of address the Fund is notified promptly.

P60s are dispatched with either the April or May payslip.

If pay advices are returned this starts off a lost contact procedure, which may, ultimately, result in pension payments being suspended until contact is made again.

Employers' Manual

Employers' Manual is issued to all employers with more than 10 scheme members. This gives detailed guidance on carrying out the necessary employers functions. This manual is currently part way through a major review and redesign. This further assists the employers' in discharging their pensions administration responsibilities. This is supplemented by named contacts who are available by telephone or personal visit to assist whenever necessary.

Employers Newsletter

A newsletter is issued by Email, at least quarterly. This goes to a range of HR, payroll and finance staff in employing organisations. It also goes to a range of other people linked to pensions in some way. This covers any issues that are currently under debate, reminders, information, changes to the Regulations or procedures that impact upon the employer's function and information to be dispatched to employees.

In addition, nominated officers for each employer are issued with detailed procedural guidance through this mechanism.

Pensions Forum

Periodically meetings are arranged for all employers. Specifically this has been used as a mechanism for communicating major strategic issues, significant legislation changes and triennial valuation matters.

Internet

The Fund currently has a very basic Internet site with commonly used forms and links to the website run by the Local Government Pensions Committee.

First Point of Contact

A dedicated telephone line and Email address has been set up as the first point of contact for scheme members and employers. Where possible general enquiries are answered through this means. Where this is not possible the query is assigned to a specific casework officer for further investigation and answer.

AVC Roadshows

The Fund takes advantage of the service offered by its AVC provider Prudential to run roadshows according to employer needs. These roadshows offer information on the LGPS generally and ways in which pensions can be topped up generally and specific information on AVC.

Introduction

The Pensions Fund is required to meet retirement benefits determined in accordance with the Local Government Pensions Scheme Regulations. The County Council is responsible for investing the assets of the Fund in accordance with the Regulations. The Council has also adopted the Government's Voluntary Code for Pension Fund Investment based on the recommendations of the Myners' review (see Appendix F).

Primary Objective

The primary investment objective is to ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions.

Management Arrangements

The overall investment policy of the Fund is determined by a Pensions Committee consisting of three County Councillors, a Peterborough City Councillor, a District Councillor representing all other participating bodies in the Fund, and an employee representative. The Committee is advised by the fund actuary, the fund investment adviser and the Corporate Director: Finance, Property and Performance. The day-to-day investment of the Fund is undertaken by external managers appointed by the Committee. An agreement is in place with each manager which specifies asset allocation ranges and a performance target based on market indices. There are no restrictions placed on the managers regarding the realisation of investments. Custody of the investments is held by a global custodian who is authorised to undertake stock lending on behalf of the Council.

Types of Investment Held

The management agreements permit the following forms of investment in UK and overseas markets: equities, fixed interest stocks, index linked stocks, cash, derivatives and underwriting. Investments are also made in UK property unit trusts, currency funds and private equity.

Risk

Risk associated with investment is controlled by the diversification of investments over asset classes in accordance with the management agreements, and the use of a number of investment managers. The monitoring of performance relative to a target index requires each manager to maintain a diversified portfolio of investments within each asset class.

Corporate Governance Policy

There is an agreement with each manager to exercise the fund's voting rights in the best interests of shareholders. Managers are required generally to vote either for or against company resolutions, and only abstain in exceptional circumstances. Details of votes cast, and reasons for abstentions are reported to the Pensions Committee.

The agreement also allows the Corporate Director: Finance, Property and Performance to instruct the managers to vote in a particular way, or not to vote, in circumstances where this is considered appropriate. Any such instructions are reported to the Pensions Committee.

Socially Responsible Investment

The Pensions Committee has a general policy of not placing restrictions on the managers' selection of investments. However the Committee would expect the managers to take into account any financial risks arising from potentially unsustainable social or environmental policies followed by investee companies in reaching their investment decisions. The managers are also encouraged to engage in discussions with companies on ethical and environmental issues, and question them on their social responsibilities. The outcome of these discussions is reviewed by the Pensions Committee at its quarterly meetings.

STATEMENT OF COMPLIANCE WITH MYNERS' PRINCIPLES

APPENDIX E

Principles and Requirements	Extent of Compliance
<p>1 Effective Decision Making Decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively.</p> <p>Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able evaluate any advice they take.</p> <p>Investment sub-committees favoured.</p> <p>Trustees should review their structure and processes to carry out their role effectively.</p>	<p>Decisions are taken by a Pensions Committee, based on advice received from the investment managers, County Council finance staff and external advisers. Training courses are offered to all committee members.</p>
<p>2 Clear Objectives Trustees should set out an overall objective for the fund.</p> <p>It should take account of the fund liabilities and the contributions paid by employees and scheme sponsor.</p> <p>Objectives should not be expressed in terms which have no relationship to the fund's liabilities (e.g. performance relative to other funds or market indices).</p>	<p>Set out in the Statement of Investment Principles.</p>
<p>3 Focus on Asset Allocation Strategic asset allocation decisions should receive a level of attention that reflects the contribution they make towards achieving the fund's objective.</p> <p>Decisions should reflect the fund's own characteristics.</p>	<p>Benchmarks are set based on the fund's own characteristics and objectives and reviewed annually.</p>
<p>4 Expert Advice Actuarial services and investment advice should be open to separate competition.</p> <p>Appropriate levels of fee should be paid for each service.</p>	<p>Separate agreements have been made for the provision of actuarial and investment advice.</p>

Principles and Requirements	Extent of Compliance
<p>5. Explicit Mandates Trustees should agree explicit written mandates with their managers covering:</p> <ul style="list-style-type: none"> ➤ The objective, benchmark and risk parameters; ➤ The manager's approach to achieving the objective; and ➤ A timescale of measurement and evaluation. <p>Any exclusion of specific financial instruments should be justified.</p> <p>Trustees should understand transaction related costs.</p>	<p>Mandates are agreed with the managers which cover performance targets and a timescale of measurement and evaluation.</p> <p>No financial instruments are excluded.</p>
<p>6 Activism The mandate and trust deed should comply with the Institutional Shareholders Committee statement of principles on the responsibilities of institutional shareholders and agents.</p>	<p>An agreed policy on corporate governance is in place for all managers.</p>
<p>7 Appropriate Benchmarks Trustees should ensure (in consultation with their managers) that the index benchmarks set are appropriate.</p> <p>Limits on managers' divergence from index (e.g. tracking errors) should recognise realistic approximations within indices.</p> <p>Both active and passive approaches should be considered for each asset class.</p> <p>Targets for active management should be considered for each asset class.</p> <p>Targets for active management should be appropriate and risk controls should provide leeway for genuine active management.</p>	<p>Benchmarks are agreed with the managers, and these provide leeway for active management.</p> <p>The decision has been taken to adopt active investment management in each asset class, with an element of passive investment in UK equities and bonds.</p>

Principles and Requirements	Extent of Compliance
<p>8 Performance Measurement Encompasses not only fund performance, but a formal assessment of their own procedures and decisions as trustees.</p> <p>This performance assessment would also apply to advice received and decisions delegated (e.g. to advisers and managers)</p>	<p>Investment performance of fund managers and overall fund is monitored quarterly. Asset allocation and the Statement of Investment Principles are reviewed by the Pensions Committee annually.</p>
<p>9 Transparency A strengthened Statement of Investment Principles should set out.</p> <ul style="list-style-type: none"> ➤ Who is taking decisions and why; ➤ The fund's investment objective; ➤ The planned asset allocation strategy, including projected investment returns and why the current strategy has been adopted; ➤ Details of manager and adviser mandates, fee structures in place with reason. 	<p>The Statement of Investment Principles, published together with the Pension Fund Accounts, meets the requirement for transparency.</p>
<p>10 Regular Reporting Trustees are required to publish the Statement of Investment Principles and the results of monitoring of advisers and managers.</p> <p>Key (summary) information should be sent annually to members.</p> <p>Trustees should explain any departure from these 10 principles</p>	<p>The Statement of Investment Principles is published in the annual accounts, together with any changes in the advisers and managers. Summarised financial information is provided in pensions newsletters to employees.</p>

1 PURPOSE OF THE FUNDING STRATEGY STATEMENT

- 1.1 Local authorities responsible for the administration of pension schemes are legally required to produce a Funding Strategy Statement in conjunction with the triennial actuarial valuation of the pension fund. The purpose of this statement is to establish a strategy for the funding of long-term pension liabilities, with employer contribution rates maintained as far as possible at a constant level.

2 AIMS AND PURPOSE OF THE PENSION FUND

- 2.1 The principal aim of the fund is to ensure that sufficient resources are available to meet all liabilities as they fall due. To achieve this aim the fund must seek to maximise the returns from its investments within reasonable risk parameters. This in turn will ensure that the cost to employers is kept to a minimum.
- 2.2 The purpose of the fund is to receive monies in respect of contributions, transfer values and investment income, and pay out monies in respect of scheme benefits, transfer values and other expenses, in accordance with the Local Government Pension Scheme Regulations.
- 2.3 The roles and responsibilities of the key parties involved in the management of the pension scheme are summarised at the end of this appendix.

3 SOLVENCY ISSUES AND TARGET FUNDING LEVELS

3.1 Derivation of Employer Contributions

Employer contributions are normally made up of two elements:

- a) the estimated cost of future benefits being accrued, referred to as the “future service rate”; plus
- b) an adjustment for the funding position (or “solvency”) of accrued benefits relative to the Fund’s solvency target, “past service adjustment”. If there is a surplus there may be a contribution reduction; if a deficit a contribution addition, with the surplus or deficit spread over an appropriate period.

The actuary is required by the regulations to report the Common Contribution Rate for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay, which for the 2007 valuation is 18.2%. For the purpose of calculating the Common Contribution Rate, the surplus or deficit under (b) is currently spread over a period of 20 years.

The actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed “peculiar” to an individual employer. It is the adjusted contribution rate which employers are actually required to pay. The sorts of peculiar factors that are considered are discussed in Section 3.5.

In effect, the Common Contribution Rate is a notional quantity. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific spreading and phasing periods. For some employers it may be agreed to pool contributions, see Section 3.7.4.

Any costs of non ill-health early retirements must be paid as lump sum payments at the time of the employer's decision in addition to the contributions described above (or by instalments shortly after the decision).

3.2 Solvency and Target Funding Levels

The Fund's actuary is required to report on the "solvency" of the whole fund at least every three years.

"Solvency" for ongoing employers is defined to be the ratio of the market value of assets to the value placed on accrued benefits on the actuary's ongoing funding basis. This quantity is known as a funding level.

The ongoing funding basis is that used for each triennial valuation and the actuary agrees the financial and demographic assumptions to be used for each such valuation with the administering authority.

The fund operates the same target funding level for all ongoing employers of 100% of its accrued liabilities valued on the ongoing basis. The treatment of departing employers is described in paragraph 3.8.

3.3 Ongoing Funding Basis

The demographic assumptions are intended to be best estimates of future experience in the Fund. They vary by type of member reflecting the different profile of employers.

The key financial assumption is the anticipated return on the Fund's investments. The investment return assumption makes allowance for anticipated returns from equities in excess of bonds. There is, however, no guarantee that equities will out-perform bonds. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply. It is therefore normally appropriate to restrict the degree of change to employers' contributions at triennial valuation dates.

Given the very long-term nature of the liabilities, a long term view of prospective returns from equities is taken. For the 2007 valuation, it is assumed that the Fund's investments will deliver an average additional return of 1.6% a year in excess of the return available from investing in index-linked government bonds at the time of the valuation. The same financial assumptions are adopted for all ongoing employers.

3.4 **Future Service Contribution Rates**

The future service element of the employer contribution rate is calculated on the ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up to meet future benefit payments in respect of future service. The employer's future service rate will be based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year. Technically these rates will be derived using the Projected Unit Method of valuation with a one-year control period.

If future experience is in line with assumptions, and the employer's membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment) the rate would rise.

Future service rates include expenses of administration to the extent that they are borne by the Fund and include an allowance for benefits payable on death in service and ill health retirement.

3.5 **Adjustments for Individual Employers**

Adjustments to individual employer contribution rates are applied both through the calculation of employer-specific future service contribution rates and the calculation of the employer's asset share.

The combined effect of these adjustments for individual employers applied by the actuary relate to:

- past contributions relative to the cost of accruals of benefits
- different liability profiles of employers (e.g. mix of members by age, gender, manual/non manual)
- the effect of any differences in the valuation basis on the value placed on the employer's liabilities
- any different deficit/surplus spreading periods or phasing of contribution changes
- the difference between actual and assumed rises in pensionable pay
- the difference between actual and assumed increases to pensions in payment and deferred pensions
- the difference between actual and assumed retirements on grounds of ill-health from active status
- the difference between actual and assumed amounts of pension ceasing on death
- the additional costs of any non ill-health retirements relative to any extra payments made over the period between each triennial valuation.

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers. Transfers of liabilities between employers within the Fund occur automatically in this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The actuary does not allow for certain relatively minor events occurring in the period since the last formal valuation including, but not limited to:

- the actual timing of employer contributions within any financial year
- the effect of more or fewer withdrawals than assumed
- the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

3.6 Asset Share Calculations for Individual Employers

The Administering Authority does not account for each employer's assets separately. The actuary is required to apportion the assets of the whole fund between the employers at each triennial valuation using the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus". The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund.

The Administering Authority recognises the limitations in the process, but having regard to the extra administration cost of building in new protections, it considers that the actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

3.7 Stability of Employer Contributions

3.7.1 Deficit Recovery Periods

The Administering Authority reviews at each valuation the deficit recovery period to be adopted by the actuary for all employers when calculating their contributions. For the 2007 valuation this was 20 years with the exception of Best Value Admission Bodies where the period is to the end of the employer's contract.

3.7.2 Phasing in of Contribution Rises

Best Value Admission Bodies are not eligible for phasing in of contribution rises. Other employers may be permitted to phase in contribution rises over a period of six years.

3.7.3 The Effect of Opting for Longer Spreading or Phasing-In

Employers which are permitted and elect to use a longer deficit spreading period than was used at the 2001 valuation or to phase-in contribution changes will be assumed to incur a greater loss of investment returns on the deficit by opting to defer repayment. Thus, deferring paying contributions will lead to higher contributions in the long-term. However any adjustment is expressed for different employers the overriding principle is that the discounted value of the contribution adjustment adopted for each employer will be equivalent to the employer's deficit.

3.7.4 Pooled Contributions

The Administering Authority allows smaller employers of similar types to pool their contributions as a way of sharing experience and smoothing out the effects of costly but relatively rare events, such as ill-health retirements and deaths in service. As at the 2007 valuation schools are pooled with their funding Council and separate pools were operated for Town and Parish Councils.

3.8 Admission Bodies ceasing

Admission Agreements for Best Value contractors are assumed to expire at the end of the contract.

Admission Agreements for other employers are generally assumed to be open-ended and to continue until the last pensioner dies. Contributions, expressed as capital payments, can continue to be levied after all the employees have retired. These Admission Agreements can however be terminated at any point.

If an Admission Body's admission agreement is terminated, the Administering Authority instructs the Fund actuary to carry out a special valuation to determine whether there is any deficit.

The assumptions adopted to value the departing employer's liabilities for this valuation will depend upon the circumstances. For example:

- a) For Best Value Admission Bodies, the assumptions would be those used for an ongoing valuation to be consistent with those used to calculate the initial transfer of assets to accompany the active member liabilities transferred.
- b) For non Best Value Admission Bodies that elect to voluntarily terminate their participation, the Administering Authority must look to protect the interests of other ongoing employers and will require the actuary to adopt valuation assumptions which, to the extent reasonably practicable, protect

the other employers from the likelihood of any material loss emerging in future. This could give rise to significant payments being required.

- c) For Admission Bodies with guarantors it is possible that any deficit could be transferred to the guarantor, in which case it may be possible to simply transfer the former Admission Bodies members and assets to the guarantor without needing to crystallise any deficit.

Under (a) and (b), any shortfall can be levied on the departing Admission Body as a capital payment.

3.9 Early Retirement Costs

The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health. Employers are required to pay additional contributions wherever an employee retires before attaining the age at which the valuation assumes that benefits are payable.

It is assumed that members' benefits on age retirement are payable from the earliest age that the employee could retire without incurring a reduction to their benefit and without requiring their employer's consent to retire. The additional costs of premature retirement are calculated by reference to these ages.

4 LINKS TO INVESTMENT STRATEGY

4.1 Investment Strategy

The investment strategy currently being pursued is described in the Fund's Statement of Investment Principles and Pension Fund Report and Accounts.

The investment strategy is kept under constant review to ensure that it remains appropriate to the Fund's liability profile. The Administering Authority has adopted a benchmark which sets the proportion of assets to be invested in key asset classes such as equities, bonds and property. Having considered the balance of risk and reward between different asset classes the Fund's benchmark includes a significant holding in equities in the pursuit of long-term higher returns than from index-linked bonds. The Administering Authority's strategy recognises the relatively immature liabilities of the Fund and the secure nature of most employers' covenants. The same investment strategy is currently followed for all employers, and is consistent with the future strategy assumed in the actuarial valuation.

4.2 Inter-valuation Monitoring of Funding Position

The Administering Authority monitors investment performance relative to the returns assumed in the actuarial valuation by means of quarterly performance measurement reports. It reports back to employers at the annual Pensions Forum.

5 KEY RISKS AND CONTROLS

5.1 Types of Risk

The Administering Authority is aware that unforeseen changes of a financial, demographic or regulatory nature may have an adverse effect on the solvency of the fund. Procedures are in place to mitigate the effect of those risks as outlined in the following paragraphs.

5.2 Financial Risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term.	<i>Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing.</i> <i>Analyse progress at three-yearly valuations for all employers.</i>
Active investment manager under-performance relative to benchmark.	<i>Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.</i>
Pay and price inflation significantly more than anticipated.	<i>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</i>
Effect of possible increase in employer's contribution rate on service delivery and admission / schedule bodies.	<i>Seek feedback from employers on scope to absorb short-term contribution rises.</i> <i>Mitigate impact through deficit spreading and phasing in of contribution rises.</i>

5.3 Demographic Risks

Risk	Summary of Control Mechanisms
Pensioners living longer.	<p><i>Set mortality assumptions with some allowance for future increases in life expectancy.</i></p> <p><i>Fund actuary monitors combined experience of around 50 funds to look for early warnings of lower pension amounts ceasing than assumed in funding.</i></p>
Deteriorating patterns of early retirements.	<p><i>Employers are charged the extra capital cost of non ill health retirements following each individual decision.</i></p>

5.4 Regulatory Risks

Risk	Summary of Control Mechanisms
<p>Changes to regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees.</p> <p>Changes to national pension requirements and/or Inland Revenue rules.</p>	<p><i>The Administering Authority is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself.</i></p> <p><i>It considers all consultation papers issued by the ODPM and comments where appropriate.</i></p>

RESPONSIBILITIES OF KEY PARTIES

Administering Authority

- collect employer and employee contributions
- invest surplus monies in accordance with the regulations
- ensure that cash is available to meet liabilities as and when they fall due
- manage the valuation process in consultation with the fund's actuary
- prepare and maintain a Funding Strategy Statement and Statement of Investment Principles after consultation with interested parties
- monitor all aspects of the fund's performance and funding, and amend the FSS and SIP as required.

Employing Organisations

- deduct contributions from employees' pay as required
- pay all employer and employee contributions to the Administering Authority by the due date
- exercise discretions on pension benefits within the regulations
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement costs
- notify the administering authorities promptly of all changes and proposed changes, to membership which may affect future funding.

Fund Actuary

- prepare valuations including the setting of employers contribution rates after agreeing assumptions with Administering Authority and having regard to the FSS
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

Actuarial Statement

As required by Regulation 77 of the Local Government Pension Scheme Regulations 1997, the last actuarial valuation of Cambridgeshire County Council Pension Fund's assets and liabilities was carried out as at 31 March 2007.

Security of Prospective Rights

In my opinion, the resources of the Fund are likely in the normal course of events to meet the liabilities of the Fund as required by the Regulations. In giving this opinion, I have assumed that the following amounts will be paid to the Fund:

- Contributions by the members in accordance with the Local Government Pension Scheme Regulations 1997 until 31 March 2008, then in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007;
- Contributions by employers in accordance with the Rates and Adjustments Certificate dated 31 March 2005 for the year ending 31 March 2008. Thereafter for the three years commencing 1 April 2008 as specified in our Rates and Adjustments certificate dated 20 March 2008.

Summary of Methods and Assumptions Used

Full details of the method and assumptions are described in our valuation report dated 20 March 2008 and the Rates and Adjustments certificate contained therein.

Copies of these documents are available on request from the Finance Department of Cambridgeshire County Council.

My opinion on the security of the prospective rights is based on

- the projected unit valuation method where there is an expectation that new employees will be allowed to join an employer; or
- the attained age valuation method for employers who are closed to new entrants.

These methods assess the cost of benefits accruing to existing members during

- the year following the valuation; or
- the remaining working lifetime, respectively

allowing for future salary increases. The resulting contribution rate is adjusted to allow for any difference in the value of accrued liabilities and the assessed value of assets.

Valuation of Assets

A "market related" valuation method has been used. This is consistent with the methodology adopted at the 2004 valuation.

Valuation assumptions

The key financial assumptions adopted at the 2007 valuation are set out in the table below:

Assumption	Derivation	Rate at 31 March 2007	
		Nominal	Real
Price Inflation (RPI)	Market expectation of long term future inflation as measured by the difference between yields on fixed and index-linked Government bonds as at the valuation date	3.2%	-
Pay Increases *	Assumed to be 1.5% p.a. in excess of price inflation	4.7%	1.5%
'Gilt-based' discount rate	The yield on fixed-interest (nominal) and index-linked (real) Government bonds	4.5%	1.3%
Funding basis discount rate	Assumed to be 1.6% p.a. above the yield on fixed interest Government bonds	6.1%	2.9%

The 2007 valuation revealed that the Fund's assets, which at 31 March 2007 were valued at £1,390 million, were sufficient to meet approximately 86% of the liabilities accrued up to that date.

The next actuarial valuation

The next valuation of the Fund will be carried out as at 31 March 2010 and the results known later that year. This valuation will allow for the experience of the Fund from 31 March 2007 and up-to-date financial assumptions at that time.

I am aware that some employers may pay contributions in excess of the minimum contributions shown in the Rates and Adjustments certificate. These extra payments will be taken into account in the 2010 valuation and will act to reduce the contributions that would otherwise have been payable.

Prepared by:-

Peter Summers

16 May 2008

For and on behalf of Hymans Robertson LLP

Pension Fund Account

Notes	2008-09		2007-08 Restated	
	£000	£000	£000	£000
CONTRIBUTIONS AND BENEFITS				
1	Contributions receivable:			
	Employers:			
			36,068	
	- Normal	46,607		
	- Deficit funding	14,208	15,422	
	Employees:			
	- Normal	24,306	20,755	
	Transfers in from other schemes:			
	- Individual transfers	7,300	10,581	
				82,826
		92,421		
1	Benefits payable:			
	Pensions	-44,122	-40,618	
	Commutation of pensions and lump sum retirement benefits	-11,356	-11,788	
	Lump sum death benefits	-896	-1,112	
	Payments to and on account of leavers:			
13	- Individual transfers out	-6,271	-9,053	
	- Refunds of contributions	-21	-31	
4	Administrative expenses	-1,930	-1,873	
				-64,475
		-64,596		
		27,825		18,351
	NET ADDITIONS / WITHDRAWALS(-) FROM DEALING WITH MEMBERS			
	Return on investments:			
5	Investment income	40,819	42,291	
	Change in market value of investments (realised and unrealised)	-286,752	-119,383	
	Taxation	-1,078	-877	
6	Investment management expenses	-1,989	-2,179	
	Net returns on investments			-80,148
		-249,000		
	NET INCREASE / DECREASE(-) IN FUND VALUE			
		-221,175		-61,797
	Opening net assets as at 1 April			
		1,323,991		1,385,788
	CLOSING NET ASSETS AS AT 31 MARCH			
		1,102,816		1,323,991

Pension Fund Net Asset Statement

Notes	31 March 2009 £000		Restated 31 March 2008 £000	
INVESTMENT ASSETS				
Fixed interest securities:				
- UK Government	3,204		-	
Equities:				
- UK listed	216,820		372,703	
- UK unlisted	164		546	
- Overseas listed	327,413		453,985	
- Overseas unlisted	58,733		52,659	
Pooled investment vehicles:				
- Managed funds				
-property	60,677		64,357	
-other	190,244		106,266	
- Unit trusts				
-property	17,929		69,585	
-other	153,102		157,022	
8 Derivative contracts	1,573		312	
Cash deposits	47,596		26,300	
Debtors				
- Investment Income	2,897		4,915	
- Trades pending	5,581		3,486	
TOTAL INVESTMENTS		1,085,933		1,312,136
INVESTMENT LIABILITES				
8 - Derivative contracts	-1,380		-647	
- Trades pending	-5,071		-2,853	
- Fees	-475		-500	
- Tax	-96	-7,022	-78	-4,078
CURRENT ASSETS				
- Contributions due from employers	5,890		4,071	
- Cash balances	18,401	24,291	12,914	16,985
CURRENT LIABILITES				
- Unpaid benefits		-386		-1,052
7 NET ASSETS		1,102,816		1,323,991

Notes to Pension Fund Accounts

1. CONTRIBUTIONS AND BENEFITS

An analysis of the contributions and benefits over the different categories of participating Authority is as follows:

	2008-09 £000	2007-08 £000
Contributions receivable:		
Administering Authority	33,151	27,329
Scheduled Bodies	45,337	39,644
Admitted Bodies	6,633	5,272
	85,121	72,245
Benefits payable:		
Administering Authority	23,113	23,486
Scheduled Bodies	28,490	25,888
Admitted Bodies	5,437	4,144
	57,040	53,518

2. NUMBER OF CONTRIBUTORS AND PENSIONERS

	31 March 2009				31 March 2008 Total
	County Council	Scheduled Bodies	Admitted Bodies	Total	
Contributors	11,287	10,361	1,423	23,071	22,308
Pensioners	5,870	5,003	731	11,604	11,054
Deferred Benefits	11,953	9,550	1,277	22,780	20,620

3. ACTUARIAL VALUATION

The funding position of the Fund is assessed every three years by the Council's actuary who completed an actuarial valuation of the Fund using the Projected Unit Method. Employers' contributions are reviewed in the light of this report. The most recent report was at 31 March 2007 and concluded that it was necessary to increase the average employers' contributions from 17.4% to 18.2%, phased in over a three year period from 1 April 2008. The market value of the Fund at the valuation date was £1,390m, and there was an actuarial deficit of £219m equivalent to a funding level of 86.4%. This deficit was spread over a period of 20 years. The assumptions used in the 2007 valuation were as follows: investment returns 6.1%; earnings growth 4.7%; price inflation 3.2% and discount rate 6.1%.

4. ADMINISTRATIVE EXPENSES

Administrative expenses include a charge made to the Fund by the County Council in respect of work undertaken on the payment of benefits on behalf of all admitted bodies.

5. ANALYSIS OF INVESTMENT INCOME

	2008-09 £000	Restated 2007-08 £000
Fixed Interest	31	-
Equities	26,939	30,066
Pooled investment vehicles	5,439	7,948
Derivatives	5,360	1,824
Cash	2,640	2,122
Other (includes stocklending and underwriting)	410	331
	40,819	42,291

6. INVESTMENT MANAGEMENT EXPENSES

Includes fees charged by the fund's investment managers. These are calculated as a percentage of the assets under management.

7. INVESTMENT MANAGERS

The allocation of the fund over the Authority's investment managers and a reconciliation of the movements between the opening and closing market value is as follows:-

	Restated 31 March 2008 £000	Purchases £000	Sales £000	Other Changes £000	31 March 2009 £000
Aberdeen Asset Management	56,042	5,445	5,411	3,878	59,954
UBS Global Asset Management	506,213	66,125	53,775	-512,730	5,833
Schroders Investment Management	670,848	158,570	149,491	-207,994	471,933
State Street Global Asset Management	-	16,346	-	90,140	106,486
Newton Investment Management	-	94,146	72,256	101,221	123,111
RCM Investment Management	-	67,398	54,024	108,992	122,366
Credit Agricole Asset Management	-	88,511	84,185	114,426	118,752
BNY Mellon (Transition manager)	-	325,382	348,605	23,242	19
Private Equity	53,205	10,026	9,799	5,465	58,897
Currency Funds	22,168	-	16,418	-5,750	-
Pension Fund Net Debtors	2,601	-	-	2,428	5,029
Cash with Council	12,914	-	-	5,487	18,401
Cash with custodian	-	-	-	12,035	12,035
	1,323,991	831,949	793,964	-259,160	1,102,816
Equity Index futures transactions included above		11,443	9,965		

Included within the balances held by the investment managers shown above are amounts in relation to cash and investment income debtors which are shown separately on the face of the net assets statement.

The Fund holds the following investments in unit trusts/pooled vehicles which exceed 5% of the total fund value: Schroder Unit Trusts Ltd Institutional Sterling Bond Market Fund £102,998,000 at 31 March 2009 (£110,426,000 at 31 March 2008), State Street UK Equity Index Managed Pension Fund £106,485,000 at 31 March 2009 (Nil at 31 March 2008)

As at 31 March 2009 the fund has commitments to invest a further £80.7m in private equity investments in future years. (£41.9m at 31 March 2008).

An analysis of "other movements" is as follows:-

	£000
Change in market value of investments	-286,752
Increase in cash and net debtors	27,592
	-259,160

The total of investment transaction costs incurred in the year was £848,000.

8. DERIVATIVE CONTRACTS

Derivative contract assets include an exchange traded FTSE 100 Index future with an open value of £66,000 at a market value of £2.603m and cost value £2.537m. Derivatives are held as a flexible alternative to holding the underlying securities. Also included here is £1.573m outstanding on future foreign exchange contracts. Derivative contract liabilities include £1.380m outstanding on future foreign exchange contracts.

9. STOCK LENDING

The total amount of stock released to a third party under a stock lending arrangement was £50,904,000 at 31 March 2009 (£87,338,000 at 31 March 2008). Collateral is held in the form of a letter of credit or AA+ rated bond.

10. ADDITIONAL VOLUNTARY CONTRIBUTIONS

THE amount of additional voluntary contributions paid by members during the year was £787,000 (£797,000 in 2007-08) and the value of investments was £4,097,000 at 31 March 2009 (£3,804,000 at 31 March 2008).

11. A STATEMENT OF INVESTMENT PRINCIPLES

A Statement of Investment Principles is published in the Pension Fund Annual Report, which is available from the Corporate Finance Section, Shire Hall.

12. RELATED PARTY TRANSACTIONS

Under FRS8 "Related Party Disclosures" it is a requirement that material transactions with related parties, not disclosed elsewhere, should be included in a note to the financial statements. During the year, no Pensions Committee members have undertaken any material transactions with the Cambridgeshire County Council Pension Fund. A cash deposit of £18,401,000 with the County Council was outstanding at 31 March 2009. (£12,914,000 at 31 March 2008).

There were no material contributions due from employer bodies at the year-end, which remained outstanding after the due date for payment.

There are no other related party transactions other than those already disclosed in the County Council's Accounts.

13. MAGISTRATES TRANSFER

With effect from 1 April 2005, 71 employees of the Cambridgeshire Magistrates Courts transferred out of Cambridgeshire County Council Local Government Pension Scheme as part of a national transfer of the Magistrates Courts out of Local Government schemes. However, the fund has retained the liability for the Magistrates pensioners and deferred pensioners. As at 31 March 2008 the value of the transfer has not been agreed between the Local Authority actuary and the Government Actuary's Department but initial estimates indicate that the fund will be owed approximately £1,000,000 by the Magistrates Court as a result of the valuation of transfers out being less than the retained liability. Pending the finalisation of the transfer value no amounts have been accrued to date within the Pension Fund accounts.

PENSIONS COMMITTEE MEMBERS AND ADVISERS**APPENDIX I**

The members of the Pensions Committee are as follows:-

County Council Members:	J. Reynolds (Chairman)
	N. Guyatt
	P. Downes
Peterborough City Council:	D. Seaton
Other Organisations Representative:	M. Cotterell (Fenland DC)
Employee Representative:	P. Gaskin (Unison)

Actuary: Hymans Robertson & Co.

Investment Adviser: R. Bowie

The Investment Managers are as follows:-

Credit Agricole Asset Management
 Newton Investment Management Ltd
 RCM (UK) Ltd
 State Street Global Advisors Ltd
 Schroders Investment Management Ltd
 Aberdeen Asset Management Ltd
 Adams Street Partners
 Harbourvest Partners
 N W Brown Capital Partners Ltd

Global Custodian: BNY Mellon

Bank Barclays

Investment Performance Measurement Services: WM Company

Contacts for additional information:-

Benefits and contributions - Allison Kew : tel Cambridge 718026
 Investment arrangements - John Hopwood : tel Cambridge 699942

Auditors to the Fund: PricewaterhouseCoopers

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO:	Corporate Governance Committee	23 October 2009
AUTHOR/S:	Executive Director (Corporate Services) / Finance Project Officer	

STRATEGIC RISK REGISTER – QUARTERLY REVIEW**Purpose**

1. The purpose of this report is to enable Corporate Governance Committee to perform the quarterly reviews of:
 - (a) the strategic risk register and action plans to address risks above the Council's tolerance line;
 - (b) actions being taken to achieve risk management targets.

Background

2. At its meeting on 29 June 2009, Corporate Governance Committee:
 - (a) approved the strategic risk register, prioritisation matrix and action plans and the actions being taken to achieve risk management targets; and
 - (b) requested an update on the robust procedures in place to mitigate the risk fire posed to the Council's services, both in terms of prevention and recovery, at the next meeting of the Committee.
3. The Council's Risk Management Strategy was also due to be reviewed this quarter; however, RSM Bentley Jennison, the Council's internal auditors, have recently conducted their risk maturity review. It is therefore proposed that the review of the risk management strategy be deferred until March 2010 in order that any recommendations arising from the risk maturity review can be taken into account, together with any good practice from other sources. This was endorsed by Executive Management Team (EMT) at its meeting on 23 September 2009.

Considerations

4. The strategic risk register has been reviewed with the nominated risk owners and other officers; some changes and new risks were suggested. EMT reviewed the resulting draft strategic risk register at its meeting on 23 September 2009, as follows:
 - (a) Pandemic 'flu: National planning assumptions have been revised; the clinical attack rate and case fatality rates are reduced; accordingly, the risk has been reduced from A1 (Extreme; Almost certain) to B1 (High; Almost certain).
 - (b) Delivering efficiency and other savings: The Medium Term Financial Strategy (MTFS) had been remodelled to reflect several significant changes in the underlying assumptions (reported to Cabinet on 8 October 2009). The risk has been re-worded to reflect this, renamed "Medium Term Financial Strategy" and increased from B3 (High; Possible) to A3 (Extreme; Possible).
 - (c) Planning for Growth: Actions being taken in response to the Council's financial position mean that prospects for supporting growth initiatives might be affected. In view of this, the risk has been increased from C3 (Medium; Possible) to C2 (Medium; Likely), which brings the risk above the Council's risk tolerance line. Planning Services are already reviewing processes and staffing structures to ensure that they meet customers' needs; accordingly, no

strategic risk action plan has been prepared at this stage, however this will be revisited when the strategic risk register is next reviewed.

- (d) Equalities: The Council achieved Level 2 of the Equalities Standard in June 2009; Cabinet agreed to adopt Gender Equality and Race Equality Schemes in September 2009; the draft Gypsy and Traveller Community Strategy is out for public consultation. The risk has therefore been reduced from B3 (High; Possible) to B4 (High; Unlikely), which takes the risk below the Council's risk tolerance line.
 - (e) Recruitment & Retention: The economic situation and the housing market mean that there are more, better qualified, job applicants and fewer vacancies. Accordingly, the risk has been reduced from C3 (Medium; Possible) to C4 (Medium; Unlikely).
 - (f) Embedding values: Workshops have been held for staff and Members; the Values Project Team and other officer groups are bringing together in practical ways, suggestions for behaviours and ideas for taking these forward. Accordingly, the risk has been reduced from C3 (Medium; Possible) to C4 (Medium; Unlikely).
 - (g) LAA action not completed: EMT considered that the scope of this risk should include the Council's corporate objectives; the wording has been amended to reflect this and the title changed to "Corporate objectives / LAA actions".
 - (h) Better Regulation Agenda: Information and guidance from the Local Better Regulation Office suggests that the likelihood of non-compliance would be limited, intervention not likely; in view of the measures that the Council has already put in place, the risk has been removed from the register.
 - (i) Making Cambridgeshire Count: This is a new initiative designed to transform partnership working and public services across Cambridgeshire. The initiative has its own project plan and risk log; however, particular risks relating to the Council have been summarised in the strategic risk register, initially assessed as B3 (High; Possible).
5. Action plans have been rationalised to show the key actions being taken to mitigate risks above the tolerance line. Actions have been reviewed and updated as follows:
- (a) Pandemic 'Flu: The Corporate Manager (Health & Environmental Services) is receiving daily updates on the situation.
 - (b) Medium Term Financial Strategy: new strategic risk action plan prepared.
 - (c) EU Services Directive: Working group and sub-groups working on project plan; reviewing policies and IT systems.
6. Responses have been incorporated as appropriate in the draft strategic risk register, prioritisation matrix and action plans, attached at **Appendices A, B and C**.
7. A summary of the robust procedures in place to mitigate the risk fire poses to the Council's services, both in terms of prevention and recovery, is attached for information at **Appendix D**.
8. Corporate and service managers are revising their service area risk registers alongside their preparation of service plans. The Finance Project Officer has provided a detailed guidance note for service managers on this and has been available to brief teams and/or attend service planning "away days".
9. The table below records progress against the targets adopted for risk management:

<i>Target</i>	<i>Due date</i>	<i>Progress</i>
---------------	-----------------	-----------------

<i>Target</i>	<i>Due date</i>	<i>Progress</i>
Annual review of the risk management strategy and process	September 2008	Completed. [Note: The next review was due in September 2009; however, this report suggests (see paragraph 3 above) that this be deferred to March 2010.]
Quarterly review of risk registers and action plans	December 2008; March, June, September 2009	December 2008, March and June 2009: completed. September 2009: - Strategic risk register: in progress; complete following consideration of this report. - Service area risk registers: in progress.
Training for staff and Members as and when appropriate: - Staff: - Members:	None specified June 2009	<ul style="list-style-type: none"> • Briefings were held for new staff and others with risk management responsibilities/ involvement, on 2 and 3 December 2008. • Further training will be given to staff as and when necessary. • A briefing was held for Cabinet and Corporate Governance Committee Members on 4 December 2008. • A workshop was held for Cabinet and Corporate Governance Committee Members on 29 June 2009. Comments and suggestions made will be considered in the review of the risk management strategy. • Further training will be given to Members as and when necessary.
Communication of revised strategy and process	31 October 2008	Completed.
Implementation of revised strategy and process	31 December 2008	The Policy and Performance team is now responsible for the Project Management Toolkit. Aligning the risk management element of it with the risk management strategy will be discussed with the team to coincide with the review of the risk management strategy in March 2010.

Options

10. In reviewing the strategic risk register, matrix and action plans (paragraphs 4 to 6 and Appendices A to C), Corporate Governance Committee could:
- (a) add to, delete from, or make other changes to the strategic risk register (Appendix A), in terms of either the title or detail of the risks;
 - (b) alter the assessment of risks on the matrix (Appendix B), in terms of either their impact or likelihood;
 - (c) add to, delete, or make other changes to the action plans (Appendix C), in terms of their detail.

11. In considering the procedures in place to mitigate the risk fire poses to the Council's services (paragraph 7 and Appendix D), the Committee could suggest other procedures.
12. In considering progress on the targets for risk management (paragraph 9), the Committee could suggest other actions.

Implications

13. Financial, Legal, Staffing	There are no immediate financial, legal or staffing implications resulting from this report. Some of the action plans may have financial, legal or staffing implications; if so, these will be considered in separate reports.
Risk Management	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

14. Members of EMT, risk owners, service and other relevant managers have been consulted regarding various aspects of this report.
15. There will be liaison with officers as appropriate regarding the implementation of decisions made by the Committee regarding this report.

Effect on Strategic Aims

16.	Commitment to being a listening council, providing first class services accessible to all.
	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 Plan and in meeting the Strategic Aims are identified and managed.
	Commitment to ensuring that South Cambridgeshire continues to be a safe and healthy place for all.
	Commitment to making South Cambridgeshire a place in which residents can feel proud to live.
	Commitment to assisting provision for local jobs for all.
	Commitment to providing a voice for rural life.

Conclusions/Summary

17. Appendices A to C represent the strategic risk register, prioritisation matrix and action plans resulting from the consultations. The Committee needs to review and agree these as outlined in paragraph 10.

18. The quarterly review of the strategic risk register and action plans enables the Council to manage its strategic risks to an acceptable level.
19. There are robust procedures in place to mitigate the risk fire poses to the Council's services.
20. The targets enable progress on risk management to be monitored.

Recommendations

21. Corporate Governance Committee is recommended:
 - (a) to approve the strategic risk register, prioritisation matrix and action plans and the actions being taken to achieve risk management targets;
 - (b) to note the procedures in place to mitigate the risk fire poses to the Council's services.

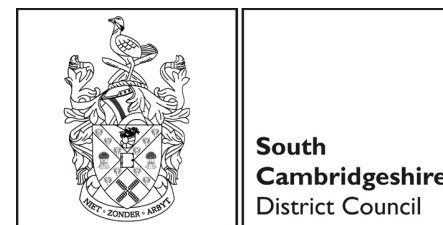
Background Papers: the following background papers were used in the preparation of this report:

None unpublished

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**Appendix A
Strategic Risk Register
October 2009**



No. Title Description (The risk event, leading to consequence for service/ Aim(s), resulting in possible outcome(s).)	Impact/ Likelihood	Direction of Travel	Aims Approaches Actions	Owner	Timeline for Progress
<p>1. Pandemic 'flu A pandemic 'flu outbreak occurs affecting South Cambridgeshire, leading to significant staff absence, resulting in inability to provide full services and involvement in emergency management.</p>	B1	↓ (from A1)	A.iv.	Corporate Manager (Health & Environmental Services)	Daily monitoring of situation by CM (HES)
<p>2. Medium Term Financial Strategy (MTFS) Risks concerning the financial projections include:</p> <ul style="list-style-type: none"> • not achieving delivery of savings to meet targets; • the RSG settlement is tighter than anticipated; • pay and inflation exceed assumptions; • employer's pension contributions increases exceed projections; • the pay and grading review estimate may be too low; • changes in demand for some service areas could lead to pressures in the related budgets; • the refuse and recycling service review, or the revenues and benefits shared service, do not achieve projected savings, <p>leading to reserves going below the minimum acceptable level during the period of the MTFS, resulting in cuts in some services, public dissatisfaction, audit and inspection criticism.</p>	A3	↑ (from B3)	A.v.	Executive Director (Corporate Services)	During 2009/10, in line with MTFS reviews; ultimately, the reports to Cabinet and Council in February 2010 on the robustness of the estimates and the adequacy of reserves

No. Title Description (The risk event, <i>leading to</i> consequence for service/ Aim(s), <i>resulting in</i> possible outcome(s).)	Impact/ Likelihood	Direction of Travel	Aims Approaches Actions	Owner	Timeline for Progress
3. EU Services Directive Failure to provide online transactions, screening of legislation, policy and fee practices <i>leading to</i> breaches of the EU services directive <i>resulting in</i> unjustified barriers to service provision, loss to the economy, possible legal intervention from EU traders.	B2	→	A.iii. A.iv. D.i. D.ii.	Corporate Manager (Health & Environmental Services)	28 December 2009
4. Housing services budgeting and staffing Significant efficiencies and savings not achieved in housing services and revenue/ capital budgets, <i>leading to</i> Housing Revenue Account (HRA) continuing to run at a deficit, <i>resulting in</i> HRA working balance insufficient to meet ongoing and potential one-off demands; vulnerability to Government annual subsidy determination; deterioration in services provided to tenants; possible staffing implications; adverse publicity or other reputational damage. [Note: A plan has been agreed with the Housing Portfolio Holder to implement efficiencies and savings in order to address/mitigate the impact on services. This takes the place of a strategic risk action plan.]	A4	→	C.iii.	Corporate Manager (Affordable Homes)	During 2009/10

No. Title Description (The risk event, <i>leading to</i> consequence for service/ Aim(s), <i>resulting in</i> possible outcome(s).)	Impact/ Likelihood	Direction of Travel	Aims Approaches Actions	Owner	Timeline for Progress
<p>5. Making Cambridgeshire Count</p> <p>(a) The Making Cambridgeshire Count (MCC) project takes up a significant amount of senior staff time, <i>leading to</i> increased pressure on senior officers to deliver SCDC services, <i>resulting in</i> reduced capacity and effectiveness in meeting SCDC service delivery needs.</p> <p>(b) The project does not contribute funding towards services that the Council requires, <i>leading to</i> sustained pressure on Council finances, <i>resulting in</i> possible cuts in service areas or loss of services; resulting impact on public reputation.</p> <p>(c) The project does not embed new working processes/ practices within or across authorities, <i>leading to</i> ineffective and inefficient working, <i>resulting in</i> staff discontent; public dissatisfaction; adverse criticism from inspectorates.</p> <p>[Note: Making Cambridgeshire Count has its own project plan and risk register, which will take the place of a strategic risk action plan.]</p>	B3	new	All	Chief Executive	In line with MCC project plan
<p>6. Planning for Growth</p> <p>The housing market means that fewer houses are built in the District than expected, which may <i>lead to</i> reduced Housing & Planning Delivery Grant, <i>resulting in</i> consequential impact on the Council's financial position.</p> <p>(In addition, the slowing down in development will mean some posts will need to be funded from other sources. Actions are being taken to address this, such as ensuring processes and staffing structures meet customers' needs.)</p>	C2	↑ (from C3)	C.i. C.ii.2. E.iii. E.iv.	Corporate Manager (Planning & Sustainable Communities)	Revisit at next review

No. Title Description (The risk event, <i>leading to</i> consequence for service/ Aim(s), <i>resulting in</i> possible outcome(s).)	Impact/ Likelihood	Direction of Travel	Aims Approaches Actions	Owner	Timeline for Progress
7. Equalities The Council is successfully challenged over not complying with general equalities legislation or legislation specific to public and local authority bodies, <i>leading to</i> financial compensation payments and penalties, possible Commission for Human Rights and Equalities inspection, <i>resulting in</i> reduction in reserves available to support balanced MTFs, adverse publicity and effect on reputation.	B4	↓ (from B3)	A.ii.3. B.iv.6. C.iv.3.	Executive Director (Operational Services)	N/a
8. The current economic climate (a) A noticeable slowdown in the sale of new properties, affecting completion rates, <i>leading to</i> reduced projected growth in the tax base and reduced income from other new property related services (e.g. planning fees, land charges, etc), <i>resulting in</i> increased pressure on expenditure. (b) Rising demand for some services, <i>leading to</i> increased pressure on those services, <i>resulting in</i> increased pressure on staff.	C3	→	E.iii.	Chief Executive	N/a
9. Illegal Traveller encampments or developments Failure to find required number of sites, or sites identified do not meet the needs of local Travellers, <i>leading to</i> illegal encampments or developments in the District, <i>resulting in</i> community tensions; cost and workload of enforcement action, including provision of alternative sites and/or housing; poor public perception and damage to reputation.	C3	→	E.i. C.iv.3.	Corporate Manager (Planning & Sustainable Communities)	N/a

No. Title Description (The risk event, <i>leading to</i> consequence for service/ Aim(s), <i>resulting in</i> possible outcome(s).)	Impact/ Likelihood	Direction of Travel	Aims Approaches Actions	Owner	Timeline for Progress
10. Climate change adaptation The Council does not develop measures to safeguard its services against climate change, <i>leading to</i> unacceptable vulnerability to the impact of climate shifts and other weather-related events, <i>resulting in</i> a degradation or breakdown of service delivery and damage to property, increasing costs and impact on the Council's reputation.	C3	→	C.vii.	Corporate Manager (New Communities)	N/a
11. Recruitment & Retention Some difficulties in recruiting to specific professions, <i>leading to</i> increased cost of repeat recruitment and pressure on officers to deliver services, <i>resulting in</i> lack of capacity to meet service delivery needs, loss of effectiveness/ productivity and increased absence rates	C4	↓ (from C3)	A.iv.	HR Manager	N/a
12. Embedding values Values not effectively embedded within Council <i>leading to</i> no real change in culture and behaviour, <i>resulting in</i> adverse comment by the Audit Commission, poor public and partner perception of the Council, low morale.	C4	↓ (from C3)	A.i. A.ii. A.iii. A.iv.	Corporate Manager (Planning and Sustainable Communities)	N/a
13. Corporate objectives / LAA actions Failure to meet service improvement or LAA targets, <i>leading to</i> corporate objectives and desired outcomes for residents of the District not being achieved, and/or poor CAA assessment, <i>resulting in</i> possible reduction in funding (e.g. Reward Grant) and low public satisfaction.	C4	→	All	Chief Executive	N/a

Key

Impact

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

Likelihood

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

Direction of Travel

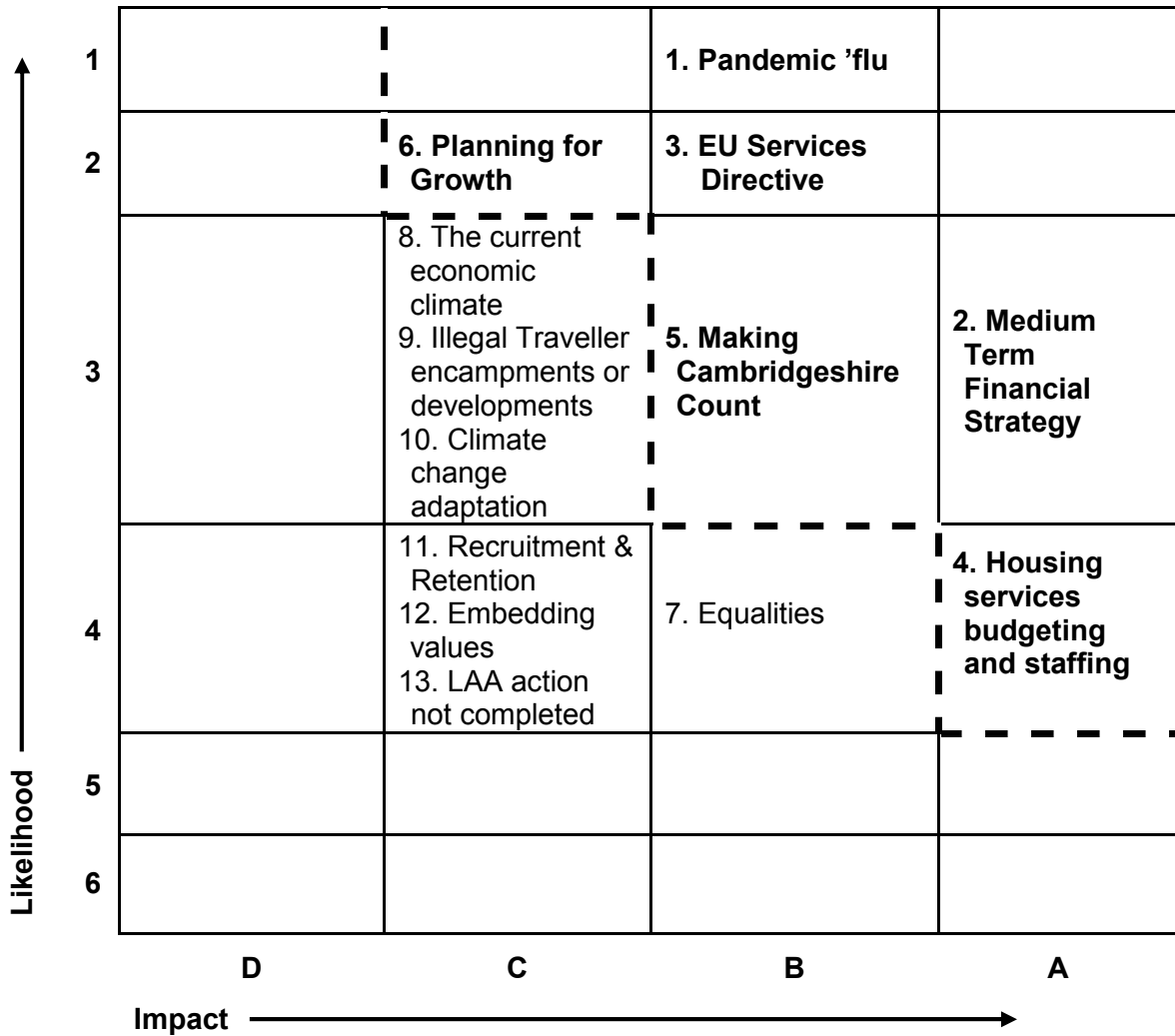
- ↓ Priority reduced from last review
(bracket indicates previous priority)
- Priority equal to last review
- ↑ Priority increased from last review
(bracket indicates previous priority)

Aims, Approaches, Actions

The references in this column are to the Aims, Approaches and Actions adopted by Council on 27 November 2008 with effect from 1 April 2009. [Note: These will be updated when the Council Actions for 2010/11 are confirmed by Cabinet in November 2009.]

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

**Appendix B
Strategic Risk Prioritisation Matrix
October 2009**



Likelihood:

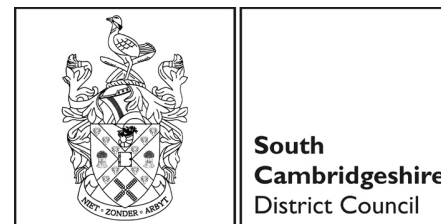
- 1 Almost certain
- 2 Likely
- 3 Possible
- 4 Unlikely
- 5 Seldom
- 6 Rare

Impact:

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

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**Appendix C
Strategic Risk Action Plans
October 2009**



No: 1	Pandemic 'flu
Owned by:	Corporate Manager (Health & Environmental Services)
Risk scores:	Current: B1; Target: B4

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Review frequency	Key dates
Avian 'flu risk assessment	National alert system	Continue to monitor through website and pandemic 'flu Strategic Gold Briefings.	Corporate Manager (Health & Environmental Services)	Six-monthly	Production of service plans
Pandemic 'flu risk assessment National and local plans activated	Dependant upon how the situation develops/escalates.	Implementation of plans proportionate to incident	CM (HES)		
Annex to Council business continuity plan activated and proportionate response agreed		Implementation of relevant aspects of business continuity plan proportionate to incident	CM (HES)/ Health & Safety Adviser	Daily monitoring	

No: 2	Medium Term Financial Strategy
Owned by:	Executive Director (Corporate Services)
Risk scores:	Current: A3; Target: B4

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Review frequency	Key dates
Develop plans to deliver the Council's programme on various %age restrictions of resources	Possibly reconsider priorities		Executive Director (Corporate Services)	Monthly	In line with forward plan
The efficiency savings group identifies and implements savings			ED (CS)	Monthly	In line with forward plan
Making Cambridgeshire Count (MCC) has the aim of delivering the same or better services for the same or less resources	MCC has its own project plan and issues and risk logs		Chief Executive and ED (CS)	In line with MCC project plan	In line with MCC project plan
Explore opportunities for shared services			ED (CS)	Monthly	In line with forward plan
Review treasury management strategy			ED (CS) and Head of Accountancy	Monthly	In line with forward plan
Monitor pay and inflation factors, the pay and grading review, the effect of the current economic climate on demand led services and budgets			ED (CS), HR Manager and Head of Accountancy	Monthly	In line with forward plan

No: 3	EU Services Directive
Owned by:	Corporate Manager (Health & Environmental Services)
Risk scores:	Current: B2; Target: C3

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Review frequency	Key dates
Working group and sub-groups working on project plan	Readiness level 2 achieved for point of single contact		Corporate Manager (Health & Environmental Services)	Regular meetings of the working group and sub-groups	As defined by the Department for Business Innovation and Skills (BIS) readiness levels
The Corporate Manager – Health & Environmental Services is single point of contact					
Survey returns to Department for Business Innovation and Skills (BIS) completed					
Reviewing (screening) local policies to ensure they are not discriminatory against particular industry sectors			Working group		
Reviewing back office IT systems to ensure that on-line applications and payments could be made for all services [electronic licence management system (ELMS); internal market information system (IMI)]			Working group and Head of ICT, ICT Steering Group, CM (HES)		

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Appendix D Procedures in place to mitigate the risk of fire at the Cambourne office

The Council services provided from the Cambourne office can be disrupted by a range of incidents, including fire.

The Council's Business Continuity Plan formalises the Council's general strategies to mitigate such risks and facilitate the recovery process if an incident occurs that seriously impedes the Council's abilities to maintain its normal services to the community.

The Council takes a range of precautions to help protect itself from exposure to foreseeable incidents. For fire, these include:

1. Automatic fire detectors are installed throughout the Cambourne office (heat and/or smoke, as appropriate to the location);
2. Specialist fire detectors are installed in the computer server room;
3. All fire detectors have a direct line through to the Fire Service Control Centre;
4. Regular checks are carried out on fire detectors to ensure that they are in working order;
5. Fire alarms are installed throughout the Cambourne office;
6. Weekly testing of fire alarms is carried out on a programmed basis to ensure that they are in working order;
7. Computer equipment that does not run processes, or need to remain on for other reasons, is automatically shutdown overnight;
8. Annual inspection and testing is carried out on all portable electrical appliances;
9. A No Smoking policy is in force on the whole Cambourne office site;
10. There is provision of fire fighting equipment throughout the Cambourne office (these are visually inspected on a monthly basis; and contracted annual maintenance checks are carried out);
11. Fire evacuation instruction signs are posted throughout the Cambourne office;
12. There are designated evacuation assembly points;
13. Clear signage for emergency exits etc is posted throughout the Cambourne office;
14. There are trained fire wardens throughout the Cambourne office;
15. Regular unannounced evacuation procedure practices are carried out.

Precaution numbers 10 to 14 above are also immediate procedures to safeguard staff, Members, visitors and the public in the event of a fire at the Cambourne office.

In addition, the Council's Business Continuity Plan includes the following:

- Emergency office accommodation & services - details of locations where Council staff could be re-located to on a short-term basis and the services that they would require following an incident (note: the number 1 priority within 24 hours is the identification of alternative premises and for offices to be up and running);
- Service Area Recovery plans - each service has a business recovery plan;
- Telephones & ICT - plans exist for the installation of emergency telephone lines if required in short notice; the Council's ICT Recovery Plan would be activated at the earliest opportunity depending upon the type of incident and its consequences.

The risk of fire at the Cambourne office is included in the Facilities Management section of the Affordable Homes risk register (Impact: A Extreme; Likelihood: 6 Rare).

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