

South Cambridgeshire Hall
Cambourne Business Park
Cambourne
Cambridge
CB23 6EA

t: 03450 450 500
f: 01954 713149
dx: DX 729500 Cambridge 15
minicom: 01480 376743
www.scambs.gov.uk



22 September 2011

To: Chairman – Councillor Francis Burkitt
Vice-Chairman – Councillor David McCraith
Members of the Corporate Governance Committee – Councillors John Batchelor,
Richard Barrett, Douglas de Lacey, Charles Nightingale and John Williams
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, 30 SEPTEMBER 2011 at 9.00 a.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.

Please note that a pre-meeting session for all Councillors on the Committee has been arranged for 8:30am.

Yours faithfully
JEAN HUNTER
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 8 July 2011 as a correct record. | 1 - 6 |
| 4. External Audit: Annual Governance Report | | 7 - 38 |
| 5. Approval of the Statement of Accounts 2010-11 | | 39 - 40 |
| 6. Internal Audit: Progress Report | | 41 - 48 |

7. **Strategic Risk Register** 49 - 62
8. **Treasury Management Benchmarking 2010-11** 63 - 68
9. **Revised policy: Regulation of Investigatory Powers Act 2000**
Council decided on 22 September 2011 to adopt an amended policy on the Regulation of Investigatory Powers Act 2000 (RIPA) and that the Corporate Governance Committee should be given the responsibility of receiving quarterly updates on the Council's use of RIPA powers and to review the RIPA policy on an annual basis and make amendments as necessary. The first quarterly update will be made to the next meeting of Corporate Governance Committee.
10. **Matters of Topical Interest**
11. **Date of Next Meeting**
Friday 16 December 2011 starting at 9.00am

OUR VISION

- We will make South Cambridgeshire a safe and healthy place where residents are proud to live and where there will be opportunities for employment, enterprise and world-leading innovation.
- We will be a listening Council, providing a voice for rural life and first-class services accessible to all.

OUR VALUES

We will demonstrate our corporate values in all our actions. These are:

- Trust
- Mutual respect
- A commitment to improving services
- Customer service

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.

Security

Members of the public attending meetings in non-public areas of the Council offices must report to Reception, sign in, and at all times wear the Visitor badges issued. Before leaving the building, such visitors must sign out and return their Visitor badges to Reception.

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.
- **Do not** re-enter the building until the officer in charge or the fire brigade confirms that it is safe to do so.

First Aid

If someone feels unwell or needs first aid, please alert a member of staff.

Access for People with Disabilities

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. All meeting rooms are accessible to wheelchair users. There are disabled toilet facilities on each floor of the building. Infra-red hearing assistance systems are available in the Council Chamber and viewing gallery. To use these, you must sit in sight of the infra-red transmitter and wear a 'neck loop', which can be used with a hearing aid switched to the 'T' position. If your hearing aid does not have the 'T' position facility then earphones are also available and can be used independently. You can obtain both neck loops and earphones from Reception.

Toilets

Public toilets are available on each floor of the building next to the lifts.

Recording of Business and Use of Mobile Phones

The Council is committed to openness and transparency. Until such time as the Council's Constitution is updated to allow public recording of business, the Council and all its committees, sub-committees or any other sub-group of the Council or the Executive will have the ability to formally suspend Standing Order 21.4 (prohibition of recording of business) for the duration of that meeting to enable the recording of business, including any audio / visual or photographic recording in any format or use of social media to bring Council issues to a wider audience. To minimise disturbance to others attending the meeting, all attendees and visitors are asked to make sure that their phones and other mobile devices are set on silent / vibrate mode during meetings.

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.

Smoking

Since 1 July 2008, the Council has operated a new Smoke Free Policy. Visitors are not allowed to smoke at any time within the Council offices, or in the car park or other grounds forming part of those offices.

Food and Drink

Vending machines and a water dispenser are available on the ground floor near the lifts at the front of the building. Visitors are not allowed to bring food or drink into the meeting room.

This page is left blank intentionally.

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Corporate Governance Committee held on
Friday, 8 July 2011 at 9.00 a.m.

PRESENT: Councillor Francis Burkitt – Chairman

| | | |
|--------------|------------------|----------------|
| Councillors: | Richard Barrett | John Batchelor |
| | Douglas de Lacey | John Williams |

| | | |
|-----------|----------------|--|
| Officers: | Adrian Burns | Head of Accountancy |
| | Alex Colyer | Executive Director, Corporate Services |
| | Fiona McMillan | Legal & Democratic Services Manager and Deputy Monitoring Officer |
| | Ian Senior | Democratic Services Officer |
| | Sally Smart | Principal Accountant Financial & Systems |

| | | |
|-----------|---------------|------------------|
| External: | Neil Gibson | Audit Commission |
| | Daniel Harris | RSM Tenon |

Councillors Simon Edwards, Tumi Hawkins and Tim Wotherspoon were in attendance, by invitation.

Apologies for absence were received from Councillors Charles Nightingale and Ray Manning.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. MINUTES OF PREVIOUS MEETINGS

The Corporate Governance Committee authorised the Chairman to sign, as a correct record, the Minutes of the meeting held on 28 March 2011, subject to the following:

Minute 36 (Internal Audit Quarterly Report) Under the heading Health and Safety – Tenant Electrical Safety Programme, Members noted that the second paragraph stated as follows: “At the request of the Chairman, he sought assurance via the Housing Portfolio Holder, for his meeting in September that this programme was being progressed appropriately and without risk to tenants”. In the interests of clarity, this should be amended to read thus: “The Chairman sought assurance from the Housing Portfolio Holder, in time for the Corporate Governance Committee meeting in September 2011, that this programme was being progressed appropriately and without risk to tenants”.

In response to a query, the Corporate Governance Committee noted that, at Minute 42 (Date of Next Meeting), the meeting scheduled for 30 June 2011 had been provisional on certain information being available in time, and that 8 July 2011 had always been seen as an alternative date.

The Corporate Governance Committee authorised the Chairman to sign, as a correct record, the Minutes of the meeting held on 26 May 2011, subject to the following:

Minute 1 (Election of Chairman)

The names of Councillor John Batchelor and Councillor Douglas de Lacey had been transposed. The minute should read as follows: “..... Councillor Douglas de Lacey was nominated by Councillor John Batchelor, seconded by Councillor John Williams.....”

5. COUNCIL'S USE OF NATURAL RESOURCES - REPORT FROM THE CLIMATE CHANGE WORKING GROUP

The Corporate Governance Committee received a report updating Members in connection with ongoing improvements in the Council's use of natural resources.

In response to questions from Members, the Team Leader (Sustainable Communities) said that

- Travel to Work targets were monitored on the basis of a snapshot of people's travel habits over the course of a specific week each year
- The Climate Change Working Group was satisfied with progress but had concerns about one or two details
- A cost / benefit analysis of remedial works would be carried out

Members made the following comments:

- That there should be a greater emphasis on comparable statistics and the setting of meaningful targets
- The Council should promote the concept of personal responsibility for tackling climate change
- Transparency was crucial
- Expenditure on computer equipment should be reduced by careful management of the desktop replacement programme highlighted in the accounts
- The Council needed to balance its sustainability aspirations with best use of its resources

Neil Gibson reported that District Audit would provide a revised assessment of the Council's Use of Natural Resources at the Corporate Governance Committee meeting on 30 September 2011.

6. HR ABSENCE MANAGEMENT

The Committee received and noted the Management of Sickness Absence - Strategy and Actions document dated March 2011.

The HR Manager highlighted the long and short-term absence provisions contained in paragraph 6.

The Committee asked about the "revised target figure" for sickness PI. The Executive Director (Corporate Services) explained that the original target had been revised to 13 days. The Committee asked whether the revision was due to it now being thought that initial target had been set on incorrect basis or whether it was an *ex post* revision to hide underperformance. The Executive Director (Corporate Services) indicated it was the former, and pointed out that South Cambridgeshire District Council had a higher proportion of manual staff than in many similar Authorities, a fact that might explain why it had a higher rate of absence due to causes more attributable to such work. The increase in the number of sick days per employee might be explained by the fact that it took longer for manual workers to regain the degree of health required to fulfil their tasks properly.

The Finance and Staffing Portfolio Holder said that leadership and motivation were key factors in addressing stress and depression among staff.

Those present discussed a number of issues arising from the policy, including the need to balance (a) being a caring and sympathetic employer with (b) needing to keep Sickness Absence as low as possible. It was noted that some of the averages are skewed by involving long absences from a few people, rather than short ones from many. The

Committee urged reasonable investment in measures to reduce absence, and also The Committee asked the HR Manager to investigate options for making more effective use of the Occupational Health facilities available from Addenbrookes Hospital.

The Committee thanked the HR Manager for her report, and requested that she present an update at the Corporate Governance Committee meeting to be scheduled for June or July 2012.

7. RECEIPT OF DRAFT STATEMENT OF ACCOUNTS

The Committee received and noted a report on the Statement of Accounts. The Head of Accountancy explained that the Accounts would be audited in September prior to the Corporate Governance Committee being asked to formally adopt them on 30 September 2011.

Members noted that the outturn had been better than had been expected. In response to a query about the accuracy of the Estimates, the Head of Accountancy pointed out that officers prepared revised estimates once likely income and expenditure levels became clearer. The Chairman was eager not to set unrealistic targets that the Council was unlikely to achieve.

The Executive Director (Corporate Services) highlighted the downward pressure on spending.

The Finance and Staffing Portfolio Holder said that the Cabinet had taken a conscious decision to run down Council balances. Underspends should not be seen as unacceptable. The Northstowe and New Communities Portfolio Holder added that outcomes had to be delivered but if that could be achieved at a lower price, then that was to be welcomed.

8. INTERNAL AUDIT ANNUAL REPORT FOR THE YEAR ENDING 31 MARCH 2011

The Committee received and noted the Internal Audit Annual Report, prepared by RSM Tenon for the year ended 31 March 2011.

Further to a question from a member, the Committee was informed that Internal Audit would be reviewing the Council's project management process in mid-August 2011.

9. INTERNAL AUDIT PROGRESS REPORT 2011/12

The Committee received and noted the Internal Audit Progress Report from RSM Tenon.

10. INTERNAL AUDIT CHARTER

The Chairman reported that RSM Tenon, South Cambridgeshire District Council's Internal Auditors, had not raised any significant concerns with him.

The Chairman drew attention to para 3.2 which stated that "The Head of Internal Audit has unrestricted access to the Chair of the Corporate Governance Committee, to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported" and stated that:

- Nothing had been reported to him to date
- If anything were ever to be reported to him, it would be his working assumption that he would promptly communicate that to other Members of the Corporate Governance Committee

- He would work on the basis that, if nothing was reported to him, that implied that the Head of Internal Audit had no significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance.

11. EXTERNAL AUDIT REPORTS

The Committee received and noted the penultimate Audit Plan produced for South Cambridgeshire District Council by the Audit Commission. This Plan related to 2010-11.

12. ANNUAL GOVERNANCE STATEMENT 2010/11: RATIFICATION OF AMENDMENTS

The Committee received and noted the Annual Governance Statement 2010-11.

The Legal and Democratic Services Manager highlighted the following proposed additions and amendments:

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

- The Council's Risk Management Strategy had been reviewed during the year for approval by the Corporate Governance Committee. The document acknowledged the obligation to minimise adverse risk and details the process for identifying, recording, assessing, managing and reviewing risk. A strategic risk register had been compiled and was reviewed quarterly by Executive Management Team and by the relevant Portfolio Holder, and by Corporate Governance Committee annually. Project, partnership and service risk registers were also in place; project and partnership risk registers were reviewed by project managers / partnership lead officers, in accordance with project management / partnership governance arrangements; service area risk registers were reviewed quarterly by departmental management teams and annually by the Executive Management Team on a rolling programme.
- Following on from the risk maturity audit carried out in 2009/10, where Council was deemed to be "Risk Managed", an audit around the Council's corporate governance arrangements was carried out during 2010/11 and substantial assurance was placed around "the controls upon which the organisation relies to manage the risks are suitably designed, consistently applied and effective."

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

- Council issued its first Annual Report for Tenants in October 2010. In order to ensure that the information needs of tenants had been met by this report a process of surveying, information gathering, training and collaboration took place with tenant groups prior to the 2011 report being drafted. This had included interactive sessions at the Leaseholder Forum, Tenant Participation Group (TPG), Disability Forum and feedback obtained via the Council's sheltered housing officers and the three sheltered housing forums.
- A resident involvement strategy and a resident involvement action plan had been approved.
- The Tenant Participation Officer had worked with the Tenant Participation Group to draw up a new Constitution, code of conduct, equal opportunities policy and logo and the group is very active, meeting monthly. A TPG Editorial Panel had been set up to collaborate on articles to place in the Tenants' News section of *South Cambs magazine*.

- A Disability Forum had been constituted in response to a tenant survey where over 45% of the council's tenants were identified as being either disabled or looking after someone with a disability. This group met bi-monthly.
- An online forum of interested tenants, the E-Say group, had been created to respond to surveys concerning policy, budgetary or legislative changes.

and

- The Northstowe Parish Forum had quarterly meetings with county, district and parish councillors from the wards and parishes affected by Northstowe and was chaired by the Northstowe Portfolio Holder
- Regular meetings were held with Cambourne Parish Council and the council was involved throughout the negotiation for the s106 planning obligation agreement for the Cambourne 950 development.
- A Gypsy and Traveller Community Strategy had been adopted to ensure that Gypsy and Traveller communities enjoyed equality of service and were part of cohesive communities within which people from different backgrounds participated together and shared equal rights and responsibilities.

and

- The Council's current Sustainable Community Strategy, agreed in March 2008, outlined the Local Strategic Partnership's (LSP) long-term vision for a sustainable South Cambridgeshire and Cambridge City as well as its three-year objectives and priorities. The Council had consulted upon, and in July 2011 planned to adopt, a joint Sustainable Community Strategy covering the period from 2011-2014 with Cambridge City, which outlined the long-term vision for a sustainable South Cambridgeshire and Cambridge City. Twenty-three parishes have participated in the Sustainable Parish Energy Project
- Liaison with Parish Councils had been improved by the introduction of six-monthly meetings and quarterly parish planning meetings. Other active liaison forums with parishes included the Parish Planning IT forum and the Southern Fringe Community Forum.

External Audit and Audit Commission's comments:

The Audit Commission is required to give a statutory VFM (Value for Money) conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

This is based on two criteria, specified by the Commission, related to the Council's arrangements for:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

An initial risk assessment for the VFM conclusion had been carried out and there were no specific risks identified at this point. The audit opinion and value for money conclusion would be issued by 30 September 2011.

Internal Audit Opinion

The Internal Audit Opinion for 2010/11 would be added to this Statement when it was received by the Council.

The Internal Audit statement (and the Audit Commission comments when received) would be added to the Annual Governance Statement to be approved formally by the Corporate Governance Committee at its meeting in September 2011.

The Corporate Governance Committee formally invited South Cambridgeshire District Council's Leader and Chief Executive to accept the Annual Governance Statement 2010-11, subject to the above additions and amendments, and other minor typographical corrections.

13. LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW 2010/11

The Committee received and noted a letter dated 24 June 2011 from the Local Government Ombudsman together with a breakdown of enquiries and complaints received.

Members noted that the complaints process was robust and accepted that, while average response times had increased slightly from 29 days during 2009-10 to 35.8 days during 2010-11, this statistic had been skewed by a 25% fall in the number of first enquiries.

Members noted with satisfaction there had been no findings during 2010-11 of maladministration against South Cambridgeshire District Council.

14. MATTERS OF TOPICAL INTEREST

In response to a Member's question, the Executive Director (Corporate Services) confirmed that the Risk Register now reflected the potential reputational risk posed by the recent Job Evaluation exercise.

15. TO NOTE THE DATES OF FUTURE MEETINGS

The Corporate Governance Committee noted that the next three meetings had been scheduled to take place on Fridays 30 September 2011, 16 December 2011 and 30 March 2012.

The Chairman stated his preference that meetings should begin at 9.00am, but noted that the March meeting was due to begin at 2.00pm. The Corporate Governance Committee agreed that all of its meetings should start at 9.00am, and instructed the Democratic Services Officer to move the March 2012 meeting from 2.00pm to 9.00am, if not on 30 March 2012 then as close to that date as possible.

The Meeting ended at 10.50 a.m.

Annual governance report

South Cambridgeshire District Council

Audit 2010/11



Contents

| | |
|--|-----------|
| Key messages | 3 |
| Audit opinion and financial statements..... | 3 |
| Value for money | 3 |
| Before I complete my audit | 4 |
| Financial statements | 5 |
| Opinion on the financial statements | 5 |
| Errors in the financial statements | 5 |
| Value for money | 10 |
| Appendix 1 – Draft audit report | 13 |
| Appendix 2 – Amendments to the draft financial statements | 16 |
| Appendix 3 – Unadjusted misstatements to the financial statements | 22 |
| Appendix 4 – Glossary | 24 |
| Appendix 5 – Letter of representation | 27 |
| Appendix 6 – Action plan | 30 |

Traffic light explanation

Red ■ Amber ◆ Green ●

Key messages

This report summarises the findings from the 2010/11 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

| | My findings |
|---|-------------|
| Unqualified audit opinion | ● |
| Proper arrangements to secure value for money | ● |

Audit opinion and financial statements

- The audit is substantially complete and upon member approval of the final version of the accounts and receipt of the letter of representation I propose to issue an unqualified opinion.
- The Council's approach to implementing International Financial Reporting Standards (IFRS) was adversely affected by the workload arising from the comprehensive spending review
- The accounts submitted for audit contained 3 material errors and 16 non-trivial errors. All bar the two errors in Appendix 3 have been amended. Substantially these were disclosure and classification issues and did not impact on the usable reserves of the Council.
- I have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements

- The documentation and working papers supporting the accounts were of a good standard.

Value for money

The Council has:

- Linkages in the Medium Term Financial Strategy (MTFS) and budget to the Council's strategic objectives;
- Sound arrangements for the scrutiny of accounts, budgets and financial proposals that take account of service consequences;
- A financial training programme for staff and members;
- A varied approach to public consultation;
- A track record of delivery of required services within budget;
- An approach to partnerships that balances risks and rewards;
- Challenging service planning arrangements.

I therefore propose to issue an unqualified conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

Before I complete my audit

I confirm to you

My report includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I can also confirm there were no relationships resulting in a threat to independence, objectivity and integrity.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2010/11.

I ask you to confirm to me

I ask the Corporate Governance Committee to:

- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
 - approve the letter of representation, provided in Appendix 5 on behalf of the Council before I issue my opinion and conclusion; and
 - agree the action plan set out in Appendix 6.
-

Financial statements

The audit is substantially complete and subject to member approval of the accounts and receipt of the letter of representation, I propose to issue an unqualified opinion.

Opinion on the financial statements

The audit is substantially complete and upon member approval of the final version of the accounts and receipt of the letter of representation I propose to issue an unqualified opinion. Appendix 1 contains a copy of my draft report.

Errors in the financial statements

The move to IFRS set all councils the difficult task of reviewing their past accounting policies and accounts and restating them in the format required by IFRS, as well as preparing the 2010/11 accounts in that format. The Council had an implementation plan which was on course until earlier this year.

The increased workload arising from the implications of the comprehensive spending review was a major contributor to the timetable not being met. In particular, the restatement of prior year accounts was not available for audit in advance of the 2010/11 closedown as originally agreed. This has meant that revised accounting approaches and detailed disclosure note formats could not be agreed in advance of the production of the financial statements and has increased the number of errors that are noted in this report. Nationally, there has been an increase in the number of errors identified in the financial statements presented for audit.

The accounts submitted for audit contained 3 material errors, with 16 non-trivial errors. However, the majority of both of these errors relate to disclosure and reporting and have not reduced the usable reserves of the Council.

The 3 material errors are set out in detail in Appendix 2 and relate to the:

- application of the social housing factor and council dwelling depreciation calculation;;
- disclosure of the size of the social housing factor change;
- disclosure of future leasing commitments;

The significant non-trivial errors are also set out in Appendix 2, the key issues being:

- misclassification of assets held for sale within the Property, Plant and Equipment disclosure notes rather than as current assets;
- omission of capital receipts reserve and capital grants unapplied disclosure notes;
- accounting for short term accumulated absences;
- identification of net Collection Fund position with precepting bodies;
- misclassification between debtors and creditors; short term and long term creditors;
- accounting for government grants deferred in prior year restatements;

Appendix 3 sets out the 2 non-trivial errors which management declined to adjust.

Financial statements

The Council’s financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Key audit risk and my findings

| Key audit risk | Finding |
|---|--|
| <p>1. International Financial Reporting Standards (IFRS)</p> <p>The introduction of IFRS as the basis for the preparation of local government accounts is a significant change. It requires detailed analysis and retrospective adjustments to a number of accounting policies, practices and comparatives. The Council will have to apply IFRS to its 2010/11 financial statements, including the restatement of prior years.</p> | <p>The Council adopted a structured approach to the implementation of IFRS and was meeting the key progress points until earlier this year. However the adverse resourcing implications of responding to the comprehensive spending review meant that the timetable slipped significantly.</p> <p>The absence of restated prior year accounts before closedown meant that revised accounting policies, comparator figures and the new disclosure note formats for the financial statements could not be agreed in advance.</p> <p>The Council did prepare a full set of financial statements for audit by 30 June 2011, unlike a number of authorities nationally.</p> |
| <p>2. Economic downturn</p> <p>Risks arising from a fluctuating economic climate and the resultant impact on the value of land and buildings, investments and pension deficits.</p> | <p>The Council has fully reflected the impact of the changing economic climate within its financial statements.</p> |

Financial statements

Significant weaknesses in internal control

I have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements that had not already been identified by the Council. This was the first year of the “Protocol for liaison between internal and external audit”. This protocol was brought in to maximise the benefit to the Council of the audit resource. The Protocol has achieved its objective and I have been able to place reliance on internal audit work in the areas set out in the Protocol.

Quality of your financial statements

I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures. The documentation and working papers supporting the accounts were of a good standard.

Notwithstanding the slippage in the IFRS implementation plan, in common with other local government bodies the move to IFRS meant that work on the accounts was progressing throughout June 2011. As such the quality review procedures normally adopted were not fully implemented. This led to an increase in the number of typographical, casting and consistency errors, both within the financial statements and between the financial statements and the explanatory foreword.

Although the exact nature of the accounting and audit requirements of the move to Housing Revenue Account (HRA) self-financing is yet to be announced, as with IFRS, the implementation plan will need to be integrated with the standard closedown programme. This will impact on 2011/12 financial statements due to the debt transfer occurring on 28 March 2012.

The Code of Practice states that *“The purpose of the foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts” (Para 3.1.1)*. The Council has kept the explanatory foreword brief and non-technical. However, as a result it has omitted a number of items that are significant to an understanding of the financial statements by the reader. The key omissions were the:

- change in the social housing factor and the consequential change in the value of council dwellings;
- credit to past service cost arising from the change to Retail Price Index from Consumer Price Index in assessing future pension liabilities; and
- explanation of why variances between actual outturn and budget arose.

The first two items have now been included within the revised financial statements.

A number of amendments were made to the text in disclosure notes and accounting policies to both aid clarity and reflect the Council’s approach.

Financial statements

Letter of representation

Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. A copy of a letter of representation is included in Appendix 5.

Recommendations

Recommendation

- R1** Integrate the revised requirements in respect of HRA self-financing following debt transfer in the 2011/12 closedown plan and working paper requirements.
- R2** Update the closedown plan and working paper requirements to reflect the issues identified at audit.
- R3** Review the closedown timetable and build in the opportunity for a detailed independent review of the financial statements prior to authorisation and subsequent submission to members and the external auditor.
- R4** Provide high level explanation for variances between actual outturn and budget within the Explanatory Foreword in future.

Value for money

I am required to conclude whether the Council put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My conclusion on each of the two areas is set out below.

I intend to issue an unqualified conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for money criteria and my findings

Criterion

1. Financial resilience
The organisation has proper arrangements in place to secure financial resilience.
Focus for 2010/11:
The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

Findings

The leadership team understands the significant and rapidly changing financial management challenges and risks facing the organisation and is taking appropriate action to secure a stable financial position. Key to this assessment are the:

- Regular financial briefings by the Executive Director Corporate Services, who is a member of the senior management team (SMT), to Cabinet;
- MTFS, which was updated prior to the full settlement announcement, includes an analysis of the impact of the recession and covers a 5 year business plan;
- Use of option appraisal approach to spending/operational change decisions which link into budget revisions and MTFS;
- Linkages in the MTFS and budget to strategic objectives; and
- Detailed scrutiny of financial proposals, budget and accounts via Portfolio Holders' meetings, Corporate Governance Committee, Scrutiny and Overview Committee and full Council.

Criterion

Findings

To support effective financial management the Council has a:

- Varied financial training programme in place for both members and staff;
- Audit committee function, as carried out by the Corporate Governance Committee, which continues to be adequately discharged;
- Treasury Management Strategy which sets out a balance between security, liquidity and yield. This is regularly monitored and the Council are performing well against pre set benchmarks;
- Improved analysis of the impact of financial changes on operational performance;
- Approach to financial modelling that has taken account of such issues as:
 - Future levels of grant;
 - Changes in concessionary fares funding and responsibility;
 - HRA self financing;
 - Proposed boundary changes; and
 - Opportunities for joint working.
- Identification of a target level for reserves with a track record of achievement; and
- Active monitoring of income sources and recovery of debts.

The Council has a track record of delivering within budget despite the changing financial pressures of recent years.

2. Securing economy efficiency and effectiveness **The organisation has proper arrangements for** **challenging how it secures economy, efficiency** **and effectiveness.**

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The revised option appraisal approach to decision making ensures that both financial and performance issues are now considered together. It has also supported the consideration of a wider range of approaches to service provision.

The Council has adopted a number of approaches to public consultation. More recently this has covered the implications of the spending cut requirements. The Council did get to consultation stage with tenants regarding the possibility of a transfer of the housing stock to a registered social landlord, although tenants chose not to make that move.

Clear recognition of the benefits that partnership working can make. Significant initiatives with registered social landlords in respect of housing including shared waiting list.

Criterion

Findings

More recently the options for shared services and joint working are now being considered, although looking to ensure that the maximum benefit accrues to the Council. Decided not to pursue joint Housing Benefits option with another Council as considered that the majority of savings could be achieved in-house, as has occurred. Currently, working with Cambridge City in respect of the implications of and approach to HRA self financing

The Council is also one of the 11 Total Assets Pathfinder areas as part of the Department for Communities and Local Government's (CLG) Total Place Initiative. Making Assets Count (MAC) is undertaking an asset mapping exercise of all the public sector assets within Cambridgeshire covering local government, health, police, fire and central government. South Cambridgeshire Hall is the only non housing asset that the Council has. For the Council MAC is an opportunity to ensure full use of this asset and access to other public sector facilities within the district area.

The service planning process requires SMT to quantify and rank in priority order future spending pressures. The integration of the option appraisal approach means that as part of the consideration of the spending pressures the potential risks to service provision are recognised. The budget process identifies bids for funding to realise efficiencies or meet changing legislation.

Following my qualification of the VFM conclusion in respect of the use of natural resources last year, the Council has made a number of changes to their approach which has improved the use and the monitoring of the use of natural resources. These changes address the issues that led to the qualification.

Appendix 1 – Draft audit report

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

Opinion on the Authority accounting statements

I have audited the accounting statements of South Cambridgeshire District Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account Income and Expenditure Account and Collection Fund, and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of South Cambridgeshire District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director Corporate Service and auditor

As explained more fully in the Statement of the Executive Director Corporate Services' Responsibilities, the Executive Director Corporate Services is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the annual report and the introduction to the statement of accounts to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of South Cambridgeshire District Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the annual report and the introduction to the statement of accounts for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, South Cambridgeshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of South Cambridgeshire District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul King

Officer of the Audit Commission

Audit Commission,
3rd Floor,
Eastbrook,
Shaftesbury Road,
Cambridge CB2 8BF

September 2011

Appendix 2 – Amendments to the draft financial statements

I identified the following misstatements during my audit and management have adjusted the financial statements. I bring them to your attention to aid you in fulfilling your governance responsibilities.

| Adjusted misstatement | Nature of adjustment | Comprehensive income and expenditure statement (CIES) | | Balance sheet | |
|-----------------------|----------------------|---|----------|---------------|----------|
| | | Dr £000s | Cr £000s | Dr £000s | Cr £000s |

Material Errors

1: Note 10: Material items of Amend Notes 10 and 43

income and expenditure shows the revaluation loss attributable to the application of the social housing factor as £61.65 million. The disclosure should have read £67.1 million after changing from 1 April 2010. The note should also show the amount charged to HRA and Revaluation Reserve. Note 43 Impairment will also need amending to reconcile to Note 10.

| Adjusted misstatement | Nature of adjustment | Comprehensive income and expenditure statement (CIES) | | Balance sheet | |
|--|---|---|----------|---------------|----------|
| | | Dr £000s | Cr £000s | Dr £000s | Cr £000s |
| <p>2: The "Stock Valuation for Resource Accounting – Guidance for valuers 2010" came into force under the "Housing Revenue Account (accounting practices) Direction 2011. This Direction states that valuations in accordance with the guidance are to be provided at both 1 April and 31 March of the financial year. The Council did not apply the factor to the 1 April 2010 valuation. As a result the in-year depreciation is materially overstated and the impairment materially understated.</p> <p>Also the loss on disposal was based on an early version of the asset register and the net adjustment is shown here under CIES – other operating expenditure and HRA – loss on disposal.</p> | <ul style="list-style-type: none"> ■ CIES HRA services (depreciation) ■ CIES HRA services (impairment) ■ CIES – Other operating expenditure ■ Revaluation Reserve (RR) ■ Capital adjustment Account (CAA) ■ HRA - depreciation reduced by £1,763,000, impairment increased by £2,472,000 ■ HRA – loss on disposal reduced by £233,000 ■ Statement of Movement – Transfer from Major Repairs Reserve reduces by £1,763,000 ■ Statement of Movement – loss on HRA sales reduces by £233,000 ■ Statement in Movement – impairment increased by £2,472,000, ■ Movement in Reserves (MiRS) – adjustments between accounting basis reduced by £476,000 (net) ■ Consequential adjustments to Notes 4,5,7, 12, 16,28,40,42 &44. | 1,763 | 2,472 | 52 | 52 |

| Adjusted misstatement | Nature of adjustment | Comprehensive income and expenditure statement (CIES) | | Balance sheet | |
|--|--|---|----------|---------------|----------|
| | | Dr £000s | Cr £000s | Dr £000s | Cr £000s |
| <p>3: Note 25 Leases: The table of future commitments is required to show the amounts payable in the following year, years 2-5 and beyond. The Council's table merely shows the payments due in 2011/12.</p> | Restate table in accordance with Code requirements. | | | | |
| <p>Non-Trivial Errors</p> | | | | | |
| <p>4: In 2009/10 comparatives and 2010/11 the year end provision and the accumulated compensated absences adjustment account(ACAAA) was amended to reflect the in-year change rather than the balance on the provision and adjustment account</p> | <p>Correct 2009/10 comparatives and 2010/11</p> <ul style="list-style-type: none"> ■ Provisions ■ Accumulated compensated absences adjustment account ■ MIRS – transfer to ACAA increased by £20,000 in 2010/11 ■ Consequential adjustments to Notes 5, 12, and 33 | | | 242 | 242 |
| <p>5: The long term creditor of £123,000 in respect of early retirement liabilities has been included within short term creditors.</p> | <ul style="list-style-type: none"> ■ Other long term liabilities ■ Short term creditors <p>Consequential changes to Notes 32 & 39</p> | | | 123 | 123 |

| Adjusted misstatement | Nature of adjustment | Comprehensive income and expenditure statement (CIES) | | Balance sheet | |
|--|---|---|----------|---------------|----------|
| | | Dr £000s | Cr £000s | Dr £000s | Cr £000s |
| <p>6: Note 28: Property, Plant & Equipment incorrectly includes assets held for sale (31.3.2010 value £2.24 million). Following IFRS introduction these items are classified as current assets.</p> <p>7: The financial statements presented for audit did not include a note setting out the transactions and balances on the Capital Receipts Reserve and Capital Grants Unapplied Account.</p> <p>8: Entries in relation to Cambridgeshire County Council have been misclassified between debtors and creditors resulting in an overstatement of both balances of some £106,000.</p> <p>9: Note 32: The creditor balances for precepting authorities are understated by £143,000 and the sundry creditors overstated.</p> | <p>Remove assets held for sale from Note 28 and include a separate note for assets held for sale.</p> <p>New note included in financial statements</p> <ul style="list-style-type: none"> ■ Debtor balance ■ Creditors <p>Consequential adjustments to Notes 31 & 32</p> <ul style="list-style-type: none"> ■ Amend the analysis within Note 32. | | | | |
| | | | | 106 | 106 |

| Adjusted misstatement | Nature of adjustment | Comprehensive income and expenditure statement (CIES) | Balance sheet |
|--|---|---|---------------|
| | | Dr £000s | Dr £000s |
| <p>10: Note 12 CAA does not:</p> <ul style="list-style-type: none"> ■ have a line for revaluation depreciation adjustment with Revaluation Reserve; and ■ agree with Note 29 regarding capital expenditure financing. | <p>Revise note to include all appropriate entries and agree to other disclosure notes</p> | Cr £000s | Cr £000s |
| <p>11: Following the transfer of certain equity share homes to the General Fund, expenditure on these homes was shown under Personal Social Services rather than Other Non HRA housing. Also the social housing factor impacts on the depreciation and impairment charges for these properties.</p> | <ul style="list-style-type: none"> ■ CIES Personal SS ■ CIES – Other Non HRA housing ■ MiRS – adjustments between accounting basis reduced by £484,000 ■ Consequential adjustments to Notes 5, 12, 16 & 28. | 562 | 1,046 |
| <p>12: Note 22 Transactions in MiRS includes auditor adjustment regarding 2008/09. This should be incorporated within revised amounts as corrected in actuarial valuation in 2009/10. Narrative should set out cumulative actuarial gains and losses recognised in the CIES.</p> | <p>Amend Note 22 comparatives and add appropriate narrative.</p> | | |

| Adjusted misstatement | Nature of adjustment | Comprehensive income and expenditure statement (CIES) | | Balance sheet | |
|--|---|---|----------|---------------|----------|
| | | Dr £000s | Cr £000s | Dr £000s | Cr £000s |
| 13: Note 4 on estimation uncertainty does not cover council dwelling valuation assumptions. | Expand Note 4 | | | | |
| 14: Reclassification of 2009/10 comparative expenditure between Non-distributed costs and central services (£166,000). | Amend comparatives in CIES | | | | |
| 15: Under IFRS deferred capital receipts are reclassified as unusable reserves not as other long term liabilities. | <ul style="list-style-type: none"> ■ Other long term liabilities ■ Unusable reserves Consequential amendments to MiRS and Notes 5, 12, & 38 | | | 60 | 60 |
| 16: Note 27 The Code requires amounts and class of asset for which impairment has been charged to CIES/HRA or a reversal of impairment to be disclosed. The note should refer/reconcile to Notes 10 and 43. | Expand Note 27 reconciling to Notes 10 and 43. | | | | |
| 17: Balances for debtors, creditors and investments at 1.4.2009 were not included within the disclosure notes | Amend Notes 31, 32 & 37 accordingly. | | | | |

Appendix 3 – Unadjusted misstatements to the financial statements

I identified the following misstatements during my audit, but management has not adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities and ask you to correct these misstatements.

If you decide not to amend, please tell me why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

| Unadjusted misstatement | Nature of required adjustment | | Comprehensive income and expenditure statement (CIES) | | Balance sheet | |
|---|--|--|---|----------|---------------|----------|
| | | | Dr £000s | Cr £000s | Dr £000s | Cr £000s |
| Unused redundancy provision of £43,000 for 2010/11 has been written back to General Fund balances in 2011/12 rather than 2010/11. | <ul style="list-style-type: none"> ■ CIES – Net Cost of Services ■ Provisions ■ General Fund ■ MIRS amended to reflect new CIES total ■ Consequential adjustments to Notes 11, 16 and 33. | | 43 | | | |
| | | | | | 43 | 43 |

| Unadjusted misstatement | Nature of required adjustment | Comprehensive income and expenditure statement (CIES) | | Balance sheet | |
|--|---|---|----------|---------------|----------|
| | | Dr £000s | Cr £000s | Dr £000s | Cr £000s |
| <p>The total value of the Pension Fund managed by Cambridgeshire County Council at 31 March 2011 exceeded the actuary's value by £31 million. This increases the Council share of the assets to £1.258 million more than the estimate included within the actuary's IAS 19 report. This arises due to a timing difference and overstates the net pension liability of the Council.</p> | <ul style="list-style-type: none"> ■ CIES – Net actuarial gains ■ Other Long Term Pension Liabilities ■ Unusable reserves ■ MIRS amended to reflect new CIES total ■ Consequential adjustments to Notes 12 and 22, plus pension liability reference in Foreword. | 1,258 | | 1,258 | |

Appendix 4 – Glossary

Annual governance statement

Governance is about how a Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and where appropriate, leads its community.

The annual governance statement is a public report by the Council on the extent to which it complies with its own governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Materiality and significance

The Auditing Practices Board (APB) defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

‘Significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

Value for money conclusion

The auditor’s conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified opinion.

Appendix 5 – Letter of representation

To:
Paul King
District Auditor
Audit Commission,
3rd Floor,
Eastbrook,
Shaftesbury Road,
Cambridge CB2 8BF

South Cambridgeshire District Council - Audit for the 2010/11 year ended 31 March 2011

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers and members of South Cambridgeshire District Council, the following representations given to you in connection with your audit of South Cambridgeshire District Council's financial statements for the 2010/11 year ended 31 March 2011. All representations cover the Council's accounts included within the financial statements.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards (IFRS) which give a true and fair view of the financial position and financial performance of South Cambridgeshire District Council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected errors

I confirm that I believe that the effects of the uncorrected financial misstatements listed in the Annual Governance Report Appendix 3 are not material to the financial statements, either individually or in aggregate and that these misstatements have been discussed with those charged with governance. The reasons for not correcting these items are as follows;

- Excess redundancy provision - The accounts have not been amended for the excess redundancy provision as it is not considered to be a material misstatement to the accounts; and
- Pension Fund – Actuarial Gains and Losses – The accounts have not been amended for the Council’s proportion of the undervalue of the County’s Pension Scheme as it is not considered to be a material misstatement to the accounts.

Supporting records

All relevant information and access to persons within the entity has been made available to you for the purpose of your audit, and all the transactions undertaken by South Cambridgeshire District Council have been properly reflected and recorded in the financial statements.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. South Cambridgeshire District Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of South Cambridgeshire District Council related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Contingent liabilities

I confirm that there are no contingent liabilities that have not been disclosed in the financial statements but should have been. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Signed on behalf of South Cambridgeshire District Council

I confirm that this letter has been discussed and agreed by the Corporate Governance Committee of South Cambridgeshire District Council on 30 September 2011.

Signed:

Alex Colyer
Executive Director Corporate Services

Date:

Appendix 6 – Action plan

| Page no. | Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|----------|---|--|----------------|--------|----------|------|
| 9 | R1: Integrate the revised requirements in respect of HRA self-financing following debt transfer in the 2011/12 closedown plan and working paper requirements. | 2 | | | | |
| 9 | R2: Update the closedown plan and working paper requirements to reflect the issues identified at audit. | 2 | | | | |
| 9 | R3: Review the closedown timetable and build in the opportunity for a detailed independent review of the financial statements prior to authorisation and subsequent submission to members and the external auditor. | 2 | | | | |

| Page no. | Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|----------|----------------|--|----------------|--------|----------|------|
|----------|----------------|--|----------------|--------|----------|------|

9 R4: Provide high level 2

explanation for variances between actual outturn and budget within the Explanatory Foreword in future.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

© Audit Commission 2011.
Design and production by the Audit Commission Publishing Team.
Image copyright © Audit Commission.

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

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



www.audit-commission.gov.uk

September 2011

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee

30 September 2011

AUTHOR/S: Executive Director (Corporate Services)

APPROVAL OF THE 2010/11 STATEMENT OF ACCOUNTS**Purpose**

1. To approve the amended 2010/11 Statement of Accounts (to be circulated later) and to discuss and agree the letter of representation.
2. This is not a key decision but are legal and auditing requirements.

Recommendations

3. That the 2010/11 Statement of Accounts is approved and the letter of representation discussed and agreed.

Reasons for Recommendations

4. It is a legal requirement under the Accounts and Audit (England) Regulations 2011 for the Statement of Accounts to be considered and approved no later than 30 September.
5. It is an auditing requirement under International Auditing Standard (UK and Ireland) 580 for the letter of representation to be discussed and agreed by those charged with governance.

Background

6. The Statement of Accounts 2010/11 (subject to audit) was certified by the Executive Director (Corporate Services) as the Council's responsible financial officer and noted by this Committee on 8 July 2011.

Considerations

7. The results of the audit are now known and are set out in the Auditor's Annual Governance Report, which is a separate item on this agenda. The amendments required by the Auditors to the financial statements are set out in Appendix 2 of their Report. These amendments have been incorporated in the amended Statement of Accounts 2010/11, which will be distributed to Members of this Committee as soon as possible.
8. The letter of representation is Appendix 5 of the Auditor's Report. This needs to be discussed and agreed by this Committee and then signed by the Executive Director (Corporate Services) as the Council's responsible financial officer

Options

9. None.

Implications

| | | |
|-----|--------------------------------------|--|
| 10. | Financial | <p>Members were informed of the balances, i.e. how much money have we got to spend in the future, in the weekly bulletin of 6 July 2011. These were the balances on the General Fund, Housing Revenue Account and Capital account as at 31st March 2011 as set out in the draft Statements of Accounts.</p> <p>The audit of the accounts has confirmed these balances.</p> <p>The amendments required by the auditors to the accounts are technical adjustments to conform strictly with accounting standards, which are then reversed out and have a net nil effect; minor corrections to the notes; additional disclosures; and typographical errors; some of which were reported by officers at the last meeting.</p> |
| | Legal | None |
| | Staffing | None |
| | Risk Management | There is a reputational risk to the Council if the accounts cannot be agreed with the Auditors and issued with an unqualified audit opinion |
| | Equality and Diversity | None |
| | Equality Impact Assessment completed | No Not applicable |
| | Climate Change | None |

Consultations

11. None.

Consultation with Children and Young People

12. None.

Effect on Strategic Aims

13. The amended Statement of Accounts confirms the balances available for inclusion in the medium term financial strategy.

Conclusions / Summary

14. None.

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

Contact Officer: Adrian Burns - Head of Accountancy
 Telephone: (01954) 713702
adrian.burns@scambs.gov.uk
 Sally Smart - Principal Accountant
 Telephone: (01954) 713706
sally.smart@scambs.gov.uk

RSM: Tenon

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Internal Audit Progress Report

Corporate Governance Committee Meeting: 30 September 2011

Recommendation: That the Committee **Notes** the Internal Audit Progress Report

RSM: Tenon

CONTENTS

| Section | | Page |
|-------------------|--|-------------|
| 1 | Introduction | 1 |
| 2 | Final reports issued | 1 |
| 3 | Key Findings from Internal Audit Work | 1 |
| 4 | Work in Progress or Planned | 1 |
| 5 | Liaison with Management and External Audit | 2 |
| 6 | Changes to our Plan | 2 |
| 7 | Client Briefings | 2 |
| Appendices | | |
| A | 2011/12 Work Completed to Date Including Summary of Assurance Levels and Recommendations | 3 |
| B | 2011/12 Work in Progress or Yet to Start (including reports still in draft) | 4 |

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

This report is prepared solely for the use of South Cambridgeshire District Council. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

© 2011 RSM Tenon Limited

RSM Tenon Limited is a member of RSM Tenon Group

RSM Tenon Limited is an independent member firm of RSM International an affiliation of independent accounting and consulting firms. RSM International is the name given to a network of independent accounting and consulting firms each of which practices in its own right. RSM International does not exist in any jurisdiction as a separate legal entity.

RSM Tenon Limited (No 4066924) is registered in England and Wales. Registered Office 66 Chiltern Street, London W1U 4GB. England

1. INTRODUCTION

1.1 The periodic internal audit plan for 2011/12 was approved by the Corporate Governance Committee in March 2011. This report summarises the outcome of work completed to date against that plan. Appendices A and B provide cumulative data in support of internal audit performance for the 2011/12 plan to date.

2. FINAL REPORTS ISSUED

2.1 We have finalised four reports since the last Committee meeting; these are in the areas of:

- Supported Housing (2.11/12);
- Housing Maintenance - Planned and Cyclical (including Voids) (3.11/12);
- Information Governance (4.11/12); and
- Housing Rent (5.11/12).

2.2 Appendix A summarises our opinions and the number of recommendations made during 2011/12 to date.

3. KEY FINDINGS FROM INTERNAL AUDIT WORK

3.1 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. We have not identified any issues from our 2011/12 work to date that will impact negatively on this year's annual opinion.

3.2 No common weaknesses have been identified within our reports for 2011/12.

4. WORK IN PROGRESS OR PLANNED

4.1 We have issued one draft report since the last Committee meeting; this is in the areas of:

- Project Management (6.11/12).

4.2 We are currently at the fieldwork stage of the following reviews:

- General Ledger; and
- Allocations and Voids.

5. LIAISON WITH MANAGEMENT AND EXTERNAL AUDIT

5.1 Since the last Corporate Governance Committee we have met with Management to discuss the progress of the audit plan and to scope a number of 2011/12 audits.

6. CHANGES TO OUR PLAN

Since the last Corporate Governance Committee, we have agreed with management to delay the Partnerships review due to the changes which are currently taking place. Therefore this has been rescheduled for February 2012.

7. CLIENT BRIEFINGS

7.1 There have been no relevant client briefings issued since the last Corporate Governance Committee.

APPENDIX A: 2011/12 WORK COMPLETED TO DATE INCLUDING SUMMARY OF ASSURANCE LEVELS AND RECOMMENDATIONS

Reports being considered at this Committee are shown in *italics*.

| Auditable Area | Start Date | Debrief date | Draft report issued | Responses received | Final report issued | Corporate Governance Committee | Assurance level given | Number of Recommendations Made | | | | |
|--|-------------------|-------------------|---------------------|--------------------|---------------------|--------------------------------|-----------------------|--------------------------------|-----------|-----------|-----------|-----------|
| | | | | | | | | High | Medium | Low | In Total | Agreed |
| HR – Absence Management including the Impact of Redundancies (1.11/12) | 18/04/11 | 21/04/11 | 16/05/11 | 27/05/11 | 27/05/11 | June 11 | | 0 | 0 | 5 | 5 | 5 |
| <i>Supporting Housing (2.11/12)</i> | <i>18/04/2011</i> | <i>28/04/2011</i> | <i>19/05/2011</i> | <i>13/07/11</i> | <i>13/07/11</i> | <i>September 11</i> | | <i>0</i> | <i>0</i> | <i>1</i> | <i>1</i> | <i>1</i> |
| <i>Housing Maintenance – Planned & Cyclical (3.11/12)</i> | <i>10/06/2011</i> | <i>17/06/2011</i> | <i>13/07/11</i> | <i>28/07/11</i> | <i>29/07/11</i> | <i>September 11</i> | | <i>2</i> | <i>3</i> | <i>2</i> | <i>7</i> | <i>7</i> |
| <i>Information Governance (4.11/12)</i> | <i>25/07/2011</i> | <i>01/08/11</i> | <i>16/08/11</i> | <i>21/09/11</i> | <i>21/09/11</i> | <i>September 11</i> | | <i>0</i> | <i>6</i> | <i>6</i> | <i>12</i> | <i>12</i> |
| <i>Housing Rents (5.11/12)</i> | <i>08/08/2011</i> | <i>15/08/11</i> | <i>25/08/11</i> | <i>26/08/11</i> | <i>26/08/11</i> | <i>September 11</i> | | <i>0</i> | <i>1</i> | <i>3</i> | <i>4</i> | <i>4</i> |
| Totals to date: | | | | | | | | 2 | 10 | 17 | 29 | 29 |

APPENDIX B: 2011/12 WORK IN PROGRESS OR YET TO START (INCLUDING REPORTS STILL IN DRAFT)

| Auditable Area | Start Date | Debrief date | Draft report issued |
|--|---------------|--------------|---------------------|
| Project Management (6.11.12) | 15/08/2011 | 16 Aug 2011 | 1 Sept 2011 |
| General Ledger (including Budgetary Control) | 05/09/2011 | 13 Sept 2011 | |
| Housing Allocations and Voids | 13/09/2011 | 21 Sept 2011 | |
| Taxation | 26/09/2011 | | |
| Creditors | 03/10/2011 | | |
| Contract Services | 10/10/2011 | | |
| Corporate Governance | 10/10/2011 | | |
| Payroll (including Expenses & Pensions) | 12/10/2011 | | |
| NINDR | 20/10/2011 | | |
| Income & Debtors | 03/11/2011 | | |
| Cash, Banking & Treasury Management | 14/11/2011 | | |
| Capital Expenditure and Asset Management | 17/11/2011 | | |
| Proactive Fraud Work | November 2011 | | |
| Reconciliation | 05/12/2011 | | |
| Risk Management and Assurance Stocktake | 19/12/2011 | | |
| Council Tax | 09/01/2012 | | |
| Performance Management | 16/01/2012 | | |
| Environmental Health | 16/01/2012 | | |

| Auditable Area | Start Date | Debrief date | Draft report issued |
|-----------------------------|------------------------------|--------------|---------------------|
| Follow Up | 16/01/2012 | | |
| Housing Benefits | 23/01/2012 | | |
| Partnerships | 08/08/2011 Now 06/02/2011 | | |
| Top Up Testing | 19/03/2012 | | |
| Annual Governance Statement | March 2012 | | |

This page is left blank intentionally.

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee

30 September 2011

AUTHOR/S: Executive Director, Corporate Services

STRATEGIC RISK REGISTER – QUARTERLY REVIEW**Purpose**

1. The purpose of this report is to enable Corporate Governance Committee to consider the Finance & Staffing Portfolio Holder's latest quarterly review and approval of the Council's Strategic Risk Register and decide what future monitoring is required.
2. This is not a key decision but it has been brought to this meeting because the committee agreed at its meeting on 28 March 2011 to receive the portfolio holder's review and approval of the Strategic Risk Register at its September 2011 meeting and to consider whether future monitoring was required.

Recommendations

3. That Corporate Governance Committee:
 - (a) notes the Finance & Staffing Portfolio Holder's latest quarterly review and approval of the Strategic Risk Register; and
 - (b) agrees to monitor the Finance & Staffing Portfolio Holder's review and approval of the Strategic Risk Register annually in future, alongside the annual review of the Council's Risk Management Strategy and process.

Reason for Recommendations

4. The Finance & Staffing Portfolio Holder considers the Strategic Risk Register, the risks included, assessments of their impact and/or likelihood, control measures/ sources of assurance, and timelines to progress risks, on a quarterly basis. The last two reviews have resulted in one risk being removed, one risk's description being added to, several risks' control measures/ sources of assurance updated, one risk's impact/likelihood assessments adjusted, two risks' impact assessments queried and four new risks added. Corporate Governance Committee therefore has assurance that the portfolio holder's approval of the Strategic Risk Register is adequate and effective and that it can rely on its annual review of the Council's Risk Management Strategy and process to monitor that it remains so.

Background

5. The Finance & Staffing Portfolio Holder as the designated lead executive Member for risk management, exercises responsibility for management of the strategic risks facing the Council by reviewing the Strategic Risk Register quarterly.
6. Corporate Governance Committee has exercised its responsibility for the governance aspects of risk management within the authority through:
 - (a) annual review of the Council's Risk Management Strategy and process (next due in March 2012); and
 - (b) periodic review of the Strategic Risk Register, covering reports and other associated documents presented to the Finance & Staffing Portfolio Holder,

together with the minutes of the portfolio holder meetings, to monitor that the Strategic Risk Register has been properly considered by the portfolio holder.

Considerations

7. The Strategic Risk Register was reviewed with the nominated risk owners and other members of Executive Management Team (EMT). EMT agreed changes to the following risks at its meeting on 17 August 2011:
 - (a) Welfare Reform
 - (b) Implementation of National Job Evaluation Scheme
 - (c) Medium Term Financial Strategy (MTFS)
 - (d) Depot size
 - (e) Major projects' impact on small teams
 - (f) Potential risk once HRA reform is implemented
 - (g) Equalities
 - (h) Climate changeand included a new risk, "South Cambs Hall photovoltaic installation", to acknowledge that there are risks associated with that project, while recognising that these will be subject to tight project management controls.
8. EMT also considered that the following new areas of risk, raised by Cabinet at its meeting with Senior Management Team on 23 July 2011, should be included in the Strategic Risk Register:
 - (a) Demands on services from an ageing population
 - (b) Partnership working with Cambridgeshire County Council
 - (c) Keeping up with technology development
9. Details of all the changes referred to in paragraphs 7 and 8 can be found in the report to the Finance & Staffing Portfolio Holder at his meeting on 20 September 2011, agenda item 3, link: [http://scambs.moderngov.co.uk/documents/s57620/Strategic Risk Register report.pdf](http://scambs.moderngov.co.uk/documents/s57620/Strategic_Risk_Register_report.pdf).
10. The updated risks were included in the draft Strategic Risk Register, which was considered by the Finance & Staffing Portfolio Holder at his meeting. As this report had to be published the day after that meeting, it has not been possible to refer to the minutes of that meeting; however, key points arising at the meeting were:
 - (a) It was noted that Welfare Reform was the subject of a separate report on the same agenda and that the Medium Term Financial Strategy was now due to be updated in November rather than September 2011.
 - (b) The portfolio holder agreed that the new "Demands on services from an ageing population" risk (paragraph 8. (a) above) should be shown as a separate risk from STR12 Supported Housing.
 - (c) The portfolio holder asked that EMT specifically review the Impact assessment scores for two risks, STR12 Supported Housing and STR02 Equalities, at its next meeting.
 - (d) The portfolio holder added the phrase "and deliver efficiencies" to the risk description for STR21 Keeping up with technology development.
 - (e) Subject to (d) above, the portfolio holder approved the Strategic Risk Register and Matrix.
11. The resulting updated Strategic Risk Register CorVu report and Matrix are attached for information as **Appendices A and B**, respectively.
12. The CorVu report enables movement in strategic risk scores to be monitored, where Red / Amber / Green means:

for risks previously above the line

for risks previously below the line

| | | |
|--------|--|--|
| Red: | <ul style="list-style-type: none"> the score has increased | <ul style="list-style-type: none"> the score has increased to above the line |
| Amber: | <ul style="list-style-type: none"> the score has not changed, or has decreased but stays above the line | <ul style="list-style-type: none"> the score has increased but stays below the line |
| Green: | <ul style="list-style-type: none"> the score has decreased to below the line | <ul style="list-style-type: none"> the score has not changed, or has decreased |

Options

13. In considering its monitoring of the Finance & Staffing Portfolio Holder's quarterly review of the Strategic Risk Register and Matrix, Corporate Governance Committee could agree that this will be undertaken annually in future, alongside the annual review of the Council's Risk Management Strategy and process (***this is the recommended option***).
14. Alternatively, the Committee could decide to continue monitoring at half-yearly intervals, or to revert to quarterly monitoring.
15. Another option might be for the Committee to nominate one of its members to attend Finance & Staffing Portfolio Holder meetings at which the Strategic Risk Register is reviewed, mirroring similar attendance by Scrutiny and Overview Committee Monitors.

Implications

| | |
|--------------------------------------|--|
| 16. Financial, Legal, Staffing | There are no immediate financial, legal or staffing implications resulting from this report. Some of the control measures/ sources of assurance 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. |
| Equality and Diversity | The Council's risk management process has no inherent equality and diversity implications; however, Equalities is included as a risk area on the Strategic Risk Register. |
| Equality Impact Assessment completed | No Not applicable, as this is a report about a quarterly review, rather than a new or updated strategy, policy or procedure. |
| Climate Change | The Council's risk management process has no inherent climate change implications; however, Climate Change is included as a risk area on the Strategic Risk Register. |

Consultations

17. Relevant managers have been consulted regarding the various aspects of this report.
18. The Finance & Staffing Portfolio Holder reviewed and approved the Strategic Risk Register and Matrix at his meeting on 20 September 2011.

19. There will be liaison with officers and Members as appropriate regarding decisions made by Corporate Governance Committee concerning this report.

Consultation with Children and Young People

20. There has been no consultation with children and young people regarding this report.

Effect on Strategic Aims

21. The regular review of the Strategic Risk Register relates to the Council's strategic aim of being a listening council, providing first class services accessible to all:
- (a) it ensures that strategic risks involved in the delivery of the Council's Corporate Plan and in meeting its Aims/Approaches/Actions, ongoing key Actions for 2010/11 and key Actions for 2011/12 are identified and managed;
 - (b) it also contributes to the Council's corporate governance responsibilities.

Conclusions / Summary

22. The Finance & Staffing Portfolio Holder reviews the Council's Strategic Risk Register on a quarterly basis, enabling the Council to manage its strategic risks to an acceptable level.
23. Corporate Governance Committee can therefore rely on its annual review of the Council's Risk Management Strategy and process to ensure that the portfolio holder's quarterly review and approval of the Strategic Risk Register remains adequate and effective and that the Committee's half-yearly or quarterly monitoring of this is no longer required.

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

None unpublished

Contact Officer: John Garnham – Principal Accountant (General Fund and Projects)
Telephone: (01954) 713101

**Strategic Risk Register
September 2011**



| Risk Reference, Title and Description, plus associated Aims | Risk Owner | Current Risk Score | | Risk Owner's Comments |
|---|-------------|--------------------|--------|--|
| | | Target | Actual | |
| <p>STR15 - Welfare Reform Proposed radical changes to benefits, including possibility of localised council tax benefits and introduction of a universal credit system, <i>leading to</i> possible:</p> <ul style="list-style-type: none"> increased IT cost due to required system changes; implementation costs not fully reimbursed by Government grant; increased workload for Benefits and Homelessness teams, <p><i>resulting in</i> potential for:</p> <ul style="list-style-type: none"> adverse effect on service provision due to the number of changes; increased dissatisfaction with the service due to reduced amounts of benefit payable; impact on Medium Term Financial Strategy; devastating effect on people with mental health problems; and dislocation of private sector housing market. <p>Aims: A iii, A iv, A v</p> | Alex Colyer | | 20 | <p>SCORES - IMPACT: 4; LIKELIHOOD: 5. [Note: These scores have been assessed on the basis of the scale and perceived impact of the announced changes, and the timescale to implement them (although it appears there may be some changes to this) - when more information and clarity is available, the scores will be reassessed and targets set.]</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Discretionary Housing Payments policy completed and approved. Benefits and Housing Advice & Homelessness teams to provide initial training. Signpost residents who are in difficulty, advice / counselling / financial help / medical assistance etc. Consideration of possible criteria for own council tax benefit scheme. Respond to council tax benefit consultation (by October 2011). Consideration at a strategic level of possible implications on social housing allocations. Consultations with professional bodies, peer authorities and software suppliers. [More control measures / sources of assurance will be identified and put in place as further details of the changes are confirmed.]</p> <p>TIMESCALE TO PROGRESS: Bill now expected to progress through the House of Commons by the end of 2011. Government to publish plan in Autumn 2011, setting out scale and pace of transition for existing Housing Benefit customers to the new Universal Credit.</p> |
| <p>STR05 - Lack of Development Progress While there is good progress on the Cambridge fringe sites and at Cambourne, and work beginning on a refreshed planning application for Northstowe despite uncertainty about improvements to the A14, there is little likelihood of progress at Cambridge East in the immediate future, <i>leading to</i> the authority being unable to deliver its housing needs, <i>resulting in</i> the Council having to meet the shortfall in the short term from developments in existing villages and head off speculative major planning applications outside the strategy.</p> <p>Aims: C.i., C.ii.2., E.iii., E.iv.</p> | Jo Mills | 10 | 16 | <p>SCORES - IMPACT: 4; LIKELIHOOD: 4.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: A14 - Task Group due to be set up with Department for Transport. County has commissioned short-term study to identify ways of creating headroom to assist NW Cambridge or Northstowe developments. Deliverability/Viability work commenced with Northstowe joint promoters. Masterplan workshop held with joint promoters and their consultants, followed by session with local members at Parish Forum. Planning Policy produce an Annual Monitoring Report (forecasts housebuilding levels), annually review the Local Development Scheme (can address any shortfall) and have started a new Strategic Land Availability Assessment (SHLAA).</p> <p>TIMESCALE TO PROGRESS: Timetable for new Local Development Scheme has been agreed by New Communities Portfolio Holder (PFH) in March 2011 with new plan in place in 2014.</p> |

| Risk Reference, Title and Description, plus associated Aims | Risk Owner | Current Risk Score | | Risk Owner's Comments |
|---|---------------|--------------------|--------|--|
| | | Target | Actual | |
| <p>STR14 - Implementation of National Job Evaluation Scheme (a) The Council and trade unions are not able to form a collective agreement for the implementation of a revised job evaluation scheme, <i>leading to</i> worsening industrial relations and equal pay challenges and poor publicity, <i>resulting in</i> public dissatisfaction with the Council's services.</p> <p>(b) Employee anxiety about Job Evaluation, <i>leading to</i> significant staff absence or reduced productivity, <i>resulting in</i> inability to provide full services.</p> <p>Aims: All</p> | Alex Colyer | 10 | 16 | <p>SCORES - IMPACT: 4; LIKELIHOOD: 4.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Exchange of information and discussions through the Job Evaluation (JE) Steering Group. Employment of specialist staff to manage the process. Implementation of an effective and timely communications plan. JE Steering Group met on 19 May 2011 and is continuing to work with the trade unions. All exchange of information etc has now been done and conclusions will be fed back to the JE Steering Group meeting on 29 September 2011.</p> <p>TIMESCALE TO PROGRESS: Aim to gain agreement by September 2011.</p> |
| <p>STR12 - Supported Housing Reduction in Supporting People (SP) funding, <i>leading to</i> loss of staff and changes to delivery structure, <i>resulting in</i> dissatisfaction amongst residents and concerns over well being of vulnerable people</p> <p>Aims: A, C</p> | Stephen Hills | 10 | 15 | <p>SCORES - IMPACT: 3; LIKELIHOOD: 5.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Needs assessment of all tenants + Member task & finish group to identify best ways to meet tenants' needs.</p> <p>TIMESCALE TO PROGRESS: Critical funding decisions to emerge during 2012. Possible need to competitively bid to provide the sheltered housing service, in time for April 2012.</p> |
| <p>STR03 - 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.</p> <p>Aims: E.i., C.iv.3.</p> | Jo Mills | 10 | 12 | <p>SCORES - IMPACT: 4; LIKELIHOOD: 3.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: The draft Gypsy and Traveller Development Plan Document (G&T DPD) has been out for public consultation. Ongoing routine monitoring of all District development. Draft Government guidance issued, County needs assessment due to be completed in September 2011.</p> <p>TIMESCALE TO PROGRESS: G&T DPD timescale approved by New Communities PFH in March 2011, and due to be completed late 2013.</p> |

| Risk Reference, Title and Description, plus associated Aims | Risk Owner | Current Risk Score | | Risk Owner's Comments |
|---|-------------|--------------------|--------|--|
| | | Target | Actual | |
| <p>STR08 - 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; pay and inflation exceed assumptions; interest rates do not meet forecasts; employer's pension contributions increases exceed projections; impact of successful equal pay claims exceeds available reserves; changes in demand for some service areas could lead to pressures in the related budgets; unforeseen restructuring costs; local government resource review - localisation of business rates; major developments do not meet housing trajectory forecast; uncertainty re new homes bonus and formula grant from 2013/14; cost of supporting development and meeting demand from growth; impact of welfare reform (and see STR15 above); costs associated with the economic downturn; HRA self-financing post reform; availability of budget for Cabinet priorities; council tax strategy, <p><i>leading to the Council needing to take action to cut its budgets, resulting in cuts in services, public dissatisfaction, audit and inspection criticism.</i></p> <p>Aims: A.v.</p> | Alex Colyer | 10 | 12 | <p>SCORES - IMPACT: 4; LIKELIHOOD: 3.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Revised MTFS incorporates updated assumptions. Implement plans to deliver Council's programme in line with latest General Fund (GF) / Housing Revenue Account (HRA) savings targets. Executive Management Team (EMT) / Senior Management Team (SMT) review progress in achieving budget targets. Explore shared service opportunities. Treasury management reports to Finance & Staffing PFH. Monitor pay and inflation factors, pay and grading review, effect of current economic climate on demand led services and budgets. Integrated business monitoring process. Updated MTFS Forecast agreed at Council in February 2011.</p> <p>TIMESCALE TO PROGRESS: Next integrated business monitoring report. MTFS update in September 2011.</p> |
| <p>STR16 – Depot size Failure to secure permanent alternative depot arrangements, leading to adverse health & safety implications, loss of operating licence, resulting in inability to provide full service, possible staff death or injury, service failure/disruption, legal action, reputational damage.</p> <p>Aims: A v, C ii, C iii, C iv</p> | Mike Hill | 10 | 12 | <p>SCORES - IMPACT: 4; LIKELIHOOD: 3.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Temporary alternative arrangements in place. Permanent arrangements identified; planning consent granted March 2011. SMT supported move and lease of 25 yrs on 4 May 2011; approved by Environmental Services PFH in May 2011. Implementation and additional costs included in 2011/12 budget. Discussions with landlord regarding lease "Heads of Terms" for permanent facilities. Project Initiation Document approved by EMT in August 2011.</p> <p>TIMESCALE TO PROGRESS: A project plan is currently being prepared to implement the move.</p> |

| Risk Reference, Title and Description, plus associated Aims | Risk Owner | Current Risk Score | | Risk Owner's Comments |
|---|---------------|--------------------|--------|--|
| | | Target | Actual | |
| <p>STR17 – Major projects’ impact on small teams The volume, scope and nature of public enquiries and/or requests for information regarding major projects requires greater capacity than is available in small teams which are directly or indirectly affected, <i>leading to</i> (a) inability either to provide a response or one in as much detail as desired; (b) inability to deliver key projects within agreed timescales and budget and/or diminished service delivery, <i>resulting in</i> (a) failure to provide adequate service to our customers and consequent customer dissatisfaction and reputational damage; (b) detrimental impact on other services in terms of performance and morale.</p> <p>Aims: All</p> | Paul Howes | 10 | 12 | <p>SCORES - IMPACT: 3; LIKELIHOOD: 4.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Effective service plans identifying (where possible) forthcoming major projects and realistic plans to deliver them. Effective contingency plans to enable the Council to deal with major issues or projects which could not be anticipated. Effective communications strategies for each major project (joint with other partners/agencies, where appropriate). Regular internal briefings. Publish relevant SCDC and other partner/agency information etc on website. Involvement of communications team as necessary. Update reports to relevant portfolio holder at every PFH meeting. Participation by other partners/agencies in supporting SCDC communications. Review of MTFS.</p> <p>TIMESCALE TO PROGRESS: Dependent on the timeframe/milestones for each major project.</p> |
| <p>STR13 - Potential risk once HRA reform is implemented. Council fails to prepare for taking on £200M debt, <i>leading to</i> significant shortfall in funds or mismanagement of finances, <i>resulting in</i> potential of regulatory intervention.</p> <p>Aims: A, C</p> | Stephen Hills | 8 | 10 | <p>SCORES - IMPACT: 5; LIKELIHOOD: 2.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Standard budget setting and financial controls. Project team set up to manage implementation process. Consultancy support procured (stock condition survey and draft business plan). Joint project team meeting with Cambridge City Council's project team; possible opportunities to rationalise common pieces of work, make best use of resources and information.</p> <p>TIMESCALE TO PROGRESS: Outcome of initial consultation published February 2011, providing route map for implementation. More Government announcements expected over Autumn 2011. Anticipate new regime from April 2012.</p> |

| Risk Reference, Title and Description, plus associated Aims | Risk Owner | Current Risk Score | | Risk Owner's Comments |
|--|------------|--------------------|--------|---|
| | | Target | Actual | |
| <p>STR02 – 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> 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.</p> <p>Aims: A.ii.3., B.iv.6., C.iv.3.</p> | Paul Howes | 10 | 10 | <p>SCORES - IMPACT: 5; LIKELIHOOD: 2.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: 'Achieving' level of the Equality Framework for Local Government and the legal requirements of the new Public Sector Equality Duty (PSED). However, the PSED is on hold, awaiting government changes designed to reduce the burden on LA's.</p> <p>TIMESCALE TO PROGRESS: Cllr Howell agreed on 19 January 2011 to endorse a new Single Equality Scheme (SES) for consultation in response to the new Equality Act 2010. Consultation on this new SES finished on 24 June 2011. Where appropriate, the results of this consultation are being incorporated into the new scheme together with the changing government requirements. The final draft SES will be reported to a future portfolio holder meeting.</p> |
| <p>STR04 - Climate change 1. The Council fails to 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.</p> <p>Aims: C.vii.</p> <p>2. The Council fails to achieve 10% reductions in the emission of CO₂ from its operations, <i>leading to</i> continued level of emissions, <i>resulting in</i> loss of reputation, reduced ability to require developers and businesses to reduce CO₂ emissions.</p> <p>Aims: 5</p> | Jo Mills | 9 | 9 | <p>SCORES - IMPACT: 3; LIKELIHOOD: 3.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: The Sustainability, Planning and Climate Change PFH approved the content of the draft Climate Change Action Plan (CCAP) 2011-2013 on 9 September 2011 and recommended it for adoption at the next meeting of the Council on 22 September 2011.</p> <p>Specific actions in place within CCAP and New Communities Service Plan. New co-ordination body (Internal Sustainability Delivery Group - ISDG) assisting with implementation and monitoring. Regular EMT reporting and quarterly performance reports to PFH meetings.</p> <p>TIMESCALE TO PROGRESS: Adoption of CCAP 2011-2013 by Council - 22 September 2011 CCAP actions undertaken over the period 2011 to 2013</p> |
| <p>STR20 – Partnership working with Cambridgeshire County Council The failure of partnership arrangements (e.g. health & wellbeing, economic development, transport) with the County Council, <i>leading to</i> the needs of district residents and businesses not being adequately met or reflected in County Council resource allocation decisions, <i>resulting in</i> adverse effects on the district's residents and businesses.</p> <p>Aims: All</p> | Paul Howes | 9 | 9 | <p>SCORES - IMPACT: 3; LIKELIHOOD: 3.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Active engagement of officers and Members in Cambridgeshire Leaders Meeting, Public Services Board, Local Enterprise Partnership, Community Wellbeing Partnership and Childrens Trust, to ensure the district's residents' and businesses' needs are articulated.</p> <p>The recent establishment of an officer liaison group which meets 6-monthly involving County Council and other significant partners to promote joint working to improve outcomes for local residents and businesses.</p> <p>TIMESCALE TO PROGRESS: Dependent on the timeframe/milestones for each partnership.</p> |

| Risk Reference, Title and Description, plus associated Aims | Risk Owner | Current Risk Score | | Risk Owner's Comments |
|--|---------------|--------------------|--------|---|
| | | Target | Actual | |
| <p>STR19 - Demands on services from an ageing population The district's demography changes, with significant growth in the over 65 year old population, <i>leading to</i> additional demands on health and social care services, including to the Council's sheltered housing and benefits services, <i>resulting in</i> adverse impact on service standards; increased customer dissatisfaction with services; increased levels of social isolation.</p> <p>Aims: A, C</p> | Steve Hampson | 9 | 9 | <p>SCORES - IMPACT: 3; LIKELIHOOD: 3.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Establishment of 'Ageing Well' workshops to build relations with statutory and voluntary partner agencies, and promote community based preventative measures (one held on 1st July 2011 – a multi-agency group is meeting in September 2011 to develop workstreams arising out of the workshop). Planning policy framework revision. Housing for older people Task & Finish review. Take account of demographic change in the MTFs. Incorporate age issues in Council Actions. Redesign services to address demands.</p> <p>TIMESCALE TO PROGRESS: Multi agency group meeting in September 2011; actions will develop further over time as the effects of demographic change become clearer.</p> |
| <p>STR18 – South Cambs Hall, photovoltaic installation 1. The installation is not completed by 31 March 2012, <i>leading to</i> Feed in Tariff of less than 32.9p/kWh, <i>resulting in</i> impact on revenue and capital budgets, comparative feasibility of project and reputation. 2. The Government reduces the Feed in Tariff during installation, <i>leading to</i> impact on revenue and capital budgets (as above), <i>resulting in</i> reduced comparative feasibility of project.</p> <p>Aims: E2</p> | Stephen Hills | 6 | 6 | <p>SCORES 1. IMPACT: 3; LIKELIHOOD: 2. 2. IMPACT: 3; LIKELIHOOD: 1.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Tight project management controls - a detailed Gantt chart has already been produced which identifies the key elements of the project.</p> <p>TIMESCALE TO PROGRESS: As per Gantt chart; project has to be completed by 31 March 2012.</p> |
| <p>STR21 – Keeping up with technology development The authority fails to maintain an awareness of technology opportunities and does not implement appropriate technology enhancements, <i>leading to</i> IT and communications systems not having capability / capacity to meet emerging standards and unable to deal with service requirements and improvements and deliver efficiencies, <i>resulting in</i> diminished standard of service, customer dissatisfaction, tarnished reputation and uncontrolled costs.</p> <p>Aims: All but especially A</p> | Alex Colyer | 4 | 4 | <p>SCORES - IMPACT: 2; LIKELIHOOD: 2.</p> <p>ICT Strategy, ICT Security Policy and Usage Guidelines ICT IG Steering Group, Information Governance Working Group, IT Liaison Officers Group and the Website Officers Working Group. Assessment of service area needs in conjunction with the annual budget planning and Service Planning process. Externally – The exchange of information, ideas and opportunities via county wide and national user groups including the County and Districts ICT Group, Cambridgeshire Public Sector Network Partnership Board, Information Management Technology Partnership Board and ICT Shared Services Group. Membership of the Society of IT Managers (SocITM).</p> <p>TIMESCALE TO PROGRESS: ICT Strategy and Policies are refreshed annually, next update due April 2012. Regular monthly or bi-monthly engagement with officers and public sector partners. Dependent on the timeframe/milestones for each major project.</p> |

Notes

1. The "Reference" is unique and retained by the risk throughout the period of its inclusion in the risk register.
2. Criteria and guidelines for assessing "Impact" and "Likelihood" are shown below.
2. The "Actual" risk score is obtained by multiplying the Impact score by the Likelihood score.
3. The dotted line (-----) shows the Council's risk tolerance line.
4. The "Timescale to progress" is the date by which it is planned that the risk will be mitigated to below the line.

Aims

- Risks are cross referenced to the relevant:
- (a) Aims, Approaches and/or Actions adopted by Council on 27 November 2008 with effect from 1 April 2009 (e.g. A. v., or E. ii. 2, etc);
 - (b) 12 Council Actions for 2010/11 approved by Council on 26 November 2009;
 - (c) 17 Corporate Actions for 2011/12 approved by Council on 24 February 2011.

Impact *Giving rise to one or more of the following:*

| | <i>Service disruption</i> | <i>People</i> | <i>Financial loss *</i> | <i>Environment</i> | <i>Statutory service/legal obligations</i> | <i>Management</i> | <i>Reputation</i> | <i>Score</i> |
|---------------|---|---|--------------------------------------|--|--|---|--|--------------|
| Extreme | Serious disruption to services (loss of services for more than 7 days) | Loss of life | Financial loss over £500k | Major regional / national environmental damage | <ul style="list-style-type: none"> • Central government intervention; or • Multiple civil or criminal suits | Could lead to resignation of Leader or Chief Executive | Extensive adverse coverage in national press and/or television | 5 |
| High | Major disruption to services (loss of services for up to 7 days) | Extensive multiple injuries | Financial loss between £251k - £500k | Major local environmental damage | <ul style="list-style-type: none"> • Strong regulatory sanctions; or • Litigation | Could lead to resignation of Member or Executive Director | Adverse coverage in national press and/or television | 4 |
| Medium | Noticeable disruption to services (loss of services for up to 48 hours) | Serious injury (medical treatment required) | Financial loss between £51k - £250k | Moderate environmental damage | <ul style="list-style-type: none"> • Regulatory sanctions, interventions, public interest reports; or • Litigation | Disciplinary / capability procedures invoked | Extensive adverse front page local press coverage | 3 |
| Low | Some disruption to internal services; no impact on customers | Minor injury (first aid) | Financial loss of between £6k - £50k | Minor environmental damage | <ul style="list-style-type: none"> • Minor regulatory consequences; or • Litigation | Formal HR procedure invoked | Some local press coverage; or, adverse internal comment | 2 |
| Insignificant | Insignificant disruption to internal services; no impact on customers | No injuries | Financial loss of up to £5k | Insignificant environmental damage | <ul style="list-style-type: none"> • No regulatory consequences; or • Litigation | Informal HR procedure invoked | No reputational damage | 1 |

* including claim or fine

Likelihood

| | <i>Guidelines</i> | <i>Score</i> |
|----------------|---|--------------|
| Almost certain | <ul style="list-style-type: none"> • Is expected to occur in most circumstances (more than 90%), or • More than 90% likely to occur in the next 12 months | 5 |
| Likely | <ul style="list-style-type: none"> • Will probably occur at some time, or in some circumstances (66% - 90%), or • 66% to 90% likely to occur in the next 12 months | 4 |
| Possible | <ul style="list-style-type: none"> • Fairly likely to occur at some time, or in some circumstances (36% - 65%), or • 36% to 65% likely to occur in the next 12 months | 3 |
| Unlikely | <ul style="list-style-type: none"> • Is unlikely to occur, but could, at some time (11% - 35%), or • 11% to 35% likely to occur in the next 12 months | 2 |
| Rare | <ul style="list-style-type: none"> • May only occur in exceptional circumstances (up to 10%), or • Up to 10% likely to occur in the next 12 months | 1 |

This page is left blank intentionally.

Strategic Risk Matrix
September 2011



| | | | IMPACT | | | | |
|-------------------|----------------|---|--|--|--|--|--|
| | | | Insignificant | Low | Medium | High | Extreme |
| | | | 1 | 2 | 3 | 4 | 5 |
| LIKELIHOOD | Almost certain | 5 | | | 12. Supported Housing | 15. Welfare reform | |
| | Likely | 4 | | | 17. Major projects impact on small teams | 5. Lack of development progress 14. Implementation of National JE Scheme | |
| | Possible | 3 | <div style="border: 1px solid black; padding: 5px; display: inline-block;"> Risk Tolerance Line ----- </div> | | 4. Climate change 20. Partnership working with Cambridgeshire County Council 19. Demands on services from an ageing population | 3. Illegal traveller encampments / developments 8. Medium Term Financial Strategy 16. Depot size | |
| | Unlikely | 2 | | 21. Keeping up with technology development | 18. South Cambs Hall photovoltaic installation | | 13. Potential risk once HRA reform is implemented 2. Equalities |
| | Rare | 1 | | | | | |

This page is left blank intentionally.

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee

30 September 2011

AUTHOR/S: Executive Director (Corporate Services)

TREASURY MANAGEMENT BENCHMARKING 2010/11

Purpose

1. To report on the performance of the treasury management function.
2. This is not a key decision but reporting to Corporate Governance Committee on performance is a requirement of the Investment Strategy.

Recommendations

3. It is recommended that the Corporate Governance Committee note the creditable performance of the treasury management function.

Reasons for Recommendations

4. The performance of the treasury management function should be reviewed to ensure reasonable returns are achieved commensurate with risk. This is achieved by being a member of a benchmarking group and the Council compares favourably with the members of that group.

Background

5. The Investment Strategy approved by Council on 24 February 2011 requires an annual report to be presented to Corporate Governance Committee after the end of the financial year.

Considerations

6. Investments at the end of the year were:

| 31 March 2010 £ | Investments analysed by counterparty | 31 March 2011 £ |
|-----------------------|--|-----------------------|
| 0 | Local Authorities | 0 |
| 6,000,000 | Clearing Banks | 1,550,690 |
| 1,500,000 | Banks, other | 2,000,000 |
| | Building Societies with assets: | |
| 6,500,000 | greater than £10,000 million | 5,000,000 |
| 0 | between £5,000 million and £10,000 million | 0 |
| 5,000,000 | between £1,500 million and £5,000 million | 1,000,000 |
| 0 | between £350 million and £1,500 million | 0 |
| 19,000,000 | Sub-total | 9,550,690 |
| 185,000 | Money Market Funds | 0 |
| 19,185,000 | Total | 9,550,690 |

| 31 March 2010 | Investments analysed by maturity | 31 March 2011 |
|------------------|----------------------------------|------------------|
| £ | | £ |
| 12,185,000 | 2010/11 | 0 |
| 1,000,000 | 2011/12 | 3,550,690 |
| 2,000,000 | 2012/13 | 2,000,000 |
| 2,000,000 | 2013/14 | 2,000,000 |
| 2,000,000 | 2014/15 | 2,000,000 |
| 19,185,000 | | 9,550,690 |

7. The Council is a member of a benchmarking club on treasury management, which is organised by the Chartered Institute of Public Finance and Accountancy. The results of this benchmarking exercise for 2010/11 were issued in late June and the results over the last five years are shown in **Appendix A**.
8. The results for 2010/11 show that South Cambridgeshire achieved a return of 2.21% on combined investments (less than and more than 365 days) compared to 1.55% for its comparator group and 1.19% for the overall group. South Cambridgeshire was third highest in the comparator group of 13 other organisations and fifth highest in the overall group of 95 other organisations.
9. The performance target is a greater return than average over a five-year rolling period. For 2010/11, a better than average return was achieved compared to the comparator group and to the overall group. Over the five-year period the target has been met.
10. The Council's Investment Strategy states that the effective management and control of risk are the prime objectives of its treasury management activities. The specific risks in treasury management are:
- (a) **credit and counterparty risk**
The risk of failure by a counterparty to meet its contractual obligations to pay interest and repay principal: the Council's range of counterparties is restricted to UK banks, financial institutions approved by the Council and large building societies (all of which must have a satisfactory credit rating) and to public sector bodies.
 - (b) **liquidity risk**
The risk that cash will not be available when it is needed: the Council has cash flow forecasts which are updated weekly, an overdraft facility with its bank and, as a last resort, can borrow on the open market or from the Public Works Loan Board.
 - (c) **interest rate risk**
The risk of loss through adverse movements in interest rates: the Council mainly invests in fixed interest rate deposits so it accepts the risk of an opportunity cost that money is invested at fixed rates and market rates subsequently rise.
 - (d) **exchange rate risk**
The risk of loss through adverse movements in exchange rates: the Council's Investment strategy restricts all treasury management transactions to £ sterling.

- (e) **refinancing risk**
The risk that maturing investments cannot be reinvested at favourable rates: the Council's investments for less than a year are made to match liabilities and for more than one year have a spread of maturity dates.
- (f) **legal and regulatory risk**
The risk of loss due to the Council or its counterparties failing to act in accordance with their legal powers and regulatory requirements: the Council only deals in simple investments and only deals with well recognised and perceived to be reliable counterparties.
- (g) **fraud, error and corruption**
The risk of loss through fraud, error and corruption; the Council has internal controls including segregation of duties, an internal audit function to evaluate those internal controls and fidelity guarantee insurance.
- (h) **market risk**
The risk of adverse fluctuations in the value of investments: the Council only invests in non-negotiable investments which are held to maturity and realised at face value.

Options

- 11. Options for the investment of surplus funds will be limited in the future as it may be more beneficial to use such funds to reduce marginally and temporarily the £205 million debt arising from Housing Revenue Account Reform. Other options for any surplus funds include:
 - (a) Out-sourcing; however, external managers usually require a minimum of £10 million for a period of at least three years and, with the reduction in capital receipts and other reserves, these requirements cannot be met;
 - (b) The Investment Strategy restricts the range of counterparties and weekly monitoring of credit ratings and bank financial strength ratings restricts this range even further. The range of counterparties could be extended but any additions would need to be subject to an assessment of risk as the successful identification, monitoring and control of risk is the Council's prime criteria for measuring the effectiveness of treasury management. The Finance and Staffing Portfolio Holder has asked officers to look at investing with smaller building societies and, if accepted, this will be incorporated in the Investment and Debt Management Strategy to be reported for approval by Council in November; and
 - (c) External treasury management consultants are used by many local authorities but there is no budget for this.

Implications

- 12. The in-house treasury management function achieved an average rate of 2.21% on combined investments compared to an overall group average of 1.19%. The differential of 1.02% on the average amount invested of £25.5 million during the year amounts to higher interest of around £260,000.
- 13. The cost of the in-house investment function, excluding cash flow forecasting and planning and control, is estimated at £750 per million invested compared to an overall

group average per million invested of £720 for in-house costs plus £1,510 for external fund managers. Accurate comparisons of costs on a true like for like basis can be complex and time-consuming and there may be some questions over the validity of benchmarking data on costs.

| | |
|--------------------------------------|----------------------|
| 14. Financial | As above |
| Legal | None |
| Staffing | None |
| Risk Management | As above |
| Equality and Diversity | None |
| Equality Impact Assessment completed | No Not applicable |
| Climate Change | None |

Consultations

15. None.

Consultation with Children and Young People

16. None.

Effect on Strategic Aims

17. This report has no direct implications for any of the Strategic Aims but any increase in interest received (commensurate with risk) may reduce the need for cuts in individual services and assist in the achievement of actions to support those aims.

Conclusions / Summary

18. The in-house treasury management has achieved a good performance in 2010/11 at a minimal cost.

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

CIPFA Treasury Management Benchmarking Club 2011 reports

Contact Officer: Adrian Burns - Head of Accountancy
Telephone: (01954) 713702
adrian.burns@scambs.gov.uk
Sally Smart - Principal Accountant
Telephone: (01954) 713706
sally.smart@scambs.gov.uk

| Treasury management investment performance | 2006/07 | | | 2007/08 | | | 2008/09 | | | 2009/10 | | | 2010/11 | | |
|--|--------------|------------|-----|--------------|------------|-----|--------------|------------|-----|--------------|------------|-----|--------------|------------|----|
| | SCDC Ranking | Group Size | | SCDC Ranking | Group Size | | SCDC Ranking | Group Size | | SCDC Ranking | Group Size | | SCDC Ranking | Group Size | |
| Money Market Funds | | | | | | | | | | | | | | | |
| SCDC | | | | 5.70% | | | 4.39% | | | 0.57% | | | 0.56% | | |
| Comparable Group | | | | 5.81% | 4 | 5 | 4.05% | 2 | 8 | 0.67% | 7 | 14 | 0.63% | 7 | 11 |
| Overall Group | | | | 5.74% | 19 | 42 | 3.90% | 16 | 57 | 0.65% | 42 | 67 | 0.62% | | |
| Less than 365 days (in-house, fixed term and callable) | | | | | | | | | | | | | | | |
| SCDC | 4.89% | | | 5.92% | | | 5.67% | | | 1.96% | | | 1.09% | | |
| Comparable Group | 4.92% | 6 | 12 | 5.89% | 6 | 12 | 5.48% | 4 | 13 | 1.84% | 5 | 14 | 1.18% | 9 | 14 |
| Overall Group (excluding impaired investments) | 4.87% | 41 | 140 | 5.90% | 54 | 134 | 5.45% | 32 | 128 | 1.91% | 47 | 137 | 1.06% | | |
| Over 365 days (in-house, fixed term and callable) | | | | | | | | | | | | | | | |
| SCDC | 5.05% | | | 5.33% | | | 5.92% | | | 5.56% | | | 5.21% | | |
| Comparable Group | 5.15% | 7 | 9 | 5.53% | 9 | 12 | 5.87% | 7 | 12 | 4.42% | 2 | 14 | 3.53% | 4 | 13 |
| Overall Group (excluding impaired investments) | 5.14% | 56 | 90 | 5.61% | 78 | 107 | 5.87% | 48 | 100 | 4.98% | 42 | 137 | 3.60% | | |
| Combined (externally managed) | | | | | | | | | | | | | | | |
| Comparable Group | 4.04% | N/A | | 4.55% | N/A | | 5.03% | N/A | | 2.69% | N/A | | -0.06% | | |
| Overall Group (excluding impaired investments) | 4.20% | N/A | | 5.54% | N/A | | 5.74% | N/A | | 2.05% | N/A | | 1.27% | | |
| Combined Investments (fixed term, callable, call and money markets) (all period: in-house and externally managed) | | | | | | | | | | | | | | | |
| SCDC | 4.94% | | | 5.75% | | | 5.61% | | | 2.68% | | | 2.21% | | |
| Comparable Group | 4.81% | 4 | 12 | 5.65% | 5 | 12 | 5.36% | 3 | 13 | 2.21% | 5 | 14 | 1.55% | 3 | 14 |
| Overall Group (excluding impaired investments) | 4.83% | 22 | 141 | 5.78% | 92 | 134 | 5.26% | 19 | 128 | 1.87% | 23 | 137 | 1.19% | 5 | 95 |

This page is left blank intentionally.