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21 June 2012

To: Chairman – Councillor Francis Burkitt
Vice-Chairman – Councillor David McCraith
Members of the Corporate Governance Committee – Councillors Richard Barrett,
Mark Hersom, Douglas de Lacey, Ted Ridgway Watt, Peter Topping 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, 29 JUNE 2012 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.

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 23 March 2012 as a correct record.		1 - 6
AUDIT REPORTS		
4. Internal Audit Annual Report 2011/12		7 - 18
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DECISION ITEMS

6.	Statement of Accounts 2011/12 (Subject to Audit)	35 - 130
7.	Strategic Risk Register / Risk Management Strategy	131 - 182
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10.	Bribery Policy	211 - 220

INFORMATION ITEMS

11.	Local Government Ombudsman Annual Review 2011/12	221 - 222
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This includes the annual summary of statistics on the complaints made to the Local Government Ombudsman about the Council for the year ending 31 March 2012.

12. **Matters of Topical Interest**

The Executive Director will give a verbal update on the appointment of the Council's External Auditors. Corporate Governance Committee is requested to note:

- a) That, following the Committee's instruction, the Executive Director Corporate Services invited Karl Havers, Contact Partner for Ernst and Young, to attend this meeting to provide an update on the progress of transferring the external audit service to his firm with effect from 1 November 2012 and
- b) That this invitation was welcomed but declined due to an explicit instruction from the Audit Commission not to engage with prospective audit clients at this stage of the appointment process.

13. **Date of Next Meeting**

The Committee are asked note the following meeting dates, all at 9am:

- Friday 28 September 2012
- Friday 14 December 2012
- Friday 22 March 2013

OUR VISION

South Cambridgeshire will continue to be the best place to live and work in the country. Our district will demonstrate impressive and sustainable economic growth. Our residents will have a superb quality of life in an exceptionally beautiful, rural and green environment. The Council will be recognised as consistently innovative and a high performer with a track record of delivering value for money by focussing on the priorities, needs and aspirations of our residents, parishes and businesses.

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.

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- **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.

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

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

Disturbance by Public

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

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Since 1 July 2008, the Council has operated a 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.

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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.

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Corporate Governance Committee held on
Friday, 23 March 2012 at 9.00 a.m.

PRESENT:	Councillor Francis Burkitt – Chairman Councillor David McCraith – Vice-Chairman	
Councillors:	Richard Barrett Douglas de Lacey	John Batchelor John Williams
Officers:	Patrick Adams Adrian Burns Alex Colyer Fiona McMillan Sally Smart	Senior Democratic Services Officer Head of Accountancy Executive Director, Corporate Services Legal & Democratic Services Manager and Monitoring Officer Principal Accountant Financial & Systems
External:	Neil Gibson Paul King Daniel Harris Suzanne Lane	Audit Commission Audit Commission RSM Tenon RSM Tenon

33. DECLARATIONS OF INTEREST

Councillor John Batchelor declared a personal but not prejudicial interest in the External Audit Plan as a member of the Cambridgeshire County Council's Pensions Committee and member of the pension scheme. He also declared a personal but not prejudicial interest in the same item as a member of the Cambridgeshire Police Authority. Notwithstanding these interests Councillor Bachelor remained in the room and participated in the discussion.

34. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 16 December were agreed as a correct record, subject to the amendment of the first bullet point under minute 28 "Plain English Accounts", which was divided into three bullet points:

- A different font
- A5 paper
- Photographs

35. INTERNAL AUDIT UPDATE

Dan Harris of RSM Tenon introduced this report, which summarised the outcome of work completed to date against the internal audit plan for 2011/12. He highlighted paragraph 3.2 of the report, which stated that no work had been identified that would impact negatively on this year's annual opinion.

The Committee welcomed the report and concluded that the number of recommendations reflected that the internal auditors were performing their duties well and should not be taken to be a criticism of the authority.

The Committee **NOTED** the report.

36. INTERNAL AUDIT PLAN

Dan Harris from RSM Tenon presented the Audit Plan, which set out Internal Audit's three year strategy and a more detailed plan for 2012/13.

Planning growth

It was agreed that the audit on planning growth needed to consider the possible impact of the Localism Act that could allow residents to block development that they were opposed to. It was agreed that something to this effect should be included in the overview of this audit, as described in the Audit Plan.

Repairs Partnership Arrangements

Dan Harris explained that the new repairs contract with Mears would be subject to a more detailed internal audit than an older contract. It was noted that as the audit would be carried out in April/May it would be too soon to review performance and so the audit would focus on the adequacy, accuracy and timeliness of reporting.

Corporate governance

It was accepted that it was good practice to audit the Council's corporate governance arrangements once a year, although the exact areas to be covered had not yet been agreed as there were no obvious areas of concern.

Safeguarding

It was noted that the review on Safeguarding was not annual and that the Source/Rationale for this needed to be amended.

The Committee **ENDORSED** the Internal Audit Plan.

37. EXTERNAL AUDIT UPDATE

Paul King presented this report which updated the Committee on the recent work of the Council's external auditors and the contracting out of the external audit service to Ernst & Young.

Minor amendment

It was noted that a minor amendment was required to the third bullet point on page 7 of the report (page 39 of the agenda). The sentence should end "... housing revenue subsidy." Instead of "... housing revenue account."

New external auditors

It was noted that the Government had awarded the contract for the external audit of public bodies in this region for the next five years to Ernst & Young. The new contract would come into effect on 31 October 2012. It was understood that unless there was a clear conflict of interest the Council had to accept Ernst & Young as its External Auditors. As was usual in these cases, the onus would be on Ernst & Young to identify any conflicts of interest through being the Council's auditors. Concerns were raised by members of the Committee with regard to possible conflicts of interest through the Council's partnership working with health organisations and those organisations that had contracts with the Council.

Transfer of auditors

Paul King explained that whilst he and Neil Gibson would be TUPE transferred over to Ernst & Young and would continue as the Council's external auditors, they would ensure that work to be carried out by the Audit Commission, such as the audit of housing and council tax benefit, would be completed before the transfer, so as to mark a clean break

between the engagement of the two auditors. It was suggested that only a representative of Ernst & Young could assure the Committee that the current level of service would continue.

Audit fees

The Council had not yet been informed what Ernst & Young's audit fees would be but a press release from the Audit Commission had stated that there would be "an expected £250 million (or 40 per cent) reduction in audit fees".

Meeting with Ernst & Young

It was noted that Ernst & Young were inviting their new clients to a meeting on 14 May 2012. It was suggested that the Council should have a representative at this meeting although it was also noted that no official invitation had yet been received.

It was agreed that the Committee should have an opportunity to speak to representatives of Ernst & Young to discuss:

- Whether they had any conflicts of interest by being the Council's auditors.
- Whether the service currently provided by the Audit Commission would continue.
- What their fees would be.

The Committee **AGREED** to invite representatives of Ernst & Young to the next meeting of the Committee.

38. EXTERNAL AUDIT PLAN 2011/12

Paul King from the Audit Commission presented this report on the External Audit Plan, which set out the work for the 2011/12 Audit.

Housing Revenue Account (HRA) reform

Paul King explained that the impact of the Government's reform of local authority housing finance had been assessed as a significant risk, as the Council were taking on approximately £205 million worth of debt and there was a lack of clarity from the Government over the detailed aspects of the reform.

Audit fee

It was noted that external audit's fee of £114,000 represented a 5% reduction on the fee for 2010/11. In addition to this the Audit Commission gave all authorities a rebate on their fees due to efficiency savings. The Council's rebate was £9,120. It was noted that the Government were expecting a further reduction in the external audit fees of all councils by awarding regional contracts.

New external auditors

Paul King explained that the Annual Audit Letter would be completed in October this year, which was a month earlier than usual. This was to ensure that the current auditors would complete their work for the Audit Commission before they transferred over to Ernst & Young. The prospect of Paul King and Neil Gibson continuing as the Council's auditors was welcomed by the Committee.

The Committee **ENDORSED** the Audit Plan.

39. ANNUAL REVIEW OF THE RISK MANAGEMENT STRATEGY

The Executive Director (Corporate Services) presented this report which invited the Committee to review the Council's Risk Management Strategy, make any amendments

and then recommend it to Council. It was noted that recommendations had been made in Internal Audit's risk maturity review, the majority of which had been accepted.

An alternative method of assessing risk likelihood and impact as detailed in appendix C was considered and rejected on the grounds that it would be too difficult to quantify a risk's impact and its likelihood under this method.

The Corporate Governance Committee

RECOMMENDED TO COUNCIL The Draft Risk Management Strategy as detailed in appendix B of the report.

40. STRATEGIC RISK REGISTER

The Executive Director (Corporate Services) introduced this report, which invited the Committee to consider whether the Council's risk register was being properly monitored.

The Chairman reminded the Committee that its purpose was to examine the risk monitoring process and not whether each individual risk had been properly scored. It was noted that comments could be made on whether individual risks had been properly assessed at the meeting of Council on 26 April 2012.

The Committee **NOTED** the report.

41. MATTERS OF TOPICAL INTEREST

Actions from meeting of 16 December 2011

It was noted that a letter had been sent to the Office of Surveillance Commissioners regarding the implementation of their recommendations, as discussed at the previous meeting.

It was noted that Councillor John Batchelor was due to meet with the Executive Director (Corporate Services) regarding the Local Government Pension Scheme and its implications for the Council.

It was noted that a guide on the Localism Act had been included in a recent Weekly Bulletin.

Cost reductions

It was agreed that wherever possible agendas should not be printed in colour and on thinner paper for reasons of cost.

Annual Governance Statement

The Legal and Democratic Services Manager explained that the draft Annual Governance Statement would be going to EMT shortly and then would be circulated to the Committee by e-mail.

42. DATE OF NEXT MEETING

The Committee **NOTED** that it would be meeting on the following dates, all at 9am:

- Friday 29 June 2012
- Friday 28 September 2012
- Friday 14 December 2012
- Friday 22 March 2013

The Meeting ended at 10.20 a.m.

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RSM Tenon

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Internal Audit Annual Report 2011/12

Presented at the Corporate Governance Committee meeting of: 29 June 2012

Approved by: Dan Harris as Head of Internal Audit

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

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Appendix B Definitions of the levels of assurance and the classification of recommendations	9

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.

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1 INTRODUCTION

1.1 The Role of Internal Audit

The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal audit is therefore a key part of South Cambridgeshire District Council's assurance cycle and if used properly can help to inform and update the organisation's risk profile. Internal Audit is just one of the sources of assurance available to the Council and Corporate Governance Committee.

The definition of internal audit, as described in CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom, is set out below:

- Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- Whilst Internal Audit "primarily" provides an independent and objective opinion to the organisation on the control environment, it may also undertake other, non-assurance work at the request of the organisation subject to the availability of skills and resources. This can include consultancy work; indeed, Internal Audit intrinsically delivers consultancy services when making recommendations for improvement arising from assurance work, and fraud-related work.

1.2 Annual Governance Statement

The preparation and publication of an annual governance statement in accordance with the CIPFA / SOLACE Good Governance Framework is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations, which set out a statutory requirement for authorities to prepare a statement of internal control in accordance with "proper practices".

As your internal audit provider, the assignment opinions that RSM Tenon provides the organisation during the year are part of the framework or assurances that assist the Council prepare an informed governance statement.

2 INTERNAL AUDIT ASSURANCE FOR 2011/12

2.1 Context

As the provider of the internal audit service to South Cambridgeshire District Council we provide the Council through the Corporate Governance Committee with an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

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. 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.

2.2 Internal Audit Assurance Statement

This annual Head of Internal Audit opinion is provided to South Cambridgeshire District Council by RSM Tenon Limited.

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of South Cambridgeshire District Council's arrangements.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2012 South Cambridgeshire District Council has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

2.3 Scope of the Internal Audit opinion

In arriving at our opinion, we have taken into account:

- The results of all internal audits undertaken during the year ended 31 March 2012 (see Appendix A for a summary of audits);
- The results of follow-up action taken in respect of audits from previous years;
- Whether fundamental or significant recommendations have been accepted by management and, if not, the consequent risks;
- The affects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports or other assurance providers to the Corporate Governance Committee and/or Council;
- Whether or not any limitations have been placed on the scope of internal audit;

- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation; and
- What proportion of the organisation's internal audit needs have been covered to date.

2.4 The Basis of the Opinion Governance

Our review of the Council's Governance arrangements included a number of key aspects of governance linked to the CIPFA 'Good Governance in Local Government Framework'. The Framework includes systems, processes, culture and values by which the Council is directed and controlled as well as the extent of activities that they engage with. We confirmed that the Annual Governance Statement for the period 2010/11 had been clearly linked to the Framework. The responsibilities and functions assigned to the Executive, Committees and Officers of the Council were contained within the Constitution of the Council and relevant delegations are in place. However, we highlighted that the vision, aims and objectives agreed for 2011/12 were not collated into the usual Corporate Plan this year, but were included as part of the priority setting. A Long Term Vision was being developed at the time of our review. Since our review this has been completed and approved.

Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of the weaknesses within the process.

Risk Management

Our Risk Management coverage this year included a review of the following aspects of Risk Maturity:

- Governance;
- Risk Identification;
- Risk Assessment;
- Risk Mitigation;
- Assurance; and
- Monitoring and Reporting.

Overall we consider that the risk management framework as currently operating was adequate and effective. In most instances the recommendations we made either enhanced the controls and aligned them with best practice or sought to ensure the processes in place were adequately documented.

Our key recommendations related to the documentation and differentiation of controls, assurances and actions and the embedding of Risk Management within the organisation.

Internal Control

All 19 assurance reports issued resulted in positive assurance opinions. Ten reports received amber ratings of which three were amber red (some assurance) and seven amber green (reasonable assurance). The remaining ten reports received a green (substantial assurance) opinion. The amber red opinions related to Housing Maintenance - Planned and Cyclical (including Voids), Information Governance, and Capital Expenditure & Asset Management. There were a number of control weaknesses identified in these reports and management action plans have been put in place to address these weaknesses.

Our follow up review indicated that management had made adequate progress in implementing the recommendations raised in our prior year reports.

We have also undertaken three advisory reviews which have identified a number of recommendations to further strengthen and improve the control frameworks in place in relation to; Project Management, VAT and the areas covered in the Proactive Fraud review. We also made a number of recommendations to improve the control framework in the review undertaken at the request of the Section 151 Officer in the Housing Department.

Management have assured us that the issues raised within all of our reports issued this year will be addressed in accordance with the agreed action plans. We will undertake a follow up review during 2012/13 to confirm that the actions have been implemented within the agreed timescales.

Acceptance of Recommendations

All of the recommendations made during the year were accepted by management.

2.5 The Annual Governance Statement

The overall opinion may be used by the Council in the preparation of the annual governance statement.

2.6 Conflicts of Interest

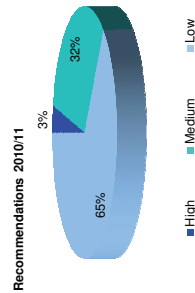
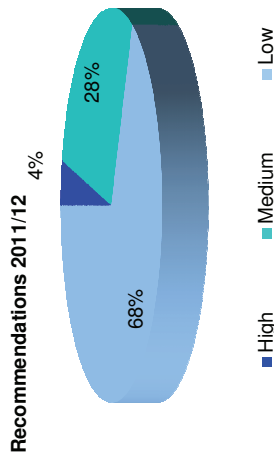
At the request of the Section 151 Officer we completed a review of within the Housing Department, we do not consider this to be a Conflict of Interest.

In addition, we have not undertaken any work or activity during 2011/12 that would lead us to declare any conflict of interests.

2.7 Benchmarking Data

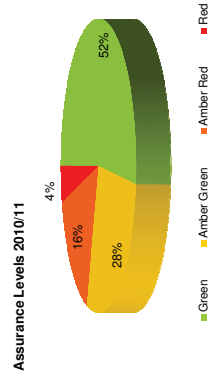
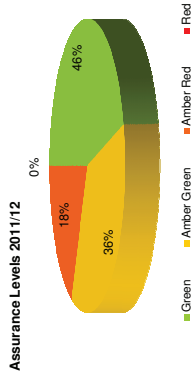
The tables below show the split of internal audit recommendations and opinions for South Cambridgeshire District Council in 2011/12 and those made in 2010/11.

Comparison of the Number of Recommendations Made



Total Number of Recommendations	High	Medium	Low
2011/12	5	35	77
2010/11	5	46	95





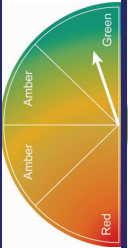




Comparison of the Levels of Assurance





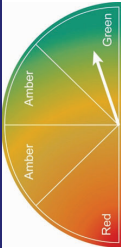
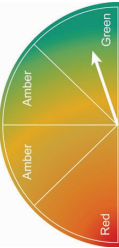



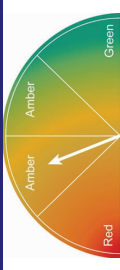
Levels of Assurance	Green	Amber / Green	Amber / Red	Red
2011/12	10	8	4	0
2010/11	13	7	4	1

APPENDIX A: INTERNAL AUDIT OPINIONS AND RECOMMENDATIONS 2011/12

Auditable Area	Assurance Level Given	Number of Recommendations made				In Total	Agreed
		High	Medium	Low			
HR - Absence Management including the Impact of Redundancies		0	0	5	5	5	
Supported Housing		0	0	1	1	1	
Housing Maintenance - Planned and Cyclical (including Voids)		2	3	2	7	7	
Information Governance		0	6	5	11	11	
Housing Rents		0	1	3	4	4	
Project Management	Advisory	-	-	-	8	8	
General Ledger and Budgetary Control		0	0	3	3	3	
Housing Allocations		0	1	2	3	3	

Auditable Area	Assurance Level Given	Number of Recommendations made					In Total	Agreed
		High	Medium	Low				
VAT Advisory Review	Advisory 	0	3	5		8	8	
Governance - Good Governance Framework		0	1	4		5	5	
Creditors		0	2	3		5	5	
Contract Services		0	0	2		2	2	
Payroll including Expenses		0	0	2		2	2	
National Non Domestic Rates		0	0	8		8	8	
Income and Debtors		0	0	1		1	1	
Cash, Bank & Treasury Management		0	2	3		5	5	
Capital Expenditure and Asset Management		1	3			7	7	

Auditable Area	Assurance Level Given	Number of Recommendations made					In Total	Agreed
		High	Medium	Low				
Risk Maturity	Advisory 	1	1	6		8	8	
Council Tax		0	0	3		3	3	
Reconciliation		0	0	1		1	1	
Housing Benefits		0	0	0		0	0	
Follow Up	Adequate	0	7	11		18	18	
Proactive Fraud Review	Advisory	-	-	-		7	7	
Performance Management		0	0	2		2	2	
Financial Top Up Testing		0	1	0		1	1	
Environmental Health – Discretionary Fees in Relation to Taxi Licencing, Water Sampling and Zoo Licencing - DRAFT		0	2	2		4	TBC	

Auditable Area	Assurance Level Given	Number of Recommendations made					In Total	Agreed
		High	Medium	Low				
Partnerships		1	2	0		3	3	
Total		5	35	77		132 (15 not categorised)	128 (4 not yet responded)	

APPENDIX B: DEFINITIONS OF THE LEVELS OF ASSURANCE AND THE CLASSIFICATION OF RECOMMENDATIONS

Recommendation Categorisation	
Our findings and recommendations are categorised as follows:	
Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Opinions	
The definitions for the level of assurance that can be given are:	
Opinion	Description
	<p>Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.</p>
	<p>Taking account of the issues identified, whilst the Authority can take some assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.</p>
Opinion	Description
	<p>Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.</p>
	<p>Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective.</p>

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RSM: Tenon

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Internal Audit Progress Report

Corporate Governance Committee Meeting: 29 June 2012

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

RSM: Tenon

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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.

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1. INTRODUCTION

1.1 The periodic internal audit plan for 2011/12 was approved by the Corporate Governance Committee in March 2011 and 2012/13 plan approved by the Corporate Governance Committee in March 2012. This report summarises the outcome of work completed to date against that plan.

2. FINAL REPORTS ISSUED

2.1 We have finalised ten 2011/12 reports since the last Committee meeting; these are in the areas of:

- Housing Allocations (8.11/12);
- National Non Domestic Rates (14.11/12);
- Cash, Bank and Treasury Management (16.11/12);
- Capital Expenditure and Asset Management (17.11/12);
- Housing Benefits (21.11/12);
- Follow Up (22.11/12);
- Proactive Fraud Review (23.11/12);
- Performance Management (24.11/12);
- Financial Top Up Testing (25.11/12); and
- Partnerships (27.11/12).

We have finalised one 2012/13 report since the last Committee meeting; this is in the area of:

- Section 106 Housing and Other Requirements including Open Spaces (1.12/13).

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.
- 3.2 No common weaknesses have been identified within our reports for 2011/12. Management have agreed all of the recommendations in the reports finalised at 2.2 above, with agreed target dates for implementation.
- 3.3 The Annual Report for 2011/12 is included as a separate agenda item for the Committee.

4. WORK IN PROGRESS OR PLANNED

- 4.1 We have issued one draft report from the 2011/12 audit plan since the last Committee meeting; this is in the area of:
- Environmental Health – Discretionary Fees in Relation to Taxi Licensing, Water Sampling and Zoo Licensing (26.11/12).
- 4.2 The following reviews are currently at the fieldwork stage:
- Medium Term Financial Strategy (MTFS)
 - Planning and Growth

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.



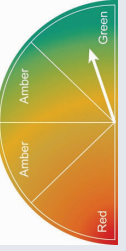


6. CHANGES TO OUR PLAN

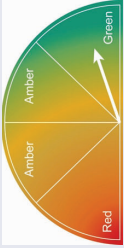


- 6.1 There have been no changes to the audit plan since the last meeting.
- 6.2 We currently have an agreed protocol with the External Audit (Audit Commission) to ensure maximum reliance can be placed on our work and reduce where possible any duplication. Following the changes to External Audit for 2012/13 (as a result of the national procurement exercise reported previously), the new External Auditors may have a differing methodology which could result in the protocol changing moving forward. This may impact on the level of resources required within the Internal Audit Plan to deliver the protocol. We are in contact with the Audit Commission to discuss any early indications of what this may involve and will report back to the Corporate Governance once further information is known.

7. CLIENT BRIEFINGS

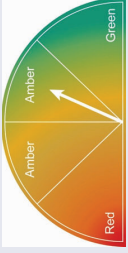
7.1 There has been two client briefings issued since the last Corporate Governance Committee. These are included at Appendix E.

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

Audit 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
Housing Allocations and Voids (8.11/12)	13/09/2011	19/09/11	14/10/11	26/04/12	27/04/12	June 2012		0	1	2	3	3
NNDR (14.11/12)	20/10/2011	28/10/11	09/11/11	22/05/12	22/05/12	June 2012		0	0	8	8	8
Cash, Banking & Treasury Management (16.11/12)	14/11/2011	17/11/11	13/12/11	25/05/12	25/05/12	June 2012		0	2	3	5	5
Capital Expenditure and Asset Management (17.11/12)	17/11/2011	22/11/11	22/12/11	09/05/12	09/05/12	June 2012		1	3	3	7	7
Housing Benefits (21.11/12)	23/01/2012	27/01/12	06/02/12	13/03/12	13/03/13	June 2012		0	0	0	0	0
Follow Up (22.11/12)	16/01/2012	19/01/12	16/02/12	23/05/12	24/05/12	June 2012	ADEQUATE PROGRESS	0	7	1	8	8
Proactive Fraud Review (23.11/12)	20/2/2012	-	03/04/12	31/05/12	31/05/12	June 2012	ADVISORY	0	0	0	7	7

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Corporate Governance Committee Actual	Assurance level given	Number of Recommendations Made				
								High	Medium	Low	In Total	Agreed
Performance Management (24.11/12)	22/03/2012	28/03/12	05/04/12	27/04/12	27/04/12	June 2012		0	0	2	2	2
Financial Top Up Testing (25.11/12)	19/03/2012	23/03/12	05/04/12	25/05/12	25/05/12	June 2012		0	1	0	1	1
Partnerships (27.11/12)	12/04/2012	17/04/12	09/05/12	24/05/12	25/05/12	June 2012		1	2	0	3	3

APPENDIX B: 2012/13 WORK COMPLETED TO DATE INCLUDING SUMMARY OF ASSURANCE LEVELS AND RECOMMENDATIONS

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Corporate Governance Committee Actual	Assurance level given	Number of Recommendations Made				
								High	Medium	Low	In Total	Agreed
Section 106 Housing Requirements including Open Spaces (1.12/13)	-	19/04/12	02/05/12	29/05/12	29/05/12	June 2012		0	3	4	7	7
Totals to date:								0	3	4	7	7

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

Auditable Area	Start Date	Debrief date	Draft report issued
Environmental Health (26.11/12)	29/03/2012	29/03/12	02/05/12

APPENDIX D: 2012/13 WORK IN PROGRESS OR YET TO START (INCLUDING REPORTS STILL IN DRAFT)

Auditable Area	Start Date	Debrief date	Draft report issued	Comments
Medium Term Financial Strategy (MTFS)	21 May 2012	07 June 2012		Work in QA Stage
Planning and Growth Lack of Development Progress	21 May 2012	11 June 2012		Work in QA Stage
Corporate Governance	02 July 2012			
Housing Rents	10 August 2012			
Asset Management (Housing)	13 August 2012			
Repairs – Partnership Arrangements	13 August 2012			
Supported Housing	17 September 2012			
Housing Allocations and Voids	17 September 2012			
Insurance	18 September 2012			
Risk Management	19 November 2012			
General Ledger	24 September 2012			
Capital Expenditure and Asset Management	27 September 2012			
Creditors	01 October 2012			
Income & Debtors	08 October 2012			
Procurement	09 October 2012			
NINDR	07 November 2012			
Cash, Banking & Treasury Management	08 November 2012			
Payroll (including Expenses & Pensions)	12 November 2012			

Auditable Area	Start Date	Debrief date	Draft report issued	Comments
Council Tax	16 November 2012			
Housing Benefits	13 December 2012			
Reconciliation testing	11 December 2012			
Environmental Health / Waste	03 January 2013			
Annual Governance Statement	18 February 2013			
Follow Up	18 February 2013			
Top up testing	11 March 2013			
Performance Management	11 March 2013			
ICT Review	TBC			

APPENDIX E: CLIENT BRIEFINGS

RSM Tenon's Local Government Update – April 2012

This update provides information on some of the recent key publications and issues concerning local government.

The 2012 Budget Statement – implications for local government

The Chancellor, George Osborne, delivered his Budget statement for 2012 on 21 March. Key points for local government organisations to note include: an additional £10bn in welfare cuts by 2016/17 on top of the £18bn previously announced; gradual withdrawal of child benefit through an income tax charge for households with an occupant earning between £50,000 and £60,000 and complete withdrawal for households with an occupant earning over £60,000; a freeze of Local Housing Allowance rates for one year from April 2012; and limitation of Housing Benefit payments to working age social-rented sector tenants who underoccupy their properties from April 2013. The Government has also replaced the previous Housing Revenue Account subsidy system with a self-financing model and launched a reinvigorated Right to Buy for council housing tenants, replacing the current range of regional caps on discounts with a higher single cap of £75,000. In addition, the Government has committed to accelerating the release of public sector land to meet its ambition of building over 100,000 homes by April 2014 and has introduced its National Planning Policy Framework which consolidates over 1,300 pages of inherited policy into a new 50 page document. Other Budget outcomes include: consultation on simplifying the Carbon Reduction Commitment energy efficiency scheme to reduce administrative burdens; introduction of more local, market-facing public sector pay reform for those civil service departments that entered the pay freeze in advance of other workforces and exited it from April 2012; and provision of £30m to local authorities in England to support transitional costs to new local support schemes for council tax.

National Planning Policy Framework

The Department for Communities and Local Government (CLG) has published its new National Planning Policy Framework following consultation. The new 50 page Framework document provides guidance to councils in drawing up local plans and on making decisions on planning applications. The aim of the new simplified Framework is to better support economic growth, create homes and jobs, and put power into the hands of local communities so that every area in the UK can develop a clear local plan which reflects the views and aspirations of local people on how they wish their community to develop. The final Framework retains the key elements of the draft Framework published in July 2011, including: enshrining the local plan - produced by local people - as the keystone of the planning system; making planning much simpler and more accessible; establishing presumption in favour of sustainable development; guaranteeing protections for natural and historic environment; and encouraging the use of brownfield land in a way determined locally.

Accountability system for local government and fire and rescue departments

The CLG has published a document which sets out the core accountability system, concerned with issues such as financial management and democratic accountability, for local and fire and rescue authorities for the financial year 2012/13. The document sets out current funding systems, legislation and guidance and indicates expected changes during 2012. As set out in HM Treasury's *Managing Public Money*, as the lead accounting officer for local authorities, the CLG accounting officer is now required to publish accountability system statements explaining how accountability for the grants they distribute to local bodies is achieved and demonstrate that the appropriate accountability mechanisms are in place.

Fighting Fraud Locally

The Home Office has unveiled a new strategy for local authorities in their fight against fraud. The new strategy, *Fighting Fraud Locally* provides a range of new approaches and best practice which form a 'blueprint' to equip local authorities to better protect themselves against fraud including housing and council tax fraud. The

new strategy has been published following an eight-month review led by the National Fraud Authority, supported by the CLG, and includes: a fraud checklist to help local authorities identify possible gaps in current fraud response; an online fraud resilience check to help local authorities measure resilience to fraud and assess the need for improvements; a counter-fraud and corruption e-learning training course to help councils raise levels of awareness among staff and facilitate better detection rates; and an online 'fraud zone' and discussion forum containing examples of anti-fraud best practice.

Data collections reduced by Government

The amount of data that local authorities are expected to submit to Central Government has been reduced by over a quarter. The list of information that councils are required to provide to Whitehall has been reduced from 193 data collections in 2011/12 to 156 in 2012/13. By cutting unnecessary 'red tape', Local Government Secretary, Eric Pickles, expects councils to have more time to focus on local priorities and residents, commenting: "*we know councils are most effective when they are free to innovate and respond to what local people want without due interference from Whitehall*".

RSM Tenon's Local Government Update – May 2012

This update provides information on some of the recent key publications and issues concerning local government.

CRC Energy Efficiency Scheme – Guidance for participants in Phase 1 (2010/11–2013/14)

The Environment Agency has issued an updated guide which brings together a number of separate previously issued documents for participants in the CRC Energy Efficiency scheme. Under the scheme, participants are required to submit an annual report supported by an evidence pack by 31 July 2012. The Environment Agency will evaluate evidence packs to assess whether data is correct and based on sufficient records, and also whether it is easy to understand. Participants are required to audit their evidence pack and produce an audit certificate signed by the individual responsible for CRC returns. Under the Climate Change Act 2008, the Agency has the power to fine participants £5,000 plus £500 per working day for each subsequent day of delay beyond the reporting deadline. Fines of £40 for each tonne of carbon dioxide equivalent emissions incorrectly reported, and for each tonne of carbon dioxide equivalent emissions in the most recent compliance year can also be applied. For the first time, participants are also now required to surrender and purchase carbon allowances determined from CRC supplies at £12 per tonne.

LGA to support councils setting up police and crime panels

A group of experts assembled by the Local Government Association (LGA) will be tasked with supporting councils establishing police and crime panels ahead of elected commissioners taking office on 15 November 2012. Councils have until 2 July to submit proposals for a police and crime panel for their force area, to comprise between 10 and 18 councillors responsible for scrutinising the incoming commissioner. The panel will have the right of veto over police and crime commissioners' (PCCs) selection of a chief constable and setting of the council tax precept. The taskforce will work to ensure panel members are clear on their role and responsibilities. The LGA has published its prospectus for the launch of a new Police and Crime Commissioners' Association (PaCCA). The document details the support, information and lobbying expertise that will be dedicated to PCCs. New commissioners will be offered free membership of the LGA up until the end of March 2013.

New funding boost for local areas

The LGA is to offer grants of up to £25,000 to assist councils in making better use of buildings and land to encourage growth and jobs in local areas. The funds are part of an on-going LGA programme intended to assist councils in boosting local economies. Councils will be expected to match the funding they receive and will need to show how they intend to work with charities, other town halls and local firms and demonstrate how they will use the grants to utilise buildings and assets in the local area. The application deadline is 15 June 2012.

Government to tackle 'beds in sheds'

Housing Minister, Grant Shapps and Immigration Minister, Damian Green have announced a new cross-Whitehall task group dedicated to taking action against criminal landlords and tackling 'beds in sheds', where sheds and outbuildings are rented out illegally, often to illegal immigrants. The Government's proposals for the group include: encouraging councils to make greater use of legal powers across planning, fire safety, housing and environmental health; measuring the extent and nature of the problem, drawing on information collected by central government and councils; ensuring councils and the police share available intelligence; closer working with foreign authorities to help those wanting to return home; and steps to prevent more 'beds in sheds' from being created. Shapps commented: *"It is a scandal that these back garden slums exist to exploit people, many of whom are prepared to return voluntarily to their home country but instead find themselves trapped into paying extortionate rents to live in these cramped conditions."*

MPs say localism plans need to be more accountable

The Public Accounts Committee (PAC) has suggested that Government's public sector reforms, which include the introduction of elected police commissioners, lack 'clarity, consistency and completeness' and that the idea of increased localism does not provide 'necessary assurance on either probity or value for money'. The PAC progress report, *Accountability for public money*, acknowledges that departments face 'a significant challenge in developing appropriate accountability arrangements for localised services', however, it reiterates that Accounting Officers remain 'accountable to Parliament for funds voted to their departments'. Following the PAC's first report on accountability, published in April 2011, the Government requested departmental Accounting Officers to produce accountability system statements setting out assurance arrangements. On examining four draft statements, which all departments are expected to produce by summer 2012, the PAC concluded that departments had genuinely attempted to reconcile accountability and localism, however, 'considerably more' needed to be done to improve their 'clarity, consistency and completeness'.

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SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee 29 June 2012
AUTHOR/S: Executive Director (Corporate Services)/ Head of Accountancy

STATEMENT OF ACCOUNTS 2011/12 (SUBJECT TO AUDIT)**Purpose**

1. To endorse the Statement of Accounts distributed as a separate document.

Recommendations

2. The Corporate Governance Committee is recommended to endorse the Statement of Accounts for 2011/12.

Background

3. The Accounts and Audit Regulations 2003 used to require the draft statement of accounts to be approved before the 30th June by Council or by a delegated Committee.
4. The Accounts and Audit Regulations 2011 changed the approval requirements so that the responsible financial officer (in this Council, the Executive Director (Corporate Services)) must, no later than 30th June, sign and date the statement of accounts and certify that it presents a true and fair view of the financial position of the Council at the year end and of the income and expenditure for the year.
5. The Council or a delegated Committee must then, no later than 30th September, consider and approve the statement of accounts - so that, when Members approve the accounts, the results of the audit of accounts will be known and any amendments required by the auditors and agreed by the Council will be incorporated in the accounts submitted for approval.
6. In October 2000, a statutory instrument was issued setting out the functions which were not to be the responsibility of an authority's executive. One of these functions was the duty to approve the authority's statement of accounts. At its meeting in March 2007, Council resolved that the terms of reference of the Audit Panel (now known as the Corporate Governance Committee) be extended to incorporate approval of the Statement of Accounts.

Considerations

7. I am pleased to report that the Statement of Accounts for 2011/12 has been produced, subject to audit. The production of the accounts under international financial reporting standards is complex and involved and requires a significant and concentrated staff commitment to meet the statutory deadlines.
8. The contents of the Statement of Accounts are largely determined by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) issued by Chartered Institute of Public Finance and Accountancy. The Code is updated

annually and is based on international financial reporting standards. The main financial statements are:

- i. a movement in reserves statement which shows all reserves and the movement in usable reserves, such as the general fund and housing revenue account working balances which can be used to provide services or keep down council tax/rent increases, and the movement in unusable reserves which are mainly accounting balances;
- ii. a comprehensive income and expenditure statement which combines the income and expenditure account and the statement of total recognised gains and losses and which includes a material item for 2011/12:

On 28 March 2012, the Council raised a loan of £205.123 million from the Public Works Loan Board, a government agency, to finance the payment of a similar amount to the Department for Communities and Local Government (DCLG). Under accounting standards, the payment to the DCLG has to be shown in the comprehensive income and expenditure statement and this is the main reason for the deficit of £212.832 million.

The amount of £205.123 million is reversed out as an adjustment between the accounting basis and the funding basis under regulations so it does not affect the working balances as at 31 March 2012 which the Council has available for future use. This is explained more fully in note 10 to the accounts "Material items of income and expenditure" and the net effect is shown in the balance sheet where a new item of long term borrowing £205.123 million appears with a corresponding reduction (in the capital adjustment account) in unusable reserves;

- iii. a balance sheet which again reflects the distinction between usable and unusable reserves; and
 - iv. much of the detail in the above statements, and the cash flow statement, is now shown in the notes to the accounts.
9. The Code for 2011/12 also introduces a change in accounting policies which affect this Council with regard to heritage assets which are maintained principally for their contribution to knowledge and culture.
 10. The explanatory foreword is intended to explain in overall terms and in an easily understandable manner the Council's financial position including a comparison of actual expenditure with original estimate. A more detailed report on actual expenditure compared to original estimate will be submitted to the Cabinet meeting on 12 July.
 11. In view of the detailed technical processes involved in the preparation of the Statement of Accounts and accompanying explanatory information, it will be helpful if Members provide advance notice of any questions, thereby allowing time for any associated research to be completed.
 12. The Statement of Accounts is issued subject to audit. The audit is due to take place in June/July/August. The accounts and other related documents will be available for inspection by the public for 20 working days and electors or their representatives may question the auditor about the accounts and make objections on an appointed day which is Monday 10th September 2012.

13. The Statement of Accounts will be published on the Council's website.

Options

14. The Committee may propose amendments and improvements to the presentation of the Statement of Accounts.

Implications

15. Financial	The actual working balances will be incorporated in the next review of the Medium Term Financial Strategy.
Legal	The Code constitutes a proper accounting practice under the Local Government Act 2003 and local authorities are legally required to comply with the Code.
Staffing	In future years, there is a risk that the accounts may not be closed in accordance with the statutory deadlines if vacancies and/or sickness occur at critical times. This is a reputational risk – there are no financial penalties for not complying with the deadline.
Risk Management	The short deadlines and increasing complexity allow less time for preparation, checking and reviewing and there is, therefore, also the risk that errors may occur in the Statement of Accounts.
Equality and Diversity	None
Equality Impact Assessment completed	No
Climate Change	None

Consultations

16. None.

Consultation with Children and Young People

17. None.

Effect on Strategic Aims

18. This report has no direct implications for any of the Strategic Aims but any variation in the expenditure on individual services might have affected the achievement of the aims, approaches and actions.

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

Statement of Accounts distributed as a separate document and associated working papers

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South
Cambridgeshire
District Council

Statement of Accounts 2011/2012

Subject to Audit



Statement of Accounts for year ended 31 March 2012

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Explanatory Foreword

Introduction

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom which is based on International Financial Reporting Standards.

The Statement of Accounts brings together on the following pages the major financial statements of the Council and consists of:

a) Core financial statements:

- i) the Movement in Reserves Statement which shows the movement in the year on the different reserves analysed into usable reserves, that can be applied to fund expenditure or reduce local taxation, and other reserves;
- ii) the Comprehensive Income and Expenditure Statement which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices;
- iii) the Balance Sheet which shows the value at the year end of assets and liabilities recognised by the Council; and
- iv) the Cash Flow Statement which shows the changes in cash and cash equivalents during the year arising from the inflows and outflows of cash;

with associated notes, including the accounting policies, grouped together for all the core financial statements.

b) Supplementary financial statements:

- i) the Housing Revenue Account which shows revenue expenditure and income on Council housing for the year and is a ring-fenced account within the General Fund to prevent any cross-subsidy between general income and rents; and
- ii) the Collection Fund which includes the council taxes and business rates collected by South Cambridgeshire District Council on behalf of those authorities responsible for services within the district and the government, and the way in which these monies have been distributed among the authorities and the government.

Comprehensive Income and Expenditure Statement

This Statement records the day-to-day expenditure incurred in providing services such as salaries and wages, other running costs and financing costs and income due from fees and charges and government grants. Also included are various costs to comply with the generally accepted accounting practices which do not impact on the level of council tax. This Statement consolidates the General Fund (services for the whole community) and the Housing Revenue Income and Expenditure Account (Council housing).

The additional costs to comply with accounting practices are reversed out in the Movement in Reserves Statement. If the two Statements are combined, then the position for General Fund Services and the council tax can be summarised as:

General Fund	Original estimate	Actual
	£'000	£'000
Expenditure		
Net Portfolio expenditure excluding depreciation	15,375	14,559
Internal drainage boards	144	143
Interest and investment income	(550)	(604)
Amount to be met from Government Grant and local taxpayers	<u>14,969</u>	<u>14,098</u>
Income		
Principal sources of finance		
District element of Council Tax	(6,934)	(6,934)
Formula Grant (a general Government grant towards expenditure)	(6,026)	(6,026)
New Homes Bonus	(800)	(925)
Council Tax Freeze Grant	(173)	(173)
Other items	(7)	(7)
	<u>(13,940)</u>	<u>(14,065)</u>
Deficit for the year	<u>1,029</u>	<u>33</u>

When the council tax for the financial year ending 31 March 2012 was set in February 2011, the deficit was estimated at £1,028,610. The variance of £995,452 is attributable to the following:

General Fund		Underspending/slippage()		
Actual to Original Estimate			Overspending+	
Services	Reason for variance	%	£'000	£'000
Council Tax Benefit	Less demand and lower payments net of subsidy	(1)	(68)	
Rent rebates	More demand and higher payments net of subsidy	1	58	
Corporate Management	Pension costs not anticipated; higher recharges	14	166	
Environmental Health General	Consultants' costs lower than estimated; lower recharges	(15)	(79)	
Refuse Collection and Recycling	Additional income/savings on recycling; lower salary costs	(4)	(189)	
Homelessness	Lower expenditure on preventative measures	(15)	(57)	
Development Control	Recharges switched from Growth Agenda partly offset by more fee income	9	204	
Growth Agenda	Recharges switched to Development Control	(45)	(585)	
Net cuts/savings	now allocated to services	100	134	
Reduction for vacancies	now allocated to services	100	200	
				(216)
Precautionary Items	Contingency not needed	(100)	(75)	
Support for Economic Downturn	Slippage on business workshops, etc.	(96)	(144)	
Interest on Balances	Higher interest rates	(10)	(54)	
New Homes Bonus	Scheme not finalised at time of estimate	(16)	(125)	
Other items individually under £50,000				(382)
				<u>(996)</u>
Less underspendings in 2011-12 which will now be incurred in 2012-13				210
				<u>(786)</u>

Housing Revenue Account

This Account deals with the provision, management and maintenance of Council dwellings, as summarised below:

Housing Revenue Account	Original estimate	Actual
	£'000	£'000
Expenditure		
Repairs and maintenance	3,288	3,234
Management and services	5,315	5,402
Major Repairs Allowance	3,334	3,334
Payment to Government	12,600	12,527
Interest payable	0	59
Capital expenditure met from revenue	1,082	892
Other	38	129
	<u>25,657</u>	<u>25,577</u>
Income		
Rents and charges	(25,428)	(25,802)
Receipt from General Fund	(165)	(157)
Interest	(24)	(18)
	<u>(25,617)</u>	<u>(25,977)</u>
Deficit/(Surplus) for the year	<u>40</u>	<u>(400)</u>

These figures exclude items which are subsequently reversed in or out through the Movement on the Housing Revenue Account Statement.

When rents for the financial year ending 31 March 2012 were set in February 2011, the estimated rent increase was set in line with government guidance at 7.6% and the deficit was estimated at £40,370. The variance of £439,908 is attributable to the following:

Housing Revenue Account Actual to Original Estimate	Reason for variance	%	Underspending/slippage() Overspending+	£'000	£'000
Services					
Dwellings Rents	Shorter void periods; more new tenants	(1)		(248)	
Charges for Services and Facilities	Service and recoverable charges; sales	(6)		(99)	
Repairs and Maintenance	Lower expenditure on non-response	(2)		(53)	
Supervision and Management - repairs and maintenance	Stock condition survey; contract negotiations; ICT	9		71	
Payment to Government - negative subsidy	Payment reduced by interest on debt	(1)		(73)	
Treasury Management	Arrangement fee on £205m originally expected to be in 2012-13	440		81	(321)
Interest Payable	Interest on £205m originally expected to start in 2012-13				59
Capital Expenditure met from revenue	Fewer repurchases; more grant income	(18)			(190)
Other items individually under £50,000					12
					<u>(440)</u>

Housing Revenue Account (HRA) – material item of expenditure

The figures above exclude items which are subsequently reversed in or out through the Movement on the Housing Revenue Account Statement. In 2011-12, a material item charged to the Housing Revenue Account and then reversed out is the statutory payment to the Government of £205 million in respect of HRA self-financing.

The Government has replaced the previous subsidy system, whereby the Council paid around £12.5 million in 2011-12 (about 54% of its rent income) to the Government, with a self-financing system under which the Council will keep all its rent income but would take on a debt calculated at £205 million on 28 March 2012. This change benefits the Council in future years as the cost of servicing the debt is fixed at £7.2 million whereas the portion of the rents paid over was £12.5 million in 2011/12 and would have been likely to increase in later years.

This material item is shown as a separate line in the comprehensive income and expenditure core financial statement and in the Housing Revenue Account supplementary financial statement but is then reversed out and is also shown in the balance sheet as long term borrowing.

Capital

Capital expenditure produces assets capable of providing benefits to the community for several years to come. Total expenditure for the year amounted to £7.72 million. The major part of the programme involved the provision of housing; with £4.31 million being invested in the Council's own housing stock.

Treasury Management

At the 31 March 2012, investments (excluding accrued interest) totalled £15.34 million, an increase of £5.79 million over the previous year-end (although this increase is largely offset by a decrease in short term debtors). These investments produced interest of over £0.60 million, which was used towards the cost of services.

The Council had been debt free since 1 April 1996 but now has debt of £205 million as mentioned above

Balances and Reserves

The balances on the General Fund and the Housing Revenue Account were at £7.37 million and £2.69 million respectively as at 31 March 2012 - this compares to the proposed minimum level of balances of £2.5 million (General Fund) and £2.0 million (Housing Revenue Account). These will be used to meet the cost of services in future years and to keep down any increases in council tax/rents.

Reserves available for capital expenditure stood at £1.72 million, consisting of the usable capital receipts reserve and capital grants unapplied. After having to reduce the capital programme for several years, it is now projected to increase from an original estimate of £8.33 million in 2011-12 to £12.71 million in 2016-17 as a result of additional funding available on the housing account.

Pensions

The accounting policy relating to pensions reflects International Accounting Standard 19 Employee Benefits whereby pension liabilities incurred during the year are charged to the cost of services and then reversed out with the pension deficit being shown as a liability in the balance sheet.

South Cambridgeshire's pension deficit is estimated at £39.7 million as at 31 March 2012 on an IAS 19 basis. With 72% of the pension fund attributable to South Cambridgeshire invested in equities, the deficit can vary greatly from one year to the next.

The employer's contribution rate for 2011-12 was 21.7%. The formal triennial valuation as at 31 March 2010 of assets and liabilities, for the purposes of determining contribution rate to be effective from 1 April 2011, showed a 70% funding level, being the extent to which assets cover liabilities. The Council's five-year financial projections allow for an increase in predicted rates up to a maximum of 25% in view of the Government's intention to review the long-term affordability of public sector pensions.

The triennial valuation discounts future liabilities at a rate based on the expected return from the pension fund's investments which are mainly stocks and shares. A valuation using a risk free discount rate, that is, based on Government Bonds, would give a much lower funding level and the employer's contribution rate would be substantially higher.

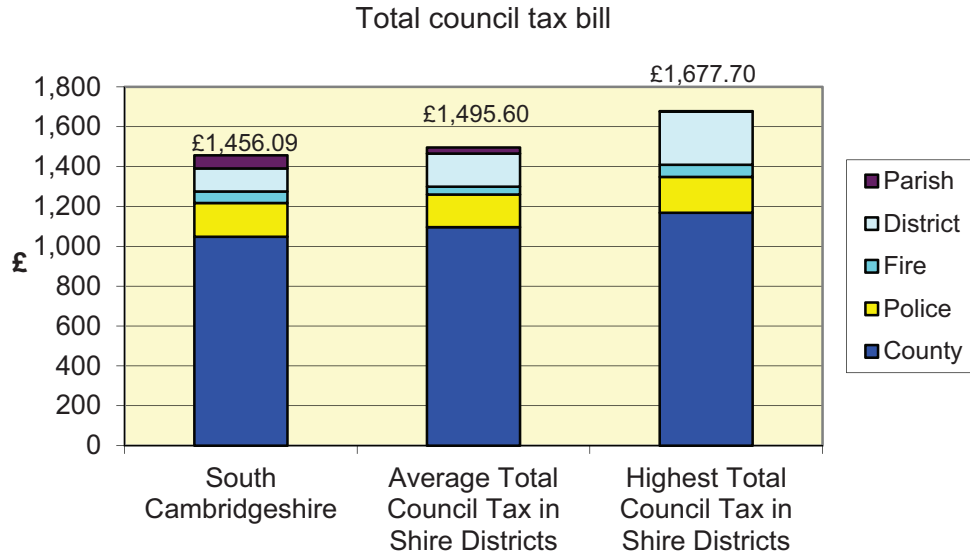
In view of the uncertainty over future pension costs, an additional 1.8% of pensionable pay has been charged against the General Fund and the Housing Revenue Account and placed in a reserve for use in future years.

Change in Accounting Policy

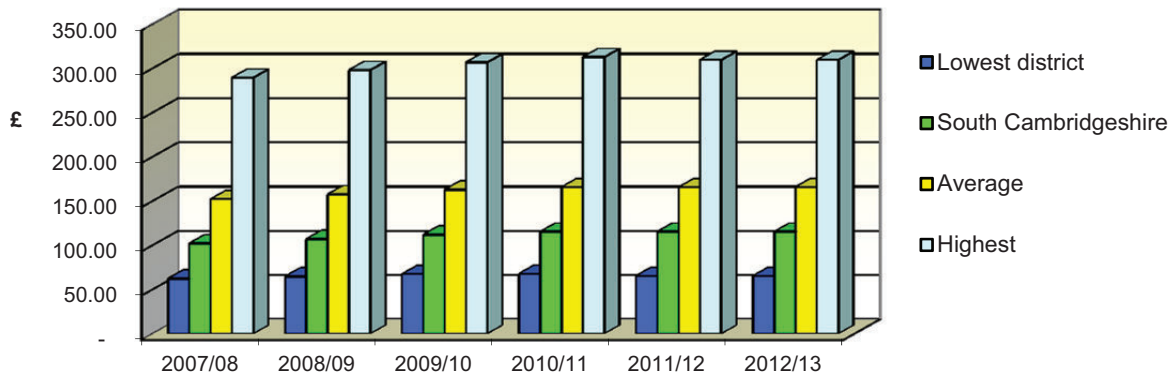
The 2011-12 Code includes the adoption of financial reporting standard 30 heritage assets which has resulted in the recognition of an asset not previously recognised in the Balance Sheet and the disclosure of other assets as set out in note 28 Property, Plant and Equipment, Surplus Assets held for Sale and Heritage Assets.

Council Tax

The council tax is set in terms of a band D property which is in the valuation band from £68,001 to £88,000 at 1991 prices. For a band D property, the council tax for 2011-12 was £1,456.09. This was one of the lowest tax levels in the country and most of the money was raised on behalf of the County Council as shown below:



However, looking only at the district element of the overall tax bill, South Cambridgeshire is the 13th lowest in 2011-12 at £115.46 in a range of £65.50 to £309.69, with the average being £165.65:



The ranking is:

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
South Cambridgeshire	10th lowest	13th lowest	12th lowest	13th lowest	13th lowest	13th lowest
Total number of shire districts	238	238	201	201	201	201

The Council has to provide the same services and meet the same demands as other district councils but with substantially less council tax income and is not compensated for this lower council tax income through the system of Government grants.

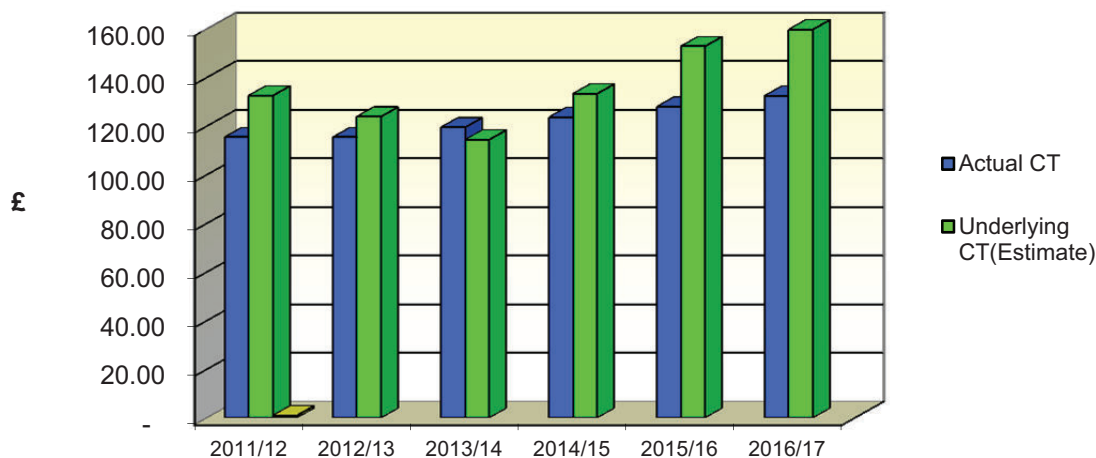
With the exception of parishes,

- the council taxes for 2011-12 are the same as for 2010-11 as all local authorities accepted the Government grant payable for four years in return for freezing the 2011-12 council tax and
- the council taxes for 2012/13 show a small increase over 2011-12 as most local authorities accepted the Government grant payable for one year in return for freezing the 2012-13 council tax

Current and future developments

Council Tax

Council Tax was introduced in 1993-94 and since then the Council Tax set by this Council has been substantially below the average charged by other shire districts as the Council was using its reserves (savings) to keep down the amount of Council Tax residents would have to pay. Without the use of reserves, the Council Tax would be at its underlying level and this use of reserves continues in future years



This use of reserves is not sustainable beyond 2016-17. The Council's financial strategy is monitored and reviewed on a regular basis.

Corporate plan

The Council has published its Aims, Approaches and Actions for 2011-12 on its website at:

http://www.scambs.gov.uk/documents/retrieve.htm?pk_document=909537

and has recently agreed its Corporate Plan for 2012 -17:

http://www.scambs.gov.uk/documents/retrieve.htm?pk_document=911735

Population growth

The District population of 131,000 people in 2001 is projected to increase to 174,000 by 2021, the estimate for June 2012 being 149,611. This is a reflection of the development of large numbers of additional houses in the district, particularly through the creation of a new settlement at Northstowe and the development of the Cambridge fringe areas. The officer capacity to develop these policies has to be paid for now. These initial costs are not reflected in Government grants or in the Council's tax base for raising income locally. However, when new dwellings come into use, the Council now receives the New Homes Bonus government grant.

The Current Economic Climate and other significant risks

The Government's actions to reduce the fiscal deficit mainly by reducing public spending have resulted in substantial cuts for local government. The Council's medium term financial strategy is in its strategic risk register with an assessed risk of high impact / possible likelihood. The financial situation is dependent amongst other things on the continuation of New Homes Bonus and the outcome of the redistribution of retained business rates from 2013-14 onwards.

Other items which are on the Council's strategic risk register above the tolerance line and thereby requiring active management are:

- welfare reform including localised council tax benefits with reduced Government funding;
- lack of development progress and not meeting housing needs;
- implementation of the national job evaluation scheme;
- supported housing with reduced funding;
- illegal traveller encampments/developments; and
- HRA business plan may be subject to Government policy changes.

Affordable housing

In the last few years the Council has transferred some of its non-traditionally built dwellings, some sheltered bedsits and various land sites to housing associations for the development of affordable and supported housing. These show in the relevant year as disposals written out of the balance sheet but in most cases the disposal is at nominal consideration. These transfers are an important contribution to the Council approaches of working through partnership and making affordable housing more available to local people.

In 2011-12, the last tranches of Council land/houses were transferred to Accent Nene housing association at the Windmill Estate, Fulbourn, where there will be about 270 new dwellings for rent/share/sale.

The housing self-financing system mentioned above under Housing Revenue Account (HRA) – material item of expenditure will generate an investment surplus which will enable the council to build several hundred new homes.

Auditor's Opinion

The Statement of Accounts is issued subject to audit.

A handwritten signature in black ink, appearing to read 'Alex Colyer', written in a cursive style.

Alex Colyer
Executive Director and Chief Finance Officer

Dated: 21 June 2012

Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The Authority is required to:

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

The responsibilities of the Executive Director (Corporate Services) as chief financial officer

The Executive Director (Corporate Services) as chief financial officer is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in the United Kingdom - (the Code).

In preparing this Statement of Accounts, the Executive Director (Corporate Services) as chief financial officer has:

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

The Executive Director (Corporate Services) as chief financial officer has also:

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

The Statement of Accounts presents a true and fair view of the financial position of the Authority at 31 March 2012 and its income and expenditure for the year then ended.



Alex Colyer

Executive Director (Corporate Services) as Chief Financial Officer

Dated: 21 June 2012

I confirm that these accounts were approved by the Corporate Governance Committee held on 28 September 2012.

Chairman of the Corporate Governance Committee

Dated: 28 September 2012

**Independent auditors' report to the Members of South
Cambridgeshire District Council**

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Cambridgeshire District Council**

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Cambridgeshire District Council**

Main Financial Statements

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement

Movement in Reserves

This statement shows the movement in the year on the different reserves held by the authority, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other resources. The surplus or deficit on the provision of services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Note	General Fund Balance £	Earmarked General Fund Reserves £	Housing Revenue Account (HRA) £	Capital Receipts Reserve £	Capital Grants Unapplied £	Total Usable Reserves £	Restated Unusable Reserves £	Restated Total Authority Reserves £
Balance as at 31st March 2010		(7,149,065)	(3,784,144)	(2,746,093)	(1,700,335)	(589,850)	(15,969,487)	(409,418,703)	(425,388,190)
Movement in reserves during 2010-11									
Deficit / (Surplus) on provision of services (accounting basis)		(6,023,703)	0	38,475,218	0	0	32,451,515	0	32,451,515
Other comprehensive expenditure and income	5	0	0	0	0	0	0	19,984,005	19,984,005
Total comprehensive income and expenditure		(6,023,703)	0	38,475,218	0	0	32,451,515	19,984,005	52,435,520
Adjustments between accounting basis and funding basis under regulations	5	6,360,173	0	(38,019,543)	274,419	0	(31,384,951)	31,384,951	0
Net (increase) / decrease before transfers to earmarked reserves		336,470	0	455,675	274,419	0	1,066,564	51,368,956	52,435,520
Transfers (to) / from earmarked reserves	6	(594,640)	594,640	0	0	0	0	0	0
(Increase) / Decrease in year		(258,170)	594,640	455,675	274,419	0	1,066,564	51,368,956	52,435,520
Balance as at 31st March 2011		(7,407,235)	(3,189,504)	(2,290,418)	(1,425,916)	(589,850)	(14,902,923)	(358,049,747)	(372,952,670)
Movement in reserves during 2011-12									
Deficit / (Surplus) on provision of services (accounting basis)		2,438,263	0	210,091,646	0	0	212,529,909	0	212,529,909
Other comprehensive expenditure and income	5	0	0	0	0	0	0	6,171,706	6,171,706
Total comprehensive income and expenditure		2,438,263	0	210,091,646	0	0	212,529,909	6,171,706	218,701,615
Adjustments between accounting basis and funding basis under regulations	5	(2,127,272)	0	(210,491,183)	329,037	(32,172)	(212,321,590)	212,321,590	0
Net (increase) / decrease before transfers to earmarked reserves		310,991	0	(399,537)	329,037	(32,172)	208,319	218,493,296	218,701,615
Transfers (to) / from earmarked reserves	6	(277,833)	277,833	0	0	0	0	0	0
Increase / Decrease in year		33,158	277,833	(399,537)	329,037	(32,172)	208,319	218,493,296	218,701,615
Balance as at 31st March 2012		(7,374,077)	(2,911,671)	(2,689,955)	(1,096,879)	(622,022)	(14,694,604)	(139,556,451)	(154,251,055)

Comprehensive Income and Expenditure Statement

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

	2010-11	2010-11	2010-11	2011-12	2011-12	2011-12	2011-12
	Gross	Gross	Net	Gross	Gross	Net	Net
	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure	Expenditure
	£	£	£	£	£	£	£
Expenditure on services							
Central Services	3,214,806	(107,551)	3,107,255	3,129,829	(177,944)	2,951,885	
Central Services to the Public	8,590,864	(7,486,936)	1,103,928	8,649,508	(7,520,907)	1,128,601	
Cultural, Environmental and Planning Services							
Cultural and Related Services	1,213,602	(175,064)	1,038,538	1,095,963	0	1,095,963	
Environmental Services	7,561,024	(1,831,470)	5,729,554	7,640,383	(2,164,157)	5,476,226	
Planning and Development Services	6,190,150	(2,056,144)	4,134,006	5,631,275	(1,808,316)	3,822,959	
Highways, Roads and Transport Services	701,405	(77,311)	624,094	35,383	0	35,383	
Non HRA Housing							
Personal Social Services	319,548	(132,415)	187,133	361,980	(40,492)	321,488	
Housing Benefit and Administration	24,687,107	(24,561,976)	125,131	27,129,328	(26,862,150)	267,178	
Private Sector Housing Renewal	1,049,645	(475,998)	573,647	1,028,504	(482,817)	545,687	
Supporting People	376,339	(256,129)	120,210	353,463	(252,765)	100,698	
Other Non HRA Housing Services Expenditure	1,454,722	(505,896)	948,826	1,177,291	(522,627)	654,664	
Other Contributions to/from HRA	137,399	0	137,399	133,682	0	133,682	
Non -distributed Costs	(10,777,000)	0	(10,777,000)	23,000	0	23,000	
General Fund Services-Continuing operations	44,719,611	(37,666,890)	7,052,721	56,389,589	(39,832,175)	16,557,414	
Housing Revenue Account Services	61,851,418	(24,497,620)	37,353,798	27,553,561	(25,975,555)	1,578,006	
Housing Revenue Account Self-financing	0	0	0	205,123,000	0	205,123,000	
Net cost of services	106,571,029	(62,164,510)	44,406,519	289,066,150	(65,807,730)	223,258,420	
Other operating expenditure			5,443,434			7,265,270	Note 7
Financing and investment income			905,856			351,526	Note 8
Taxation and non-specific grant income			(18,304,293)			(18,345,307)	Note 9
Deficit for the year on provision of services			32,451,516			212,529,909	
(Surplus)/Deficit on revaluation of non-current assets			31,305,023			(1,506,293)	
Actuarial (gain)/loss on pension assets and liabilities			(11,292,000)			7,678,000	Note 22
Total comprehensive income and expenditure			52,464,539			218,701,616	

Balance Sheet

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

Restated 31 March 2010 £	Restated 31 March 2011 £		Notes	31 March 2012 £
460,218,478	392,245,512	Property, Plant and Equipment	28	387,011,331
580,409	609,429	Heritage Assets	28	624,665
117,745	143,815	Intangible Assets	26	308,846
7,000,110	6,000,110	Long Term Investments	37	6,000,110
429,696	421,540	Long Term Debtors		412,939
468,346,438	399,420,406	Long Term Assets		394,357,891
12,268,538	3,750,692	Short Term Investments	37	9,559,702
55,688	46,017	Inventories	30	42,203
2,588,989	7,641,448	Short Term Debtors	31	4,381,064
490,620	408,372	Cash and Cash Equivalents	15	1,018,113
2,244,337	0	Assets held for sale	28	0
17,648,172	11,846,529	Current Assets		15,001,082
(774,923)	(509,158)	Cash and Cash Equivalents	15	(937,325)
(6,610,784)	(5,812,253)	Short Term Creditors	32	(9,061,472)
(241,901)	(278,320)	Provisions	33	(228,486)
(7,627,608)	(6,599,731)	Current Liabilities		(10,227,283)
(52,478,812)	(31,714,533)	Other Long Term Liabilities	22/38	(39,757,635)
(500,000)	0	Capital Grants Receipts in Advance		0
0	0	Long Term Borrowing	38	(205,123,000)
(52,978,812)	(31,714,533)	Long Term Liabilities		(244,880,635)
425,388,190	372,952,671	Net Assets		154,251,055
(15,969,487)	(14,902,924)	Usable reserves	11	(14,694,604)
(409,418,703)	(358,049,747)	Unusable Reserves	12	(139,556,451)
(425,388,190)	(372,952,671)	Total Reserves		(154,251,055)

Balance Sheet

The restatement of the Balance Sheet relates to the Accounting Policy change for Heritage Assets, further details are included in section n of the Statement of Accounting Policies and Note 28.

The unaudited accounts were issued on 21 June 2012.

Signed:

A handwritten signature in black ink, appearing to read 'Alex Colyer', written in a cursive style.

Alex Colyer
Executive Director (Corporate Services) as Chief Finance Officer

Dated: 21 June 2012

Cash Flow Statement

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

2010-11 £		Note	2011-12 £
	Cash Flows from operating activities		
(71,609,581)	Cash receipts		(78,250,617)
<u>75,568,994</u>	Cash payments		<u>70,540,377</u>
3,959,413	Net cash flows from Operating Activities	13	(7,710,240)
(4,751,846)	Investing Activities	14	8,821,587
<u>608,917</u>	Financing Activities		<u>(1,292,922)</u>
(183,516)	Net increase or decrease in cash and cash equivalents		(181,575)
284,302	Cash and cash equivalents at the beginning of the reporting period		100,786
<u>100,786</u>	Cash and cash equivalents at the end of the reporting period	15	<u>(80,789)</u>

Notes to Main Financial Statements

Notes to the Statement of Accounts

1 Statement of Accounting Policies

a. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 and the Service Reporting Code of Practice 2011-12 supported by International Financial Reporting Standards.

The accounting convention adopted is historical cost modified by the revaluation of certain categories of non-current assets.

b. Accruals of Income and Expenditure

The accounts of the Council are maintained on an accruals basis, that is, sums due to the Council for goods/services provided or due from the Council for goods/services received during the year are included as income or expenditure whether or not the cash has actually been received or paid in the year.

Exceptions to this principle relate, for example, to quarterly payments where payments are charged in the year rather than apportioning charges between financial years. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts. Grants payable to other organisations are included in the accounts on a payments basis.

Where income and expenditure has been recognised in the accounts but cash has not been received or paid, a debtor or creditor is recorded in the balance sheet.

c. Cash and Cash Equivalents

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

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

d. Prior Period Adjustments, Changes in Accounting Policies and Estimates, and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information on the Authority's

financial position or performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period.

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

e. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are charged with the following amounts to record the cost of holding non-current assets during the year:

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

Any depreciation, revaluation and impairment losses and amortisation charged to the relevant accounts is reversed out in the movement in reserves statement and transferred to the capital adjustment account so that these charges are not met by council tax or rents.

The Authority is required to charge an annual provision to revenue as a contribution towards reducing its overall borrowing requirement. This provision, known as the Minimum Revenue Provision (MRP), is an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

f. Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include salaries and wages, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render services to the Authority.

An accrual is made for the cost of holiday entitlements and/or other forms of leave earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to the cost of services in the comprehensive income and expenditure account but then reversed out in the movement in reserves statement and transferred to the accumulating compensated absences adjustment account.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service account in the comprehensive income and expenditure account when

the Authority is demonstrably committed to the termination of the employment of an officer.

Post employment benefits

Employees and Councillors of the Authority are eligible to be members of the Local Government Pension Scheme, administered by Cambridgeshire County Council, which is accounted for as a defined benefit scheme whereby:

- the Authority's share of the liabilities of the pension fund are included in the balance sheet on an actuarial basis using the projected unit cost method, that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees;
- these liabilities are then discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds;
- the Authority's share of the assets of the pension fund are included in the balance sheet at their fair value being

quoted securities	current bid price
unquoted securities	professional estimate
unitised securities	current bid price
property	market value;
- the change in the net pensions liability is analysed into seven components:
 - i. current service cost being the increase in liabilities as a result of the years of service earned in the current year where the cost is allocated in the comprehensive income and expenditure account to the services on which the employees worked;
 - ii. past service cost being the increase or decrease in liabilities arising from decisions in the current year affecting liabilities incurred in past years where the cost is charged or credited to non-distributed costs in the comprehensive income and expenditure account;
 - iii. interest cost being the expected increase in the present value of liabilities as they move one year closer to being paid where the cost is charged to the financing and investment section of the comprehensive income and expenditure account;
 - iv. expected return on assets being expected annual investment return on the fund assets based on the average of the expected long term returns where the return is credited to the financing and investment section of the comprehensive income and expenditure account;
 - v. gains or losses on settlements, being the result of actions to relieve the Authority of liabilities, and curtailments, being events that reduce the expected future service or accrual of benefits of employees, where the gains or losses are credited or charged to non-distributed costs in the comprehensive income and expenditure account;
 - vi. actuarial gains and losses being changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial

valuation or because the actuaries have updated their assumptions where the gains and losses are credited or charged to the pensions reserve; and

vii. contributions paid to the pension fund in the year being the payments made by the Authority as employer.

The charges and credits to the comprehensive income and expenditure account mentioned above are reversed out in the movement in reserves statement to the pensions reserve and replaced with the contributions paid.

The negative balance on the pensions reserve in the balance sheet measures the future liability in respect of benefits due to members of the fund.

Discretionary benefits

The Authority also has powers to make discretionary awards of retirement benefits in the event of early retirement. Any liabilities estimated to arise as a result of an award to any employee are accrued in the year of the decision to make the award.

g. Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. There are two types of events:

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

h. Financial Instruments

Financial liabilities

Financial liabilities are recognised on the balance sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the financing and investment section of the Income and Expenditure Account for interest are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that discounts estimated future cash payments over the life of the instrument to the fair value at which it was originally recognised.

The only financial liabilities for this Council are trade payables of short duration, measured at original or estimated invoice amount, and long term borrowing which is shown in the balance sheet as the outstanding principal repayable with interest charged to the comprehensive income and expenditure account being the amount payable for the year in accordance with the loan agreement.

Financial assets

Financial assets consist of:

- loans and receivables and
- available-for-sale assets – financial instruments

The only financial assets applicable to this Council are loans and receivables which have the defining characteristics of fixed and determinable payments and are not quoted in an active market.

Loans and receivables are recognised on the balance sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently carried at amortised cost. Annual credits to the financing and investment section of the comprehensive income and expenditure account for interest are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans and receivables owed to the Council, the amount shown in the balance sheet is the outstanding principal or invoice amount receivable and interest credited to the comprehensive income and expenditure account is the amount receivable for the year in the loan agreement.

The Council has made a number of loans for disabled facilities and renovation of dwellings to individuals and landlords at a nil rate of interest repayable on the sale/transfer of the property. As these loans have no fixed or determinable repayment, they have not been classified as loans and receivables but have been shown as long-term debtors.

i. Government and Other Grants and Contributions

Government grants and other contributions and donations are recognised as due to the Authority when there is a reasonable assurance that:

- the Authority will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the comprehensive income and expenditure statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor, i.e. if the grant or contribution is not used as intended, then it has to be repaid.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors (receipts in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service (attributable revenue grants and contributions) or to the taxation and non-specific grant income section (non ring-fenced revenue grants and all capital grants) in the comprehensive income and expenditure statement.

Where capital grants are credited to the comprehensive income and expenditure statement, they are reversed out in the movement in reserves statement:
to the capital grants unapplied reserve if the grant has yet to be used to finance capital expenditure; or
to the capital adjustment account if the grant has been used to finance capital expenditure.

Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account when they are applied to fund capital expenditure.

j. Heritage Assets

Heritage assets have cultural, environmental or historical associations that make their preservation for future generations important and are maintained principally for their contribution to knowledge and culture.

Heritage assets are recognised in the balance sheet where the Council has information on the cost or value of the asset. Where such information is not available, and the cost of obtaining the information outweighs the benefits to the users of the accounts, heritage assets are not shown in the balance sheet but are disclosed in a note to the accounts.

Heritage assets may be valued by any method that is appropriate and relevant and, where valuations are not practicable, may be carried at historical cost. Depreciation is not required on heritage assets which have indefinite lives and impairment reviews are only required where there is evidence of physical deterioration or breakage or where new doubts arise as to authenticity.

k. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion and intangible assets are, therefore, carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service in the comprehensive income and expenditure statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired and any impairment losses recognised are charged to the other operating expenditure section in the comprehensive income and expenditure statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is charged to the relevant service line in the comprehensive income and expenditure statement.

Amortisation, impairment losses and disposal gains and losses charged to the comprehensive income and expenditure statement are reversed out in the movement in reserves statement and transferred to the capital adjustment account and the capital receipts reserve for any sale proceeds greater than £10,000.

l. Inventories

Inventories are included in the balance sheet at the lower of cost or net realisable value.

m. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant and equipment from the lessor to the lessee. All other leases are classified as operating leases.

Rentals paid under operating leases are charged to the comprehensive income and expenditure statement as an expense of the service benefiting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease

Arrangements such as contract hire agreements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where the fulfilment of the arrangement is dependent on the use of specific assets.

n. Overheads and Support Services

The costs of overheads and support services are charges to those services which benefit from the provision of the overheads and support services in accordance with the costing principles in the Service Reporting Code of Practice 2011-12. The full cost of overheads and support services are charged out to users in proportion to the benefits received, with the exception of:

- the corporate and democratic core costs relating to the Authority's status as a multi-functional, democratic organisation; and
- non-distributed costs include pension costs, relating to past service costs and gains and losses on settlements and curtailments, and any depreciation and impairment losses chargeable on assets held for sale. Pension costs, depreciation and impairment are reversed out in the movement in reserves statement.

o. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority

and the cost of the asset can be measured reliably. Expenditure that maintains but does not add to the asset's potential to deliver future economic benefits or service potential, i.e. repairs and maintenance, is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Authority.

Assets are then carried in the balance sheet using the following measurement bases:

- infrastructure, community assets and assets under construction
 - depreciated historical cost;
- dwellings
 - fair value, determined using the basis of existing use value for social housing;
- non-property assets that have short useful lives and/or low values
 - depreciated historical cost basis is used as a proxy for fair value; and
- all other assets
 - fair value, determined as the amount that would be paid for the asset in its existing use

Assets included in the balance sheet at fair value are revalued sufficiently regularly (at least every five years) to ensure that their carrying amount is not materially different from their fair value at the year-end.

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the comprehensive income and expenditure statement where they arise from the reversal of a loss previously charged to a service.

Decreases in valuations are accounted for by writing down the balance (if any) of revaluation gains in the revaluation reserve for that asset and then charging any remaining decrease in value to the relevant service in the comprehensive income and expenditure statement.

The revaluation reserve only contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

Impairment

Assets are assessed at the end of each year as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Impairment losses are accounted for by writing down the balance (if any) of revaluation gains in the revaluation reserve for that asset and then charging any remaining

impairment to the relevant service in the comprehensive income and expenditure statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service in the comprehensive income and expenditure statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided on all property, plant and equipment calculated on a straight-line allocation over their useful lives. An exception is made for assets without a determinable finite useful life, i.e. freehold land and certain community assets, if any, and assets that are not yet available for use, i.e. assets under construction, if any.

Where property, plant and equipment assets have major components whose cost is significant in relation to the total cost of the asset, depreciation on the components has been calculated and is not materially different from depreciation on the depreciable part of the whole asset. Components have not, therefore, been depreciated separately.

Revaluation gains are also depreciated by an amount equal to the difference between the current value depreciation charges on the assets and the historic cost depreciation charges on the assets, with this difference being transferred each year from the revaluation reserve to the capital adjustment account.

Disposals and non-current assets held for sale

An asset is reclassified as an asset held for sale when it becomes probable that the carrying amount of the asset will be recovered principally through a sale transaction. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Any subsequent decrease to fair value less costs to sell is posted to the other operating expenditure section in the comprehensive income and expenditure account but any gains in fair value are only recognised up to the amount of any previously recognised losses. Depreciation is not charged on assets held for sale.

Assets no longer meeting the criteria to be classified as assets held for sale are reclassified back to non-current assets and valued at the lower of

their carrying amount before they were classified as held for sale adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale; and

their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of, the carrying amount of the asset in the balance sheet is written off and any receipts on disposal are credited to the other operating expenditure section in the comprehensive income and expenditure account so that this section shows the net gain or loss on the disposal of non-current assets. The net gain or loss is then reversed out in the movement in reserves statement with the carrying amount transferred to the capital adjustment account and the receipts on disposal credited to the capital receipts reserve so that the net gain or loss is not met by council tax or rents.

Any revaluation gains in the revaluation reserve in respect of the asset are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

A proportion of capital receipts relating to housing disposals (75% for dwellings and 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government and shown in the other operating expenditure section in the comprehensive income and expenditure. This is then reversed out in the movement in reserves statement to the capital receipts reserve so that the net gain or loss is not met by council tax or rents.

p. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation in the future that probably requires settlement by transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service in the comprehensive income and expenditure statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account the relevant risks and uncertainties. Any payments eventually made are charged against the provision, provisions are reviewed at the end of each financial year and any reduction in the need for the provision is credited back to the relevant service.

Contingent Liabilities

Contingent liabilities arise where events have taken place that give the Authority possible obligations whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise where a provision would otherwise be made but either it is not probable that a settlement will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

Contingent assets

Contingent assets arise where events have taken place that give the Authority possible assets whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

q. Reserves and Developers' Contributions

The Authority sets aside certain amounts as reserves for expenditure in future years by appropriating amounts out of the general fund balance in the movement in reserves statement. When expenditure to be financed from a reserve is incurred, it is charged to the relevant service in the comprehensive income and expenditure account and an

equivalent amount is appropriated back to the general fund balance in the movement in reserves statement so that the expenditure is not a charge against the council tax.

Some reserves, as set out in the unusable reserves note to the accounts, are kept for accounting purposes and do not represent usable resources for the Authority.

Developers' contributions are monies received from developers under Section 106 of the Town and Country Planning Act 1990 for future expenditure on affordable housing, drainage, community costs and development, etc. Any unused balances of these contributions are shown as receipts in advance under creditors.

r. Revenue Expenditure Funded from Capital under Statute

Expenditure which is incurred during the year and which may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the comprehensive income and expenditure statement. Such expenditure which is met from capital resources or from borrowing is then transferred out in movement in reserves statement so that there is no impact on the council tax.

s. VAT

VAT is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

2 Accounting Standards that have been issued but not yet adopted

There are currently no accounting standards issued that have not been adopted.

3 Critical judgements in applying accounting policies

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. There no critical judgements made in the Statement of Accounts that are likely to have a material effect on the accounts.

4 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Pensions Liability

The main item in the Council's balance sheet as at 31st March 2012 for which there is a significant risk of material adjustment is the estimation of the pension liability by a

consulting Actuary engaged by the pension fund administrator, Cambridgeshire County Council.

The estimation is over several decades where a small change in one of the assumptions can have a large effect on the liability and the Actuary has provided the following sensitivity analysis:

Change in assumption	2010/11 Increase in liability (£ million)	2011/12 Increase in liability (£ million)
0.5% decrease in real discount rate	9.02	9.69
1 year increase in member life expectancy	2.87	3.09
0.5% increase in salary increase rate	1.94	2.42
0.5% increase in pensions increase rate	6.73	7.22

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Council did not sustain its current spending on repairs and maintenance the useful lives currently assigned to assets may be reduced.

If the useful life of assets is reduced, depreciation increases and the carrying value of the asset will decrease. The largest category of assets is Council dwellings and it is estimated that the annual depreciation charge for these would increase by approximately £429,170 for every year that useful lives had to be reduced.

5 Adjustments between Accounting Basis and Funding Basis under Regulations and other comprehensive expenditure and income

This note details the adjustments that are made to the total comprehensive income and expenditure recognised in the year in accordance with proper practices to arrive at the movement in funds on a statutory basis which are available to meet future expenditure.

2010-11 £		2011-12 £
	General Fund	
	Reversal of items included in the Comprehensive Income and Expenditure Account	
(725,497)	Depreciation of non-current assets	(622,340)
(510,196)	Impairment of non-current assets	(602,823)
179,851	Reversal of impairment of non-current assets	442,725
0	Capital Grants and contributions applied to capital financing	168,106
0	Capital Grants and contributions unapplied	32,042
(879,975)	Revenue expenditure funded from capital under statute	(778,210)
(439,657)	Net gain/(loss) on sale of non-current assets	387,013
	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	
9,683,552		(466,679)
	Amount by which Council tax income in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulations	
(52,808)		(1,276)
	Amount by which officer remuneration on an accruals basis is different from remuneration chargeable by statute	
(39,093)		25,546
	Insertion of items not included in the Comprehensive Income and Expenditure Account	
	Transfer from Capital Receipts Reserve to finance payment to the Government housing capital receipts pool	
(856,003)		(829,758)
0	Capital expenditure charged against the General Fund	51,512
0	Statutory provision for financing of capital investment	66,870
6,360,174	Total adjustments	(2,127,272)
	Housing Revenue Account	
	Reversal of items included in the Comprehensive Income and Expenditure Account	
(32,041,460)	Impairment of non-current assets	3,379,305
	Excess of depreciation over major repairs allowance element of housing subsidy	
(6,626,343)		(6,901,925)
0	Capital Grants and contributions applied to capital financing	101,716
(351,461)	Net gain/(loss) on sale of non-current assets	(2,750,120)
	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	
(300,552)		(113,321)
	Amount by which officer remuneration on an accruals basis is different from remuneration chargeable by statute	
2,674		24,288
0	Housing Revenue Account Self-financing	(205,123,000)
	Insertion of items not included in the Comprehensive Income and Expenditure Account	
	Capital expenditure charged against the Housing Revenue Account	
1,297,599		891,874
(38,019,543)	Total adjustments	(210,491,183)
	Capital Receipts Reserve	
	Transfer of sale proceeds credited to net gain/loss on disposal of non-current assets in the Comprehensive Income and Expenditure Statement	
(2,111,496)		(2,390,958)
1,553,146	Use of Capital Receipts Reserve to finance new capital expenditure	1,842,402
(23,234)	Capital receipts transferred to reserves	47,835
	Use of Capital Receipts Reserve to finance payment to the Government housing capital receipts pool	
856,003		829,758
274,419	Total adjustments	329,037
(31,384,950)	Total adjustments	(212,289,418)

Movement in other comprehensive income and expenditure

Restated Decrease / (Increase) 2010-11 £		Decrease / (Increase) 2011-12 £
	Movement in Unusable Reserves	
32,328,529	Revaluation Reserve	(310,133)
39,635,401	Capital Adjustment Account	210,727,210
(20,675,000)	Pensions Reserve	8,111,000
52,808	Collection Fund Adjustment Account	1,276
(9,202)	Deferred Capital Receipts	13,777
36,419	Accumulating Compensated Absences Adjustment Account	(49,834)
<u>51,368,955</u>		<u>218,493,296</u>
	Adjustment between accounting basis and funding basis under regulations	
6,360,174	General Fund	(2,127,272)
(38,019,543)	Housing Revenue Account	(210,491,183)
274,419	Capital Receipts	329,037
0	Capital Grants Unapplied	(32,172)
<u>(31,384,950)</u>		<u>(212,321,590)</u>
<u>19,984,005</u>		<u>6,171,706</u>

6 Movement in Reserves Statement – Transfers (to)/ from Earmarked Reserves

This note sets out the amount set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

	31 March 2010 £	Transfers out 2010-11	Transfers in 2010-11	31 March 2011 £	Transfers out 2011-12	Transfers in 2011-12	31 March 2012 £
Capital							
Preservation of Historic Buildings Fund	(54,622)	0	0	(54,622)	0	0	(54,622)
Arts Grants	(72,676)	67,026	(40,000)	(45,650)	12,260	(40,000)	(73,390)
Dual Use Recreational Facilities	(318,000)	111,875	0	(206,125)	183,477	0	(22,648)
Planning Projects	(10,000)	10,000	0	0	0	0	0
Community Development	(154,417)	173,728	(99,978)	(80,667)	62,727	(135,307)	(153,247)
Sports Development	(267,545)	103,624	(99,981)	(263,902)	161,307	(64,693)	(167,288)
Other	(227,834)	76,387	(74,588)	(226,035)	87,398	(54,183)	(192,820)
Revenue							
Conservation Reserves	(1,090)	0	0	(1,090)	422	0	(668)
Building Control Reserve	(290,223)	87,446	0	(202,777)	60,196	0	(142,581)
Arts Reserve	(13,195)	8,566	(30,242)	(34,871)	29,892	0	(4,979)
Planning Reserve	(1,315,062)	299,480	(16,835)	(1,032,417)	320,130	0	(712,287)
Community Safety & Grants Reserve	(38,065)	16,670	(900)	(22,295)	10,940	(2,000)	(13,355)
Sports Reserve	(33,748)	44,748	(44,313)	(33,313)	28,428	(7,300)	(12,185)
Travellers Reserve	(549,161)	53,274	(132,513)	(628,400)	56,457	(131,988)	(703,931)
Other	(438,507)	199,993	(118,827)	(357,341)	18,379	(318,708)	(657,670)
	(3,784,145)	1,252,817	(658,177)	(3,189,505)	1,032,013	(754,179)	(2,911,671)
Total - Capital	(1,105,094)	542,640	(314,547)	(877,001)	507,169	(294,183)	(664,015)
Revenue	(2,679,051)	710,177	(343,630)	(2,312,504)	524,844	(459,996)	(2,247,656)
	(3,784,145)	1,252,817	(658,177)	(3,189,505)	1,032,013	(754,179)	(2,911,671)

7 Comprehensive Income and Expenditure Statement - Other Operating Expenditure

2010-11			2011-12
Net			Net
Expenditure			Expenditure
£	Other operating expenditure	Note	£
3,655,380	Precepts of Local Precepting Authorities		3,929,068
140,933	Internal Drainage Boards		143,336
856,003	Payment to the Government for Housing Pooled Capital receipts		829,758
791,118	Loss on disposal of non-current assets	5	2,363,108
5,443,434			7,265,270

The loss on disposal of non-current assets relates to the transfer of properties at nil consideration to housing associations.

8 Comprehensive Income and Expenditure Statement - Financing and Investment Income

2010-11			2011-12
Net			Net
Expenditure			Expenditure
£	Financing and investment income	Note	£
1,467,000	Pensions interest cost and expected return on pension assets	22	898,000
0	Interest Payable		59,119
(561,144)	Interest and investment income		(605,593)
905,856			351,526

9 Comprehensive Income and Expenditure Statement - Taxation

2010-11			2011-12
Net			Net
Expenditure			Expenditure
£	Taxation and non-specific grant income	Note	£
(10,440,056)	Income from Council Tax		(10,868,526)
(6,831,343)	Distribution from Non-Domestic Rate Pool		(4,603,491)
(1,032,894)	Non-ringfenced Government Grants	39	(2,571,426)
0	Capital Grants and contributions		(301,864)
(18,304,293)			(18,345,307)

10 Material items of income and expenditure

The main material item in the comprehensive income and expenditure statement is:

- In 2011-12, a material item charged to the Housing Revenue Account and then reversed out is the statutory payment to the Government of £205 million in respect of HRA self-financing.

The Government has replaced the previous subsidy system, whereby the Council paid around £12.5 million in 2011-12 (about 54% of its rent income) to the Government, with a self-financing system under which the Council will keep all its rent income but would take on a debt calculated at £205 million on 28 March 2012. This change benefits the Council in future years as the cost of servicing the debt is fixed at £7.2 million whereas the portion of the rents paid over was £12.5 million in 2011/12 and would have been likely to increase in later years.

This material item is shown as a separate line in the comprehensive income and expenditure core financial statement and in the Housing Revenue Account supplementary financial statement but is then reversed out and is also shown in the balance sheet as long term borrowing.

11 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and notes 5 and 6.

31 March 2011 £		Note	31 March 2012 £
(1,425,916)	Usable Capital Receipts Reserve		(1,096,879)
(3,189,504)	Earmarked Reserve	6	(2,911,671)
(589,850)	Capital Grants Unapplied		(622,022)
(7,407,235)	General Fund		(7,374,077)
(2,290,419)	Housing Revenue Account		(2,689,955)
(14,902,924)			(14,694,604)

Usable Capital Receipts Reserve

2010-11 £		2011-12 £
(1,700,335)	Balance at 1 April	(1,425,916)
(2,111,496)	Capital receipts received	(2,390,958)
1,553,146	Capital receipts applied	1,842,402
856,003	Payments to DCLG	829,758
(42,856)	Transfers to/ (from) reserves	47,835
19,622	Deferred capital receipts	0
(1,425,916)	Balance at 31 March	(1,096,879)

Capital Grants Unapplied

2010-11 £		2011-12 £
(584,050)	Planning Delivery Grant	(584,050)
(5,800)	Council Tax - efficiency changes	(5,800)
0	Improvement East - Information Technology and energy	(31,894)
0	Other	(278)
(589,850)	Balance at 31 March	(622,022)

12 Unusable Reserves

Movements in the Authority's unusable reserves are detailed in the Movement in Reserves Statement and detailed below.

Restated 2009-10 £	Restated 2010-11 £		2011-12 £
(46,938,895)	(14,610,365)	Revaluation Reserve	(14,920,498)
(414,925,848)	(375,290,447)	Capital Adjustment Account	(164,563,237)
52,267,000	31,592,000	Pensions Reserve	39,703,000
(11,952)	40,856	Collection Fund Adjustment Account	42,132
(50,909)	(60,111)	Deferred Capital Receipts	(46,334)
241,901	278,320	Accumulated Absences	228,486
(409,418,703)	(358,049,747)	Balance at 31 March	(139,556,451)

The Revaluation Reserve has been restated to reflect changes required for Heritage Assets as noted in the Council's Accounting Policy. Deferred capital receipts are amounts derived from the sales of assets that will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses, which form the main part of mortgages under long term debtors.

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when the gain is lost through a downward revaluation or impairment, when used in the provision of services and the gains are consumed through depreciation or, when the assets are disposed of and the gains realised.

Restated 31 March 2010 £	Restated 31 March 2011 £		31 March 2012 £
(2,557,426)	(46,938,895)	Balance at beginning of year	(14,610,365)
(49,232,380)	(6,984,581)	Revaluation gains	(6,100,572)
3,982,352	4,105,071	Reversal of impairment	4,021,198
221,631	34,462,595	Revaluation impairment	33,784
633,351	440,673	Release of revaluation gains on disposal	1,395,090
13,577	304,772	Depreciation adjustment	340,367
(46,938,895)	(14,610,365)	Balance at 31 March	(14,920,498)

Capital Adjustment Account

The Capital adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for the financing of the acquisition or enhancement of assets. The account is debited with the cost of depreciation, impairment losses or reversals and amortisation which are charged to the Comprehensive Income and Expenditure Statement, with reconciling postings from the Revaluation Reserve to convert fair value figures to a historic basis. The account is credited with amounts provided by the Council for the costs of acquisition and enhancement of assets.

31 March 2011		31 March 2012
£	Balance at 1 April	£
(414,925,848)		(375,290,447)
	Capital expenditure financed from;	
(1,556,015)	Capital Receipts	(1,842,402)
(1,301,299)	Revenue	(943,385)
(1,402,726)	Grants and Reserves	(1,283,305)
(3,275,871)	Major Repairs Allowance	(3,334,144)
0	Internal financing	(66,870)
0	HRA Self Financing	205,123,000
(440,673)	Write out of revaluation gain on disposal	(1,395,090)
2,878,272	Disposal of assets	5,042,218
47,127,180	Depreciation, amortisation and impairment	11,682,951
(4,105,071)	Reversal of impairment on revaluation	(4,021,198)
	Write out of revenue expenditure funded from	
1,711,604	capital under statute and loans repaid	1,765,435
(375,290,447)	Balance at 31 March	(164,563,237)

Pensions Reserve

2010-11 £'000		2011-12 £'000
52,267	Balance at 1 April	31,592
(20,675)	Movement in pension reserve	8,111
31,592	Balance at 31 March	39,703

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010-11 £		2011-12 £
(11,952)	Balance at 1 April	40,856
	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	
52,808		1,276
40,856	Balance at 31 March	42,132

Accumulated Absences

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. The amounts accrued at the end of each year reflect untaken leave, time off in lieu and flexitime balances. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010-11 £		2011-12 £
241,901	Balance at 1 April	278,320
	Amount by which officer remuneration charged to the Comprehensive Income and expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	
36,419		(49,834)
278,320	Balance at 31 March	228,486

13 Operating Activities

The cash flows for operating activities include the following items:

2010-11		2011-12	2011-12
£		£	£
(28,504,534)	Housing Benefit grant	(32,541,179)	
(17,806,724)	Cash received for goods and services	(15,192,942)	
(10,521,588)	Housing rents	(11,319,452)	
(6,827,785)	Council tax receipts - Council share	(6,934,204)	
(2,487,759)	Other grants and contributions	(5,311,275)	
(6,831,343)	Council share of National Non-Domestic Rates from National pool	(4,603,491)	
(1,032,894)	Revenue Support Grant	(2,347,601)	
20,147	Collection Fund -Council share	<u>(473)</u>	(78,250,617)
11,672,371	Negative Housing Subsidy	12,526,981	
19,230,166	Housing Benefit	20,394,780	
16,845,984	Cash paid to and on behalf of employees	16,647,357	
26,985,139	Other operating cash payments	18,476,418	
1,711,604	Revenue funded from capital under statute	1,765,435	
1,506,629	Payments to the Capital Receipts Pool	<u>729,406</u>	70,540,377
3,959,413			(7,710,240)

14 Investing Activities

The cash flows for investing activities include the following items:

2010-11		2011-12
£		£
7,636,467	Purchase of property, plant and equipment and intangible assets	5,944,835
(9,717,848)	Purchase of Short-term and long-term investments	5,809,010
(2,119,652)	Proceeds from the sale of property, plant and equipment	(2,399,559)
(561,375)	Proceeds from short-term and long-term investments	(546,474)
10,562	Other receipts from investing activities	13,775
(4,751,846)		8,821,587

Financing Activities

2010-11		2011-12
£		£
0	Cash receipts of short and long term borrowing	(205,123,000)
608,917	Other receipts from financing activities	(1,292,922)
0	Other payments for financing activities	205,123,000
<hr/>		
608,917		(1,292,922)

15 Cash and Cash Equivalents

The balance of Cash and cash Equivalents is made up of the following elements:

2010-11		2011-12
£		£
183,516	(Increase) /decrease in cash	181,575
<hr/>		
183,516	Increase in net debt from cash flow	181,575
(284,302)	Net debt at 1 April	(100,786)
<hr/>		
(100,786)	Net debt at 31 March	80,789

16 Amounts Reported for Resource Allocation - 2011-12

For the year ended 31st March 2012

The income and expenditure by service in the Comprehensive Income and Expenditure Statement has to be analysed on the basis set out in the Best Value Accounting Code of Practice. Internal management reporting is on the basis of Portfolios as set out below and this basis is then reconciled to the net cost of services and to the surplus or deficit on the provision of services in the comprehensive Income and Expenditure Statement.

Portfolio:	Finance and Environmental Services		Housing General Fund		Housing Revenue A/c		Sustainability Planning and Climate Change		Northstowe and New Communities		Leader Performance		Policy and Economic Development		Total	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Fees, charges and other service income	(704,282)	(2,099,036)	(724,493)	(25,747,201)	(1,895,230)	(83,154)	0	0	0	0	(79,567)	(12,566)	(31,345,529)			
Government grants	(32,320,757)	0	(103,262)	0	0	0	0	0	0	0	(41,080)	0	(32,535,099)			
Total income	(33,025,039)	(2,099,036)	(827,755)	(25,747,201)	(1,895,230)	(83,154)	(70,000)	(12,566)	(63,880,628)							
Employee expenses	231,741	11,341	0	1,340,042	0	0	0	0	0	0	0	0	1,583,124			
Other service expenses	32,594,687	5,060,929	711,542	16,221,611	284,065	243,087	246,589	156,761	69,152	55,588,423						
Operational and support service recharges	3,875,677	2,349,267	1,262,596	3,500,874	3,534,775	1,497,343	146,777	509,634	82,693	16,759,636						
Financing, depreciation, etc.	1,600	202,747	81,127	4,226,018	15,358	4,400	0	0	0	4,531,250						
Interest payments	0	0	0	59,119	0	0	0	0	0	59,119						
Total expenditure	36,703,705	7,624,284	2,055,265	25,347,664	3,834,198	1,744,830	393,366	151,845	78,521,552							
Net expenditure	3,678,666	5,525,248	1,227,510	(399,537)	1,938,968	1,661,676	323,366	545,748	139,279	14,640,924						

Reconciliation from Portfolio basis to Net Cost of Services in the Comprehensive Income and Expenditure Statement

Cost of services on Segmental Reporting (Portfolio) basis

Additional segments not included in the Portfolio analysis

Amounts not included in reports to Portfolio Holders but included in the Comprehensive Income and Expenditure Statement net cost of services

Amounts included in reports to Portfolio Holders but not included in the Comprehensive Income and Expenditure Statement net cost of services

Net cost of services

14,640,924

Reconciliation from Portfolio basis to total income and expenditure in the Comprehensive Income and Expenditure Statement

	Portfolio analysis	Services not in analysis	Not reported to management	Not included in Comp I & E	Allocation of recharges	Net cost of services	Total
	£	£	£	£	£	£	£
Fees, charges & other service income	(31,345,529)	0	0	18,209	(100,437)	(31,427,757)	(31,427,757)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	0	0	0	0	0	0	(605,593)
Income from council tax	0	0	0	0	0	0	(10,868,526)
Government grants and contributions	(32,535,099)	0	0	50,470	(82,549)	(32,567,178)	(7,476,781)
Total Income	(63,880,628)	0	0	68,679	(182,986)	(63,994,935)	(18,950,900)

Employee expenses	1,583,124	0	(367,834)	(195,937)	15,964,648	16,984,001	17,882,001
Other service expenses	55,588,423	5,861	219,966	1,032,015	667,336	57,513,601	57,513,601
Operational and support service recharges	16,759,636	0	0	0	(16,766,107)	(6,471)	(6,471)
Financing, depreciation, etc.	4,531,250	0	3,682,740	(891,874)	317,109	7,639,225	212,762,225
Interest payments	59,119	0	0	(59,119)	0	0	59,119
Precepts & levies	0	0	0	0	0	0	4,072,404
Payments to housing capital receipts pool	0	0	0	0	0	0	829,758
Gain or loss on disposal of non-current assets	0	0	0	0	0	0	2,363,107
Total operating expenses	78,521,552	5,861	3,534,872	(114,915)	182,986	82,130,356	205,123,000

Surplus or deficit on the provision of services

(10,728,512) 205,123,000 212,529,909

Amounts Reported for Resource Allocation - 2010-11

For the year ended 31st March 2011

The income and expenditure by service in the Comprehensive Income and Expenditure Statement has to be analysed on the basis set out in the Best Value Accounting Code of Practice. Internal management reporting is on the basis of Portfolios as set out below and this basis is then reconciled to the net cost of services and to the surplus or deficit on the provision of services in the comprehensive Income and Expenditure Statement.

Portfolio:	Finance and Environmental Services		Housing		Housing Revenue A/c		Sustainability Planning and Climate Change		Northstowe and New Communities		Leader Performance		Policy and Economic Development		Total	
	Staffing	Services	General	Fund	Revenue	A/c	£	£	£	£	£	£	£	£	£	£
Fees, charges and other service income	(840,251)	(1,704,150)	(794,763)	(24,177,104)	(1,758,599)	(784,528)	0	(119,229)	0	(23,618)	0	(30,178,624)	0	(30,449,888)		
Government grants	(30,203,200)	0	(69,290)	0	(76,666)	(16,835)	0	(60,279)	0	(179,508)	0	(30,449,888)	0	(30,449,888)		
Total income	(31,043,451)	(1,704,150)	(864,053)	(24,177,104)	(1,835,265)	(801,363)	0	(179,508)	0	(23,618)	0	(60,628,512)	0	(60,628,512)		
Employee expenses	299,838	10,921	0	1,339,475	0	0	0	0	0	0	0	1,650,234	0	1,650,234		
Other service expenses	30,410,084	4,949,610	645,949	15,113,048	1,166,928	353,576	0	160,550	224,784	155,047	0	50,274	50,274	53,074,803		
Operational and support service recharges	3,835,548	2,262,174	1,296,169	3,606,786	3,267,927	1,900,682	0	595,049	155,047	0	0	64,383	64,383	16,983,765		
Financing, depreciation, etc.	1,600	166,394	70,595	4,573,470	63,474	42,827	0	0	0	0	0	0	0	4,918,360		
Total expenditure	34,547,070	7,389,099	2,012,713	24,632,779	4,498,329	2,297,085	0	755,599	379,831	356,213	576,091	114,657	114,657	15,998,650		
Net expenditure	3,503,619	5,684,949	1,148,660	455,675	2,663,064	1,495,722	0	576,091	356,213	576,091	576,091	114,657	114,657	15,998,650		

Reconciliation from Portfolio basis to Net Cost of Services in the Comprehensive Income and Expenditure Statement

Cost of services on Segmental Reporting (Portfolio) basis

Additional segments not included in the Portfolio analysis

Amounts not included in reports to Portfolio Holders but included in the Comprehensive Income and Expenditure Statement net cost of services

Amounts included in reports to Portfolio Holders but not included in the Comprehensive Income and Expenditure Statement net cost of services

Net cost of services

15,998,650																
30,359																
29,064,542																
(687,032)																
44,406,519																

Reconciliation from Portfolio basis to total income and expenditure in the Comprehensive Income and Expenditure Statement

Portfolio analysis

Services not in analysis

Not reported to management

Comp I & E

Not included in Allocation of recharges

Net cost of services

Corporate amounts

Total

	Portfolio analysis	Services not in analysis	Not reported to management	Comp I & E	Not included in Allocation of recharges	Net cost of services	Corporate amounts	Total
Fees, charges & other service income	(30,178,624)	0	0	1,003,119	(43,106)	(29,218,611)	0	(29,218,611)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	0	0	0	0	0	0	(561,144)	(561,144)
Income from council tax	0	0	0	0	0	0	(10,440,056)	(10,440,056)
Government grants and contributions	(30,449,888)	0	0	0	(39,028)	(30,488,916)	(7,864,237)	(38,353,153)
Total Income	(60,628,512)	0	0	1,003,119	(82,134)	(59,707,527)	(18,865,437)	(78,572,964)
Employee expenses	1,650,234	0	(10,813,581)	0	15,446,311	6,282,964	1,467,000	7,749,964
Other service expenses	53,074,803	30,359	879,975	(1,690,151)	1,245,773	53,540,759	0	53,540,759
Operational and support service recharges	16,983,765	0	0	0	(16,983,765)	0	0	0
Financing, depreciation, etc.	4,918,360	0	38,998,148	0	373,815	44,290,323	0	44,290,323
Interest payments	0	0	0	0	0	0	0	0
Precepts & levies	0	0	0	0	0	0	3,796,313	3,796,313
Payments to housing capital receipts pool	0	0	0	0	0	0	856,003	856,003
Gain or loss on disposal of non-current assets	0	0	0	0	0	0	791,118	791,118
Total operating expenses	76,627,162	30,359	29,064,542	(1,690,151)	82,134	104,114,046	6,910,434	111,024,480
Surplus or deficit on the provision of services	15,998,650	30,359	29,064,542	(687,032)	0	44,406,519	(11,955,003)	32,451,516

17 Acquired and Discontinued Operations

There are no transactions to report under these headings in 2011-12 or in 2010-11.

18 Trading Operations

2010-11	Direct Labour Organisation	2011-12
£		£
2,786,394	Building Maintenance Turnover	2,216,586
(27,875)	(Surplus)/ Deficit	453
(2,964)	Accounting adjustments for pensions and impairment	(16,248)
(30,839)	Total (Surplus)/ Deficit	(15,795)

19 Members Allowances

The total of Members' allowances paid in the year was £368,943 (£369,121 in 2010-11). Further information is available upon request from the Democratic Services Manager, South Cambridgeshire District Council, South Cambridgeshire Hall, Cambourne Business Park, Cambourne, Cambridge, CB23 6EA.

20 Officers' Remuneration

The number of employees, excluding Senior Officers shown below, whose remuneration was £50,000 or more were:

Remuneration band	2011-12 number of employees	2010-11 number of employees
£50,000 - £54,999	3	6
£55,000 - £59,999	2	3
£60,000 - £64,999	1	4
£65,000 – £69,999	2	3
£70,000 - £74,999	2	1
£75,000 – £79,999	0	1

Remuneration for these purposes includes all sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits other than in cash. As remuneration includes redundancy and compensation for loss of office, the number of employees in each salary band can vary from year to year. Pension contributions payable by either the employee or employer are excluded.

Exit Packages

Exit packages are those that have been agreed by the Authority, i.e. those packages for which the Authority is demonstrably committed and, have been paid in 2011-12 or are committed to be paid within 12 months. The costs included are those termination benefits defined and measured in accordance with the Code of Practice and include all relevant redundancy costs, pension contributions in respect of early retirement, ex gratia payments and other departure costs.

Exit package cost band (including special payments)	No. of compulsory redundancies		No. of other departures agreed		Total cost of exit packages in each band	
	2010-11	2011-12	2010-11	2011-12	2010-11 £	2011-12 £
£0 - £20,000	8	6	7	4	134,820	87,667
£20,001 - £40,000	4	7	0	0	113,948	202,317
£40,001- £80,000*	3	2	1	0	194,602	105,713
£100,001 - £150,000	0	0	1	0	133,335	0
Total	15	15	9	4	576,705	395,697

*Bands have been combined to ensure individual exit packages cannot be identified.

Senior Officer Remuneration

In 2011-12 Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year were:

		Actual Salary Paid	Returning Officer Fees	Benefits in Kind (e.g. Car Allowance)	Compensation for loss of office	Total Remuneration excluding pension contributions	Employers Pension contributions	Total Remuneration including pension contributions
		£	£	£	£	£	£	£
Chief Executive¹	2011-12	120,000	13,777	0	0	133,777	26,040	159,817
	2010-11	61,333	477	566	0	62,376	13,309	75,686
Chief Executive²	2011-12	0	0	0	0	0	0	0
	2010-11	51,637	12,696	2,944	103,386	170,663	41,154	211,817
Executive Director³	2011-12	102,835	0	0	0	102,835	22,315	125,150
(Operational Services)	2010-11	104,075	0	1,362	0	105,437	22,584	128,021
Executive Director	2011-12	102,835	300	0	0	103,135	22,315	125,450
(Corporate Services)	2010-11	99,319	0	56	0	99,375	21,552	120,927

Chief Executive¹ date of commencement of service: 27 September 2010

Chief Executive² date of termination of service: 31 August 2010

Executive Director³ date of termination of service: 30 April 2012

21 External Audit Costs

Expenditure during the year on audit costs was:

2010-11 £	Audit Commission	2011-12 £
120,000	Auditing Fee	114,000
<u>(9,116)</u>	Rebate	<u>(9,120)</u>
110,884		104,880
<u>36,954</u>	Certifying grant claims	<u>34,374</u>
147,838		139,254
<u>21,491</u>	Inspection fee	<u>0</u>
<u>169,329</u>		<u>139,254</u>

22 Defined Benefit Pension Scheme

The Council participates in the national Local Government Pension Scheme which is a funded defined benefit (final salary) scheme and which also provide historic unfunded discretionary benefits, both of which are administered by Cambridgeshire County Council. With the funded scheme, the Council (the employer) and employees both pay contributions into the pension fund with the employer's contribution calculated every three years at a level intended to balance the scheme assets and liabilities over a twenty year period.

The pension costs allocated to services and shown in the revenue accounts in the Net Cost of Services section is the present value of the cost of retirement benefits earned by employees during the year, which will eventually be paid out as pensions. These costs are reversed out in the Movement in Reserves Statement with the cash contributions payable to the pension fund during the year being included as shown:

The net position of the pension fund is:

31 March 2011 £'000		31 March 2012 £'000
64,135	Fair value of scheme assets	63,267
<u>(95,703)</u>	Present value of scheme liabilities	<u>(102,946)</u>
(31,568)		(39,679)
(293)	Less capital contribution to early retirement included in scheme assets	(147)
269	Liability for cost of early retirement shown separately under creditors in balance sheet	123
<u>(31,592)</u>	Amount recognised in balance sheet	<u>(39,703)</u>

Transactions in the Comprehensive Income and Expenditure Account

2010-11 £'000		2011-12 £'000
	Net cost of services	
2,396	Current service cost apportioned to services	2,162
(10,983)	Past service costs (non-distributed cost)	127
99	Losses on curtailment (non-distributed cost)	10
	Net operating expenditure	
5,715	Interest cost	5,220
(4,248)	Expected return on assets	(4,322)
(7,021)		3,197

Transactions in the Movement in Reserves Statement

2010-11 £'000		2011-12 £'000
7,021	Reversal of pension costs earned in year	(3,197)
2,469	Employer's payment to pension fund	2,503
114	Employer's payment for unfunded pensions	114
9,604		(580)
15	Additional liability accrued for in 2009/10	0
(236)	Movement in creditor	0
9,383		(580)

The movement in the fair value of scheme assets is:

2010-11 £'000		2011-12 £'000
59,864	Opening balance as at 1 April	64,135
4,248	* Expected return on assets	4,322
772	Contributions by Members	739
2,762	** Contributions by Employer	2,650
114	Contributions in respect of unfunded benefits	114
4	Actuarial gain / (losses)	(4,041)
(114)	Unfunded benefits paid	(114)
(3,515)	Benefits paid	(4,538)
64,135	Closing balance as at 31 March	63,267

* The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period.

**The estimated contributions by the employer in 2012-13 are £2,351,000. In addition, the employer is contributing approximately £300,000 in 2012-13 to an internal reserve.

The movement on the present value of scheme liabilities is:

2010-11		2011-12
£'000		£'000
(112,621)	Opening balance as at 1 April	(95,703)
(2,396)	Current service cost	(2,162)
(5,715)	Interest cost	(5,220)
(772)	Contributions by Members	(739)
11,288	Actuarial gains / (losses)	(3,637)
10,983	Past service (costs) / gains	(127)
(99)	Losses on curtailment	(10)
114	Estimated unfunded benefits paid	114
3,515	Estimated benefits paid	4,538
(95,703)	Closing balance as at 31 March	(102,946)

The analysis of the fair value of scheme assets is:

31 March 2011			31 March 2012	
£'000	%		£'000	%
46,819	73%	Equities	45,553	72%
9,620	15%	Bonds	8,857	14%
5,131	8%	Property	5,694	9%
2,565	4%	Cash	3,163	5%
64,135	100%	Total	63,267	100%

The amounts recognised in the Comprehensive Income and Expenditure Statement are:

2010-11		2011-12
£'000		£'000
11,288	Actuarial (loss) / gain on scheme liabilities	(3,637)
4	Actuarial loss /(gain) on scheme assets	(4,041)
11,292	Actuarial gains /(losses)	(7,678)
(28,183)	Cumulative actuarial (losses) at year end	(35,861)

The principal assumptions used by the Actuary are:

31 March 2011		31 March 2012
	Financial assumptions	
2.8%	Inflation/pensions increase rate	2.5%
5.1%	Salary increase rate	*4.8%
	* (1% to 31 March 2015, 4.8% thereafter)	
6.8%	Expected return on assets	5.6%
5.5%	Discount rate	4.8%
	Analysis of the expected return on assets	
7.5%	Equities	6.3%
4.9%	Bonds	3.3%
5.5%	Property	4.4%
4.6%	Cash	3.5%
	Life expectancy at age 65	
	Current pensioners	
21 years	Males	21 years
23.8		23.8
years	Females	years
	Future pensioners	
22.9		22.9
years	Males	years
25.7		25.7
years	Females	years
	Employees electing to take additional tax-free lump sum up to HMRC limits	
25%	pre April 2008 service	25%
63%	pre April 2008 service	63%

The five year scheme history as stated in the Actuary's report before any accounting adjustments is:

	2007-08	2008-09	2009-10	2010-11	2011-12
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	54,650	44,858	59,864	64,135	63,267
Present value of scheme liabilities	(70,075)	(68,964)	(112,621)	(95,703)	(102,946)
Surplus/deficit	(15,425)	(24,106)	(52,757)	(31,568)	(39,679)
Actuarial gains/ (losses) on asset obligation					
Experience gains/(losses) on assets	(2,690)	(14,294)	11,777	4	(4,041)
Experience (gains)/losses on liabilities	7,445	6,664	(39,637)	11,288	(3,637)
	4,755	(7,630)	(27,860)	11,292	(7,678)
Experience (gains)/ losses on liabilities as % of present value of scheme liabilities	(10.6%)	(9.7%)	35.2%	(11.8%)	3.5%

23 Events after the Balance Sheet Date

The un-audited Statement of Accounts were authorised for issue by the Executive Director – Corporate Services on 28 June 2012. This is the date up to which events after the balance sheet date have been considered.

24 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows the reader to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government is responsible for providing the statutory framework within which the Council operates and provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties, for example Collection Fund surplus or deficit. Details of transactions with government departments and Precepting authorities are set out in Notes 35 and 51.

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2011-12 is shown in Note 19.

In 2011-12, there were no reported material related party transactions that are not disclosed elsewhere in the accounts.

25 Leases

There were no finance lease agreements during 2011-12.

The Council has no operating leases. Payments of £1,142,472 in respect of vehicle contract hire were made in 2011-12 (£998,382 in 2010-11).

The future minimum contract hire payments due under non-cancellable agreements in future years are:

2010-11		2011-12
£		£
1,057,065	Not later than one year	1,017,523
3,382,456	Later than one year and not later than five years	3,009,864
575,271	Later than five years	39,723
5,014,792		4,067,110

26 Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences and software.

All software is given a finite useful life based on assessments of the period that the software is expected to be of use to the Authority and is reviewed annually, the useful lives assigned to the software used by the Authority are:

Cash Receipting System	5 years
Financial Management System	5 years
Corporate DIP System	5 years
Other	5 years

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £37,914 charged to revenue in 2011-12 was charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	Intangible Assets 2011-12	Intangible Assets 2010-11
Balance at start of year		
Gross carrying amount	294,610	217,893
accumulated amortisation	(150,794)	(100,148)
Net carrying amount at start of year	143,816	117,745
Additions		
Purchases	202,944	76,717
Amortisation for the period	(37,914)	(50,646)
Net carrying amount at end of year	308,846	143,816
Comprising:		
Gross carrying amounts	497,554	294,610
Accumulated depreciation	(188,708)	(150,794)
	308,846	143,816

27 Impairment Losses

Impairment is first charged to the Revaluation Reserve where an existing credit is available, the balance being recognised and charged to the surplus or deficit on the provision of services. Revaluation impairment incurred during the year and the reversal of prior year impairment previously recognised in the Comprehensive Income and Expenditure Account, is identified below:

Property, Plant and Equipment	2011-12	2010-11
	£	£
Council dwellings (Housing Revenue Account and General Fund)		
Impairment	1,104,444	69,038,057
Charge to Revaluation Reserve	(371,490)	(34,088,092)
Reversal	(3,694,728)	(3,900,899)
Other Land and Buildings		
Impairment	59,809	5,174
Charge to Revaluation Reserve	(2,661)	(11,684)
Reversal	(326,471)	(163,636)
Vehicles, Plant and Equipment		
Impairment	0	58,250
Reversal	0	0
Infrastructure		
Impairment	11,890	0
Surplus assets not held for sale		
Impairment	0	(1,676,833)
Charge to Revaluation Reserve	0	(657,929)
Reversal		(40,580)

28 Property, Plant and Equipment, Surplus assets held for sale and Heritage Assets

Depreciation starting in the year after acquisition is provided for on non-current assets by writing down the cost (or re-valued amount) less estimated residual value, on a straight-line basis to the appropriate revenue account over the following periods:

Council dwellings – 16/45 years,
Buildings other than dwellings – 10/51 years,
Vehicles, plant and equipment – 7/10 years.

No depreciation is charged on Heritage assets or freehold land in accordance with standard accounting policies. The depreciation charged on dwelling stock is reversed out at 31 March each year when the housing stock is re-valued so this charge has no impact on the fair value of the housing stock as recorded in the Balance Sheet.

Property, Plant and Equipment for the financial year 2011-12

	Council dwellings £	Other land and buildings £	Vehicles, Plant and Equipment £	Infrastructure assets £	Surplus Assets held not for sale £	Total Property Plant and Equipment £
Cost or valuation						
At 1 April 2011	369,225,419	18,582,390	4,658,137	95,404	2,403,000	394,964,350
Additions	5,218,448	59,809	448,741	11,890	3,000	5,741,888
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(4,929,723)	(30,993)	0	(11,890)	150	(4,972,456)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(732,953)	(57,148)	0	0	0	(790,101)
Derecognition-disposals	(3,142,465)	(83,753)	(10,000)	0	(1,806,000)	(5,042,218)
Other movements in cost or valuation	0	0	0	0	0	0
At March 2012	365,638,726	18,470,305	5,096,878	95,404	600,150	389,901,463
Accumulated Depreciation and impairment						
At 1 April 2011	0	(318,290)	(2,355,434)	(45,114)	0	(2,718,838)
Depreciation Charge	(10,310,602)	(205,615)	(315,550)	(11,279)	0	(10,843,046)
Depreciation written out to the Revaluation Reserve	337,706	0	0	0	0	337,706
Depreciation written out to the Surplus/Deficit on the Provision of Services	9,972,896	361,150	0	0	0	10,334,046
Impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses/ (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition-disposals	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0
At March 2012	0	(162,755)	(2,670,984)	(56,393)	0	(2,890,132)
Net Book Value						
At March 2011	369,225,419	18,264,100	2,302,703	50,290	2,403,000	392,245,512
At March 2012	365,638,726	18,307,550	2,425,894	39,011	600,150	387,011,331

Property, Plant and Equipment for the financial year 2010-11

	Council dwellings £	Other land and buildings £	Vehicles, Plant and Equipment £	Infrastructure assets £	Surplus Assets held not for sale £	Total property Plant and Equipment £
Cost or valuation						
At 1 April 2010	438,696,550	18,669,064	3,260,847	95,404	1,587,500	462,309,365
Additions	6,000,615	243	1,538,790	0	0	7,539,648
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(38,315,218)	166,930	0	0	371,937	(37,776,351)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(35,403,672)	(11,684)	(58,250)	0	(978,324)	(36,451,930)
Derecognition-disposals	(1,794,523)	(242,163)	(83,250)	0	(758,336)	(2,878,272)
Other movements in cost or valuation	41,667	0	0	0	2,180,223	2,221,890
At March 2011	369,225,419	18,582,390	4,658,137	95,404	2,403,000	394,964,350
Accumulated Depreciation and impairment						
At 1 April 2010	0	(124,164)	(1,932,887)	(33,835)	0	(2,090,886)
Depreciation Charge	(9,965,153)	(200,635)	(422,547)	(11,279)	0	(10,599,614)
Depreciation written out to the Revaluation Reserve	306,653	7,124	0	0	0	313,777
Depreciation written out to the Surplus/Deficit on the Provision of Services	9,658,500	0	0	0	0	9,658,500
Impairment losses/ (reversals) recognised in the Revaluation Reserve	0	4,560	0	0	0	4,560
Impairment losses/ (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(5,175)	0	0	0	(5,175)
Derecognition-disposals	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0
At March 2011	0	(318,290)	(2,355,434)	(45,114)	0	(2,718,838)
Net Book Value						
At March 2010	438,696,550	18,544,900	1,327,960	61,569	1,587,500	460,218,479
At March 2011	369,225,419	18,264,100	2,302,703	50,290	2,403,000	392,245,512

Surplus assets held for sale

	Assets held for sale 2011-12 £	Assets held for sale 2010-11 £
Cost or valuation		
At 1 April	0	2,244,337
Inter-asset transfer	0	(2,244,337)
At March	0	0
Accumulated impairment		
At 1 April	0	0
Impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0
Impairment losses/ (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0
At March	0	0
Net Book Value		
At March 2011	0	2,244,337
At March 2012	0	0

Heritage Assets

	Heritage Assets 2011-12 £	Heritage Assets 2010-11 £	Heritage Assets 2009-10 £	Heritage Assets 2008-09 £	Heritage Assets 2007-08 £
Valuation					
At 1 April	609,429	580,409	552,770	526,448	506,200
Additions	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	15,236	29,020	27,639	26,322	20,248
At March	624,665	609,429	580,409	552,770	526,448
Accumulated impairment					
At 1 April	0	0	0	0	0
Impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment losses/ (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0
At March	0	0	0	0	0
Net Book Value					
At March 2011	609,429	580,409	552,770	526,448	506,200
At March 2012	624,665	609,429	580,409	552,770	526,448

Heritage assets are those assets that are intended to be held in trust for future generations because of their cultural, environmental or historical associations and include historical buildings, civic regalia and works of art. Heritage assets held include St Denys' Church, East Hatley which is maintained by the Council and is included in the Council's accounts at insurance valuation, and reviewed annually, in accordance with the Statement of Accounting Policies, other heritage assets held include civic regalia, Landbeach Tithe Barn, a woven wall hanging and two vases, these items not considered to be of material value.

Revaluations

The Council carries out a programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years.

Valuations on the bases set out in the statement of accounting policies have been carried out for:

- a) Council dwellings and non-operational assets relating to the Housing Revenue Account as at 31 March 2010 by Mr Andrew Wilcox, MRICS, District Valuer, East of England; and reviewed by him as at 31 March 2012 and
- b) Other land and buildings and valued as at 31 March 2010 by Mr Gary Bradbury, MRICS, District Valuer, East of England, and reviewed as at 31 March 2012 by Mr Andrew Wilcox, MRICS, District Valuer, East of England

The Council is not aware of any events or circumstances which indicate that the amounts stated in the balance sheet for non-current assets may not be realisable, as at the balance sheet date. Council dwellings are valued on the prescribed basis set out in note 40. In the event that the dwellings are transferred to a housing association, then the valuation method for such a transfer is entirely different and produces a much lower valuation.

An analysis of non-current assets is:

31 March 2011 (numbers)		31 March 2012 (numbers)
5,523	Council dwellings (HRA & GF)	5,479
1	Office	1
1	Depot and workshop (leased)	1
	Country Park, visitors centre and toilet block (99 year lease granted to Cambridge Sports Lake Trust Ltd at 31 March 2008)	
0		0
0	Car parks: Histon and Melbourn - 99 year lease Linton - 125 year lease granted in 2010-11 Sawston - 99 year lease granted in 2009-10	0
30.23 acres	Land	30.23 acres

Capital commitments as at 31 March 2012 were £0.1 million on Housing and £1.4 million on General Fund, but these commitments are more than covered by usable housing capital receipts and from earmarked reserves in the General Fund.

29 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

Capital expenditure was financed as follows:

	2011-12 £	2010-11 £
Opening Cash overdrawn	1,794,926	0
Expenditure		
Intangible assets	202,944	76,717
Non-current assets	5,741,889	7,539,648
Revenue funded from capital under statute	1,765,435	1,711,605
Long term debtors	5,174	20,102
Financing		
Capital Receipts	(1,847,576)	(1,573,250)
Revenue	(1,010,255)	(1,301,299)
Grant and contributions	(794,470)	(1,097,307)
Major Repairs Allowance	(3,334,144)	(3,275,871)
Reserves	(488,835)	(305,419)
Closing cash overdrawn	2,035,088	1,794,926

Legislation allows some items to be funded from capital resources that under normal accounting practice would be charged to surplus or deficit on the provision of Services; expenditure for this purpose is shown below.

	2011-12 £	2010-11 £
Balance as at 1 April	0	0
Improvement Grants	715,508	746,344
Other	1,049,927	965,261
Written out	(1,765,435)	(1,711,605)
Balance as at 31 March	0	0

30 Inventories

31 March 2011 £		31 March 2012 £
39,991	DSO - Recycling and refuse bins and sacks	38,258
1,948	Catering	1,502
4,078	Post	2,443
46,017		42,203

31 Short Term Debtors

31 March 2011	Debtors	31 March 2012
£		£
1,706,122	Government Departments - other	1,108,315
4,006,605	Government Departments - Business Rates	0
98,045	Council Tax - District Council share	109,161
337,628	Housing Rents	317,469
179,446	Cambridgeshire County Council	242,894
2,548,355	Sundry Debtors	4,041,978
8,876,201		5,819,817
	Provision for Doubtful Debts	
(72,759)	Council Tax	(46,613)
(321,738)	Housing	(301,677)
(840,256)	Sundry Debtors	(1,090,463)
(1,234,753)		(1,438,753)
7,641,448	Total Debtors	4,381,064

The credit risk associated with accounts payable to the Council is reflected in the provisions made in the accounts for doubtful debts the methodology applied being given in Note 36.

32 Short Term Creditors

31 March 2011 £		31 March 2012 £
(577,162)	Government Departments - other	(679,761)
0	Government Departments - Business Rates	(2,214,765)
(86,290)	Council Tax -District Council share	(1,607,960)
(241,394)	Housing Rents	(237,108)
(956,178)	Cambridgeshire County Council	(609,655)
(38,174)	Cambridgeshire Police Authority	(38,969)
(13,089)	Cambridgeshire Fire Authority	(13,333)
(73,632)	Cambridge City Council	(65,998)
(2,522,724)	Sundry Creditors	(2,275,461)
(56,611)	Provision	(380,411)
(1,246,999) **	Developers Contributions	(938,051)
(5,812,253)	Total Creditors	(9,061,472)

Developer's contributions

**Developers' contributions are monies received from developers under section 106 of the Town and Country Planning Act 1990 which contribute to the infrastructure costs for drainage and to community arts and development and are detailed below:

	Balance at 31 March 2011 £	Movement during year £	Balance at 31 March 2012 £
Capital			
Commuted Sums	(81,989)	0	(81,989)
Partnership works on Awarded Watercourses	(421,127)	101,543	(319,584)
Affordable Housing S106	(502,918)	166,673	(336,245)
Revenue			
Sustainability S106 Arbury Camps	(68,908)	0	(68,908)
Public Art S106 Arbury Camps	(153,324)	46,985	(106,339)
Community Development S106	(11,517)	0	(11,517)
Electoral Arrangements	(7,216)	0	(7,216)
Waste Management	0	(6,253)	(6,253)
	(1,246,999)	308,948	(938,051)
Capital	(1,006,034)	268,216	(737,818)
Revenue	(240,965)	40,732	(200,233)
	(1,246,999)	308,948	(938,051)

33 Provisions

Provisions included in the balance sheet consist of provisions for bad and doubtful debts which have been netted off debtors, and Accumulated Compensated Absences of £228,486 as shown in the Balance Sheet and Note 12.

34 Contingent Liabilities

Contingent liabilities as at the balance sheet date include:

1. the Council has an equity share scheme for the elderly under which Council owns part shares in approximately 305 properties. The terms of the leases include an obligation for the Council to buy back the equity share upon surrender by the tenant or his/her executors. There are also other equity share schemes covering approximately 74 properties where a similar obligation exists. The Council would then look to resell the properties under the equity share schemes so that the in and out transactions would have had an approximately nil financial effect. As a result of the introduction of the pooling of capital receipts arrangements in local government from 1 April 2004, the Council may be exposed to a liability to pay 75% of the value of any capital receipts from the resale of these properties to Central Government. During 2010-11, 213 properties were transferred from the Housing revenue Account to the General Fund. Any potential liability relates to the remaining properties in the Housing Revenue Account and cannot be quantified at this time;
2. the Council has undertaken an equal pay audit; there might be claims for back-pay plus interest and legal costs together with additional pension and redundancy costs and possibly additional future payroll costs.

35 Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2011-12.

2010-11 £		2011-12 £
	Credited to services	
	Department of Social Security and Department of Communities and Local Government	
(701,775)	Housing Benefit Administration, Discretionary and Fraud	(653,238)
	Department of Communities and Local Government	
(220,600)	NNDR Cost of Collection Allowance	(216,443)
(16,385)	Habitat regulation	0
(36,050)	Homelessness	(5,258)
(1,622)	Mortgage Rescue	(1,500)
(9,183)	Council tax /Business Rates	(10,206)
(325,288)	Improvement Grant	(311,301)
	Cambridgeshire County Council	
(60,279)	Building Safer Communities -Safer, Stronger Communities Fund	(41,080)
(77,167)	Supporting People	(52,390)
0	LPSA Reward Grant	(70,000)
	Cambridge Horizons and Department of Communities and Local Government	
(631,537)	Growth Agenda/ New Communities	0
	Private Sector	
(180,000)	Housing Association Support	(201,333)
0	S106 contributions	(41,027)
(227,873)	Contributions from other authorities	(1,136,072)
(2,487,759)		(2,739,848)
	Credited to Taxation and Non-specific Grant Income	
	Department of Communities and Local Government	
(991,974)	Revenue Support Grant	(1,422,952)
0	New Homes Bonus	(924,649)
(40,920)	Area Based Grant	0
0	Council Tax Freeze Grant	(173,355)
0	Local Services Support Grant	(50,470)
(1,032,894)		(2,571,426)

36 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Council has the following financial instruments:

- financial liabilities: trade payables and long term borrowing
- financial assets: loans and receivables comprising bank deposits, trade receivables, investments and long term mortgages

For trade payables, bank deposits and trade receivables, being of short duration, and for long term mortgages, being at variable rates, and PWLB loan at fixed rates, the carrying value in the balance sheet is considered approximate to their fair value.

For investments, which are mainly at fixed rates, fair value has not been calculated and the Code has not been complied with in this respect.

Fair value is the amount determined by knowledgeable, willing parties in an arm's length transaction.

The Council has given interest free loans, repayable on the sale/transfer of charged properties, which have not been classified as financial instruments. These loans are included in the balance sheet as long term debtors', the outstanding amount was £386,228 as at 31 March 2012 (£381,053 in 2010-11).

The financial risks arising from financial instruments are:

a) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are only made with banks and financial institutions which are included as counterparties in the Council's Investment Strategy, which regards the successful identification, monitoring and control of risk to be the prime criteria. The Council has a policy of tiered maximum investments with the up-most limit not more than £5 million of its surplus balances to any one institution.

With no historical experience of default, the exposure to credit risk on bank deposits and investments is not considered material. The main exposure to credit risk relates to housing rents where a provision for bad debts is made.

Where sums are owed by the Council's customers and contractual debtors the Council makes provision for doubtful debt based on an assessment of the risks for each type and the age of those debts, the Council does not generally extend credit beyond 21 days.

b) Liquidity Risk

All trade and other payables are due to be paid in less than one year. The PWLB loans have maturities of between 25 and 45 years, interest being paid half yearly, a Repayment Reserve being used to manage the future repayment of principal.

c) Market Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments as most investments are at fixed rates. Movement in interest rates can have an impact on the Council's interest receipts from investments; for example, a rise in interest rates would have the following effects:

Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise

Investments at fixed rates – the fair value of the assets will fall (but the carrying amount will not change)

As most investments are at fixed rates, a sensitivity analysis for interest rate changes has not been carried out.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget which is used to update the Council's medium term financial strategy periodically during the year, this allows any adverse changes to be accommodated.

Price risk and foreign exchange risk are not applicable.

37 Nature and extent of risks arising from Financial Instruments

Credit risk arises from investments with banks and other financial institutions, as well as credit exposures to the Council's customers.

Investments

The following shows the original principal sum invested at 31 March analysed by the nature of the financial institution and by maturity, these investments are fixed time and callable deposits where the deposits are redeemed for the same value as the amount invested. The deposits are with United Kingdom banks and building societies and, therefore, no provision is made for possible loss of principal.

31 March 2011		31 March 2012
£		£
	Local Authorities	
1,597,768	Clearing Banks	5,390,639
2,000,263	Banks, other	2,502,463
193	Money Market Funds	0
	Building Societies with assets:	
5,107,853	greater than £10,000 million	7,123,596
1,044,846	between £1,500 million and £5,000 million	1,044,673
110	Government Securities	110
<u>9,751,033</u>		<u>16,061,481</u>
	Less:	
(231)	Cash and cash equivalents	(501,669)
<u>9,750,802</u>	Total	<u>15,559,812</u>
	Principal Investments analysed by maturity	
3,550,690	2011/12	0
2,000,000	2012/13	9,336,464
2,000,000	2013/14	4,000,000
2,000,000	2014/15	2,000,000
110	Government Securities	110
<u>9,550,800</u>		<u>15,336,574</u>
200,002	Accrued interest	223,238
<u>9,750,802</u>		<u>15,559,812</u>

38 Long Term Liabilities

31 March 2011 £		Note	31 March 2012 £
0	Borrowing for HRA Self Financing		(205,123,000)
(31,592,000)	Liability related to defined benefit pension scheme	22	(39,703,000)
(122,533)	Deferred Liability -Pension		(54,635)
<hr/>			
(31,714,533)	Total		(39,757,635)
<hr/>			

Long term borrowing

Housing Revenue Account self-financing has given the Council an obligation to pay the Government a lump sum to 'buy out' of a negative housing subsidy position, the Council has obtained 41 individual loans with maturity dates between 2037 and 2057 from the Public Works Loan Board (PWLB) to finance the one-off payment. The loans have been included in the Balance Sheet at fair value, administration charges have been charged to directly to the Housing Revenue Income and Expenditure Account. An analysis of the PWLB long term liability is provided below:

Financial Instrument PWLB loan	£,000'
Repayable in 25 years	5,000
Repayable within 30 years	50,000
Repayable within 35 years	50,000
Repayable within 40 years	50,000
Repayable within 45 years	50,123
Total commitment	205,123

39 Non ring-fenced Government Grant

2010-11 £		Note	2011-12 £
(991,974)	Revenue Support Grant		(1,422,952)
0	New Homes Bonus		(924,649)
0	Council Tax Freeze Grant		(173,355)
(40,920)	Area Based Grant		0
0	Local Services Support Grant		(50,470)
<hr/>			
(1,032,894)		9	(2,571,426)

Supplementary Financial Statements

- **Housing Revenue Income and Expenditure Account**

- **Collection Fund**

Housing Revenue Income and Expenditure Account

This statement sets out details of the income and expenditure in relation to the provision of council dwellings.

2010-11			2011-12
£	INCOME		£
(21,893,430)	Dwelling Rents(Gross)	(23,547,577)	
(348,589)	Non-dwelling Rents(Gross)	(368,338)	
(1,938,463)	Charges for Services and Facilities	<u>(1,886,473)</u>	
			(25,802,388)
	Contributions towards expenditure		
(163,799)	General Fund	(157,372)	
(122,500)	Other sources	<u>0</u>	
			(157,372)
(30,839)	Transfer of DLO surplus	Note 18	(15,795)
<u>(24,497,620)</u>	Total Income		<u>(25,975,555)</u>
	EXPENDITURE		
3,203,348	Repairs and Maintenance		3,234,540
	Supervision and Management		
1,519,457	General		1,450,877
945,732	Repairs and Maintenance		861,135
2,451,338	Special Services		2,400,554
90,478	Rent, Rates and Other Charges		93,614
11,672,371	Payment to Government in to National Pool	Note 45	12,526,981
41,943,674	Depreciation and impairment of Fixed Assets	Notes 42 & 43	6,856,764
0	Self Financing Settlement	Note 38	205,123,000
17,794	Treasury Management Costs		99,400
7,226	Increased/(Decreased) Provision for Bad or Doubtful Debt		29,696
<u>61,851,418</u>	Total Expenditure		<u>232,676,561</u>
37,353,798	Net Cost of Services as included in the whole authority		206,701,006
	Income and Expenditure Account		
	HRA services share of Corporate and		
469,595	Democratic Core		518,628
(2,428)	Mortgage Interest		(2,064)
<u>37,820,965</u>	Net Cost of HRA Services		<u>207,217,570</u>
351,461	Loss on sale of HRA non-current assets	Note 5	2,750,120
0	Interest payable on Self Financing Debt	Note 8	59,119
(13,499)	Interest and investment income		(16,145)
	Pensions Interest Cost and Expected Return		
316,291	on Pension Assets		182,698
0	Capital grants and contributions	Note 5	(101,716)
38,475,218	Deficit for the year on HRA services		210,091,646

Statement of Movement on the Housing Revenue Income and Expenditure Account

Additional items required by statute and proper practices to be taken into account in determining the movement in the Housing Revenue Account balance;

2010-11 £		Note	2011-12 £
38,475,218	(Surplus)/deficit for the year on the HRA Income and Expenditure Account		210,091,646
2,674	Amount by which officer remuneration on an accruals basis is different from remuneration chargeable by statute		24,288
(32,041,460)	Impairment taken to Capital Adjustment Account		3,379,305
(351,461)	Loss on sale of HRA assets		(2,750,120)
0	Self Financing Settlement		(205,123,000)
(300,552)	HRA share of contributions to the Pensions Reserve		(113,321)
(6,626,343)	Transfer from Major Repairs Reserve		(6,901,925)
1,297,599	Capital expenditure funded by the Housing Revenue Account		891,874
0	Adjustments between accounting basis and funding basis under statute	5	<u>101,716</u>
455,675	Decrease/(increase) in Housing Revenue Account balance for the year		(399,537)
(2,746,092)	Housing Revenue Account balance brought forward		(2,290,417)
(2,290,417)	Housing Revenue Account balance carried forward		(2,689,954)

The Collection Fund

This shows the transactions in relation to the collection of council tax and national non-domestic rates. The account shows how the amounts collected have been distributed to Cambridgeshire County Council, Police and Fire Authorities, parish councils and to the District Council's General Fund, and to the National Pool for non-domestic rates.

2010-11 £	INCOME	Note	2011-12 £
(79,773,962)	Income from Council Tax		(81,271,612)
	Transfers from General Fund		
(6,038,279)	Council Tax Benefits	49	(6,148,182)
(62,023,105)	Income collectable from Business Ratepayers		(62,940,593)
<u>(147,835,346)</u>			<u>(150,360,387)</u>
	EXPENDITURE		
	Demands and Precepts		
	Precepts		
61,960,994	Cambridgeshire County Council	62,926,733	
10,027,015	Cambridgeshire Police Authority	10,183,299	
3,422,171	Cambridgeshire Fire Authority	<u>3,475,510</u>	
			76,585,542
	Demands - District Council		
6,827,785	General Expenses	6,934,204	
3,655,380	Special Expenses - Parish Precepts	<u>3,929,068</u>	
			10,863,272
			<u>87,448,814</u>
	Contribution towards previous year's estimated Collection Fund Surplus		
57,110	Cambridgeshire County Council	38,596	
9,246	Cambridgeshire Police Authority	6,246	
3,163	Cambridgeshire Fire Authority	2,132	
9,700	District Council	<u>6,530</u>	
			53,504
	Business Rate		
61,802,506	Payment to National Pool	62,724,150	
220,600	Cost of Collection	<u>216,443</u>	
			62,940,593
	Bad and Doubtful Debts		
154,856	Write Offs	127,480	
110,458	Provision for Bad and Doubtful Debts	<u>(202,758)</u>	
<u>148,260,984</u>			<u>(75,278)</u>
425,638	Deficit/(Surplus) of income over expenditure		7,246
(97,686)	Fund Balance at Beginning of year		327,952
<u>327,952</u>	Fund Balance at end of year		<u>335,198</u>

Collection Fund balance:

Attribution of (surplus) / deficit carried forward:

31 March 2011 £		31 March 2012 £
235,893	Cambridgeshire County Council	240,765
38,174	Cambridgeshire Police Authority	38,969
13,029	Cambridgeshire Fire Authority	13,332
40,856	District Council	42,132
327,952		335,198

Notes to Supplementary Statements

- **Notes to the Housing Revenue Income and Expenditure Account**

- **Notes to the Collection Fund**

Notes to the Housing Revenue Account (HRA)

40. Housing stock

The Housing Revenue Account includes all the expenditure and income associated with the following stock of Housing Revenue Account dwellings:

	As at 31 March 2011	Conversions/ transfers to General Fund during year	Additions during year	Disposals during year	As at 31 March 2012
1 Bedroom	1,103	(25)	1	(3)	1,076
2 Bedroom	2,315	(9)	1	(7)	2,300
3 Bedroom	1,971	(3)	0	(4)	1,964
4 or more Bedrooms	75	3	0	0	78
	5,464	(34)	2	(14)	5,418

Disposals

Right to buy	5
Equity Share	7
Other	2
	14

The total balance sheet values of dwellings and other property and land within the HRA are;

31 March 2011			31 March 2012	
Asset value	Depreciation		Asset value	Depreciation
£	£		£	£
Property, Plant and Equipment				
365,956,555	9,895,808	Council Dwellings (HRA only)	362,302,456	10,229,475
4,484,000	6,406	Other land and Buildings	4,400,000	6,594
2,403,000	0	Surplus assets not held for sale	600,150	0
372,843,555	9,902,214		367,302,606	10,236,069

The dwellings are valued in accordance with Guidance on Stock Valuation for Resource Accounting issued by the Office of the Deputy Prime Minister. This requires the dwellings to be valued at open market value with vacant possession, which is then adjusted to reflect tenancies at less than open market rents by using an adjustment factor based on the ratio of local authority rents to open market rents for the relevant region. The adjustment factor for the eastern region is 39%.

The value of council dwellings (Housing Revenue Account and General Fund) at 31 March 2012, based on vacant possession, was £937,534,631.

41. Capital expenditure, financing and receipts

Capital expenditure and financing relating to the HRA during the financial year was:

2010-11 £		2011-12 £
Expenditure		
0	Acquisition of land	3,000
1,027,282	Acquisitions of existing dwellings	206,195
4,111,545	Improvement of housing stock	4,105,660
5,138,827		4,314,855
Financing		
490,560	Capital receipts	
3,275,871	Major Repairs Allowance	3,334,144
1,297,599	* Revenue	878,995
74,797	Grants and Contributions	101,716
5,138,827		4,314,855

*In addition, £12,879 was spent relating to the HRA contribution to capital expenditure on the Council chamber.

Capital receipts relating to the HRA during the financial year were:

2010-11 £		2011-12 £
0	Sale of Land	72,424
	Sale of dwellings	
854,408	Right to Buy	734,243
1,233,045	Other	889,776
2,087,453		1,696,443

42. Depreciation

In 2011-12, depreciation on buildings is based on the asset lives as assessed by the District Valuer. Land is not depreciated.

The charge for depreciation within the HRA was:

2010-11 £		2011-12 £
	Operational Assets	
0	Prior period adjustments/transfers	0
9,902,214	In year	10,236,069
0	Non Operational	0
(9,902,214)	Depreciation adjustment on revaluation	(10,236,069)
0		0

43. Impairment

Impairment is a reduction in the value of non-current assets. When this occurs through the clear consumption of economic benefit or through market value reduction, it has been identified and is written off against any revaluation gains in the Revaluation Reserve for that (group of) asset(s) until the gain is reduced to zero and then any balance is charged to Housing Revenue Income and Expenditure Account. In 2010-11 the total impairment charged to the Housing Revenue Account included impairment due to the reduction in the social housing adjustment from 46% to 39%.

2010-11 £	Operational assets	2011-12 £	2011-12 £
	Impairment charged to Housing Revenue Income and Expenditure Account (net)	(3,379,305)	
31,063,136	Impairment charged to Revaluation Reserve	374,151	
34,090,237			(3,005,154)
	Non-operational assets		
	Impairment charged to Housing Revenue Income and Expenditure Account	0	
978,324	Impairment charged to Revaluation Reserve	0	
657,929			0
66,789,626			(3,005,154)

2010-11 £		2011-12 £
32,041,460	Impairment charged to Housing Revenue Income and Expenditure Account (net)	(3,379,305)
34,748,166	Impairment charged to Revaluation Reserve	374,151
66,789,626		(3,005,154)
Operational assets		
66,418,229	Social housing factor adjustment	0
<u>2,620,441</u>	Impairment	<u>573,320</u>
69,038,670		573,320
<u>(3,885,297)</u>	Impairment reversal	<u>(3,578,474)</u>
<u>65,153,373</u>		<u>(3,005,154)</u>
Non-operational assets		
<u>1,676,833</u>	Impairment	<u>0</u>
1,676,833		0
<u>(40,580)</u>	Impairment reversal	<u>0</u>
<u>1,636,253</u>		<u>0</u>

44. Major Repairs Reserve

This reserve effectively shows how the Major Repairs Allowance element of housing subsidy, is used to finance capital expenditure relating to the HRA.

2010-11 £		2011-12 £
0	Balance at 1 April	0
(9,902,214)	Transfer to Capital Adjustment Account	(10,236,069)
6,626,343	Amount transferred to Statement of Movement on the HRA balance	6,901,925
3,275,871	HRA Capital expenditure charged to Major Repairs Reserve	3,334,144
0	Balance at 31 March	0

45. Housing subsidy

The amount of negative housing subsidy payable to the Government from the HRA for the financial year consists of:

2010-11		2011-12
£		£
2,235,852	Allowance for management	2,271,138
5,212,511	Allowance for maintenance	5,203,368
3,275,871	Allowance for major repairs	3,334,144
9,050	Other items	9,290
<u>10,733,284</u>		<u>10,817,940</u>
(22,404,227)	Rent	(23,413,873)
(3,995)	Interest on receipts	(4,382)
<u>(11,674,938)</u>		<u>(12,600,315)</u>
0	Allowance for interest on Self Financing debt payable in 2011-12	73,530
2,567	Adjustment for previous year	(196)
<u>(11,672,371)</u>	Payable to the Government	<u>(12,526,981)</u>

46. HRA share of contributions to or from the Pensions Reserve

This contribution, shown in the Statement of Movement on the Housing Revenue Income and Expenditure Account, reverses out the pensions liabilities apportioned to net operating expenditure and adds back in the payments to the pension scheme so that the adoption of International Accounting Standard 19 (IAS 19) Employee Benefits has no effect on the deficit/surplus for the year.

47. Rent arrears on dwellings

As at 31 March 2011 £		As at 31 March 2012 £
£337,628	Arrears	£317,470
1.46%	Arrears as a percentage of gross rents collectable	1.24%
£270,000	Provision for uncollectable amounts	£240,000

Notes to the Collection Fund Account

48 General

This account represents the transactions of the Collection Fund, which have been prepared on the accruals basis.

49 Council tax

The Council Tax is raised to finance local authority net expenditure which is not met from government grants, and there is one bill for each dwelling based on the valuation band in which the dwelling is placed. There is a discount scheme for dwellings with fewer than two liable persons, a benefit scheme for persons on low incomes and a reduction for people with disabilities.

The Council Tax base for tax setting purposes is calculated as:

Band Valuation	Number of dwellings adjusted for discount, exemptions, etc.	Ratio to Band D	Band D equivalents
-A Upto £40,000	3.00	5/9	1.7
A Upto £40,000	1,946.20	6/9	1,297.5
B £40,001 - £52,000	5,622.00	7/9	4,372.7
C £52,001 - £68,000	17,575.15	8/9	15,622.4
D £68,001 - £88,000	10,616.45	9/9	10,616.5
E £88,001 - £120,000	9,785.75	11/9	11,960.4
F £120,001 - £160,000	6,631.60	13/9	9,579.0
G £160,001 - £320,000	3,749.75	15/9	6,249.6
H More than £320,000	329.75	18/9	659.5
	<u>56,259.65</u>		<u>60,359.0</u>
Assumed rate of collection	99.5%		
Tax base for tax setting purposes (number of Band D equivalent dwellings)			60,057.2
Tax rate for a Band D property			<u>£1,456.09</u>
Estimated income due			<u>£87,448,688</u>
Actual income due			
Net of write offs and provisions	£80,941,374		
Council Tax Benefit net of subsidy limitation	£6,148,182		
			<u>£87,089,556</u>
Difference in income due to variations in tax base and rate of collection			<u>(£359,132)</u>

50 Income from business rates

The Council collects non-domestic rates for its area based on local rateable values multiplied by a uniform rate set by Central Government. The total non-domestic rateable value as at 31 March 2012 was £177,014,916 and the standard uniform rate was 43.3 pence in the £, and the small business uniform rate 42.6 pence in the £. The total amount, less certain reliefs and other deductions, is paid to a national pool managed by Central Government, which in turn pays back to authorities their share of the pool pro rata to Formula Grant.

51 Collection Fund deficit

The deficit relating to Council Tax transactions due to Cambridgeshire County Council, Cambridgeshire Police Authority and Cambridgeshire Fire Authority of £335,198 on the Collection Fund as at 31 March 2012 is included as a creditor in the Council's Balance Sheet and will be distributed in subsequent financial years.

Glossary of Financial Terms and Abbreviations

Accounting Period

The period of time covered by the accounts, normally 12 months commencing on 1 April for local authorities.

Accruals

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

Capital Charges

A depreciation charges made to service revenue accounts based on the value of the assets they use.

Capital Expenditure

Expenditure on new assets such as land, buildings, vehicles, plant or equipment, or on enhancements to existing assets which significantly prolong their useful life or increase their value.

Capital Receipt

Income received from the sale of capital assets such as council houses, land or other buildings.

Contingent Liabilities

Potential liabilities which are either dependent on a future event or cannot be reliably estimated.

Creditors

Amounts owed by the Council at 31 March for goods or services rendered but not yet paid for.

Current Assets

Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period.

Debtors

Amounts owed to the Council which are collectable or outstanding at 31 March.

Depreciation

The estimated losses in value of an asset due to age, deterioration or obsolescence.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Glossary of Financial Terms and Abbreviations (continued)

Non-current Asset

Assets which can be expected to be of use or benefit to the Council in providing its service for more than one accounting period.

Government Grant

Payments by central government towards local authority expenditure. Grants may be specific, for example Housing Benefit subsidy, or general such as Revenue Support Grant.

Impairment

An asset is impaired when the amount at which an asset is recognised in the Balance Sheet is higher than the asset value.

Operating Lease

A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

Precepting Authorities

Those authorities which are not billing authorities, for example County Councils, Fire, Police, Parish and Town councils.

Precepts

The levy made by precepting authorities on billing authorities, for example District Councils, requiring the billing authority to collect income from council tax payers on their behalf.

Provisions

Monies set aside for liabilities which are likely to be incurred but where exact amounts or dates are uncertain.

Reserves

Amounts set aside in the accounts for the purpose of meeting future expenditure. A distinction is drawn between reserves and provisions which are set up to meet known liabilities.

Revenue Expenditure

Spending on day to day items including employee's pay, premises costs and supplies and services.

Revenue Expenditure funded from capital under statute

Capital expenditure for which there is no tangible asset, for example renovation grants.

Revenue Support Grant

The main grant paid by central government to a local authority towards the costs of its services.

Abbreviations used in the accounts

CAA

Capital Adjustment Account

CIPFA

Chartered Institute of Public Finance and Accountancy

The Code

Code of Practice on Local Authority Accounting

DLO

Direct Labour Organisation

DSO

Direct Service Organisation

HRA

Housing Revenue Account

IFRS

International Financial Reporting Standards

IAS

International Accounting Standards

MRA

Major Repair Allowance

NNDR

National Non-Domestic Rates (Business Rates)

RR

Revaluation Reserve

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SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee
AUTHOR/S: Executive Director (Corporate Services)

29 June 2012

RISK MANAGEMENT**Purpose**

1. The purposes of this report are for Corporate Governance Committee to:
 - (a) review the Council's Risk Management Strategy and process and agree any changes considered necessary; and
 - (b) invite the Corporate & Customer Services Portfolio Holder to perform the quarterly review and approval of the Strategic Risk Register.
2. These are not key decisions, but they have been brought to this meeting because:
 - (a) the Council, at its meeting on 26 April 2012, referred the Risk Management Strategy and Strategic Risk Register back to the Corporate Governance Committee for reconsideration; and
 - (b) the Corporate & Customer Services Portfolio Holder has been designated as the lead executive Member for risk management, with responsibility for management of the strategic risks facing the Council.

Recommendations

3. That Corporate Governance Committee approves the revised Risk Management Strategy, as set out at Appendix C to the report.
4. That the Corporate & Customer Services Portfolio Holder approves the Strategic Risk Register and Matrix, as set out at Appendices D and E to the report.

Reasons for Recommendations

5. The Risk Management Strategy represents appropriate application of risk management best practice to the Council's strategy and process.
6. The Strategic Risk Register and Matrix forms the record of corporate risks the Council currently faces in the delivery of services and the achievement of strategic aims, together with control measures to address / sources of assurance over the risks.

Background*Risk Management Strategy*

7. The Risk Management Strategy was first adopted in January 2004 and updated in September 2007, September 2008, February and March 2010, and March 2011. When the strategy was reviewed in September 2007, Cabinet and Corporate Governance Committee agreed that responsibility for risk management should rest with the latter; this was confirmed in September 2008. In February 2010, recognising best practice that executive and governance roles should be carried out separately to ensure the effective exercise of risk management, Corporate Governance Committee

approved the reallocation of Member executive and governance roles regarding risk management between the Executive and Corporate Governance Committee:

- (a) agreement and ownership of the strategic risks facing the Council - the executive role - to the Executive, led by the appropriate portfolio holder;
- (b) approval of the risk management strategy; advice and assurance regarding the adequacy and effectiveness of risk management - the governance role - to Corporate Governance Committee;
- (c) Corporate Governance Committee to receive quarterly, the strategic risk register, covering reports and other associated documents presented to the 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;
- (d) Corporate Governance Committee to continue to receive an annual report on the risk management strategy and process, including how Executive Management Team (EMT) and the portfolio holder have performed the quarterly reviews of the Council's strategic risk register, thus giving the Committee assurance over the process;
- (e) the reporting of the risk management strategy and strategic risk register once a year to Council.

8. The changes resulted in the following procedural framework:

	<i>SMT/ EMT</i>	<i>Executive</i>	<i>Corporate Governance Committee</i>	<i>Council</i>
(a) review of the adequacy and effectiveness of the Council's risk management strategy and process	annually [February]		annually [March]	
(b) review and update of the Council's strategic risk register	quarterly [May, August, November, February]	quarterly		
(c) monitoring the review of the Council's strategic risk register			quarterly	
(d) reporting of the risk management strategy and strategic risk register				annually [April]

9. When the Risk Management Strategy and process was revised in March 2011, Corporate Governance Committee agreed to receive the portfolio holder's review and approval of the Strategic Risk Register at the September 2011 meeting and to consider whether future monitoring was required. At that latter meeting, the committee agreed to monitor the portfolio holder's review on an annual basis.
10. At the meeting of the Council on 26 April 2012, following suggestions by a member of Corporate Governance Committee, the Leader withdrew a report on the Risk Management Strategy and the Council referred the strategy and the Strategic Risk Register back to Corporate Governance Committee for reconsideration. Another Member subsequently made some comments and raised some further queries on the strategy. The suggestions, comments and queries are considered in paragraph 12.

Strategic Risk Register

11. The Corporate & Customer Services Portfolio Holder, as the designated lead executive Member for risk management, has responsibility for agreement and ownership of the strategic risks facing the Council and reviews the Strategic Risk Register quarterly. As Cllr Hockney does not have a portfolio holder meeting this quarter, he will attend the meeting of Corporate Governance Committee so that the committee can invite him to review and approve the Strategic Risk Register.

Considerations*Risk Management Strategy*

12. The suggestions made by a member of Corporate Governance Committee and the comments made and queries raised by another Member are shown in **Appendix A**, together with management responses and proposed changes to the Risk Management Strategy. Most of the suggestions, comments and queries have resulted in helpful clarifications and improvements to the strategy; however, there are three areas of suggestions where it is not proposed to change the strategy:

- (a) Suggestion: Amend the bullet points under paragraph 3.1 (b) to read:
- the executive role ... will be led by the **Corporate Governance Committee**;
 - the governance role ... will be undertaken by the **Finance and Staffing Portfolio Holder**.

Response: Risk management best practice is that the executive role should be undertaken by the Council's Executive - in this authority's case Cabinet, led by the relevant portfolio holder - and that the governance role should be undertaken by the Council's committee responsible for overseeing governance arrangements - in this authority's case Corporate Governance Committee. (An extract from the Chartered Institute of Public Finance and Accountancy's guidance on Responsibility for Risk Management is attached as **Appendix B**.) This was agreed by Corporate Governance Committee in February 2010, as mentioned in paragraph 7 above.

- (b) Suggestion: In paragraph 5.2.2, replace the Red / Amber / Green colour coding with an **Increased / Unchanged / Improved** notation (and so for all Red/Amber/Green comments).

Response: Three areas of the Risk Management Strategy where colour was used previously have now been changed to black and white (the diagram under paragraph 4.1, Annex A and Annex F); however, the Strategic Risk Register is held in the Council's performance management system, CorVu, which uses Red/Amber/Green for performance measures and therefore for risks, where the colour coding shows where risks have worsened, stayed the same or improved. This is a case where colour has an important purpose and needs to be retained.

- (c) Suggestion: In Annex H, amend the roles of Corporate Governance Committee and the Finance & Staffing Portfolio Holder as follows:
- (Corporate Governance Committee) Reviews **and approves** the Risk Management Strategy and process ~~annually~~ **at each meeting**, updating them if necessary.
 - **An This** annual review will include considering the adequacy of the quarterly reviews of the Strategic Risk Register by the Finance & Staffing Portfolio Holder.
 - The Finance & Staffing Portfolio Holder reviews ~~and approves~~ the Strategic Risk Register quarterly.

Response: The separate executive and governance roles mean that Corporate Governance Committee is responsible for reviewing the Risk Management Strategy and process to ensure that it remains effective (the suggested wording about approving the strategy will be added), but this only needs to be done annually, not at each meeting; the relevant portfolio holder is responsible for reviewing and approving the Strategic Risk Register quarterly; and the committee has moved away from monitoring the portfolio holder's reviews quarterly, to now doing so as part of the annual review of the risk management strategy and process - agreed at Corporate Governance Committee on 30 September 2011, as mentioned in paragraph 9 above.

13. The Risk Management Strategy is attached at **Appendix C**, with updates shown as **highlighted text**, to assist Members in seeing where proposed changes would be applied in the strategy. **The committee is invited to comment on whether it wishes to have proposed changes similarly highlighted for future revisions of the strategy.**

Strategic Risk Register

14. In accordance with recommendations in Internal Audit's recent Risk Maturity Review:
- (a) risks have been realigned to the new "Three 'A's", i.e. to the relevant 2012/13 Action(s);
 - (b) control measures / sources of assurance that are not yet fully implemented or in place, are now shown under 'Timescale to Progress'; however, some current control measures / sources of assurance have ongoing or future implications, so this is not always straightforward.
15. Internal Audit also recommended that greater use be made of linking control measures / sources of assurance to performance indicators. This will be implemented for the next review of the Strategic Risk Register.
16. The Strategic Risk Register has been reviewed with the nominated risk owners and other members of Executive Management Team (EMT). Changes proposed to risk descriptions, control measures / sources of assurance or timescales to progress are **highlighted in Appendix D** attached. Particular risks to note are:
- (a) **STR14, Employee Engagement and Development (previously Implementation of National Job Evaluation (JE) Scheme)**: The Council and trades unions signed the Single Status Agreement in May 2012; element (a) of the previous risk can therefore be removed from the Strategic Risk Register and is shown **greyed out** at the end of the risk register. Element (b) of the previous risk, regarding employee anxiety about Job Evaluation, has been reconsidered in terms of employee engagement and development, in the context of the Organisational Development Strategy. Assessments of Impact and Likelihood are that the risk comes below the risk tolerance line and it is therefore proposed that it be included in the Corporate Services service area risk register, rather than the Strategic Risk Register.
 - (b) **STR12, Supported Housing**: With the additions to control measures / sources of assurance, it is proposed that the Impact score be reduced from 3 (Medium) to 2 (Low); this would bring the risk below the Council's risk tolerance line.
 - (c) **STR13, Potential risk once HRA reform is implemented**: This risk was concerned with HRA self financing, leading up to the April 2012 implementation. £205million debt was successfully taken on, in March 2012. There is a viable Business Plan with its own separate risk register; Affordable Homes had already downgraded this risk on its service area risk register. It is

therefore proposed that this risk be removed from the Strategic Risk Register and it is accordingly shown **greyed out** at the end of the risk register.

17. The draft Strategic Risk Register CorVu report at Appendix C enables movement in strategic risk scores to be monitored, where Red / Amber / Green means:

	<u>for risks previously above the line</u>	<u>for risks previously below the line</u>
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

18. The draft Strategic Risk Matrix, attached at **Appendix E**, shows risk Impact and Likelihood scores in diagrammatic format.

Options

19. Corporate Governance Committee could approve the proposed Risk Management Strategy (**this is the recommended option**). Alternatively, the committee could suggest other improvements or enhancements to the Risk Management Strategy, risk management process or document formats.
20. The Corporate & Customer Services Portfolio Holder could approve the Strategic Risk Register CorVu report and Matrix (**this is the recommended option**). Alternatively, the portfolio holder could:
- (a) add to, delete from, or make other changes to risks, in terms of either the title or detail of the risks or control measures / sources of assurance;
 - (b) alter the assessment of risks, in terms of either their impact or likelihood.

Implications

21. Financial, Legal, Staffing	There are no immediate financial, legal or staffing implications resulting from this report. Some control measures in the Strategic Risk Register may have financial, legal or staffing implications; if so, these will be considered separately.
Risk Management	The Risk Management Strategy ensures the authority has an effective risk management process, reflecting the Council's Aims, and providing appropriate ownership and assurance. 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 Risk Management Strategy and process has no inherent equality and diversity implications; however, Equalities is included as a risk area on the Strategic Risk Register.
Equality Impact	No

Assessment completed	A Partial Equality Impact Assessment (EqIA) of the Risk Management Strategy was prepared with the help of the Equalities & Customer Services Assistant; the impacts have been provisionally assessed as neutral, with no issues arising.
Climate Change	The Risk Management Strategy and process has no inherent climate change implications; however, 'Safeguarding the Council's services against climate change' and 'Achieving a 10% reduction in CO ₂ emissions' are included as risks on the Strategic Risk Register.

Consultations

22. The previous review of the Risk Management Strategy took recommendations from Internal Audit's risk maturity review into account. EMT considered a proposed revised strategy in February 2012 and recommended that Corporate Governance Committee approve it, which the committee did in March 2012. This review has considered further suggestions, comments and queries made by Members and incorporated them as appropriate into the strategy.
23. Risk owners and members of EMT were consulted regarding the review of the Strategic Risk Register. EMT considered the proposed updated risk register in May 2012 and recommended that the Corporate and Customer Services Portfolio Holder approve it.
24. There will be liaison with officers as appropriate regarding the implementation of decisions made by Corporate Governance Committee and the Corporate & Customer Services Portfolio Holder on this report.

Consultation with Children and Young People

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

Effect on Strategic Aims

26. The Risk Management Strategy and the Strategic Risk Register relate to the Council's commitment to listen to and engage with residents, parishes and businesses to ensure the Council delivers first class services and value for money:
 - (a) they contribute to the Council's corporate governance responsibilities;
 - (b) they ensure that risks involved in the delivery of the Council's Corporate Plan and in meeting its strategic Aims are identified and managed adequately and effectively.

Conclusions / Summary

27. Executive and governance roles are appropriately allocated between the Corporate & Customer Services Portfolio Holder, as the designated lead executive Member for risk management, and Corporate Governance Committee:
 - (a) the committee retains the key role of ensuring that the Council's Risk Management Strategy and process are adequate and effective;
 - (b) the quarterly review of the Strategic Risk Register enables the Council to manage its strategic risks to an acceptable level.

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

Internal Audit Risk Maturity Review

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

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Appendix A Suggestion, Comments and Queries from Members

<i>Suggestions / Comments / Queries</i>	<i>Management responses</i>	<i>Proposed changes in Strategy</i>
<p>Amend 1.1 to read, “South Cambridgeshire District Council’s primary role is to fulfil its statutory obligations.” (i.e. remove wording that related to the previous Council vision and 3 A’s)</p>	<p>The purpose of paragraph 1.1 is to set the strategy in the context of the Council not only fulfilling its statutory obligations, but also achieving its strategic objectives, i.e. the 3 A's. The strategy and risk registers have to relate to this wider context - I'll amend the paragraph by adding your wording at the beginning and explaining the strategic objectives more, including updating as necessary for the 2012/13 3 A's.</p>	<p>The suggested wording has been added at the beginning of paragraph 1.1 and the rest of the paragraph has been amended to refer to the Council’s Long Term Vision.</p> <p>A new paragraph 1.2 has been added which refers to the three Strategic Aims, with associated Approaches and Actions.</p> <p>The first sentence of paragraph 1.3 (previously paragraph 1.2) has been amended to, “The Council has a responsibility to consider risks involved in providing or enabling service delivery, both in fulfilment of its statutory obligations and in achieving its strategic aims.”</p>
<p>1.1 My primary concern here is that the Council cannot alone achieve this objective: to make South Cambridgeshire the best place to live and work in the country ... The Council is dependent on others and must work with them to achieve this. By stating this as an objective the Council is setting itself up to fail. It will certainly mean that 2.2 (e) ' ... <i>enhance the Council's reputation and public image.</i>' is at risk.</p> <p>I would also question the validity of some of the language used: 'where residents have a superb quality of life in an exceptionally beautiful, rural and green environment' would</p>	<p>Paragraph 1.1 is an opening statement, intended to mirror the Council’s 3A’s and set the overall context for the strategy. This ensures that we don’t treat risk management as a bureaucratic exercise, but as an essential element of strategic and service planning and performance management. As part of this, risks in risk registers are linked to relevant 3A’s and we’re in the process of linking performance indicators to risks to show that control measures over the risks are effective.</p> <p>We’re not saying that this strategy alone has to achieve this objective, nor that we can</p>	<p>Paragraph 1.1 has been amended to refer to the Council’s Long Term Vision.</p> <p>New paragraph 1.2 has been added which refers to the three Strategic Aims, with associated Approaches and Actions.</p> <p>The first sentence of paragraph 1.3 (previously 1.2) has been amended as, “The Council has a responsibility to consider risks involved in providing or enabling service delivery, both in fulfilment of its statutory obligations and in achieving its strategic aims.”</p>

<i>Suggestions / Comments / Queries</i>	<i>Management responses</i>	<i>Proposed changes in Strategy</i>
<p>probably not enhance the Council's reputation for equality when read by many of our less affluent residents on the housing waiting list or living in locations where planning matters and the enforcement thereof present what they view as a constant battle. Such a description will only serve to emphasise the division that exists between the 'haves' and the 'have nots' and will not encourage the engagement of the latter.</p>	<p>achieve it alone – as you say, we depend on other authorities, agencies and partners to help us do so, as I think some of the Approaches and Actions under each Aim also suggest. I'll update the wording of 1.1 to make sure it reflects the current 3A's and explain the role of risk management more in 1.2.</p> <p>What we're saying in 2.2 (e) is that risk management includes consideration of risks to the Council's reputation and image – again, I'll make sure that the wording of 2.2 explains this more.</p>	<p>Paragraph 2.2 (e) has been amended as "Seek to improve the delivery of Council services and ensure that risks to the Council's reputation and public image are considered."</p>
<p>Amend 2.2 (d) to read, "... by in managers responsible for the Council's delivery of services."</p>	<p>2.2 (d) is setting out that risk management needs to be undertaken by managers - I'll amend the wording to more accurately reflect this.</p>	<p>The wording has been amended to more accurately reflect that risk management needs to be undertaken by managers.</p>
<p>Amend the bullet points under 3.1 (b) to read,</p> <ul style="list-style-type: none"> • the executive role ... will be led by the Finance & Staffing Portfolio Holder Corporate Governance Committee; • the governance role ... will be undertaken by the Corporate Governance Committee Finance and Staffing Portfolio Holder. 	<p>Risk management best practice is that the executive role should be undertaken by the Council's Executive - in our case Cabinet led by the relevant portfolio holder - and that the governance role should be undertaken by the Council's committee responsible for overseeing governance arrangements - in our case Corporate Governance Committee. This was agreed by Corporate Governance Committee in February 2010. I'm not sure why you are suggesting that it should be the reverse - please could you explain ? (In passing, I'll be updating the strategy where necessary for changes to portfolio holders and officer post titles.)</p>	<p>Strategy updated where necessary for changes to portfolio holder and officer post titles.</p> <p>No other changes are proposed.</p>

Suggestions / Comments / Queries	Management responses	Proposed changes in Strategy
<p>Enhance 3.1 (c) (d) and (e) as follows:</p> <p>(c) Adopt agreed [by whom?] standards of risk management that are monitored at corporate and service level and ensure that further action is taken where necessary.</p> <p>(d) Ensure [how?] that regular identification, assessment and management of significant risks is integral to all corporate and service planning.</p> <p>(e) Ensure [how?] that effective processes are in place to facilitate prompt remedial action on adverse events and their identification and reporting and to enable near misses to inform future action.</p>	<p>3.1 (c) (d) and (e) set out the principles; the details of "by whom" and "how" are given in the sections that follow.</p>	<p>No changes are necessary.</p>
<p>In 5.2.2 what does the text shading mean? It makes the text hard to read; even harder printed b/w.</p> <p>I don't see how a dotted line (- - - - -) showing the Council's risk tolerance line can be the case for each risk?</p>	<p>The shading was explained in the covering reports that went to Corporate Governance Committee and Council, that it highlights text where updates were proposed - I'll see if I can find a different way of doing this. Your point about the tolerance line not being possible for each risk is well made - it shows that the person drafting the document is sometimes too close to it and can miss the obvious - I'll remove the bullet point (and also under 5.2.7).</p>	<p>The shading was introduced to assist management and Members in seeing where proposed changes would be applied in the strategy. The Committee will be invited to comment on whether it wishes to retain the shading.</p> <p>The bullet points about the risk tolerance line have been removed.</p>
<p>In 5.2.2, replace the Red / Amber / Green colour coding with an Increased / Unchanged / Improved notation (and so for all RAG comments below).</p>	<p>The Strategic Risk Register is held in the Council's performance management system, CorVu. CorVu uses Red/Amber/Green for performance measures and therefore for risks, where the R/A/G shows where risks have worsened, stayed the same or</p>	<p>Having reviewed the display of risk scores against colour coding, no improvements were identified and no changes are proposed.</p>

Suggestions / Comments / Queries	Management responses	Proposed changes in Strategy
	improved. Corporate Governance Committee "agreed that wherever possible agendas should not be printed in colour ... for reasons of cost" and I wholeheartedly concur with that, but here is a case where colour is important - I'll see if there is a better way of displaying the risk scores against colour coding so that they are clearly visible.	
Correct 8.4.2 as follows, "...if the risk is significant (e.g. i.e. has a score of 12 or more, and especially if it is a new risk)	I'll change the e.g. to i.e.	e.g. has been changed to i.e.
Add the following wording at the end of the third sentence in 10.1, " ... to their line managers and/or through the relevant form. "	Thank you for your suggested additional wording - I'll include it in the document that goes to Corporate Governance Committee.	The additional wording has been added as suggested.
In Annex A, all the colours could be dropped with no loss of information, particularly since the areas of the wedges do not appear to be meaningful, so a simple list would probably be better and clearer.	A simple list is what it shall be.	Annex A now comprises a simple list.
In Annex B, under 'Strategic technological risks', I assume a specific <i>type</i> of "Breach of confidentiality" is intended here. Breaches in general are not 'technological'. Update ' Global warming ' to ' Climate change '	Yes, we were thinking of potential breaches of confidentiality associated with technology (e.g. information sent to the wrong people, databases etc made available publicly, etc) - I'll make the wording more specific. I'll also update "Global warming" to "Climate change".	"Breach of confidentiality" has been amended to "Breach of confidentiality associated with technology / systems". "Breach of confidentiality" has been added under 'Strategic customer/citizen risks'. "Global warming" has been changed to "Climate change".
In Annex E, <ul style="list-style-type: none"> with regard to the new guideline, 'Could happen in the next year', with what probability? with regard to the guideline, 'More than 90% likely to occur in the next 12 	What the guidelines are trying to do is give risk managers a variety of frameworks within which to assess Likelihood: probability of occurrence within circumstances; probability of occurrence within a timeframe of the next 12 months; and the new shaded one of	No changes are proposed.

<i>Suggestions / Comments / Queries</i>	<i>Management responses</i>	<i>Proposed changes in Strategy</i>
months', how does this differ from the other stated guideline of 'Is expected to occur in most circumstances (more than 90%)' ?	proximity of occurrence (within one year, 2 years, 3 years etc). Risk managers find different frameworks useful, according to the risks they are considering.	
In Annex F, remove the colours.	I'll remove the colours.	Colours have been removed.
<p>In Annex H, amend the roles of Corporate Governance Committee and the Finance & Staffing Portfolio Holder as follows:</p> <ul style="list-style-type: none"> • (Corporate Governance Committee) Reviews and approves the risk management strategy and process annually at each meeting, updating them if necessary. • An This annual review will include considering the adequacy of the quarterly reviews of the strategic risk register by the Finance & Staffing Portfolio Holder. • The Finance & Staffing Portfolio Holder reviews and approves the strategic risk register quarterly. 	<p>Following on from 3.1 (b), the separate executive and governance roles mean that Corporate Governance Committee is responsible for reviewing the risk management strategy and process to ensure that it remains effective (I'll add your wording about approving the strategy), but this only needs to be done annually not at each meeting; the relevant portfolio holder is responsible for reviewing and approving the strategic risk register quarterly (and since the separation of roles in February 2010 as mentioned above, Corporate Governance Committee has moved away from monitoring the portfolio holder's reviews quarterly, to now doing so as part of the annual review of the risk management strategy and process - agreed at Corporate Governance Committee on 30 September 2011).</p>	<p>The phrase "and approves" has been added as suggested.</p> <p>No other changes are proposed.</p>

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Appendix B Responsibility for Risk Management

(Source: CIPFA TISonline [Technical Information Service online], Internal Audit, Audit Environment, Risk Management)

<p>Responsibility for risk management rests ultimately with the board (or equivalent) which should retain responsibility for the major risks the organisation faces and be accountable for their effective management.</p>	<p>i.e. for SCDC, Cabinet, led by the designated portfolio holder.</p>
<p>However, it will be necessary to assign responsibility for the day to day management of specific risks to the organisation's managers and staff. All levels of managers and staff should understand that they are responsible for the management of risk in their particular area.</p>	
<p>The risk management policy should identify the major risks the organisation faces and how these are to be managed. Across the public sector, most organisations now place responsibility for monitoring risk management with an audit committee or equivalent function.</p> <p>The audit committee's responsibility is to obtain assurance that the risk management process is operating effectively; not to deliver the process itself. There is sector specific guidance available on the role of audit committees in this regard. See "Audit Committees: Practical Guidance for Local Authorities (CIPFA, 2005)".</p>	<p>i.e. for SCDC, Corporate Governance Committee.</p>
<p>A formal risk management process should also be adopted at senior management and departmental level (and section level in larger organisations).</p> <p>Each department should develop a risk register as part of this process and report on this at least annually to the senior management team.</p> <p>The senior management team should in turn report at least twice a year (and perhaps more frequently depending on severity of risk) to the audit committee or the board on the way that the organisation as a whole is managing its significant risks.</p>	<p>i.e. for SCDC, the Strategic Risk Register and service area risk registers.</p> <p>At SCDC, these are reported twice a year.</p> <p>At SCDC, Strategic Risk Register reports go to EMT and the designated portfolio holder quarterly, with an annual report to Corporate Governance Committee on the Risk Management Strategy and process, including how the Strategic Risk Register has been reviewed by EMT and the portfolio holder.</p>

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Appendix C



Draft Risk Management Strategy

Contents

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Annex A	The scope of risk; areas to consider
Annex B	Some of the risks to consider when making strategic decisions
Annex C	Strategic Risk Register CorVu report template
Annex D	Service Area Risk Register template
Annex E	Likelihood Assessment guidelines
Annex F	Impact Assessment guidelines
Annex G	Prioritisation matrix template
Annex H	Chart summarising the Council's arrangements for risk management

1. Purpose

- 1.1 South Cambridgeshire District Council's primary role is to fulfil its statutory obligations. The Council also has a Long Term Vision that:
- (a) South Cambridgeshire will continue to be the best place to live and work in the country, the district will demonstrate impressive and sustainable economic growth and its residents will have a superb quality of life in an exceptionally beautiful, rural and green environment;
 - (b) The Council will be recognised as consistently innovative and a high performer with a track record of delivering value for money by focusing on the priorities, needs and aspirations of our residents, parishes and businesses.
- 1.2 Supporting the Vision are three strategic Aims, which have associated Approaches and Actions:
- (a) We will listen to and engage with residents, parishes and businesses to ensure we deliver first class services and value for money;
 - (b) We will work with partners to create and sustain opportunities for employment, enterprise, and world-leading innovation;
 - (c) We will make sure that South Cambridgeshire continues to offer outstanding and sustainable quality of life for our residents.
- 1.3 The Council has a responsibility to consider risks involved in providing or enabling service delivery, both in fulfilment of its statutory obligations and in achieving its strategic aims. This strategy is a key part of strategic planning and an integral part of service planning and performance management. It sets out the arrangements for the identification, assessment, management and review of risks that may adversely affect the Council's services or the achievement of its aims and objectives.

2. Objectives

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

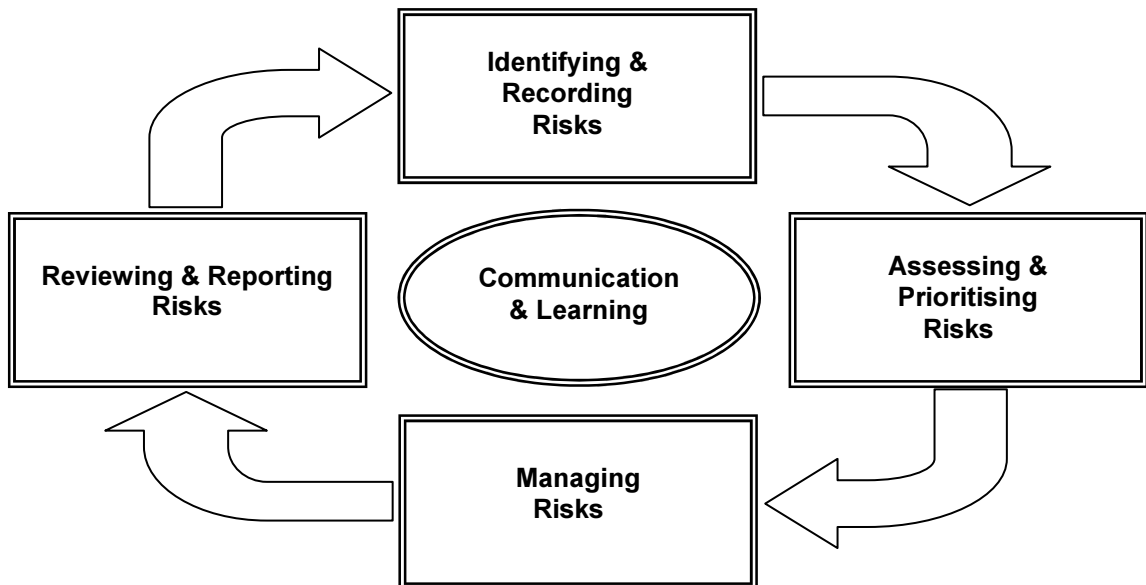
3. Guiding principles

- 3.1 To fulfil its risk management objectives, the Council will:

- (a) Develop a culture that involves the participation of all appropriate staff in risk management.
- (b) Secure the commitment of Members and management at all levels to promote risk management and provide leadership and direction:
 - the executive role - agreement and ownership of the Council's strategic risk register, i.e. the strategic risks facing the Council - will be led by the **Corporate & Customer Services Portfolio Holder**;
 - the governance role - advice and assurance regarding the adequacy and effectiveness of the Council's risk management strategy and process - will be undertaken by the Corporate Governance Committee.
- (c) Adopt agreed standards of risk management that are monitored at corporate and service level and ensure that further action is taken where necessary.
- (d) Ensure that regular identification, assessment and management of significant risks is integral to all corporate and service planning.
- (e) Ensure that effective processes are in place to facilitate prompt remedial action on adverse events and their identification and reporting and to enable near misses to inform future action.
- (f) Have effective communication to make sure everyone is sufficiently informed about risk management.
- (g) Provide information, training, guidance and advice, as appropriate, to meet these objectives.

4. Approach to risk management

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



4.2 These steps are outlined in the sections below.

4.3 In accordance with best practice, risk management at the Council incorporates the identification and management of strategic risks, service area risks, project risks and partnership risks. The process is thus embedded throughout the Council.

5. Identifying and recording risks

5.1 Identifying risks

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

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

5.1.3 Further illustrations of some of the risks that should be considered when taking strategic decisions are suggested in **Annex B** (again, the categories are neither prescriptive nor exhaustive).

5.2 Recording risks

5.2.1 Identified risks will be recorded in the relevant strategic or service area risk register, project or partnership risk register. Risks will be described in terms of: the risk event (i.e. what could happen), the consequence that it might lead to for service(s)/ Aim(s)/ Action(s), and the possible outcome(s) that it could result in.

5.2.2 The strategic risk register CorVu report template is attached at **Annex C**. The strategic risk register will identify the top risks facing the Council from a corporate perspective and will note for each risk identified:

- relevant Actions or Aims in the current Corporate Plan;
- the person nominated as the responsible "Risk Owner";
- "Target" and "Actual" Risk Scores resulting from assessed Impact and Likelihood scores (see 6.1.1 below);
- Control measures to address / sources of assurance over the risk;
- for risks assessed 'above the line', the "Timescale to progress", i.e. the Month/ Year by which it is planned that the risk will be mitigated to below the line.

(Note: "Target" risk scores are only for CorVu to measure whether risk scores have increased, decreased, or stayed the same and apply a Red / Amber / Green colour coding accordingly – see 5.2.6 below.)

5.2.3 Control measures may be defined as:

- actions to reduce either the likelihood of the risk occurring, or the potential impact of it materialising;
- control measures may be either already in place, or those additional ones considered necessary to manage the risk.

5.2.4 Sources of assurance may be defined as:

- evidence that control measures in place to mitigate a risk are operating effectively;
- sources of assurance can include documents, reports, performance indicators or other methods of verification;
- independent and substantiated evidence provides the strongest assurance.

5.2.5 Control measures to address / sources of assurance over the risk, which are not yet in place, will be shown under "Timescale to Progress".

5.2.6 The CorVu report enables movement in strategic risk scores to be monitored, where Red / Amber / Green means:

	<u>for risks previously above the line</u>	<u>for risks previously below the line</u>
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

5.2.7 The service area risk register template is attached at **Annex D**. Service area risk registers will identify potential operational risks affecting the services for which they are responsible and will note for each risk identified:

- relevant Actions or Aims in the current Corporate Plan;
- Control measures to address / sources of assurance over the risk, already in place;
- the assessed Impact and Likelihood scores and resulting Total scores (see 6.1.1 below);
- the Direction of Travel of the risk (i.e. whether the risk is “new” or the Impact and Likelihood assessments have stayed the same, reduced or increased);
- the person nominated as the responsible “Risk Owner”;
- the Review Frequency, i.e. the frequency at which the control measures/ sources of assurance are being reviewed;
- Additional control measures / sources of assurance considered necessary to manage the risk;
- Additional resources/cost required to manage the risk;
- any Adjusted risk score resulting from re-evaluation of the Impact and Likelihood taking the additional control measures / sources of assurance into account;
- for risks assessed ‘above the line’, the “Timescale to progress”, i.e. the Month/ Year by which it is planned that the risk will be mitigated to below the line.

5.2.8 The Council will require projects (see section 8.2 below) to use the same format as the service area risk register template. The Project Management Toolkit will be updated to reflect this and guidance will be made available within the Toolkit.

5.2.9 The Council will encourage partnerships (see section 8.3 below) to use the same format as the service area risk register template; however, the Council acknowledges that a partnership may choose to use another format appropriate to its needs. If a partnership chooses not to use the same format, the Council’s lead officer for that partnership should liaise with the Principal Accountant (General Fund and Projects) (PA(GFP)) for guidance on how to structure the risk register/log. Guidance will also be made available in the Partnership Toolkit.

6. Assessing and prioritising risks

6.1 *Assessing risks*

6.1.1 Each of the identified risks, at both strategic and service area levels and for projects and partnerships, will be assessed in terms of the likelihood of the risk occurring and

the potential impact of it materialising, according to the guidelines in **Annex E** and **Annex F**, respectively.

6.2 **Prioritising risks**

6.2.1 A matrix of these assessments will be used to prioritise risks (see **Annex G**), enabling the Council to make decisions about their significance and prioritise action. The numbers in the matrix boxes represent Total risk scores, obtained by multiplying the Impact score by the Likelihood score. The Total risk scores indicate the order of priority of assessed risks. The risk registers will be re-scheduled in line with the order resulting from the prioritisation matrix. (Where the same Total risk score can be obtained in more than one area of the matrix, the Impact score will take priority over the Likelihood score.)

6.2.2 The dotted line running through the matrix (- - - - -) shows the Council's risk tolerance line, between the level of risk the Council is prepared to accept without putting in place additional control measures / sources of assurance and the level at which risks are considered to require further action.

6.2.3 The Council's risk appetite is defined thus: "The Council will ensure that all risks identified are appropriately managed; however, it will require further attention to be given to:

- risks having an Extreme or High impact, with a likelihood of Possible or higher; and
- risks having a Medium impact, with a likelihood of Likely or higher."

6.2.4 Those assessed risks that fall 'above the line' are considered to require further action to reduce either the likelihood of the risk occurring or its impact if and when it does occur; additional control measures / sources of assurance will be identified and recorded for these risks (see 7.1 below).

7. **Managing risks**

7.1 Risks above the risk tolerance line (i.e. with a Total risk score of 12 or higher) require additional control measures / sources of assurance to be put in place to manage them, i.e.:

- active management (including considering terminating the activity or project);
- contingency plans – robust plans in place to detect any variation from expectations; and/or
- mitigation to reduce likelihood (if cost effective).

7.2 At the strategic level, risk owners (i.e. the officers named in the strategic risk register) will work with the PA(GFP) to develop and implement additional control measures / sources of assurance for managing risks assessed above the risk tolerance line. Where additional control measures / sources of assurance affect other Aims, Approaches and/or Actions, services, projects or partnerships, require additional resources or will incur additional costs, risk owners will discuss these with the managers/officers concerned.

7.3 At the service area level, service managers will develop and implement additional control measures / sources of assurance for managing risks assessed above the risk tolerance line. Managers will re-evaluate the Impact and Likelihood scores taking the additional control measures / sources of assurance into account - any changes to the scores will be shown in the 'Adjusted risk score' column. Where additional control

measures / sources of assurance affect other Aims, Approaches and/or Actions, services, projects or partnerships, require additional resources or will incur additional costs, service managers will discuss these with the managers/officers concerned.

- 7.4 Project and partnership risks will be managed in accordance with their governance arrangements.
- 7.5 Risks below the risk tolerance line (i.e. with a Total risk score of 10 or lower) will be reassessed quarterly to ensure there is no change to the underlying risk or control measures / sources of assurance.
- 7.5 When a risk is considered to be “managed”, i.e. it either no longer exists, or it is now an integral part of day to day management of the service area concerned, it will be removed from the relevant risk register by agreement at the appropriate review meeting (see 8.1.1 below).

8. Reviewing and reporting risks

8.1 *Reviewing risks*

- 8.1.1 Reviews of risk registers will include consideration of any new risks. Approval of risk registers will include both the acceptance of new risks and also the removal of risks considered to be “managed”.
- 8.1.2 Risks are reviewed at service planning, corporate management teams, Executive Management Team (EMT), Corporate & Customer Services Portfolio Holder, project management and partnership meetings, as appropriate:
 - EMT will review the strategic risk register quarterly, including consideration of the impact and likelihood assessments and the control measures / sources of assurance in place to address risks, recommending its approval to the Corporate & Customer Services Portfolio Holder.
 - The Corporate & Customer Services Portfolio Holder will similarly review and approve the strategic risk register quarterly.
 - Directors will review and approve their service areas’ risk registers, collated to give a comprehensive set of risks coming under their responsibility and to enable moderation of impact and likelihood assessments, as part of the annual preparation of service plans and at quarterly intervals, as a minimum. The Executive Director (Corporate Services) will similarly review and approve the collated risk registers for service areas reporting direct to him.
 - Project managers and partnership lead officers will facilitate the review and approval of the risk logs/registers for which they are responsible, at frequencies set out in their project or partnership plans.
- 8.1.3 Should significant risks arise between reviews, they will be considered when they are identified, as necessary.

8.2 *Project risks*

- 8.2.1 Projects, such as those of a corporate or significant service nature, major ICT related projects, etc, are required to have their own risk registers, using the same format as the service area risk register template (see paragraph 5.2.7 above). Project managers will review project risk registers in accordance with their project management arrangements.

8.3 **Partnership risks**

- 8.3.1 This strategy covers the way that the Council manages the risks facing it in the delivery of its services and the achievement of its objectives and priorities. Where these are delivered in partnership with other organisations, the application of this strategy may extend outside the Council's direct control.
- 8.3.2 The Council must therefore identify all the partnerships in which it participates and have an understanding of its involvement and the implications of that involvement in each partnership. Equally, each of the partnerships must have clearly set out objectives and an understanding of the Council's role in the partnership.
- 8.3.3 The Council must review its partnerships to identify those that are most strategic and important for it and the wider community. For these significant partnerships, a two stage approach will be adopted by those managing them:
 - (a) Identify and assess, from the Council's perspective, the risks that face the Council from participating in the partnership. This analysis should identify the controls and contingency plans (including an appropriate exit strategy) that are or should be in place. This will be informed by the extent to which the partnership has effective controls and risk management procedures in place and whether it is able to provide the Council with the relevant assurances in this regard.
 - (b) Champion effective risk and performance management procedures within the partnership (including the risk of fraud and corruption), so that the threats to the achievement of the partnership's objectives are properly identified, assessed and managed.
- 8.3.4 Partnership lead officers will review partnership risk registers in accordance with the partnerships' governance arrangements.

8.4 **Links**

- 8.4.1 When reviewing the strategic risk register, EMT may cascade a strategic risk to an appropriate service area, project or partnership risk register, so that the relevant service manager, project manager or partnership lead officer can take a corporate lead on managing it.
- 8.4.2 When reviewing their service area risk registers, service managers and **directors** / the Executive Director (Corporate Services), may escalate a service area risk for EMT to consider including in the strategic risk register, if the risk is significant (i.e. has a score of 12 or more, and especially if it is a new risk) or has a corporate nature. The PA(GFP) may similarly escalate a risk if it, or a similar one, is being recorded in more than one service area risk register.
- 8.4.3 The strategic risk register may also include project and partnership risks, if these are of a corporate or significant nature. The project/ partnership risk registers will record the detailed risks and control measures / sources of assurance relating to the particular project/partnership.
- 8.4.4 The PA(GFP) will facilitate these links. The PA(GFP) will also keep a record of the risks included in the strategic risk register and the impact and likelihood assessments of them, so that the priority of identified strategic risks can be tracked over time.

8.5 **Reporting risks**

- 8.5.1 The PA(GFP) will report the draft strategic risk register to EMT quarterly, for review and recommendation to the **Corporate & Customer Services Portfolio Holder**. (Corporate Governance Committee will review the adequacy of this as part of its annual review of the risk management strategy and process, as described in 8.5.11 below. Corporate Governance Committee may report to full Council, if the Committee considers it necessary to ensure that strategic risks are appropriately managed.)
- 8.5.2 **Directors** / the Executive Director (Corporate Services) will record service area risks above the line in the Overview section of their service plans published annually. They will update their service area risk registers and control measures / sources of assurance to the PA(GFP) quarterly, for EMT to consider in its quarterly review of the strategic risk register.
- 8.5.3 In addition, EMT will review service area risk registers, collated by corporate area/direct reports, on a rolling programme throughout the year. As part of this, EMT will consider whether risks scoring 12 or more should also be included in the strategic risk register. (It will be assumed not, unless minuted otherwise.)
- 8.5.4 A portfolio holder may request a briefing/update from relevant **director(s)** / the Executive Director (Corporate Services) on the service area risk register(s) appropriate to their portfolio.
- 8.5.5 Project managers and partnership lead officers will report project and partnership risk registers in accordance with their project management/governance arrangements and reporting frequencies. Project managers and partnership lead officers will update their risk registers, including control measures / sources of assurance, to the PA(GFP) quarterly, for EMT to consider in its quarterly review of the strategic risk register.
- 8.5.6 Updates of risk registers will be provided to the Council's insurance officer, to facilitate discussion of insurance cover and negotiation of any premium discounts or reductions with the Council's insurers.
- 8.5.7 If a risk materialises, it will be reported as follows:
- strategic: a report to the next meeting of EMT by the risk owner, in conjunction with the PA(GFP), outlining the event that occurred, the consequence for the service, objective or priority and the outcome that resulted, together with recommendations for the application of any lessons to be learnt;
 - service area: a similar report to the service manager by the risk owner;
 - EMT or the service manager, as appropriate, will decide how the recommendations regarding lessons to be learnt will be implemented;
 - for project or partnership risks materialising: a similar report by the project manager or partnership lead officer; decisions about how recommendations regarding lessons to be learnt will be implemented will be taken in accordance with the project management or partnership governance arrangements.
- 8.5.8 Reports to Members contain as standard a Risk Management Implications section. Report writers use this section to describe risks associated with the report's proposals, possible consequences, the likelihood and potential impact of the risk occurring. Where the risk is assessed above the Council's tolerance line, report writers also outline the additional actions that will be taken to mitigate the risk and copy the report to the PA(GFP), so that the risk can be incorporated in the strategic

risk register and/or relevant service area risk register, project risk log, or partnership risk log/register, as appropriate. Members should be fully briefed on risks identified in the report.

- 8.5.9 Reports to Members also include as standard, Options and Financial Implications sections. Where reports relate to major options appraisal or capital investment decisions, report writers will also review relevant risk registers and logs, to identify any risks that need to be considered in the report.
- 8.5.10 Positive aspects of the matter under consideration will generally be mainly described in the body of the report to Members, alongside the various “Implications” sections (Financial, Legal, Staffing, Equality & Diversity, Climate Change). Report writers can also use the Risk Management Implications section to highlight any positive risks (opportunities) not mentioned elsewhere in the report.
- 8.5.11 The PA(GFP) will report to EMT on the risk management strategy and process (including staffing resources) annually, or if there is a material change during the year, for EMT to review the strategy and process and make any recommendations regarding them to Corporate Governance Committee. (The Corporate & Customer Services Portfolio Holder will similarly be invited to review the risk management strategy and process and recommend changes.) Corporate Governance Committee will review and approve changes to the risk management strategy and process annually, or if there is a material change during the year.

9. Communication and learning

9.1 Communication

- 9.1.1 Relevant staff and Members will be given timely guidance and advice relating to their risk management responsibilities, including particular aspects such as review of risk registers.
- 9.1.2 Staff and Members will also be kept informed through a risk management page on In-Site, the Council’s intranet, on which the following will be posted:
- the risk management strategy,
 - the latest version of the strategic risk register,
 - the latest versions of service area risk registers;
 - guidance and advice concerning risk management, including assessment criteria for the potential impact and likelihood of risks occurring;
 - risk management templates.

9.2 Learning

- 9.2.1 The Council will keep its risk management strategy and processes up to date by learning from a variety of sources:
- applying best practice from other local authorities and organisations, as appropriate;
 - ascertaining whether risk management matters identified in one service area also apply elsewhere across the Council;
 - providing relevant training for appropriate staff and Members (including at least a refresher session annually), facilitated by external specialists if necessary:
 - EMT will decide the training to be provided to staff, following a recommendation by the PA(GFP).

- The Chairman of the Corporate Governance Committee and the Corporate & Customer Services Portfolio Holder (the portfolio holder responsible for both risk management and for Member development), will decide the training to be provided to Members, following a recommendation from EMT.
- A record will be kept of risk management training attended by staff and Members.
- Corporate Governance Committee will review risk management training and the attendance records annually, to ensure that capabilities remain adequate.

(Note: Funding for external training is currently available under the Council's insurance contract.)

10. Organisational arrangements

- 10.1 All staff, at every level, have a role to play in risk management, since they are often best placed to identify many of the risks faced by the Council. All staff therefore have a responsibility to identify and minimise risk. This includes taking prompt remedial action on adverse events and near misses, when necessary, and the reporting of these to their line managers and/or through the relevant form. Staff also have a responsibility to follow Council policies and procedures designed to manage risk and maintain a general level of risk awareness.
- 10.2 The prompt alerting of something going wrong can help prevent a situation from becoming worse. Staff are therefore encouraged to alert their line manager to potential risks at the earliest opportunity, without the fear of blame being attributed as a result. This will enable action to be taken as soon as possible to reduce either the likelihood of the risk occurring or the possible effects of it doing so and also promote a culture of openness, transparency and support.
- 10.3 A chart summarising the Council's arrangements for risk management is shown in **Annex H**.

Annex A

The scope of risk; areas to consider

Political / Reputation

Partnership

Governance

Economic

Social

Technological

Legislative / Regulatory

Environmental

Competitive

Customer / Citizen

Managerial / Professional

Fraud / Corruption

Financial

Legal / Contractual

Physical

Health & Safety

Performance

Annex B

Some of the risks to consider when making strategic decisions

The following categories are neither prescriptive nor exhaustive, but illustrate some of the risks Members should consider when taking strategic decisions.

Strategic political risks - associated with failure to deliver either local or central government policy, or to meet the Council's commitments. Includes things such as:

- Wrong strategic priorities
- Not meeting the government's agenda
- Decisions based on faulty or incomplete information
- Too slow to innovate/modernise
- Unfulfilled promises to electorate
- Community planning oversights/errors

Strategic economic risks - affecting the ability of the Council to meet its financial commitments. Includes things such as:

- Internal budgetary pressures
- Inadequate insurance cover
- External macro level economic changes (e.g. interest rates, inflation)
- The consequences of proposed investment decisions
- General/regional economic problems
- High cost of capital
- Treasury risk
- Missed business and service opportunities
- Failure to meet efficiency targets

Strategic social risks - relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives. Includes things such as:

- Failing to meet the needs of a disadvantaged community
- Impact of demographic change
- Failures in partnership working
- Problems in delivering life-long learning
- Crime and disorder

Strategic technological risks - associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demand. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives. Includes things such as:

- Obsolescence of technology
- Hacking or corruption of data
- Breach of confidentiality associated with technology / systems
- Failure in communications

Strategic legislative risks - associated with current or potential changes in national or European law. Includes things such as:

- Inadequate response to new legislation

- Intervention by regulatory bodies and inspectorates
- Judicial review
- Human Rights Act, Disability Discrimination Act etc. breaches

Strategic environmental risks - relating to the environmental consequences of progressing the Council's corporate objectives or service priorities (e.g. in terms of energy, efficiency, pollution, recycling, landfill requirements, emissions etc). Includes things such as:

- Noise, contamination and pollution
- Impact of planning and transport policies
- Climate change
- Flood defences

Strategic competitive risks - affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value. Includes things such as:

- Takeover of services by government/agencies
- Failure to show best value and/or value for money
- Failure of bids for government funds

Strategic customer/citizen risks - associated with failure to meet the current and changing needs and expectations of customers and citizens. Includes things such as:

- Lack of appropriate consultation
- Bad public and media relations
- Breach of confidentiality

Annex C Strategic Risk Register CorVu report template

Risk Reference, Title and Description, plus associated Aims The risk event, leading to consequence for service/ Aim(s)/ Action(s), resulting in possible outcome(s). Plus associated 3 A's.	Risk Owner	Risk Score		Risk Owner's Comments
		Target	Actual	
Reference - Title The risk event, leading to consequence for service/ Aim(s)/Action(s), resulting in possible outcome(s). Associated 3 A's	Risk owner			IMPACT SCORE: X. LIKELIHOOD SCORE: Y. CONTROL MEASURES / SOURCES OF ASSURANCE: Detail. TIMESCALE TO PROGRESS: Detail.
Reference - Title The risk event, leading to consequence for service/ Aim(s)/Action(s), resulting in possible outcome(s). Associated 3 A's	Risk owner			IMPACT SCORE: X. LIKELIHOOD SCORE: Y. CONTROL MEASURES / SOURCES OF ASSURANCE: Detail. TIMESCALE TO PROGRESS: Detail.
Reference - Title The risk event, leading to consequence for service/ Aim(s)/Action(s), resulting in possible outcome(s). Associated 3 A's	Risk owner			IMPACT SCORE: X. LIKELIHOOD SCORE: Y. CONTROL MEASURES / SOURCES OF ASSURANCE: Detail. TIMESCALE TO PROGRESS: Detail.
Reference - Title The risk event, leading to consequence for service/ Aim(s)/Action(s), resulting in possible outcome(s). Associated 3 A's	Risk owner			IMPACT SCORE: X. LIKELIHOOD SCORE: Y. CONTROL MEASURES / SOURCES OF ASSURANCE: Detail. TIMESCALE TO PROGRESS: Detail.

3 A's (Aims, Approaches, Actions)

Impact

Likelihood

Notes

Risks should be cross referenced to the relevant Corporate Plan Actions adopted by Council on 23 February 2012 with effect from 1 April 2012 (e.g. A5 or C2, etc).
Where risks relate to previous objectives since embedded, the cross-referencing should be to the relevant 2012/13 Aim.

- 5 Extreme
- 4 High
- 3 Medium
- 2 Low
- 1 Insignificant

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

1. The "Reference" will be a unique risk reference, retained by the risk throughout the period of its inclusion in the risk register.
2. Criteria and guidelines for assessing "Impact" and "Likelihood" are available on In-Site under Corporate Information > Risk Management.
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 (Month Year) by which it is planned that the risk will be mitigated to below the line.

Red / **Amber** / **Green** shading in the Actual Column indicates the following movement in risk scores:

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

Annex D Service Area Risk Register template

Ref.	Title and Description of risk The risk event, <i>leading to</i> consequence for service/ Aim(s)/ Action(s), <i>resulting in</i> possible outcome(s).	3 A's	Control measures/ sources of assurance in place	Risk score		Direction of travel	Risk owner / Review frequency	Additional control measures/sources of assurance	Additional cost resources required	Adjusted risk score (where relevant)		Timescale to progress
				Impact	Likelihood					Impact	Likelihood	
	Title The risk event, <i>leading to</i> consequence for service/ Aim(s)/Action(s), <i>resulting in</i> possible outcome(s).			Impact	Likelihood	↓→↑ () new	Risk owner / Review frequency			Impact	Likelihood	Total
	Title The risk event, <i>leading to</i> consequence for service/ Aim(s)/Action(s), <i>resulting in</i> possible outcome(s).			Impact	Likelihood	↓→↑ () new	Risk owner / Review frequency			Impact	Likelihood	Total
	Title The risk event, <i>leading to</i> consequence for service/ Aim(s)/Action(s), <i>resulting in</i> possible outcome(s).			Impact	Likelihood	↓→↑ () new	Risk owner / Review frequency			Impact	Likelihood	Total
	Title The risk event, <i>leading to</i> consequence for service/ Aim(s)/Action(s), <i>resulting in</i> possible outcome(s).			Impact	Likelihood	↓→↑ () new	Risk owner / Review frequency			Impact	Likelihood	Total
	Title The risk event, <i>leading to</i> consequence for service/ Aim(s)/Action(s), <i>resulting in</i> possible outcome(s).			Impact	Likelihood	↓→↑ () new	Risk owner / Review frequency			Impact	Likelihood	Total

3 A's (Aims, Approaches, Actions)

Risks should be cross referenced to the relevant Corporate Plan Actions adopted by Council on 23 February 2012 with effect from 1 April 2012 (e.g. A5 or C2, etc). Where risks relate to previous objectives since embedded, the cross-referencing should be to the relevant 2012/13 Aim.

Impact

5 Extreme
4 High
3 Medium
2 Low
1 Insignificant

Likelihood

5 Almost certain
4 Likely
3 Possible
2 Unlikely
1 Rare

Direction of Travel

↓ Priority reduced from last review (give the previous Total score in the brackets)
→ Priority equal to last review
↑ Priority increased from last review (give the previous Total score in the brackets)
new Risk included in the risk register for the first time

- Notes: 1. The "Ref." will be a unique risk reference, retained by the risk throughout the period of its inclusion in the risk register.
2. Criteria and guidelines for assessing Impact and Likelihood are available on In-Site under Corporate Information > Risk Management.
3. The "Total" risk score is obtained by multiplying the Impact score by the Likelihood score.
4. The "Adjusted risk score" would result from re-evaluation of the Impact and Likelihood taking the additional control measures / sources of assurance into account.
5. The dotted line (-----) shows the Council's risk tolerance line.
6. The "Timescale to progress" is the date (Month Year) by which it is planned that the risk will be mitigated to below the line.

Annex E Likelihood assessment guidelines

Likelihood	Guidelines	Score
Almost certain	<ul style="list-style-type: none"> • Is expected to occur in most circumstances (more than 90%), or • Could happen in the next year, 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 most circumstances (66% - 90%), or • Could happen in the next 2 years, 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 • Could happen in the next 3 years, 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 • Could happen in the next 10 years, 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 • Unlikely to happen in the next 10 years, or • Up to 10% likely to occur in the next 12 months 	1

Annex F Impact assessment guidelines

Impact	Giving rise to one or more of the following:							Score
	Service disruption	People	Financial loss (including claim or fine)	Environment	Statutory service/ legal obligations	Management	Reputation	
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

Annex G Prioritisation Matrix template

			IMPACT				
			Insignificant	Low	Medium	High	Extreme
			1	2	3	4	5
LIKELIHOOD	Almost certain	5	5	10	15	20	25
	Likely	4	4	8	12	16	20
	Possible	3	3	6	9	12	15
	Unlikely	2	2	4	6	8	10
	Rare	1	1	2	3	4	5

----- Risk Tolerance Line

Managing the risk

[Note: The score is obtained by multiplying the Impact by the Likelihood (e.g. Impact: High; Likelihood: Possible, would result in a score of 12 - i.e. 4 x 3).]

Above the risk tolerance line (i.e. a score of 12 – 25):

- Requires active management (consider termination of the activity or project)
- Contingency plans – robust plan in place to detect any deviation from expectations
- May require some mitigation to reduce likelihood (if cost effective)

Below the risk tolerance line (i.e. a score of 1 – 10):

- Reassess quarterly to ensure no change to underlying risk or control measures / sources of assurance

Annex H Chart summarising the Council's arrangements for risk management

Corporate Governance Committee

The general functions that come under the responsibility of the Committee include:

- To review and advise the Council on the embedding and maintenance of an effective system of corporate governance, risk management and internal control.
- To give assurance to the Council that there is a sufficient and systematic review of the corporate governance, risk management and internal control arrangements within the Council.

With regard to risk management, the Committee:

- Reviews and approves the risk management strategy and process annually, updating them if necessary.
- This annual review will include considering the adequacy of the quarterly reviews of the strategic risk register by the Corporate & Customer Services Portfolio Holder.
- Receives relevant training, as and when appropriate.
- The Committee may report to full Council, if considered necessary to ensure that strategic risks are appropriately managed.

Executive

- The Corporate & Customer Services Portfolio Holder is the lead Member for risk management.
- The Corporate & Customer Services Portfolio Holder reviews the risk management strategy and process annually, recommending changes to Corporate Governance Committee if necessary.
- The Corporate & Customer Services Portfolio Holder reviews and approves the strategic risk register quarterly.
- A portfolio holder may request a briefing/update from relevant director(s) / the Executive Director (Corporate Services) on the service area risk register(s) appropriate to their portfolio.
- Receives relevant training, as and when appropriate.

Notes:

- The Chairman of the Corporate Governance Committee and the Corporate & Customer Services Portfolio Holder decide the training to be provided to Members, following a recommendation from EMT.

Executive Management Team (EMT)

- Reviews the risk management strategy and process annually, recommending changes to Corporate Governance Committee if necessary.
- Reviews the strategic risk register quarterly; recommends the strategic risk register to the Corporate & Customer Services Portfolio Holder.
- May cascade a strategic risk to an appropriate service area risk register.
- Reviews service area risk registers, collated by corporate area/direct reports, on a rolling programme throughout the year.
- Considers reports on strategic risks that occur and decides how lessons learnt will be implemented.
- Promotes and champions risk management.
- Decides training to be provided to staff, following a recommendation from the Principal Accountant (General Fund & Projects) (PA(GFP)); recommends training to Corporate Governance Committee.
- The Executive Director (Corporate Services) is the senior manager responsible for risk management.

“Risk owners”

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

At the strategic level:

- Work with the PA(GFP) to develop and implement control measures / sources of assurance for managing strategic risks, including additional control measures / sources of assurance for risks assessed above the tolerance line.
- Report strategic risks materialising, in conjunction with the PA(GFP), to the next meeting of EMT, recommending the application of any lessons to be learnt.

At the service area level:

- Work with the service manager to develop and implement control measures / sources of assurance for managing service area risks, including additional control measures / sources of assurance for risks assessed above the tolerance line.
- Report service area risks materialising to the service manager.

Service managers

- Review service area risk registers alongside service plans annually, reporting risks above the line in published service plans, and at quarterly intervals.
- Respond to portfolio holder requests for briefings/updates on service area risk register(s).
- Where strategic risks are cascaded to a service area risk register, take a corporate lead on managing the risk.
- May escalate a service area risk for EMT to consider including in the strategic risk register.
- Implement control measures / sources of assurance to manage service area risks.
- Update the PA(GFP) quarterly regarding service area risk registers and control measures / sources of assurance.
- Consider reports on service area risks that occur and decide how lessons learnt will be implemented.
- Have primary responsibility for managing risks in their service areas, since they are best-placed to determine the appropriate actions to minimise risks to their customers, staff, services or budgets.

Project managers

- Review project risk registers at frequencies set out in project plans, reporting these in line with project management arrangements.
- Update the PA(GFP) quarterly regarding project risk registers, including control measures / sources of assurance.
- Report project risks materialising, in accordance with project management arrangements.

Partnership lead officers

- Review partnership risk registers at frequencies set out in partnership plans, reporting these in line with governance arrangements.
- Update the PA(GFP) quarterly regarding partnership risk registers, including control measures / sources of assurance.
- Report partnership risks materialising, in accordance with governance arrangements.

Principal Accountant (General Fund and Projects) (PA(GFP))

- Coordinates EMT's annual review of the risk management strategy and the resulting reports to the Corporate Governance Committee.
- Coordinates EMT's quarterly review of the strategic risk register and associated action plans, and the resulting reports to the Corporate & Customer Services Portfolio Holder.
- Assists nominated risk owners to develop and implement control measures / sources of assurance to manage strategic risks, including additional control measures / sources of assurance for risks assessed above the Council's risk tolerance line.
- Keeps a record tracking the priority of identified strategic risks.
- Assists risk owners to report on strategic risks that occur, together with recommendations regarding any lessons to be learnt.
- Coordinates directors' reviews of collated service area risk registers, quarterly.
- Reviews service area risk registers to identify risks of a significant, corporate or common nature.
- Facilitates cascade of strategic risks to relevant service area risk registers and escalation of significant, corporate or common service area risks for EMT to consider including in the strategic risk register.
- Links project and partnership risk registers to the strategic risk register and/or service area risk registers, as appropriate.
- Facilitates inclusion of risks identified in reports to Members, in the appropriate risk register
- Recommends training for staff and Members to EMT.
- Facilitates relevant training, guidance and advice on risk management.
- Communicates risk management matters to staff.

Notes:

- Responsibility in respect of risk and risk management will be included in relevant officers' job descriptions.
- The management competency framework will be reviewed to incorporate risk management responsibilities and objectives.

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Appendix D
Strategic Risk Register
June 2012 - Draft
[changes highlighted in grey]



Risk Reference, Title and Description, plus associated Aims, Approaches, Actions	Risk Owner	Risk Score		Risk Owner's Comments
		Target	Current	
<p>STR15 - Welfare Reform Proposed radical changes to benefits, including possibility of localised council tax benefits and introduction of a universal credit system, leading to 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>resulting in 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, Approaches, Actions: C7, B3</p>	Alex Colyer		20	<p>SCORES - IMPACT: 4; LIKELIHOOD: 5. [Note: Scores have been assessed on the perceived scale and impact of the announced changes, and the timescale to implement them (although there may be changes to this) - scores will be reassessed and targets set when more information and clarity is available.]</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Discretionary Housing Payments policy completed and approved. Response made to council tax benefit consultation. Consultations with professional bodies, peer authorities and software suppliers. Consultations with registered social landlords (RSLs), ongoing. Impact assessment work undertaken on proposals and council house accommodation – to be fed into the consideration at a strategic level of possible implications on social housing allocations. Consideration of possible criteria for own council tax benefit scheme. Benefits and Housing Advice & Homelessness teams to provide initial training. Signpost residents who are in difficulty, advice / counselling / financial help / medical assistance etc. Project plan for Localised Council Tax Benefits (CTB). Initial consultations have started with stakeholders, others commenced (2 briefings, 24 April 2012). DCLG have provided an initial grant of £84k towards costs. Chief Financial Officers Group meeting attended with regard to looking at countywide implication of new CTB Schemes. Review of project plan by County Revenues Group. [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: Spring 2013 (Council tax support (local authorities) due to go live w.e.f. 1 April 2013). Forum arranged for May 2012 for Registered Housing Providers with regard to impact of under-occupancy for each RSL. Housing Advice and Homelessness to work with Citizens Advice to provide additional budgeting advice for those adversely affected by changes to welfare benefits. Attendance confirmed at tenant participation group events (3 during September and October 2012).</p>

Risk Reference, Title and Description, plus associated Aims, Approaches, Actions	Risk Owner	Risk Score		Risk Owner's Comments
		Target	Current	
<p>STR05 - Lack of Development Progress While there is good progress on the Cambridge fringe sites, at Cambourne and on a refreshed planning application for Northstowe despite uncertainty about improvements to the A14, development is below target, <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, Approaches, Actions: B7, B6</p>	Jo Mills	10	16	<p>SCORES - IMPACT: 4; LIKELIHOOD: 4.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: A14 - Task Group set up with Department for Transport. Government announcement of funding for 'interim measures' on A14, and recognising need for longer term investment after the Task Group has concluded its work. Phase 1 planning application received 27 February 2012, with Development Framework Document. First members of Northstowe Joint Team appointed. Planning Application consideration – on target. Planning Policy produce an Annual Monitoring Report (forecasts housebuilding levels), annually review the Local Development Scheme (can address any shortfall) and have completed a new Strategic Land Availability Assessment (SHLAA). Pre-application discussions started with Marshalls regarding land north of Newmarket Road, and with Ida Darwin hospital site. Construction for Cambourne 950 has started.</p> <p>TIMESCALE TO PROGRESS: SHLAA Issues and Options for new Local Plan to be published in June 2012. Timetable for new Local Development Scheme was agreed by the New Communities Portfolio Holder in March 2011 with new plan in place in 2014. Detail of timetable has been revised to fit more closely with the City Council's programme, but overall timetable unchanged.</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, Approaches, Actions: C6</p>	Jo Mills	10	12	<p>SCORES - IMPACT: 4; LIKELIHOOD: 3.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Ongoing routine monitoring of all district development. Draft Government guidance issued, county wide needs assessment completed in September 2011 but further work required. Monthly report on position regarding temporary expiries and applications circulated to SOG for coordination and oversight.</p> <p>TIMESCALE TO PROGRESS: New applications – ongoing. Gypsy & Traveller Plan to be included in Local Plan. Issues & Options consultation, Summer 2012. Local Plan due for completion 2014.</p>

Risk Reference, Title and Description, plus associated Aims, Approaches, Actions	Risk Owner	Risk Score		Risk Owner's Comments
		Target	Current	
<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; national Government responds to the downturn in the economy by cutting local government expenditure faster than anticipated, <p>leading to the Council needing to take action to cut its budgets, resulting in cuts in services, public dissatisfaction, audit and inspection criticism.</p> <p>Aims, Approaches, Actions: A4, A5, C7</p>	Alex Colyer	10	12	<p>SCORES - IMPACT: 4; LIKELIHOOD: 3.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Revised MTFS incorporates updated assumptions; approved by Council on 23 February 2012. Implement plans to deliver Council's programme in line with latest General Fund (GF) / Housing Revenue Account (HRA) savings targets. Executive Management Team (EMT) reviews progress in achieving budget targets. Treasury management reports to Finance & Staffing PFH. Monitor pay and inflation factors, effect of current economic climate on demand led services and budgets. Council Health Dashboard. Monthly financial report to EMT.</p> <p>TIMESCALE TO PROGRESS: Explore shared service opportunities. Explore opportunities for further savings beyond those in the MTFS. Updated MTFS during 2012/13.</p>
<p>STR24 - HRA Business Plan: Government policy changes Government decides to reopen the debt settlement, leading to increased debt requirement, resulting in reduced housing programme.</p> <p>Aims, Approaches, Actions: B8, C4, C9, A4</p>	Stephen Hills	10	12	<p>SCORES - IMPACT: 4; LIKELIHOOD: 3.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Capacity has been built into the Housing Revenue Account (HRA) business plan to absorb some future changes if they are required.</p> <p>TIMESCALE TO PROGRESS: Monitor Government policy including utilising our partnership arrangements with the Chartered Institute of Housing. Annual review of business plan, programme and resources.</p>

Risk Reference, Title and Description, plus associated Aims, Approaches, Actions	Risk Owner	Risk Score		Risk Owner's Comments
		Target	Current	
<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, Approaches, Actions: C9, C4</p>	Stephen Hills	10	10	<p>SCORES - IMPACT: 2; 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. Consultation with staff on new structure. The Housing Portfolio Holder approved a new sheltered housing structure on 15 February 2012. Reduction in funding decision now taken (wef April 2012); confirmation received. Budget reviewed accordingly. Process managed so that potential negative impact has already largely been mitigated. All sheltered housing tenants informed.</p> <p>TIMESCALE TO PROGRESS: Service restructure progressing; to be effective from 1 July 2012. Will need to competitively tender to provide the sheltered housing service, in time for April 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, Approaches, Actions: A1</p>	Jean Hunter	9	9	<p>SCORES - IMPACT: 3; LIKELIHOOD: 3.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Active engagement of officers and Members in partnerships, to ensure the district's residents' and businesses' needs are articulated.</p> <p>TIMESCALE TO PROGRESS: New action in Corporate Plan for 2012/13. Dependent on the timeframe/milestones for each partnership.</p>
<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, Approaches, Actions: C4, C9, B8</p>	Mike Hill	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. Multi agency working group established September 2011, to meet bi monthly. Demographic data to inform new South Cambridgeshire Local Plan – timetable agreed in March 2011. Housing for older people Task & Finish review reported to Scrutiny & Overview Committee, 6 February 2012. Participation in county wide Ageing Well project – initial meeting held November 2011. County wide workshop held on 16 March 2012.</p> <p>TIMESCALE TO PROGRESS: Action in 2012/17 corporate plan to 'Work with older people to improve their independence and quality of life'. South Cambridgeshire Ageing Well action plan in preparation. Take account of demographic change in the corporate and financial planning cycle. Redesign services to address demands.</p>

Risk Reference, Title and Description, plus associated Aims, Approaches, Actions	Risk Owner	Risk Score		Risk Owner's Comments
		Target	Current	
<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, Approaches, Actions: C2</p>	Mike Hill	8	8	<p>SCORES - IMPACT: 4; LIKELIHOOD: 2.</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 and 2012/13 budgets. Project Initiation Document approved by EMT in August 2011.</p> <p>TIMESCALE TO PROGRESS: Heads of Terms delayed, pending outcome of a new planning consent for a redesigned depot. Occupation target, January 2013.</p>
<p>STR22 - Safeguarding the Council's services against climate change The Council fails to develop measures to safeguard its services against climate change, leading to unacceptable vulnerability to the impact of climate shifts and other weather-related events, resulting in a degradation or breakdown of service delivery and damage to property, increasing costs and impact on the Council's reputation.</p> <p>Aims, Approaches, Actions: C8</p>	Jo Mills	8	8	<p>SCORES - IMPACT: 4; LIKELIHOOD: 2.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: The Council adopted the Climate Change Action Plan (CCAP) 2011-2013 on 22 September 2011. 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: CCAP actions undertaken over the period 2011 to 2013. The Director of Planning and New Communities will meet relevant Members and report back, enabling EMT to decide whether to retain the Internal Sustainability Delivery Group or transfer responsibility for monitoring the Climate Change Action Plan to EMT.</p>

Risk Reference, Title and Description, plus associated Aims, Approaches, Actions	Risk Owner	Risk Score		Risk Owner's Comments
		Target	Current	
<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, Approaches, Actions: A2, A4</p>	Alex Colyer	8	8	<p>SCORES - IMPACT: 4; LIKELIHOOD: 2.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: The Council has met its legal requirements to publish equality information by 31 January 2012 and publish equality objectives by 6 April 2012. This information is incorporated into a new Single Equality Scheme (SES), which was adopted by the portfolio holder on 21 March 2012. The adoption of a corporate approach to EQIAs is based on identification of revised assessments via forward plans and a focus on changed outcomes as a result of assessment, supported by the development of a simplified series of templates and the introduction of a 'screening tool' by end of May 2012. Quarterly performance reports to EMT and PFH meetings.</p> <p>TIMESCALE TO PROGRESS: The Council will prepare a self-assessment against the 'Excellence' standard of the Equality Framework for Local Government (EFLG) to inform a final decision, to be taken by 31 October 2012, whether to proceed to 'Excellence' accreditation in 2013. The Equality and Diversity Steering Group will be re-established as a task and finish project group to assist with the preparation of the self-assessment, the Terms of Reference and outline project plan to be circulated to EMT.</p>
<p>STR23 - Achieving a 10% reduction in CO₂ emissions 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, Approaches, Actions: C8</p>	Jo Mills	8	8	<p>SCORES - IMPACT: 2; LIKELIHOOD: 4.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: The Council adopted the Climate Change Action Plan (CCAP) 2011-2013 on 22 September 2011. 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: CCAP actions undertaken over the period 2011 to 2013. The Director of Planning and New Communities will review this risk and report back, enabling EMT to decide whether to retain this risk on the risk register.</p>

Risk Reference, Title and Description, plus associated Aims, Approaches, Actions	Risk Owner	Risk Score		Risk Owner's Comments
		Target	Current	
<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> inability to appropriately manage the handling of data and sensitive information, 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, Approaches, Actions: A8, A10, B1</p>	Alex Colyer	4	4	<p>SCORES - IMPACT: 2; LIKELIHOOD: 2.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: ICT Strategy, ICT Security Policy and Usage Guidelines, Information Governance project. EMT, Policy & Performance Portfolio, Information Governance Working 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, ICT Shared Services Group and County Data Sharing Group. Membership of the Society of IT Managers (SocITM) and British Computer Society. The Policy and Performance Portfolio Holder approved a draft revised ICT Strategy (subject to further discussion and final approval at a future portfolio holder meeting) and noted and endorsed revised ICT Security Policy and Usage Guidelines, on 12 April 2012. Regular monthly or bi-monthly engagement with officers, Members and public sector partners.</p> <p>TIMESCALE TO PROGRESS: Dependent on the timeframe/milestones for each major project. Final approval of revised ICT Strategy, October 2012.</p>
<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, Approaches, Actions: All</p> <p>[(a) The Council and trades unions signed a Single Status Agreement in May 2012. (b) Employee engagement and development is being addressed through the Organisational Development Strategy; risk associated with this will be included in the Corporate Services service area risk register.]</p>	Alex Colyer	10	16	<p>SCORES - IMPACT: 4; LIKELIHOOD: 4.</p> <p>CONTROL MEASURES / SOURCES OF ASSURANCE: Employment of specialist staff to manage the process. Exchange of information and discussions through the Job Evaluation (JE) Steering Group. JE Steering Group met on 19 May 2011 and continued to have negotiation meetings and work with the trade unions. The meeting with the regional Joint Secretaries on 22 Feb 2012 made recommendations, to Unison, GMB and the Council; revised Single Status proposals put to members in a consultative ballot. Update letters issued to all staff in February and March 2012. All JE documents held on Insite. Both unions have balloted members on the Single Status proposals – joint steering group met on 9 May 2012 to discuss outcomes.</p> <p>TIMESCALE TO PROGRESS: Formal signing of collective agreement due to take place week commencing 21 May 2012.</p>

Risk Reference, Title and Description, plus associated Aims, Approaches, Actions	Risk Owner	Risk Score		Risk Owner's Comments
		Target	Current	
<p>STR13 - Potential risk once HRA reform is implemented. Council fails to prepare for taking on £200M debt, leading to significant shortfall in funds or mismanagement of finances, resulting in potential of regulatory intervention.</p> <p>Aims, Approaches, Actions: A4, B8, C9</p> <p>[This risk is concerned with the HRA self financing leading up to the April 2012 implementation. £205million debt was successfully taken on, on 28 March 2012. Affordable Homes had already downgraded this risk on their risk register.]</p>	Stephen Hills	5	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. Viable HRA Business Plan approved by Council - separate risk register identified.</p> <p>TIMESCALE TO PROGRESS: Outcome of initial consultation published February 2011, providing route map for implementation. Anticipate new regime from April 2012.</p>

Red / **Amber** / **Green** shading in the Actual Column indicates the following movement in risk scores:

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

Notes

1. The "Reference" is unique and retained by the risk throughout the period of its inclusion in the risk register.
2. Risks are cross referenced to the relevant 2012/13 Aims, Approaches and/or Actions adopted by Council on 23 February 2012.
3. Criteria and guidelines for assessing "Impact" and "Likelihood" are shown on below.
4. The "Actual" risk score is obtained by multiplying the Impact score by the Likelihood score.
5. The dotted line (- - - - -) shows the Council's risk tolerance line.
6. The "Timescale to progress" is the date by which it is planned that the risk will be mitigated to below the line.

Impact		Giving rise to one or more of the following:						
	Service disruption	People	Financial loss *	Environment	Statutory service/legal obligations	Management	Reputation	Score
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		Score
	Guidelines	
Almost certain	<ul style="list-style-type: none"> Is expected to occur in most circumstances (more than 90%), or Could happen in the next year, 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 Could happen in the next 2 years, 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 Could happen in the next 3 years, 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 Could happen in the next 10 years, 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 Unlikely to happen in the next 10 years, or Up to 10% likely to occur in the next 12 months 	1

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Appendix E
Strategic Risk Matrix
 June 2012 - Draft



			IMPACT					
			Insignificant	Low	Medium	High	Extreme	
			1	2	3	4	5	
LIKELIHOOD	Almost certain	5		12. Supported Housing			15. Welfare reform	
	Likely	4		23. Achieving a 10% reduction in CO ₂ emissions			5. Lack of development progress	
	Possible	3	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> Risk Tolerance Line ----- </div>		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 24. HRA Business Plan	
	Unlikely	2		21. Keeping up with technology development			16. Depot size 2. Equalities 22. Safeguarding the Council's services against climate change	
	Rare	1						

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SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO:	Corporate Governance Committee	29 th June 2012
AUTHOR/S:	Executive Director (Corporate Services)/ Legal and Democratic Services Manager	

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL'S ANNUAL GOVERNANCE STATEMENT 2011/12**Purpose**

1. To consider and approve the draft Annual Governance Statement 2011/12 prior to the statement being signed by the Leader and Chief Executive and being included in the statement of accounts for the year ending 31st March 2012.

Recommendations

2. The Corporate Governance Committee is requested to consider and approve the draft Annual Governance Statement and note the information which supports the report.
3. The Corporate Governance Committee is asked to note that the final version of the Statement will be updated following the receipt of the External Auditors Opinion.
4. The Corporate Governance Committee is asked to note the progress made to address the governance issues identified in the Annual Governance Statement for 2010/2011.

Background

5. The requirement to publish an Annual Governance Statement ("the AGS") is a statutory requirement which was introduced with effect from the 2007/2008 financial year. The AGS provides public assurance about the effectiveness of the Council's system of internal control and the Council's corporate governance arrangements and assurance framework.
6. The CIPFA/SOLACE governance framework "Delivering Good Governance in Local Government" brings together an underlying set of legislative requirements, governance principles and management processes and highlights the fact that good governance relates to the whole organisation. Six core principles of governance in the framework focus on the systems and processes for the direction and control of the Council and its activities through which it accounts and engages with the community.

Considerations

7. The functions of the Corporate Governance Committee include consideration of the AGS prior to its inclusion in the annual statement of accounts. The AGS should explain the governance framework operating during the accounting period, assess the effectiveness of those controls and identify any significant issues and associated actions.

8. The draft AGS is attached at Appendix A. There is no standard wording for explaining governance arrangements and the review of their effectiveness; rather a good governance statement will be an open and honest self-assessment of the Council's performance across all of its activities, with a clear statement of the actions being taken or required to address areas of concern. Internal audit has assisted officers in the preparation of the AGS by gathering assurances against the six core principles of governance. Officers across the Council have also provided evidence of assurances by self-assessment against the Local Code of Governance.
9. The draft AGS includes the Internal Audit opinion for 2011/12 that the council has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives. The AGS will be updated with the External Audit opinion when it is received.
10. No "significant" governance issues have been identified in this year's AGS. Three issues have been identified officers as meriting attention to further strengthen effective corporate governance at the Council which are set out in the table at Section 6 of the report.

Implications

11. Financial	Good corporate governance and internal controls reduce the risk to the Council of financial loss.
Legal	It is a statutory requirement to produce an Annual Governance Statement under the Accounts and Audit (Amendment) (England) Regulations 2006 and the Statement of Reporting Practice 2007 (CIPFA). Operating good corporate governance and internal control systems should demonstrate high ethical standards.
Staffing	None
Risk Management	Failure to produce an Annual Governance Statement would affect the approval of the statement of accounts and the use of resources assessment
Equal Opportunities	None

Consultations

12. The Executive Management Team, other senior officers and Internal Audit were consulted as part of the preparation of this report.

Effect on Strategic Aims

13.	Commitment to being a listening council, providing first class services accessible to all.
	The Annual Governance Statement covers the whole range of Council activities and the way in which it implements its policies and values reflecting the strategic aims of the authority.
	Commitment to ensuring that South Cambridgeshire continues to be a safe and healthy place for all.
	See above
	Commitment to making South Cambridgeshire a place in which residents can feel proud to live.
	See above
	Commitment to assisting provision for local jobs for all.

See above
Commitment to providing a voice for rural life.
See above

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

Annual Governance Statement 2010/2011
Delivering Good Governance in Local Government – Guidance and Framework
published by CIPFA 2007
Annual Audit Letter 2010/11

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South Cambridgeshire District Council

Annual Governance Statement 2011/12

For the period 1st April 2011 to 31st March 2012

1. SCOPE OF RESPONSIBILITY

South Cambridgeshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility South Cambridgeshire District Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government*.

A copy of the code is on the Council's website at www.scambs.gov.uk. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment) (England) Regulations 2006) in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and the activities through which it engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2012, and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

South Cambridgeshire District Council has a responsibility for ensuring a sound system of governance to meet statutory requirements requiring public authorities to adhere to proper practices in reviewing the effectiveness of their system of internal control and preparing a statement on internal control. This governance statement meets that requirement and sets out brief details of the arrangements the Council has in place regarding the key systems and processes comprising the Council's governance framework and also identifying what outcomes have been achieved throughout the year as part of these processes that has benefited all those involved with the Council. This forms part of the Council's overall assurance framework, which incorporates the Local Code of Governance adopted by the Council covering six core principles and the accompanying supporting principles contained within the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government (2007).

Principle One: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

- The Council's Vision is 'To 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'.
- The Council has established the following aims which set out how the vision will be delivered: -
 - Being a listening council, providing first class services accessible to all
 - Ensuring that South Cambridgeshire continues to be a safe and healthy place for you and your family
 - Making South Cambridgeshire a place in which residents can feel proud to live
 - Assisting provision for local jobs for you and your family
 - Providing a voice for rural life
- These aims are underpinned by approaches which provide a framework showing how the aims will be delivered and specific actions which will be undertaken to deliver the aims.
- The Council has also adopted values to guide the way it works and provides services. These are customer service, improving services, trust and mutual respect.
- The Council has communicated its vision, aims and values internally through monthly Corporate Briefs to staff, the internal staff magazine 'Scene' and the intranet "In-Site". They have also been communicated to South Cambridgeshire residents through its quarterly magazine "South Cambs", via the website, and via meetings held every six months with the parish councils.
- The Council produced a Corporate Plan for 2011/12, which set out key achievements for 2010/11 and the challenges and priorities for 2011/12 and demonstrated how the Council planned to meet these challenges during the year, how it has continued to ensure improvements and managed resources effectively to deliver high quality services to the whole community. The Corporate Plan is available on the Council's website.

- The Corporate Plan is underpinned by service plans for 2011/12 setting out the actions to be taken and targets to be met. Achievement of these plans is regularly monitored by Portfolio Holders, via quarterly reports at their public meetings, and service managers on an on-going basis throughout the year.
- The Policy and Performance service drives delivery of the Corporate Plan, working closely with services to spread best practice, track performance and strengthen performance against local targets. The performance management framework monitors delivery against targets and the Cabinet or Portfolio Holder receives quarterly integrated business monitoring reports, which incorporate the Council's financial performance.
- The Service Plan incorporates a value for money framework to identify costs relating to activities.
- In September 2010, the Council updated its Performance Improvement Strategy to ensure it continues to be seen to be consistently delivering improvements in services and the quality of life enjoyed by residents, as reflected in the Corporate Plan and Sustainable Community Strategy. The Performance scorecard was introduced in 2011 and shows how the Council is doing at delivering its aims.
- A performance management manual has been in use from 2010/11 which sets out roles and responsibilities, the performance management cycle, target setting, performance indicators audit standards and data quality strategy.
- The Council already has a great deal in place, including its aims and values, to reflect an ongoing commitment to improve services. It operates systems such as service planning; performance and development reviews (appraisals); quarterly performance monitoring; management competencies; and risk management, and achieved Investors in People (IIP) accreditation in March 2009. Re-assessment for IIP is due in 2012. Work is ongoing to improve staff engagement and motivation to build the commitment and team working across the Council required for performance improvement. The adoption of an Organisational Development Strategy in October 2011 and projects such as Customer Service Excellence (CSE) support the Council's commitment to service improvement.
- A performance improvement group meets monthly to consider performance issues. This group includes a representative from each service; the policy and performance portfolio holder receives papers and regularly attends meetings as an observer.
- The Council Tax leaflet for 2011/12 includes detailed information for residents including the previous year's performance and the "CorVu" Performance Management System has been enhanced to improve the range, quality and accessibility of performance data through the use of the performance scorecard.
- The Council has a Medium Term Financial Strategy, which is reviewed and updated annually as part of the budget setting process to support the achievement of the Council's corporate objectives. The budget and policy framework outlines the process and timetable to be followed each year when setting the Council's budget. The financial management framework includes regular budget monitoring reports to the Management Team, Executive and Portfolio Holder meetings to ensure best use of Council resources.

- Each service plan includes a value for money overview that describes how each service has made efficiencies. The VFM template within the service plan provides a mechanism to assess VFM delivered in terms of unit cost, service levels, performance, external recognition and funding.
- Partnership working is an essential element for the Council to deliver its services effectively and assist the Council in meeting its objectives. In order to ensure that the Council participates in successful partnerships with robust governance arrangements, the Council has adopted a “Partnership Toolkit” that covers eight partnership standards agreed by the Corporate Governance Committee. Standard Terms of Reference headings based on national guidance are included in the toolkit for use in all partnerships led by the Council.
- The Council has a full list of all its partnerships and each of these has been scored to identify the key partnerships. All key partnerships are risk assessed and any scoring above the threshold would be included in the risk register which is regularly monitored.
- The Local Strategic Partnership provides a framework for addressing the social, economic and environmental concerns of people in South Cambridgeshire and Cambridge City through partnership working.

Principle One: Key Outcomes identified during 2011/12

- The Council achieves its strategic aims for the district and its customers, resulting in positive outcomes for quality of life
- The council tax leaflet has been improved through feedback from a focus group to provide value for money information
- Tangible positives for the community e.g. increased engagement with young people through shadow Youth Council event.
- Service improvement targets achieved, enhancing performance and resulting in positive service enhancements e.g. blue bin scheme roll-out.
- Effective financial management: Establishment of 30 year business plan for new Housing Revenue Account arrangements and maintenance of housing assets
- Specific satisfaction surveys carried out by services e.g. legal, ICT, informed by CSE gaps identified, leading to positive service improvements.
- Achievement of Customer Services Excellence Standard
- Adoption of Corporate OD Strategy to develop knowledge, skills and behaviour of staff
- Value for Money indicators identified for all services.

Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

- The Constitution was last updated on 24th November 2011 following a periodic review by the Council's Constitutional Review Working Party, which last met on 10th November 2011. The working party acts as the guide for the operations of the Council and identifies the roles and responsibilities of the Executive, Officers and Members. The Constitution also identifies the delegation of responsibilities for Council functions through Committees, the Executive, portfolio holders and officers, and sets out how decisions are made. It sets out management and operational responsibility within the Council. All executive and officer decisions are published in a weekly e-bulletin, which is distributed to all Members, staff and all parish councils within the district.
- The Constitution contains Codes of Conduct for officers and members, a protocol for member/officer relations and full job descriptions for Members, including role descriptions for Chairmen of the Council's Committees.
- The Monitoring Officer and Legal and Democratic Services team maintain up to date versions of the Constitution and ensure decision-making is fair and lawful. Advice from the Monitoring Officer and/or the Chief Finance Officer is taken on whether any decisions are outside the budget and policy framework. All Executive reports are forwarded to Legal and Accountancy prior to publication for input into the implications of proposed actions and strategies.
- The roles and responsibilities of statutory officers are set out in the Constitution and job descriptions. The Chief Executive is designated Head of the Paid Service, the Executive Director (Corporate Services) is the designated Chief Finance Officer responsible for the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972 and the Executive Director (Operational Services) was the Monitoring Officer for part of the year. The Legal & Democratic Services Manager was designated Monitoring Officer in January 2012. All the Council's statutory officers have the skills, knowledge, experience and resources to perform effectively in their roles and their roles are properly understood within the authority
- An independent panel is in place to monitor and review the remuneration of members each financial year. Remuneration for Members was unchanged in 2011/12.
- A local agreement covers pay and conditions for officers. A full job evaluation exercise has been ongoing during 2011/12 and is due for completion and implementation in the first half of 2012/13. The Pay Policy Statement was approved by Council in February 2012.
- Service delivery is monitored through quarterly integrated business monitoring reports to identify relevant links between resources to reflect ongoing and emerging policy priorities, covering the following Council performance areas:
 - Corporate actions
 - Performance indicators
 - General Fund, Housing Revenue Account
 - Capital Programme

Principle Two: Key Outcomes identified during 2011/12

- For 2011/12 the Council has had a pre-arranged programme of meetings to ensure the Constitution is kept under regular review.
- Building of effective relationships to allow objectives to be achieved more efficiently.
- A wide range of member development and training sessions have been offered and have received very positive feedback from members.
- The Council appointed a dedicated Member Services Officer in 2010 to act as the first point of contact for members
- Charter for Elected Member Development awarded in January 2012
- 89% of Members attended training sessions during 2011/12
- Public confidence in a robust remuneration system for Members and Officers
- Significant progress with Job Evaluation review
- Requirements of the Equalities Act in terms of equal pay have been met
- Improvements in key performance indicators.
- Positive impact of the Absence Management Policy in reducing long term sickness.
- Learning from complaints feedback has led to tangible service improvements
- Chief Executive made Ward visits to all Parishes in the district to support the excellent District – Parish liaison arrangements by Members
- Budgets delivered within variance levels demonstrating sound financial management

Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

- The Constitution acts as the guide for the operations of the Council and identifies the roles and responsibilities of the Executive, officers and Members.
- The Constitution is supported by operational procedure manuals containing information on financial regulations, contract regulations, business procedures and processes to be followed in all areas of the Council.
- Expected standards of conduct and behaviour are set out in the Code of Conduct and other protocols contained within the Constitution. All Members have also been given a Members' Toolkit which includes the Code of Conduct and all other relevant protocols and guidance for members. All Members have been trained on the Code of Conduct.
- The Code of Conduct addresses the issue of Members not taking part in decision-making if they have declared a prejudicial interest and about registration and declaration of personal interests. Declarations of interest are a standing item on all agendas. A register of interests for each Member including co-optees on to the Standards Committee is updated annually and shown on the council's website.

- The Constitution also includes an Anti-theft, Fraud and Corruption Policy.
- Members are asked to sign up to a Member Undertaking to show their commitment to abide by the codes and protocols as a demonstration of support for the high standards of personal behaviour by Members and good working relationships with officers.
- Officers are bound by their own Code of Conduct which sets out guidelines for officer behaviour.
- The Members' Toolkit also contains an internal disputes resolution procedure which can be used to deal with alleged breaches of the Code of Conduct.
- The Council has adopted four values; customer service, improving services, trust and mutual respect which underpin the way it works and provides services. A programme to embed the values within the organisation has been led by an officer task group chaired by a member of the Management Team via training, posters, newsletters, the staff magazine, intranet and team briefings. The values are included as part of the staff appraisal system, and value panels are used in the recruitment process.
- The Standards Committee promotes and maintains high standards of conduct within the Council and its Parish Councils. All political groups and non-group members are represented on the Standards Committee. The Committee assesses, reviews and makes determinations in respect of allegations of misconduct against district and parish councillors, and makes recommendations to Council on matters such as reviews of the Code of Conduct. The committee currently includes 18 members, comprising of 7 District councillors, 3 representatives of parish councils and 8 independent (lay) members.
- Each member of the Standards Committee receives a committee manual, including details of members' roles and responsibilities, and the Committee's responsibilities and procedures for carrying out assessments of complaints and dealing with investigations. The members of Standards Committee have ongoing training on a quarterly basis following each meeting on issues and procedures affecting it and details of workshops and training sessions during 2011/12 have been included in the annual report.
- The operation of the Standards Committee has previously been recognised nationally and was short-listed for the LGC awards in the 2010 Standards and Ethics category (this category was not repeated at the 2011 awards due to the forthcoming changes to the Standards regime).

Principle Three: Key Outcomes identified during 2011/12

- Corporate Governance internal audit report December 2011 was extremely positive about current arrangements and gave substantial assurance around the control environment.
- Monitoring Officer provides regular support and advice to Members on conduct and also on issues around pre-determination and bias.
- The Communications Strategy for 2011/12 is built around SCDC's values.
- Responses given to the media frequently link back to the values to show our residents, staff, Members and partners what drives us as a Council.

- SCene, the internal staff newsletter has been used through the year to reinforce the values to staff and Members.
- Values Panel included in recruitment process to assist in getting the right people in the right jobs.
- The Council has responded to once instance of whistle-blowing during 2011/12. The incident was dealt with in accordance with the Council's policies.

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

- The Constitution acts as the guide for the operations of the council and identifies the roles and responsibilities of the executive, officers and Members. The Constitution also identifies the delegation of responsibilities for Council Functions through Committees and sets out how decisions are made. All executive and officer decisions are published in a weekly e-bulletin, which is distributed to all Members, staff and the 90 parish councils within the Council's area.
- The Council has a Scrutiny and Overview Committee with terms of reference and operating procedures set out in the Constitution. The committee can call in for review any decision made by the Executive, Individual Portfolio Holders or key decisions made by officers. The Committee uses task and finish groups to carry out specific pieces of work. A timetable for scrutiny programme planning sets out deadlines and an annual Scrutiny and Overview Committee report is produced to the annual meeting of Council.
- During 2011/12 scrutiny task and finish groups covered Customer Contact and learning from customer feedback; Sheltered Housing support; Planning Services; and Communications. Evidence for these groups was provided through focus groups of residents, planning agents, parish councils and staff. The groups also visited examples of good practice within neighbouring counties. Scrutiny has been further strengthened by training and development and a summary report of training is included in the Annual Report for 2011/12.
- Portfolio Holder meetings are open to the public and, wherever possible, decisions are taken at these regularly scheduled meetings, in line with the Constitution, and are published in a weekly e-bulletin which is distributed to all Members, co-opted members, staff and parish councils and the media. Matters decided outside of the formal meetings, for reasons of urgency, are published on pro-forma decision sheets. Portfolio monitors appointed by the Scrutiny and Overview Committee are invited to attend all portfolio holders meetings.
- Forward plans showing all decisions coming up are produced for meetings of executive portfolio holders, the Cabinet, the Council and Management Team. These plans are published on the website.

- All agendas and reports plus relevant supporting documents are available on the website in compliance with the statutory deadline for publication of five clear working days.
- The Corporate Governance Committee takes responsibility for all governance arrangements within the Council and undertakes the core functions of an Audit Committee, as identified in CIPFA's "Audit Committee – Practical Guidance for Local Authorities".
- The Council has a corporate Compliments, Complaints and Comments Policy. This has been reviewed as part of the Customer Service Excellence Standard work in 2011. Complaints about Member conduct are received and determined by the Standards Committee according to regulations and the Council's agreed procedures.
- A standard report template is used for all meetings which requires authors to cover all options, relevant background, details of consultation, key implications (financial, human resources, legal, risk and equal opportunities) and how the matter contributes to the Council meeting its corporate objectives and service priorities.
- The Council has an in-house legal team supporting Members and all sections of the Council. The Legal and Democratic Services Manager receives copies of all Executive and Council reports for consideration before publication and has input on the legal implications of proposed actions and strategies. She attends all meetings of the Council and Cabinet and a senior lawyer is always in attendance at regulatory committees to ensure that the limits of lawful activity are not breached and that decision-making is fair.
- The Council's Legal Team provides advice to decision makers on areas that have legal implications and financial advice is provided by the Finance Team. Suitably qualified staff are employed within the legal and financial teams. An advice note for report writers on including risk implications in committee reports is available to all staff in the intranet.
- The Council's financial management arrangements conform to the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2010).
- The Council's Risk Management Strategy is reviewed annually and is due for approval by the Corporate Governance Committee on 23 March 2012. The document acknowledges the obligation to minimise adverse risk and details the process for identifying, recording, assessing, managing and reviewing risk. A strategic risk register has been compiled and is reviewed quarterly by the Management Team and Corporate Governance Committee. Project, partnership and service risk registers are also in place; project and partnership risk registers are reviewed by project managers/partnership lead officers, in accordance with project management/partnership governance arrangements; service area risk registers are reviewed quarterly by departmental management teams and annually by the Management Team on a rolling programme.
- A risk maturity audit was carried in 2011/12 where Council was deemed to be "Risk Managed", an audit around the Council's corporate governance arrangements was carried out during 2011/12 and substantial assurance was placed around "the controls

upon which the organisation relies to manage the risks are suitably designed, consistently applied and effective.”

- The Council has a Code of Conduct for staff incorporated in the Constitution, an Anti-Theft, Fraud and Corruption Policy and Capability and Disciplinary Procedures.
- The Council’s Whistleblowing policy has been extremely well communicated via the Intranet, Internet, Posters and the SCene Magazine and South Cambs Magazine. Oversight of this policy is included as a standing item on Standards Committee agendas.

Principle Four: Key Outcomes identified during 2011/12

- Outcomes demonstrating effective scrutiny and constructive challenge
- Decisions bulletin supplied separately
- Enhanced customer service through improved handling of complaints and demonstrable learning from complaints – revised and improved processes and achieving the Customer Services Excellence Standard
- Basic principles of decision-making covered as part of new member induction and as part of the ‘Working in a political environment’ section of officer induction.
- Improved decision-making training offered to members and officers
- Advice note for report writers on including risk implications in committee reports.
- CORVU has been updated in 2011/12 to include the Strategic Risk Register.
- Risk Management responsibilities are explicitly included in Job Descriptions
- The legal team has ensured it has been consulted at the outset of major procurement projects this year and has received very positive feedback from those instructing them on the value and rigour they have added to the process by early involvement.

Principle 5: Developing the capacity and capability of Members and officers to be effective.

- An induction programme is in place for newly elected Members. An Induction Pack is also provided to all new Members. In addition, Members are provided with a copy of the Members’ Toolkit which contains more detailed information about standards expected of Councillors, and includes vital documents such as the Code of Conduct.
- The Member Development Strategy 2011-13 require all members to own the member training process and to carry out an annual self-assessment of their training needs. The results from the self-assessment are built into the member training and development programme. This will assist members to build their skills to enable them to play a full part in the work of the Council and in leading their communities.
- The Council was awarded Quality Charter status for Elected Member Development in 2011/12.

- The Member Development Training programme for 2011/12 included specific skills and knowledge, the local and national context, corporate governance, technical skills and Personnel Support to enable Members to challenge and scrutinise as part of their roles. Members of the Scrutiny and Overview Committee receive monthly training inputs which include bulletins, self-led learning, observation visits and trainer-led activities
- Upon appointment, new officers attend an induction session with the Chief Executive followed by a formal half-day induction and an in-service induction programme with their line manager.
- Ongoing training needs are identified through the staff Performance and Development Review (PDR) scheme, from which all staff have personal development plans.
- A management competency framework has also been developed and the management competencies are reviewed through the appraisal scheme.
- The Leadership Programme started in December 2011 and has 40 managers from across the Council participating.
- The Council's developed and adopted a corporate Organisational Development Strategy in 2011/12 The OD Strategy covers the Council's approach to Management Development, Investors in People, Job evaluation, Equality and Diversity, Requirements from Service Plans, Succession Planning, Service Reviews and Growth Implications.
- All posts within the Council have a detailed job description and person specification to ensure that staff are suitably qualified to undertake their responsibilities.
- All staff engage in the Council's PDR scheme which establishes clear links between tangible performance objectives, targets, service plans and corporate objectives. It enables agreed incremental progression, improve performance, identifies development opportunities and improves communications and relationships.
- The Council supports a number of professional route qualifications with relevant training and development encouraged through coaching, project opportunities and secondments. The Council participates in the regional interchange programme which offers opportunities for job exchanges and also offers work experience placements.
- The Management Team has benefited from specific training to develop its capacity.
- The Council has been awarded the Investors in People Standard's Bronze Award by demonstrating its commitment to improving business performance through its most valuable asset – its people. This award reflects the very strong ethos of providing development and personal support for staff, a good work – life balance, open and approachable managers, excellent career and professional development, high levels of service to residents, a sound appraisal process and staff involvement in the planning process. Re-assessment for IIP is due in autumn 2012.
- A corporate training menu is available to all staff on the intranet and courses are regularly promoted by HR on themes such as IT skills, equalities, customer services and

sickness absence management. The Council's training budget was centralised in 2011/12 to maximise efficiency in delivering training.

- The Council has an Employee and Team Recognition Scheme to recognise outstanding customer service, and has been successful in enhancing performance and morale. The first year of its operation is complete and a review group has been established to look at the impact of the Scheme and identify any improvements considered necessary.

Principle Five: Key Outcomes identified during 2011/12

- Approval of the Induction and 2011-13 Member Development Strategy and achievement of the Quality Charter for Elected Member Development.
- Appointment of Member Services Officer to act as Members' first point of contact and to assist with training needs analyses and delivery of training identified.
- A Quick Guide to Standing Orders issued to all members in response to requests for guidance.
- Social Media Training delivered in response to Members' Communications Needs Survey
- Decision-making training for members and officers delivered twice during the financial year
- Finance briefings organised during the budget preparation period for members generally and specifically for members of Scrutiny and Overview Committee.
- Questioning Skills workshop provided for scrutiny members from SCDC and four nearby councils
- Increased management capacity and skills through the Leadership Programme
- Encouragement and opportunities for secondments, project work and regional interchange to develop skills as part of on-the-job training
- Demonstration of improved customer service and service delivery through VFM measures and achievement of the Customer Service Excellence Standard.
- Adoption of the OD Strategy to ensure that the Council has the right people with the right skills to deliver the Council's Objectives, leading to improved customer satisfaction and public perception.
- Publication of the Plain English guide to the Accounts for 2011/12
- Agreement that the public can film / tweet / blog during public meetings. The Council produces statistics on use and impact of social media

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 have 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 has included interactive sessions at the Leaseholder Forum, Tenant's Participation Group, Disability Forum and feedback

obtained via the council's sheltered housing officers and the three sheltered housing forums. The Annual Report for Tenants for 2011 is available on the Council's website.

- A Resident Involvement Strategy and a Resident Involvement action plan have been approved.
- The Tenant Participation Officer works with the Tenant Participation Group which is very active, meeting monthly. A TPG Editorial Panel has been set up to collaborate on articles to place in the Tenants News section of the South Cambridgeshire magazine.
- A Disability Forum has been constituted in response to a tenants' survey where over 45% of the council's tenants were identified as either being disabled or looking after someone with a disability. This group meets bi-monthly.
- An online forum of interested tenants, the E-Say group, has been created to respond to surveys concerning policy, budgetary or legislative changes
- The terms of reference for the Scrutiny and Overview Committee include consideration and implementation of mechanisms to encourage and enhance community participation in the development of policy options. Stakeholders are invited to attend meetings and contribute to the Committee's work programmes including co-option onto panels where appropriate.
- Scrutiny and Overview Committee has undertaken a training programme to build its skills base and ability to perform effectively as a team in scrutiny of the Council's policies and performance.
- Stakeholders are invited to attend meetings and contribute to the committee's work programmes, including co-option on to panels as appropriate. In 2011/12, the task and finish groups held focus groups for staff, members, planning agents and parish councillors appropriate to their remit.
- A timetable for scrutiny programme planning is used that sets out deadlines and an annual Scrutiny and Overview Committee report is produced to the Council. The website includes information on scrutiny and a handout is provided to residents, partners and witnesses who attend Scrutiny meetings.
- The Scrutiny Development Officer attends team meetings and staff induction to explain what scrutiny is doing and how it affects employees, partners and customers.
- A scrutiny annual report is produced by the Chairman and Vice chairman which covers the outcomes which the committee has contributed to through its work programme and recommendations, options for improving the effectiveness of the committee itself, progress being made by the executive and conclusions.
- Each completed scrutiny review is published in a booklet format designed to communicate achievements in plain language and ensure that findings and recommendations are remembered and actioned.
- All Council, Committee, Cabinet and Portfolio meetings are held in an open environment. The right to attend and speak at meetings is enshrined within the Constitution and guidance regarding public speaking is made available on the website. The Council's

Planning Committee meetings include the opportunity for public speaking by applicants and objectors in accordance with a protocol.

- All agendas and minutes of meetings are on the website together with a forward plan and record of decisions made.
- The Council's website contains information on all Council services and provides for feedback to be given including a 'Get involved' section.
- The Community Engagement Strategy to meet the new duty to involve (as set out in the Local Government and Public Involvement in Health Act 2007) was implemented in 2009 and a Toolkit to facilitate the action plan was introduced.
- South Cambs Magazine is distributed to every home in the district four times a year and published on the Council's website. It is also sent to partners on request and to all parish councils who wish to receive an individual copy. The Council Tax leaflet for 2011/12 has been developed in conjunction with a focus group of residents.
- Briefings are held with the local media on average 6 times a year to enhance communications and maximise coverage on service issues.
- The Council continues to ensure that all communications with the public are accessible to all by providing translation, large print, standard phrase descriptions and Braille.
- The Northstowe Parish Forum has quarterly meetings with county, district and parish councillors from the wards and parishes affected by Northstowe and is chaired by the Northstowe Portfolio Holder.
- Regular meetings are held with Cambourne Parish Council and the council was involved throughout the negotiation for the s106 planning obligation agreement for the Cambourne 950.
- The Cambridge City and South Cambridgeshire Local Strategic Partnership Board has met regularly during the year to discuss progress against indicators and targets.
- A Gypsy and Traveller Community Strategy has been incorporated into the South Cambridgeshire Local Plan to ensure that Gypsy and Traveller communities enjoy equality of service and are part of cohesive communities within which people from different backgrounds participate together and share equal rights and responsibilities.
- A Community Transport Plan to engage those in rural areas has also been adopted.
- A comprehensive Equalities Policy has been produced with an action plan, and is the Council has agreed a Single Equality Scheme setting out its responsibilities and key priorities in respect of all equality characteristics, which was adopted adoption during 2011/12.
- 23 parishes have participated in the Sustainable Parish Energy Project.
- The Cabinet Champion for Policing and all members of the Executive Management Team attended meetings of Neighbourhood Panels across the district throughout the year.

- Liaison with Parish Councils has been improved by the introduction of 6-monthly meetings and quarterly parish planning meetings. Other active liaison forums with parishes include the Parish Planning IT forum and the Southern Fringe Community Forum.
- The Corporate Plan published annually includes a review of performance during the last year and plans for the following year. Performance and value for money information is provided in the Council Tax leaflet which has been enhanced and improved.

Principle Six: Key Outcomes identified during 2011/12

- Targeted consultation of key Council Actions for 2011/12 with all residents, including our Gypsy and Traveller Community, parish councils, tenants and young people. The Council's challenge is to communicate with and actively engage with hard to reach sections of the community and under-represented groups to ensure a truly representative view is obtained. Examples of work in this area include:
 - Excellent parish council attendance at Parish Council Liaison meetings and positive feedback received from parish councils about forum events
 - Chief Executive visited all Parishes and District Councillor and SCDC officer presence at parish council meetings and Neighbourhood Panels
 - All Council meetings are publicised and open to the public to attend and members of the public who do attend portfolio holder meetings are encouraged to give their views by portfolio holders – acknowledged difficulty in communicating with those who do not, or are unable to, access the Council's website or attend meetings
 - Scrutiny review of customer contact services has included asking residents groups about preferred contact methods via face to face meetings, an online survey, the council's magazine and at the council's reception
 - Council issued its second Annual Report for Tenants following widespread consultation and engagement
 - Disability Forum created meeting bi-monthly
 - Tenant Participation Officer's work with Tenant Participation Group is leading to improved tenant engagement
- Evidence of leading on public engagement: an off-site workshop for pupils from 3 schools involved young people in developing the Youth Plan, a Youth event was held and plans for the Youth Council for 2012/13 are in place
- Constructive relationship with chair of CDRP is enabling chair of scrutiny to pursue outstanding actions awaited from police colleagues
- 2011/12 annual report and booklets about scrutiny reviews enabled new members to understand the role of the scrutiny committee sufficiently to volunteer to join in
- South Cambs Magazine is distributed to every home in the district four times a year and published on the Council's website. It is also sent to partners on request and to all parish councils who wish to receive an individual copy

- High satisfaction levels, generally with the accessibility of the Council's services, and specifically e.g. South Cambs magazine and Reception surveys.
- Parish Charter setting out relationships between County, District and Parish Councils
- The local media are regarded as a key communication channel with local residents, as well as stakeholders in their own right. Regular briefings are held on key areas of interest, as and when needed (roughly six times a year). Regular informal meetings are held with a local newspaper editor to build the relationship.
- The Council encourages responsible use of social media channels. Twitter (@southcambs) has been operating since January 2011 and Facebook (/South Cambridgeshire) has since been launched. The Council also uses YouTube and Flickr to share video and images. Members have received social media training.
- Media monitoring takes place on a daily basis and is reported through the weekly bulletin
- Annual calendar of meetings is prepared early each calendar year for adoption and publication in March / April before the start of the new civic year.
- Consultations are undertaken with lead members, Management Team, neighbouring authorities and the Council's other partners to minimise diary conflicts and ensure an effective use of member and officer time
- Media, online and South Cambs magazine channels are used to publicise consultations and to feedback results and actions arising from those results. The Consultation Panel was set up in November 2011 to monitor consultation and feedback.
- Actions from the Community Engagement Strategy have been implemented
- Positive feedback from customers regarding the Council's transparency arrangements, measured through compliments, informal comments, satisfaction survey results etc.

4. REVIEW OF EFFECTIVENESS

South Cambridgeshire District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

This review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Audit partner's annual report, and also by comments made by the external auditors and other review agencies and inspectorates, including the Audit Commission.

The following actions and processes have been applied in maintaining and reviewing the effectiveness of the governance framework over the last twelve months:

The Council and its Management Team have developed and implemented a number of policies and corporate documents as well carrying out a number of actions, as follows: -

- The Corporate Plan 2011/12 was agreed setting out the priorities for the year and how these will be delivered. The 2012/13 Plan was agreed in February 2012.
- The Council's Constitution has been reviewed throughout the year to reflect key changes in policy.

- The Medium Term Financial Strategy has been reviewed and updated and is embedded in the business planning process.
- Updated financial position relating to the General Fund, Housing Revenue Account and Capital Expenditure
- Finance monitoring report including position statement and efficiency savings
- Review of Health & Safety Policy / Corporate Business Continuity Plan / Emergency Planning
- Regular CORVU monitoring and development of the Corporate Health Card
- Efficiency savings projects – updates and performance
- Review of Complaints and Compliments policy and performance and an achievement of the Customer Services Excellence Standard
- Financial impact on the Chancellor's Budget
- Information Governance Strategy project
- County-wide Asset Management Strategy to maximise efficiencies and opportunities to share assets
- Housing Stock Condition survey, component accounting and 30-year business plan for the maintenance of Council houses under the new HRA arrangements
- Member Development – Charter Status achieved
- Customer Contact Strategic Review culminating in achievement of the Customer Service Excellence Standard
- Adoption of a Corporate OD Strategy
- Project Management Database tracking and evaluating key corporate projects.

The Corporate Governance Committee:

- Monitored performance of the Internal Audit function through quarterly reports
- Approved the Internal Audit Strategic Plan and Internal Audit Charter
- Reviewed the Assurance Framework and Annual Governance Statement
- Reviewed the Absence Management Policy
- Reviewed the Strategic Risk Register on a quarterly basis and approved a revised Risk Management Strategy
- Approved the Statement of Accounts for 2010/11
- Received the Annual Governance Report of the External Auditors and their audit opinion
- Reviewed Treasury Management benchmarking information
- Reviewed the revisions to the RIPA Policy
- Received the LG Ombudsman annual report for 2010/11

The Scrutiny and Overview Committee:

- Received the reports from the Task & Finish groups on: Customer Contact Centre; Learning from feedback; Planning Services; Communications; and Sheltered Housing Support
- Reviewed the report on the Blue Bin Services
- Received the Performance Report for 2010/11
- Received an update on the Children & Young People Services
- Reviewed the Comments, Compliments and Complaints Policy
- Reviewed the progress towards Customer Services Excellence Standard

- Reviewed the performance of the Crime and Disorder Reduction partnership
- Reviewed the Council's Economic Development Strategy
- Scrutinised Integrated Business Monitoring Reports at relevant Portfolio Holder meetings
- Received updates on the Medium Term Financial Strategy and scrutinized the proposed Budget in February 2012
- Reviewed the Budget and Council Actions for 2012/13 with the Council Objectives and Annual Priorities
- Revisited the Council's Community Transport Plan
- Undertook training sessions and workshops to improve skills in scrutiny, questioning, impact of new legislation such as Localism, Police, Crime and Health Reform
- Achieved good public involvement with 89 participants recorded over the year

The Scrutiny & Overview Committee did not have cause to use its call-in powers during 2011/12

There are a number of specific examples of where Scrutiny has made a difference this year (specific pieces of work or particular achievements):

- Contributed to the discussion formulating the Council's response to the Government's draft Planning Policy Statement "Planning for Travellers"
- Challenged a Gypsy and Traveller Accommodation Needs Assessment by the County Council, leading to a call for it to be re-presented (to take place in June 2012)
- Portfolio holder agreed to monitor the suggestions for: allowing retro-fitting of energy efficiency measures and renewable in conservation areas; and for a report on how to finance conservation area appraisals
- Portfolio holder agreed to ask for a review of street naming and numbering charges

The Standards Committee:

- Provided advice to and training of District and Parish Council Members in relation to the Members Code
- Provided decisions regarding dispensations to Parish Councils
- Received feedback on the Future of Standards Working Group. The Future of Standards Working Group includes representatives of all political groups on the Council, and the non-group members, as well as co-opted independent (lay) and parish council members to represent the District's residents and parishes.
- Received the reports relating to operation of Code of Conduct and other Statutory functions of the Monitoring Officer
- Reviewed the Standards Committee budget
- Received updates of Scrutiny Reviews and the assessment of complaints
- Reviewed the Whistle-blowing Policy and its operations across the Council

The Standards Committee continues to monitor the impact of the Localism Act on the governance and standards arrangements that will be required in future.

The Council's Assurance Framework:

The assurance framework is underpinned by the following processes and policies:

- Corporate objectives and priority setting

- Service planning process
- Annual budget and budgetary control process
- Performance management framework and performance scorecard
- Self assessment against the local code of governance
- Risk Management Strategy
- Anti Theft, Fraud and Corruption Policy
- Whistleblowing Policy
- Codes of Conduct / Ethical Standards
- Financial Regulations and Contract Regulations
- Procurement Strategy
- Community Engagement Strategy
- Partnership protocols
- Constitution
- Data Quality Strategy
- Organisational Development Strategy

The framework is also informed by the views of Internal and External Audit and other review agencies.

Internal Audit:

- The internal audit provision is managed, independently, by the Audit Partner and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.
- The Audit Plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management.
- Regular meetings between the internal and external auditor and review of the internal audit work by external audit ensure that duplication of effort is avoided.
- All Audit reports include an audit opinion on the adequacy of internal control; direction of travel and prioritised action plans to address any areas requiring improvement. Audit reports are submitted to the Chief Executive, Executive Director and Corporate Managers as appropriate; the Corporate Governance Committee receives regular updates on progress of the plan and full reports on request.

Internal Audit Opinion

The Internal Audit Opinion for 2011/12 is as follows:

"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of South Cambridgeshire District Council's arrangements.

In our opinion, based on the work we have undertaken for the 12 months ended 31 March 2012 South Cambridgeshire District Council has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives."

External Audit comments:

The Audit Commission is the Council's External Audit provider. It is required to give a statutory VFM conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

The audit opinion and value for money conclusion will be issued by 30 September 2012.

5. IMPROVEMENTS DURING THE YEAR

This table highlights the progress made on the issues identified in the previous years' Statements as meriting attention to further strengthen effective corporate governance:

2009/2010 Recommendation	Action in 2011/12
Continue to develop the CORVU system to ensure that it is used to full capacity.	Implemented CORVU system continues to be well used throughout the authority. The Strategic Risk Register is now included on the system.
Ensure full integration between financial and performance monitoring.	Implemented A corporate health-card for the Council has been developed and is regularly reported and available on the Council website.
Develop procedures to share and receive quality information in respect of partnerships and provide more systematic reporting.	Implemented Partnerships Manager maintains a register of key partnerships and a partnership protocol and toolkit is in place. Reports from appointed representative are regularly produced.
2010/2011 Recommendation	Action in 2011/2012
Ensure that the Council has sufficient information to be able to make accurate assessments of Value for Money (VFM) in all its services.	Implemented VFM framework has been developed and a template included in all service plans.
Ensure that the Council sets and measures consistent standards of customer service for its external customers and internal relationships, and that satisfaction arrangements are timely, systematic and robust.	Implemented Customer Service Standards have been set and the Council achieved the Excellence Standard during 2011/12.
Ensure that the authority is able to quickly determine how it is currently performing through the use of a simple, easy to understand process.	Implemented Corporate performance 'scorecard' containing an agreed 'basket' of indicators was developed and used during 2011/12

6. SIGNIFICANT GOVERNANCE ISSUES

No issues which may be regarded as significant were identified during 2011/12 as a result of the review of arrangements and by the work of external and internal audit. Although not classed as significant, the following issues have been identified by officers as meriting attention to further strengthen effective corporate governance:

2011/2012 Recommendation	Action Planned for 2012/2013
The Whistle-blowing Policy was last reviewed in 2006. The Policy should be reviewed during the year to ensure it remains fit for purpose and includes reference to any changes in relevant legislation such as the Bribery Act	The Whistleblowing Policy is currently under the terms of reference of the Council's Standards Committee which will disband in its current form on 30 th June 2012. The policy and its overview will need to be passed to another Council committee.. A separate Bribery Act policy has been drafted for the approval of Corporate Governance Committee.
Ensure that the Council's Scheme of Delegation is promptly updated when the restructuring is complete. Ensure changes to job descriptions are completed promptly where responsibilities have changed following management restructure.	The Scheme of Delegation was last updated in July 2010 and is currently under review. The updated version will take any staffing changes following restructuring into account.
Ensure the Council responds promptly to regulations and guidance with regards to the Localism Act and self-regulation arrangements over local standards of Member behaviour, code of conduct, and other governance arrangements.	Meetings of the Standards Committee have been held to deal with the Localism Act regulations when they are published and draft procedures are being drawn up. All district and parish councillors are being kept up-to-date with progress on the new arrangements via the Standards Committee newsletters and reports will be going to Full Council on 26 July 2012.

These improvements are planned to strengthen effective corporate governance.

The Council's Corporate Governance Committee is responsible for ensuring that the Council complies with its own governance code including monitoring the effectiveness of the governance framework and ensuring plans are put in place to address any weaknesses and ensure continuous improvement of the system.

We propose over the coming year to take steps to address the above matters set out in the table under "Significant Governance Issues" above to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Signed

Date:

Date:

Jean Hunter
Chief Executive

Councillor Ray Manning
Leader of the Council

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee 29th June 2012
AUTHOR/S: Executive Director (Corporate Services) / Legal & Democratic Services
Manager

**REGULATION OF INVESTIGATORY POWERS ACT 2000
QUARTERLY UPDATE ON USE OF RIPA****Purpose**

1. In September 2011 Council agreed that the Corporate Governance Committee should take on the responsibility of receiving quarterly updates on the Council's use of RIPA powers and of reviewing the RIPA policy on an annual basis and making amendments as necessary. This report includes an update on the use of RIPA in the first and second quarters of 2012.

Recommendations

2. That Corporate Governance Committee:

NOTE the information contained in the report about the council's use of surveillance powers in the period January to June 2012.

Background

3. The Regulation of Investigatory Powers Act 2000 regulates covert investigations by a number of bodies, including local authorities. It was introduced to ensure that individuals' rights are protected while also ensuring that law enforcement and security agencies have the powers they need to do their job effectively.
4. South Cambridgeshire District Council is included within the RIPA framework with regard to the authorisation of both directed surveillance and the use of covert human intelligence sources.
5. Under the Regulation of Investigatory Powers Act 2000 ("RIPA"), the council must have in place a system of authorising, recording and reviewing any surveillance that it carries out that is covered by the Act. This system must comply with the Act, regulations and codes of practice and every Council must have its own RIPA Policy.
6. Directed surveillance includes the covert surveillance of an individual in circumstances where private information about that individual may be obtained. The council's policy makes it clear that this should only be authorised where it is both necessary and proportionate to the investigation or operation being undertaken and to what is being sought to achieve in terms of evidence gathering.
7. A covert human intelligence source ("CHIS") is a person who, pretending to be someone that they are not, builds up a relationship of trust with another person for the purpose of obtaining information as part of an investigation. The Council has not sought to make use of the CHIS provision.

The council's use of RIPA in Quarters 1 & 2 2012

8. The information in the table below outlines the authorisations granted by the council during the first and second quarters of 2012.

Quarter	Directed surveillance	CHIS	Total	Purpose
Jan – March 2012	0	0	0	
April – June 2012	2	0	2	1) To assist in the detection of benefit fraud (DWP investigation) 2) To assist in the detection of fraud

Implications

9.	Financial	No implications
	Legal	Authorisation of surveillance activity gives that surveillance "lawful authority" for the purposes of the European Convention on Human Rights
	Staffing	No implications
	Risk Management	See comments under "Legal"
	Equality and Diversity	See comments under "Legal"
	Equality Impact Assessment completed	No adverse impact
	Climate Change	No implications

Effect on Strategic Aims

10. None identified.

Conclusions / Summary

11. This report provides an update on the Council's use of RIPA over the previous six months.

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

None

Contact Officer: Fiona McMillan – Legal & Democratic Services Manager
Telephone: (01954) 713027

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee29th June 2012**AUTHOR/S:** Executive Director (Corporate Services)/Legal & Democratic Services
Manager

ANTI-BRIBERY POLICY**Purpose**

1. The purpose of this report is to enable the Committee to comment on and approve a proposed Anti-Bribery Policy (Annex A).
2. This is not a key decision.

Recommendations

3. That the Committee **APPROVES** the proposed Anti-Bribery Policy.

Reasons for Recommendations

4. In accordance with the Internal Audit Plan 2011/12 a fraud review was undertaken by RSM Tenon whose confidential report was published in May 2012. The object of the review was *“to verify whether existing systems and processes in place at South Cambridgeshire District Council can be (and are) used to monitor what proactive checks are undertaken, either regularly or randomly, to identify instances of fraud, error and or bribery.”* Their report contained recommendations to assist the Council in the development of these processes to achieve sector-recognised good practice. A number of weaknesses were identified and recommendations were made, one of which related to the impact of the Bribery Act 2010 on the processes relating to Declarations of Interests and Gifts & Hospitality.
5. The Council already has in place an Anti-Theft, Fraud & Corruption Policy (2009) which is embedded in the Constitution (Part 5 – section J). This Policy and the Council’s internal processes and procedures were subsequently amended to reflect the changes in law when the Bribery Act 2010 came into force on 1st July 2011. RSM Tenon took this into account but still identified the weakness as outlined in paragraph 4. above. Their recommendation was *“to put in place an independent Anti-Bribery Policy and to communicate this to all staff.”*

Background

6. All organisations need to assess whether they have adequate procedures to ensure that they are not involved in bribery and corruption so that they do not incur liability under the Bribery Act 2010. The Council’s existing policies, processes and procedures go a long way to meeting this requirement but the adoption of a stand-alone Anti- Bribery Policy is now necessary to ensure the Council continues to follow sector-wide good practice in this area. It is generally accepted that corruption causes poverty and suffering, inhibits economic growth, damages business both financially and in relation to reputation and may result in criminal and civil liability and penalties for organisations and individuals. It undermines democracy and brings authorities into disrepute.

Considerations

7. The existing Anti-Theft, Fraud & Corruption Policy was last reviewed and updated by this Committee in 2009. It was subsequently amended to reflect changes brought about by the Bribery Act 2010. The propose Anti-Bribery Policy is a stand-alone policy and can therefore be added as an annex to the Constitution.

Options

8. In reviewing the proposed Anti-Bribery Policy the Committee could suggest amendments.

Implications

9.

Financial	There are no immediate financial implications
Legal	The proposed policy meets with legal requirements
Staffing	The policy heightens individual and collective responsibility of Officers and Members with regard to the prevention of corruption and bribery
Risk Management	Adoption of the proposed policy is consistent with the principles laid out in the Bribery Act 2010
Equality and Diversity	None
Equality Impact Assessment completed	No
Climate Change	None

Consultations

10. The Portfolio Holder for Finance & Staffing will be consulted before the meeting.

Background Papers: None

Annex A: Proposed Anti-Bribery Policy

Contact Officer: David Lord
Senior Lawyer
Telephone: (01954) 713193



DRAFT/Anti- Bribery Policy

June 2012
(v.14.6.2012)

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1. POLICY STATEMENT

Bribery is a criminal offence. South Cambridgeshire District Council (the Council) does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor does it or will it, accept bribes or improper inducements. To use a third party as a conduit to channel bribes to others is a criminal offence. The Council does not, and will not, engage indirectly in or otherwise encourage bribery. It is committed to the prevention, deterrence and detection of bribery. It has zero-tolerance towards bribery. It aims to maintain anti-bribery compliance as “business as usual”, rather than as a one-off exercise.

1.1 Objective of this Policy

This Policy provides a coherent and consistent framework to enable the Council’s Members and officers to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable Members and officers to identify and effectively report a potential breach. It must be read in conjunction with the Council’s Anti-Theft, Fraud and Corruption Policy.

The Council requires that all Members and officers, including those permanently employed, temporary agency staff, contractors, agents, volunteers and consultants,

- act honestly and with integrity at all times and to safeguard the Council’s resources for which they are responsible;
- comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates, in respect of the lawful and responsible conduct of activities.

1.2 Scope of this Policy

This Policy applies to all of the Council’s activities. For partners, joint ventures and suppliers, it will seek to promote the adoption of policies consistent with the principles set out in this Policy.

Within the Council, the responsibility to control the risk of bribery occurring resides at all levels of the organisation.

This Policy covers all Members, officers, including all levels and grades, those permanently employed, temporary agency staff, contractors, non-executives, agents, volunteers and consultants.

1.3 The Council’s Commitment to Action

The Council commits to:

- setting out a clear anti-bribery policy and keeping it up to date;
- making all officers and Members aware of their responsibilities to adhere strictly to this Policy at all times;

- training key officers and Members so that they can recognise and avoid the use of bribery by themselves and others;
- encouraging its officers and Members to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately;
- rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution;
- taking firm and vigorous action against any individual(s) involved in bribery;
- provide information to all officers and Members to report breaches and suspected breaches of this Policy;
- include appropriate clauses in contract documents to prevent bribery.

1.4 What is Bribery?

Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

1.5 The Bribery Act 2010

The Bribery Act makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business – further details can be found at :

http://www.opsi.gov.uk/acts/acts2010/ukpga_20100023_en_1

There is also a corporate offence under Section 7 of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. This is what is known as a 'strict liability' offence. This means that there is no need to prove negligence or management complicity. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.

1.6 Is the Council a "Commercial Organisation"?

The guidance states that a "commercial organisation" is any body formed in the United Kingdom and "... it does not matter if it pursues primarily charitable or educational aims or purely public functions. It will be caught if it engages in commercial activities, irrespective of the purpose for which profits are made." There are circumstances in which the Council will be a commercial organisation for the purposes of section 7. This Policy is intended to ensure that the Council has in place the necessary procedures to act as a defence to a section 7 offence.**2. ANTI-BRIBERY PROCEDURES**

2.1 The Council's Procedures Cover Six Principles:

Proportionality

The Council has procedures in place to prevent bribery by persons associated with it. These are proportionate to the bribery risks faced and to the nature, scale and complexity of activities undertaken. They are also clear, practical, accessible, effectively implemented and enforced.

Top level commitment

Cabinet and the Chief Officers are committed to preventing bribery by persons associated with the Council. They foster a culture within the organisation in which bribery is never acceptable.

Risk Assessment

The nature and extent of the Council's exposure to potential external and internal risks of bribery on its behalf of persons associated with it is periodically assessed. This includes financial risks but also other risks such as reputational damage.

Due diligence

The Council takes a proportionate and risk based approach in respect of persons who perform or will perform services for or on behalf of the organisation, in order to mitigate identified bribery risks.

Communication (including training)

The Council seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risks it faces.

Monitoring and review

Procedures are designed to prevent bribery and are monitored and reviewed and improvements made where necessary.

2.2 Penalties

An individual guilty of an offence under sections 1, 2 or 6 is liable:

- on conviction in a Magistrates Court, to imprisonment for a maximum term of 12 months, or to a fine not exceeding £5,000, or to both;
- on conviction in a Crown Court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both;

The Council, if convicted under sections 1, 2 or 6 will also face the same level of fines and, if guilty of an offence under section 7, is liable to an unlimited fine.

2.3 Bribery is not tolerated

It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given;
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to “facilitate” or expedite a routine procedure;
- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for it;
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by the Council in return;
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this Policy;
- engage in activity in breach of this Policy.

2.4 Facilitation Payments

Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions or to perform routine functions they are otherwise obligated to perform.

2.5 Gifts and Hospitality

This Policy is not meant to change the requirements of the Council’s approach to gifts and hospitality as set out within the *Gifts, Hospitality and Sponsorship Policy: Guidance for Members* and the *Gifts, Hospitality and Sponsorship Policy: Guidance for Officers*

2.6 Public Contracts and Failure to Prevent Bribery

Under the Public Contracts Regulations 2006 (which gives effect to EU law in the UK), a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. There are no plans to amend the 2006 Regulations for this to include the crime of failure to prevent bribery. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. The Council has the discretion to exclude organisations convicted of this offence.

2.7 Your Responsibilities as a Member or Officer

The prevention, detection and reporting of bribery and other forms of corruption is the responsibility of all those working for the Council or under its control. All Members and officers are required to avoid activity that breaches this Policy.

You must:

- ensure that you read, understand and comply with this Policy;
- raise concerns as soon as possible if you believe or suspect that a conflict with this Policy has occurred, or may occur in the future.

As well as the possibility of civil and criminal prosecution, officers that breach this Policy will face disciplinary action, which could result in dismissal for gross misconduct.

2.8 Raising a Concern

The Council is committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity. It wants each and every Council Member or officer, agency staff, contractors, agents, volunteers and consultants to know how they can raise concerns. Everyone has a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved. Please refer to the Council's Whistleblowing Policy <http://insite/StaffMatters/Whistleblowing/default.htm>.

Concerns can be anonymous. In the event that an incident of bribery, corruption, or wrongdoing is reported, the Council will act as soon as possible to evaluate the situation. It has clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind.

3. OTHER RELEVANT POLICIES

Anti-Theft, Fraud and Corruption Policy

Code of Conduct for Members and Co-opted Members

Officers' Code of Conduct

Gifts, Hospitality and Sponsorship Policy: Guidance for Members

Gifts, Hospitality and Sponsorship Policy: Guidance for Officers

The Council's Contract Regulations

The Council's Financial Regulations

Disciplinary Policy & Procedure

Whistleblowing Policy

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LGO advice team

Enquiries and complaints received	Benefits & Tax	Corporate & Other Services	Environmental Services & Public Protection & Regulation	Housing	Planning & Development	Total
Advice given	0	1	0	1	1	3
Premature complaints	1	1	0	1	1	4
Forwarded to Investigative team (resubmitted)	0	0	1	1	1	3
Forwarded to Investigative team (new)	2	0	2	2	4	10
Total	3	2	3	5	7	20

Investigative team - Decisions

Not investigated			Investigated			Report	Total
No power to investigate	No reason to use exceptional power to investigate	Investigation not justified & Other	Not enough evidence of fault	No or minor injustice & Other	Injustice remedied during enquiries		
0	2	3	3	5	0	0	13

Response times to first enquiries	No of first enquiries	Avg no of days to respond
	5	29.2

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