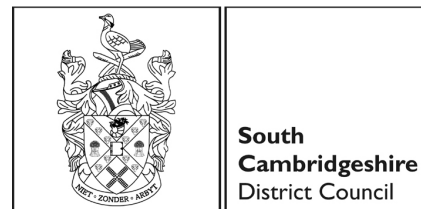


South Cambridgeshire Hall
Cambourne Business Park
Cambourne
Cambridge
CB23 6EA

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



Thursday 20 September 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, 28 SEPTEMBER 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 29 June 2012 as a correct record.		1 - 4
AUDIT REPORTS		
4. Internal Audit Quarterly Report		5 - 8
5. Introduction from the Council's New External Auditors Ernst & Young		

6.	External Audit: Annual Governance Report 2011/12	9 - 34
	RECOMMENDATION TO COUNCIL	
7.	Financial Regulations	35 - 52
	DECISION ITEMS	
8.	Approval of the Statement of Accounts 2011/12 Paper copies of the Statement of Accounts 2011/12 to be circulated to members of the Committee as a separate document.	53 - 144
9.	Revised Policy: Regulation of Investigatory Powers Act 2000	145 - 176
	INFORMATION ITEMS	
10.	Treasury Management Benchmarking 2011/12	177 - 182
11.	Matters of Topical Interest	
12.	Dates of Next Meetings	
	The Committee are asked note the following meeting dates, all at 9am:	
	<ul style="list-style-type: none"> • 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.

Security

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

Emergency and Evacuation

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

- **Do not** use the lifts to exit the building. If you are unable to negotiate stairs by yourself, the emergency staircase landings are provided with fire refuge areas, which afford protection for a minimum of 1.5 hours. Press the alarm button and wait for assistance from the Council fire wardens or the fire brigade.
- **Do not** re-enter the building until the officer in charge or the fire brigade confirms that it is safe to do so.

First Aid

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

Access for People with Disabilities

The Council is committed to improving, for all members of the community, access to its agendas and minutes. We try to take all circumstances into account but, if you have any specific needs, please let us know, and we will do what we can to help you. All meeting rooms are accessible to wheelchair users. There are disabled toilet facilities on each floor of the building. Infra-red hearing assistance systems are available in the Council Chamber and viewing gallery. To use these, you must sit in sight of the infra-red transmitter and wear a 'neck loop', which can be used with a hearing aid switched to the 'T' position. If your hearing aid does not have the 'T' position facility then earphones are also available and can be used independently. You can obtain both neck loops and earphones from Reception.

Toilets

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

Recording of Business and Use of Mobile Phones

The Council is committed to openness and transparency. The Council and all its committees, sub-committees or any other sub-group of the Council or the Executive have the ability to formally suspend Standing Order 21.4 (prohibition of recording of business) upon request to enable the recording of business, including any audio / visual or photographic recording in any format.

Use of social media during meetings is permitted to bring Council issues to a wider audience. To minimise disturbance to others attending the meeting, all attendees and visitors are asked to make sure that their phones and other mobile devices are set on silent / vibrate mode during meetings.

Banners, Placards and similar items

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

Disturbance by Public

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

Smoking

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

Food and Drink

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

This page is left blank intentionally.

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Corporate Governance Committee held on
Friday, 29 June 2012 at 9.00 a.m.

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

Councillors Simon Edwards and James Hockney were in attendance, by invitation.

43. DECLARATIONS OF INTEREST

None.

44. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 23 March 2012 were agreed as a correct record.

45. INTERNAL AUDIT ANNUAL REPORT 2011/12

The Chairman introduced Internal Audit's Annual Report for 2011/12 by stating that out of the 132 recommendations made by Internal Audit, 128 had been agreed. Daniel Harris, RSM Tenon, highlighted paragraph 2.2 in the report which stated that the Council had "adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives."

The Committee **NOTED** the report.

46. INTERNAL AUDIT PROGRESS REPORT

The Chairman introduced the Internal Audit Progress Report, which summarised the work being carried out as laid out in the Internal Audit plans. The Executive Director confirmed that all the recommendations made by Internal Audit detailed in the report had been agreed.

The Committee **NOTED** the report.

47. STATEMENT OF ACCOUNTS 2011/12 (SUBJECT TO AUDIT)

The Executive Director presented this report which invited the Committee to endorse the

Statement of Accounts 2011/12. He explained that due to a change in the law the Committee was not required to agree the Statement of Accounts until September and as this would be too late to amend the report, it had been decided to take the Accounts to the Committee before they were signed off by External Audit. The Executive Director congratulated the accountancy team in succeeding in getting the Statement of Accounts agreed a week before the deadline, which allowed it to be published with the agenda.

Amendments

The Head of Accountancy circulated a document at the Committee which sought to improve the classification and presentation of some of the figures. It was noted that the totals remained the same.

The Finance and Staffing Portfolio Holder suggested that

- A graph be included on page 53 of the accounts to indicate how a swing in variables could alter the Local Government Pension Scheme.
- That the words Arbury Camp be replaced by Orchard Park on page 65 of the report.

Underspends

The Head of Accountancy explained that some other local authorities vired underspends to specific reserves and so he warned against comparing the underspends of Councils. It was understood that the political leadership of the Council considered the underspend to be acceptable as it had not led to a decline in performance.

Housing Revenue Account

The Head of Accountancy explained that the Council had taken on £205,123,000 worth of debt in order to be self-financing. Guidance from the Government on the way to account for this had not been timely, but the Head of Accountancy assured the Committee that the way in which this debt was accounted for complied with the Government's guidelines. External Audit confirmed that they had no concerns about the way in which this debt was laid out in the accounts.

The Committee **ENDORSED** the report.

48. STRATEGIC RISK REGISTER / RISK MANAGEMENT STRATEGY

The Chairman presented this report by explaining that the Committee was responsible for the Council's Risk Management Strategy and was being asked to review and agree it. However, the Corporate and Customer Services Portfolio Holder was responsible for reviewing the Strategic Risk Register and approving it.

Risk Management Strategy

The Committee thanked officers for the amendments made to the Strategy since it had been discussed at Council.

The Committee unanimously

APPROVED the revised Risk Management Strategy, as set out at Appendix C to the report.

Strategic Risk Register

The Corporate and Customer Services Portfolio Holder reviewed the Risk Register at the meeting. He accepted the recommendations of Executive Management Team that HRA self-financing and the Job Evaluation Scheme be removed from the Register. Officers were congratulated in bringing the Job Evaluation Project to a conclusion based on a joint

agreement with the unions.

The hope was expressed that this authority could liaise with the City Council to ensure that any future consultation on the Local Plan be done concurrently, particularly with regard to the green belt and it was suggested that the view of the relevant Joint Committee should be reported to the Planning Policy and Localism Portfolio Holder. The risk score for "Lack of Development Progress" was not contested.

The Corporate and Customer Services Portfolio Holder agreed the Strategic Risk Register.

49. ANNUAL GOVERNANCE STATEMENT

The Legal and Democratic Services Manager presented this report, which invited the Committee to 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 31 March 2012.

Minor amendments

It was noted that the penultimate paragraph on page 196 of the agenda would have to be amended, as the Customer and Corporate Services Portfolio Holder was responsible for the Strategic Risk Register. It was also noted that the Procurement Officer's role with legal services in being consulted about major procurement projects would be added to the final bullet point box on page 197 of the agenda listing the key outcomes identified during 2011/12.

It was agreed that the fourth bullet point on page 194 of the report, which detailed the internal disputes resolution procedure, be expanded.

The Committee

APPROVED the draft Annual Governance Statement, with minor updates explained at the meeting.

The Committee **NOTED** that the final version of the Statement will be updated following the receipt of the External Auditors Opinion.

50. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA): QUARTERLY UPDATE

The Legal and Democratic Services Manager presented this update on the Council's use of the Regulation of Investigatory Powers Act (RIPA) for the first and second quarters of 2012. It was noted there were two current investigations. In one the Council was assisting the Department of Work and Pensions in a benefit fraud case and in the other the Council was investigating whether there had been fraud or theft with regard to clothing recycling.

The Committee

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

51. BRIBERY POLICY

The Legal and Democratic Services Manager presented this report, which invited the Committee to approve the Anti-Bribery Policy. It was agreed that reference should be

made to the high level of consideration that officers currently gave to any situation regarding gifts. It was agreed that the layout of the Policy needed to be altered, with the use of an alternative font and the heading for section 2 given a separate line.

The Committee **APPROVED** the proposed Anti-Bribery Policy.

52. LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW 2011/12

The Executive Director presented the summary of complaints made to the Local Government Ombudsman last year. He explained that the statistics were from the Local Government Office and a full explanatory report was expected later in the year.

The Committee

NOTED the annual summary of statistics on the complaints made to the Local Government Ombudsman about the Council for the year ending 31 March 2012.

53. MATTERS OF TOPICAL INTEREST

The Committee noted that its invitation to Karl Havers, Contact Partner for Ernst and Young, to attend this meeting had been declined due to an explicit instruction from the Audit Commission not to engage with prospective audit clients at this stage of the appointment process. It was hoped that he would be able to attend September's meeting.

54. DATE OF NEXT MEETING

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

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

The Meeting ended at 10.00 a.m.

RSM Tenon

South Cambridgeshire District Council

Internal Audit Progress Report

Corporate Governance Committee Meeting: 28 September 2012

Introduction

The internal audit plan for 2012/13 was approved by the Corporate Governance Committee in March 2012. This report provides an update on progress against that plan and summarises the results of our work to date.

Summary of Progress against the Internal Audit Plan

Assignment <i>Reports considered today are shown in italics</i>	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
2011/12					
<i>Environmental Health - Discretionary Fees in Relation to Taxi Licencing, Water Sampling and Zoo Licencing (26.11/12)</i>	FINAL	Amber / Green	0	2	2
2012/13					
Section 106 Housing and Other Requirements including Open Spaces (1.12/13)	FINAL	Amber / Green	0	3	4
<i>Planning and Growth (2.12/13)</i>	FINAL	Amber / Green	0	1	4
<i>Medium Term Financial Planning (3.12/13)</i>	FINAL	Green	0	0	0
<i>Governance (4.12/13)</i>	FINAL	Amber / Green	0	4	3
Housing Rents (5.12/13)	Draft issued 3 September 2012				
Repairs – Partnership Arrangements (6.12/13)	Draft issued 12 September 2012				
Supported Housing	03 September 2012				
Housing Allocations and Voids	17 September 2012				
Insurance	18 September 2012				
General Ledger	24 September 2012				
Capital Expenditure and Asset Management	24 September 2012				
Asset Management (Housing)	01 October 2012				
Creditors	01 October 2012				
Income & Debtors	08 October 2012				
Procurement	09 October 2012				
NNDR	07 November 2012				
Cash, Banking & Treasury	08 November				

Management	2012				
Payroll (including Expenses & Pensions)	12 November 2012				
Council Tax	16 November 2012				
ICT Review	November 2013				
Risk Management	03 December 2012				
Reconciliation testing	11 December 2012				
Housing Benefits	13 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				

Other Matters

Planning and Liaison:

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 2012/13 audits.

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.

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.

No common weaknesses have been identified so far within our reports for 2012/13. Management have agreed all of the recommendations in the reports finalised above, with agreed target dates for implementation.

Internal Audit Plan 2012/13 - Change Control:

There have been no changes to the audit plan since the last meeting.

Information and Briefings:

We have issued two updates electronically since the last Corporate Governance Committee:

- LG eUpdate June 2012.
- LG eUpdate July 2012.

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

This report is prepared solely for the use of Authority and senior management 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.

© 2010 - 2012 RSM Tenon Limited

RSM Tenon Limited is a member of RSM Tenon Group

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

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

Annual governance report

South Cambridgeshire District Council

Audit 2011/12



Contents

Key messages	3
Before I give my opinion and conclusion	5
Financial statements	6
Value for money	9
Fees	11
Appendix 1 – Draft independent auditor’s report	12
Appendix 2 – Uncorrected errors	16
Appendix 3 – Corrected errors	18
Appendix 4 – Draft letter of management representation	20
Appendix 5 – Glossary	23

Key messages

This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

The audit is substantially complete and upon member approval of the final version of the accounts, receipt of the letter of representation and submission of the Whole of Government Accounts return I propose to issue an unqualified opinion and certificate.

My audit identified five reportable errors, including one material disclosure error. Only one of these errors could have impacted on the usable reserves of the Authority and this error has not been amended for. Of the remaining four disclosure errors, three have been amended in the revised financial statements including the material disclosure error.

The documentation and working papers supporting the accounts were of a high standard. A number of trivial amendments were made to the text in disclosure notes to aid clarity and correct typographical errors.

Value for money (VFM)

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

Securing financial resilience

The Authority has a strong record of delivering within budget. As structural changes have taken place revised systems and procedures have been introduced to build on the strong financial management base.

The current Medium Term Financial Strategy (MTFS) takes full account of the impact of the recession, the current spending round and known changes in legislative responsibilities.

Jointly with Cambridge City Council, using appropriate external resources, the Authority has produced a robust 30 year Housing Revenue Account (HRA) Business Plan to address the issue of HRA self financing.

Securing economy, efficiency and effectiveness

The option appraisal approach to decision making is now embedded and making a positive impact on the evaluation of a wider range of approaches to service provision.

The Authority has taken a positive approach to HRA self financing and sought to use the opportunity it provides to achieve wider housing aims and aspirations.

The Authority has borrowed long term at low fixed rates and is looking to maximise the use of the surpluses made to re-invest in the Authority infrastructure. Clear investment criteria have been established for new housing initiatives with short to medium term payback periods which will improve the overall financial and service delivery performance of the HRA in line with the criteria. This approach ensures greater flexibility to meet any future changes that may occur in the local government and housing markets.

Before I give my opinion and conclusion

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

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Authority during 2011/12.

I ask the Corporate Governance Committee to:

- take note of the adjustments to the financial statements included in this report (appendices 2 and 3); and
- approve the letter of representation (appendix 4), on behalf of the Authority before I issue my opinion and conclusion.

Financial statements

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

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Uncorrected errors

My audit identified two non trivial errors which have not been amended in the revised financial statements. The first of these would not impact on the usable reserves of the Authority whilst the latter would. The two errors were in respect of the:

- carrying value of the repurchased element of equity share scheme properties which was understated; and
- undercharge of Minimum Revenue Provision (MRP) in this and previous years.

These are set out in more detail in Appendix 2 and have not been amended by the Authority on the grounds that neither of the amounts result in a material misstatement of the accounts; and in the latter case the amount set aside is still considered to be “prudent”.

Corrected errors

My audit also identified a further three disclosure errors, the second of which was material, that did not impact on the usable reserves of the Authority and are set out in more detail in Appendix 3, namely that the:

- carrying value of the Authority’s element of equity share properties was incorrectly shown under *Council Dwellings* rather than *Other Land and Buildings* or *Surplus assets*;

- Capital Financing Requirement (CFR) was not included with a cash overdrawn analysis being provided instead. This did not reconcile to the CFR as the opening balance was understated as a consequence of the work on MRP mentioned above as well as the omission of the impact of the HRA self financing settlement in the closing balance; and
- vacant possession valuation of *Council Dwellings* included that of non HRA properties.

Significant risks and my findings

I reported to you in my February 2012 Audit Plan the significant risk that I identified relevant to my audit of your financial statements. In Table 1, I report to you my findings against that risk.

Table 1: Risks and findings

Risk	Finding
<p>HRA reform</p> <p>The government has reformed local authority housing finance by adopting a self-financing model from 1 April 2012. For the Authority this has been through a one-off settlement payment to central government on 28 March 2012 of £205.123 million.</p> <p>The Authority has therefore had to borrow to make this payment, therefore ceasing to be debt free.</p> <p>Due to the complexity, magnitude, timing and lack of clarity, at the time of my Audit Plan, over detailed aspects of the HRA reform there was an identified risk that the financial statements could be materially misstated.</p>	<p>I have evaluated management's oversight of HRA reforms and the joint preparatory working with Cambridge City Council. I have considered the HRA Business Plan and the amendments to the Authority's Treasury Management Strategy.</p> <p>I have agreed the detail on the settlement payment to the DCLG notification and the associated accounting treatment to the guidance contained in CIPFA's LAAP bulletin 92.</p> <p>The Authority has tackled this major financial risk in a comprehensive manner, drawing upon external expertise as appropriate and carrying out detailed sensitivity analysis of the assumptions taken in the Business Plan.</p> <p>The approach provides flexibility within the future approach to council housing provision.</p>

Significant weaknesses in internal control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Authority only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that: it:

- complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- is consistent with other information that I am aware of from my audit of the financial statements.

I have not identified during the audit any weaknesses in internal control that are relevant to preparing the financial statements.

Quality of your financial statements

I considered aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures. The documentation and working papers supporting the accounts were of a high standard. A number of trivial amendments were made to the text in disclosure notes to aid clarity and correct typographical errors. Therefore there are no significant matters regarding the quality of your financial statements that I need to bring to your attention.

Whole of Government Accounts

Alongside my work on the financial statements, I have also reviewed and will be reporting to the National Audit Office on your Whole of Government Accounts return prior to issuing my audit certificate. The extent of my review and the nature of my report were specified by the National Audit Office. I have no matters to report.

Letter of representation

Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. A copy of a letter of representation is included in Appendix 4.

Value for money

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

I assess your arrangements against the two criteria specified by the Commission. In my February 2012 Audit Plan I reported to you the significant risk that was relevant to my conclusion. I have set out below my conclusion on the two criteria, including the findings of my work addressing the risk I identified.

I intend to issue an unqualified conclusion stating that the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

Table 2: Value for money conclusion criteria and my findings

Criteria	Risk	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>HRA self financing and the preparation of the 30 year Business Plan.</p>	<p>The Authority has a strong record of delivering within budget. As structural changes have taken place revised systems and procedures have been introduced to build on the strong financial management base.</p> <p>The current MTFS takes full account of the impact of the recession, the current spending round and known changes in legislative responsibilities.</p> <p>Jointly with Cambridge City Council, using appropriate external resources, the Authority has produced a robust 30 year HRA Business Plan to address the issue of HRA self financing.</p>

Criteria	Risk	Findings
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2011/12:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>HRA self financing and how the 30 year Business Plan enables the Authority to meet wider housing objectives.</p>	<p>The option appraisal approach to decision making is now embedded and making a positive impact on the evaluation of a wider range of approaches to service provision.</p> <p>The Authority has taken a positive approach to HRA self financing and sought to use the opportunity it provides to achieve wider housing aims and aspirations.</p> <p>The Authority has borrowed long term at low fixed rates and is looking to maximise the use of the surpluses made to re-invest in the Authority infrastructure. Clear investment criteria have been established for new housing initiatives with short to medium term payback periods which will improve the overall financial and service delivery performance of the HRA in line with the criteria. This approach ensures greater flexibility to meet any future changes that may occur in the local government and housing markets.</p>

Fees

I reported my planned audit fee in the February 2012 Audit Plan.

I will complete the audit within the planned fee.

Table 3: Fees

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	114,000	114,000
Claims and returns	29,392	32,400
Non-audit work	0	0
Total	143,392	146,400

The Audit Commission has paid a rebate of £9,120 to reflect attaining internal efficiency savings, reducing the net amount payable to the Audit Commission, excluding claims to £104,880.

Appendix 1 – Draft independent auditor’s report

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

Opinion on the Authority financial statements

I have audited the financial statements of South Cambridgeshire District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Income and Expenditure Account, the Statement of Movement on the Housing Revenue Income and Expenditure Account, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

Respective responsibilities of the Executive Director Corporate Services and auditor

As explained more fully in the Statement of the Executive Director Corporate Services’ Responsibilities, the Executive Director Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of South Cambridgeshire District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

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

Respective responsibilities of the Authority and the auditor

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

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

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, South Cambridgeshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

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

Paul King

Officer of the Audit Commission

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

September 2012

Appendix 2 – Uncorrected errors

I identified the following errors during the audit which management have not addressed in the revised financial statements.

Item of account	Nature of error	Comprehensive Income and Expenditure Statement (CIES)		Balance sheet	
		Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s

Purchased element of Equity share properties that are to be resold.

The element of the repurchased equity share properties are valued at *Existing Use Value – Social Housing (EUV-SH)*, rather than purchase price as a proxy for *Fair Value*.

The Balance sheet alterations are as set out below:

- *Surplus assets*
- *Capital Adjustment Account*

In addition, the correction would also lead to consequential changes in the Movement in Reserves Statement (MIRS); CIES and Notes 5, 7, 12, 16, 27 and 28.

This item would not impact on the usable reserves of the Authority.

943

943

	Comprehensive Income and Expenditure Statement (CIES)	Balance sheet
<p>Minimum Revenue Provision</p> <p>Review of the HRA self financing settlement identified an error in the calculation of the CFR in a previous year. The net impact is a cumulative undercharge of £320,000 to the General Fund in respect of MRP in this and previous years. The undercharge in 2011/12 is £52,000.</p> <p>The correct base will be used for MRP calculations from 2012/13 onwards with no retrospective adjustment for previous years.</p>		

Appendix 3 – Corrected errors

I identified the following errors during the audit which management have addressed in the revised financial statements.

Item of account	Nature of error	Comprehensive Income and Expenditure Statement (CIES)		Balance sheet	
		Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Note 28: Property Plant and Equipment (PPE)	<p>All elements of the Authority's holdings in Equity Share property were shown under <i>Council Dwellings</i>.</p> <p>As these properties are not HRA properties they should not be shown under <i>Council Dwellings</i> but as:</p> <ul style="list-style-type: none"> ■ <i>Other Land and Buildings</i> for those elements that are not to be resold; and ■ <i>Surplus assets</i> for the repurchased elements that the Authority is then seeking to resell. 				3,336
Note 29: CFR	<p>Showed cash overdrawn which did not reconcile to the CFR. Effectively understated opening CFR and excluded HRA self financing borrowing from closing value.</p> <p>Opening CFR understated by £1.664 million and closing balance by £206.793 million.</p>			2,739	597

	Comprehensive Income and Expenditure Statement (CIES)	Balance sheet
<p>Note 40: Housing Stock</p> <p>The vacant possession valuation of council dwellings at £937.535 million was overstated as it included General Fund properties. The HRA only council dwelling valuation is £928.98 million.</p>		

Appendix 4 – Draft letter of management representation

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

South Cambridgeshire District Council - Audit for the 2011/12 year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers and members of South Cambridgeshire District Council, the following representations given to you in connection with your audit of the Authority's financial statements for the 2011/12 year ended 31 March 2012. All representations cover the Authority's accounts included within the financial statements.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected errors

I confirm that I believe that the effects of the uncorrected financial misstatements listed in the Annual Governance Report Appendix 2 are not material to the financial statements, either individually or in aggregate and that these misstatements have been discussed with those charged with governance. The reasons for not correcting these items are as follows;

- Carrying value of repurchased Equity Share properties - The accounts have not been amended for this item as it is not considered to be a material misstatement to the accounts; and
- Shortfall in Minimum Revenue Provision set aside – The accounts have not been amended as I consider that the amount actually set aside did meet the “prudent” requirement and the difference is also not considered to be a material misstatement to the accounts.

Supporting records

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

Irregularities

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

I also confirm that I have disclosed:

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

Law, regulations, contractual arrangements and codes of practice

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

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

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

Accounting estimates including fair values

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

Related party transactions

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Contingent liabilities

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

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

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of South Cambridgeshire District Council.

I confirm that this letter has been discussed and agreed by the Corporate Governance Committee of South Cambridgeshire District Council on 28 September 2012.

Signed:

Alex Colyer
Executive Director Corporate Services

September 2012

Appendix 5 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Audit Commission

Annual governance report

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

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

Significance

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

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

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

© Audit Commission 2012.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

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

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



SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee

28 September 2012

AUTHOR/S: Executive Director –Corporate Services

FINANCIAL REGULATIONS**Purpose**

1. The Council's Financial Regulations are subject to periodic review to ensure the continuance of robust and effective financial controls; the current review has identified a number of minor and one major amendment. The Financial Regulations are subject to review by Corporate Governance Committee before approval by Council.
2. This is not a key decision but has been included because
 - it includes proposals to amend the Council's Financial Regulations.

Recommendations

3. That Corporate Governance Committee recommends the revised Financial Regulations for approval by Council.

Reasons for Recommendations

4. To approve the proposed changes to Financial Regulations which will then allow more flexibility to appoint authorised signatories quickly and easily.

Implications

5. The proposed financial regulations include some minor updating but also include a **major change which gives delegated authority** to the Chief Finance Officer (the Executive Director (Corporate Services)) in consultation with the Chairman of the Committee to appoint authorised signatories to approve all payments, etc. Currently, Financial Regulations specify the specific posts which are authorised signatories and this can result in a shortage of available signatories when staff leave or posts change on restructuring.
6. Given the recent departure of the Head of Accountancy and with further consequential changes within the Accountancy team planned over the next few months, amendments to Financial Regulations are required in any case to reflect these staffing changes. The Chief Executive has the delegated authority, in consultation with the Leader and Chairman of Council, to amend Financial Regulations to reflect staffing changes. Subject to the Committee's consideration of this matter, and in the interim before Council's consideration of this matter in November, the Chief Executive will be requested to give effect to the necessary formal appointments to allow the Council to manage its business in the most effective manner.

7.	Financial	None
	Legal	None
	Staffing	None
	Risk Management	The amendment to the financial regulations giving delegated authority to the Chief Finance Officer in consultation with the Chairman of the Committee will minimise disruption which may be caused by staff turnover and restructuring.
	Equality and Diversity	None
	Equality Impact Assessment completed	No
	Climate Change	None

Consultations

8. The Leader, Chairman of the Corporate Governance Committee and the Council's Monitoring Officer have been consulted.

Consultation with Children and Young People

9. None

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

None

Contact Officer: Sally Smart – Principal Accountant (Finance & Systems)
Telephone: (01954) 713076

Financial Regulations

1. General

- 1.1 The Chief Finance Officer shall, for the purposes of Section 151 of the Local Government Act 1972, be responsible for the proper administration of the Council's financial affairs under the general direction of the Executive. The Chief Finance Officer will also, therefore, be the Responsible Officer for the purposes of Section 114 of the Local Government Finance Act 1988 (unlawful expenditure etc.) and to ensure the proper administration of the financial affairs of the Council as required by the Accounts and Audit [\(England\) Regulations 2011-2003 \(amended 2006\)](#). The Chief Finance Officer will also have responsibility for the execution and administration of treasury management decisions. He / she will act in accordance with the Council's [Borrowing and Investment Strategy](#) and treasury management practices and [the Chartered Institute of Public Finance and Accountancy's \(CIPFA's\) Code of Practice for Treasury Management](#).

~~In addition Chief Finance Officer shall fulfil the role of Proper Officer for the purposes of directions issued under Section 44(1) of the Audit Commission Act 1998 for the collection, recording and publication of information relating to standards of performance.~~

- 1.2 Where the Council has delegated powers to Chief Officers, these shall be exercised in accordance with Financial Regulations.
- 1.3 For the purposes of these Financial Regulations, references to Directors shall also apply to the Legal and Democratic Services Manager.

2. Accounting

- 2.1 The Chief Finance Officer ~~shall be responsible for:~~~~keeping proper accounts of the Council's financial transactions in accordance with current legislation;~~~~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 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom](#).~~~~In preparing this Statement of Accounts, the Chief Financial Officer will:~~
- ~~select suitable accounting policies and then appliedy them consistently;~~
 - ~~make judgements and estimates that ~~were~~are reasonable and prudent; and~~
 - ~~comply with the local authority Code.~~
- ~~The [Executive Director \(Corporate Services\)](#) as Chief Financial Officer will also:~~
- ~~keep proper accounting records which are up to date; and~~
 - ~~take reasonable steps for the prevention and detection of fraud and other irregularities.~~~~preparing the annual Statement of Accounts for approval by the Corporate Governance Committee;_ and~~
- (ii) preparing and submitting all financial returns, reports and statistics to meet both Council and statutory requirements.

- 2.2 The Chief Finance Officer shall prescribe the form, security and maintenance of financial records kept by any department of the Council.
- 2.3 In order to administer the financial affairs of the Council, the Chief Finance Officer shall have authority to issue such detailed instructions as he / she may deem appropriate.
- 2.4 The Chief Finance Officer shall be consulted regarding introducing or amending books, forms or procedures relating to cash, income or expenditure and accounts (whether for stores or otherwise). The Chief Finance Officer shall ensure that a satisfactory and, so far as possible, uniform system is adopted across service areas.
- 2.5 The Chief Finance Officer shall review annually the specific financial limits laid down in these Financial Regulations. These financial limits are defined in the constitution:
- <http://scambsmodern.gov.co.uk/documents/s66680/02Definitions.pdf.pdf>
- 2.6 Any revision in these limits will be reported for approval to the Executive by the Chief Finance Officer.
- 2.7 The following principles shall be observed in the allocation of accounting duties:
- (i) the duties of providing information on sums due to or payable by the Council and of calculating, checking and recording these sums shall be separated as far as possible from the duties of collecting or disbursing such sums; and
 - (ii) officers charged with the duties of examining and checking accounts of cash transactions shall not themselves be engaged in any of these transactions.

3. Financial Control

- 3.1 Each Chief Officer and Director is responsible for the security, custody and control of all resources within services reporting to him / her.
- 3.2 The Chief Finance Officer shall be informed immediately of any decision, course of action, or entry of item of account, actual or proposed which may give rise to a report under Section 114 (2) of the Local Government Finance Act 1988. Where the Chief Finance Officer believes that the Council, the Executive, one of its committees or one of its officers is about to make a decision which would be unlawful then he / she must, as required by Section 114 of the Local Government Finance Act 1988:
- (i) send a report to all members of the Council; and
 - (ii) notify the External Auditor.
- 3.3 The Council must hold a meeting within twenty-one days and refrain from the course of action reported until the meeting is held.
- 3.4 The Monitoring Officer shall report on any contravention of law or of a code of conduct and any act of maladministration in accordance with the Local Government and Housing Act 1989.

- 3.5 Each Chief Officer and Director shall ensure that Contract ~~Regulations Standing Orders~~, Financial Regulations and any ~~a~~Accounting ~~i~~nstructions or procedures are observed.
- 3.6 A system of cash limits shall operate within the Authority. The Chief Finance Officer shall be consulted as soon as possible with respect to any matter which is liable to affect substantially the finances of the Council and for which provision is not made in the current budget, before any provision or other commitment is incurred. The Chief Finance Officer shall then report to the Chief Executive in order that the necessary action can be taken. No body of the Council nor any officer will commit items of expenditure not provided in their estimates, unless, in cases of extreme importance and after opportunities for virement have been exhausted, specifically approved by the Executive up to Level 3 and within approved policy or specifically approved by Council if outside approved policy and / or above Level 3. Virement and rollover may be permitted, but only in accordance with the annual cash limits and virement approved by Council (see Budget and Policy Framework Procedure Rule 5 above).
- 3.7 Each body of the Council and every officer shall at all times endeavour to secure the best value for money and shall:
- (i) establish wherever possible, cost limits and output measures for its various services and functions; and
 - (ii) establish sound arrangements for the planning, appraisal, authorisation and control of all resources and ensure that these are functioning properly in order to achieve economy, efficiency and effectiveness in its operations.
- 3.8 In the case of trading units, the relevant Chief Officer or Director, being the chief officer in whose service area the trading unit is located, is responsible for exercising control over resources.
- 3.9 The relevant Chief Officer or Director shall prepare such business plans and financial statements as deemed necessary by the Chief Finance Officer for the proper monitoring of the trading position and performance of the trading unit or any part thereof.
- 3.10 Any material change to the commercial operations of a trading unit which may have a financial impact upon its expenditure or income must be reported to the Executive by the relevant Chief Officer or Director.

4. Long-Term Planning

- 4.1 The Chief Finance Officer shall ensure that reports are made on all proposals which lead to new financial commitments. Such reports should include the following:
- (i) the revenue consequences of the decision over at least a three-year period and any future year where these are significant;
 - (ii) in the case of capital expenditure, a cost comparison illustrating the difference between costs of a conventional borrowing route and the chosen financing option; and
 - (iii) the implications for the financial strategy.
- 4.2 The Chief Finance Officer shall ensure that a financial strategy is prepared in accordance with approved operational and financial guidelines. Existing

proposals rolled forward in the strategy shall be re-examined in the light of changing circumstances and the Council's objectives and priorities, and new proposals shall be added for the succeeding year.

5. Annual Estimates and Budgetary Control

- 5.1 The Chief Finance Officer shall prepare annually in consultation with other Chief Officers or Directors, estimates of income and expenditure on revenue for the ensuing year and on capital in a ~~three~~five-year forecast, consistent with the general directions of the Council. These estimates shall be submitted for approval by the Executive in February of each year.
- 5.2 The Executive shall recommend to the Council:
- (i) the amount required from the Collection Fund for District Council purposes; and
 - (ii) the Council Tax for District purposes for the coming financial year.
- 5.3 In order that they may exercise proper budgetary control each Chief Officer or Director shall have direct access to financial information contained within the Authority's Financial Management system. In addition, the Chief Finance Officer shall provide each Chief Officer or Director with periodical statements of income received and expenditure incurred, as and when requested.
- 5.4 Each Chief Officer or Director will furnish information regarding outstanding commitments and expected income and expenditure for the remainder of the financial year upon request.
- 5.5 Any report to Council, or any body of the Council which would involve the Council in any expenditure shall indicate the extent to which such expenditure is covered by estimates approved by the Council.

6. Operation of Bank Accounts

- 6.1 All arrangements with the Council's bankers, including agreement of bank charges and overdraft levels shall be made under arrangements approved by the Chief Finance Officer who shall also be authorised to operate all necessary bank accounts.
- 6.2 All cheques shall be ordered only on the written authority of the Chief Finance Officer who shall also make arrangements for their safe custody upon receipt.

6.3

The normal method of Council payment shall be by bank automated clearing system (BACS), clearing house automated payment system (CHAPS) or cheque, ~~bank automated clearing system (BACS) or clearing house automated payment system (CHAPS)~~, drawn on the authority's bank account.

~~Any computer printed cheque payment for an amount to be determined from time to time by the Chief Finance Officer but not exceeding one half of Level 1 ("basic amount") must bear the computer printed signature of the Chief Finance Officer.~~

- 6.4 All cheques, CHAPS and BACS transmissions and other payment orders or instructions

- (i) for amounts to be determined from time to time by the Chief Finance Officer but not exceeding one half of Level 1 ("basic amount") must bear the computer printed name of the Chief Finance Officer.
- (ii) for amounts more than the basic amount but less than an amount to be determined from time to time by the Chief Finance Officer, but not exceeding one half of Level 2 ("higher amount") must bear the signature of one authorised officer; and
- (iii) in excess of the higher amount must bear the signatures of two authorised officers.

Such authorised officers will include the Chief Finance Officer and such other officers as he/she may determine in consultation with the Chairman of the Corporate Governance Committee. Members to be informed through the Weekly Bulletin and the decision subject to the Council's call-in arrangements.-

~~Any computer printed cheque payment for more than the basic amount but less than an amount to be determined from time to time by the Chief Finance Officer, but not exceeding one half of Level 2 ("higher amount"), any manually raised cheque and any other order or instruction for an amount not exceeding the higher amount, must bear the signature of any one of the following:
The Chief Finance Officer
The Head of Accountancy
The Principal Accountant (General Fund and Projects)
The Principal Accountant (Housing)~~

~~All cheque payments and other orders or instructions for an amount in excess of the higher amount must bear the signatures of any two of the following officers:
The Chief Finance Officer
The Head of Accountancy
The Principal Accountant (General Fund and Projects)
The Principal Accountant (Housing)~~

~~BACS payments for creditors and rent allowances, not exceeding the higher amount, must be authorised by one of the following officers:
The Chief Finance Officer
The Head of Accountancy
The Principal Accountant (General Fund and Projects)
The Principal Accountant (Housing)~~

~~BACS payments for creditors and rent allowances, in excess of the higher amount, must be authorised by two of the following officers:
The Chief Finance Officer
The Head of Accountancy
The Principal Accountant (General Fund and Projects)
The Principal Accountant (Housing)~~

6.5 For all payroll payments (by BACS), the total value of the payment must be reconciled by the Payroll team to the payroll system and authorised by the Human Resources Manager, or, in his / her absence, one of the authorising officers in paragraph 6.54 ~~above~~7 ~~above~~.

6.6 This BACS transmission must then be authorised by one of the following officers, or, in their absence, one of the authorising officers in paragraph 6.84 ~~above~~ above:

- Human Resources Manager
- Payroll Officer

~~CHAPS payments must be authorised by two of the following officers:~~

~~The Chief Finance Officer
The Head of Accountancy
The Principal Accountant (General Fund and Projects)
The Principal Accountant (Housing)~~

6.7 BACS receipts (direct debits) must be authorised by one of the following officers:

- The ~~Business Support Officer~~Revenues Manager
- The Revenues Accounting Officer
- The Senior Revenues Assistant

6.8 The Chief Finance Officer shall make arrangements for all the Council's bank accounts to be independently reconciled and ensure that this is undertaken on a regular basis.

7. Investment Borrowing and Trust Funds

7.1 All investments and borrowing undertaken by the Council shall be transacted in the name of the Council and in accordance with the Borrowing and Investment Strategy:

~~- http://www.scams.gov.uk/documents/retrieve.htm?pk_document=912693~~

~~The Council has adopted CIPFA's 'Code of Practice for Treasury Management in Local Government', the Prudential Code and an Investment Strategy setting out its strategy and procedures: thereafter its implementation and monitoring shall be delegated to the Executive.~~

~~All money in the hands of the Council shall be aggregated for the purposes of treasury management and shall be under the control of the Chief Finance Officer.~~

~~Executive decisions on borrowing (subject to the exception set out in 7.5), investment and financing shall be delegated to the Chief Finance Officer or through him / her to his / her staff, who shall all be required to act in accordance with the Code and the Investment Strategy.~~

~~Any decision on borrowing which would terminate the current debt free status of the Council will require the approval of Council.~~

~~The Chief Finance Officer shall present to the Council an Annual Report on Treasury Management by 30 September of the succeeding year.~~

~~All securities being the property of or in the name of the Council shall be held in the custody of the Chief Finance Officer.~~

~~The Chief Finance Officer shall be authorised to borrow short term (364 days or less) such sums as are required to finance the operations of the Council as provided for within the Local Government Act 2003.~~

7.2 The Chief Finance Officer shall, within the guidelines laid down by the Council, be responsible for all funds for which the Council acts as a Trustee.

8. Authorisation for Expenditure

- 8.1 Other than to comply with Court Orders, etc. under Rule 4 of the Legal Proceedings Rules, no expenditure shall be incurred unless it is included in the approved budget. Exceptionally, the Chief Executive in consultation with the ~~Leader~~ Chief Finance Officer can authorise additional expenditure in the case of a local emergency.
- 8.2 Contracts and purchasing of goods and services shall be in accordance with the Contract ~~Regulations~~ Standing Orders.
- 8.3 Higher value contracts have to be managed according to the provisions of the Public Supplies / Services / Works Contracts Regulations which lay down strict guidelines on the advertising of contracts, selection of tenderers, requirement specification and the evaluation of bids. In addition, contracts must comply with EU contract procedures. It shall be the responsibility of Chief Officers or Directors to ensure that their service areas comply with these Directives.
- 8.4 Any extra or variation to a contract which would result in that contract moving to the next Level specified in the Contract ~~Regulations~~ Standing Orders shall be reported to the Executive as soon as practicable by the Chief Officer or Director concerned.
- 8.5 Official orders for the purchase of goods of all kinds, ~~subject to paragraph 8.6,~~ or the execution of works on behalf of the Council shall be on electronic ordering systems in writing and in a form previously approved by the Chief Finance Officer and shall be signed approved only by Chief Officers, Directors or officers authorised in writing by them subject nevertheless to the relevant provisions of Contract ~~Regulations~~ Standing Orders, and a designated officer, other than the authorising officer, to record the receipt of goods or services.-

~~Electronic orders will be in a form prescribed by the Chief Finance Officer. Each Chief Officer or Director shall have a responsibility to ensure that electronic procurement is implemented in their service areas, replacing handwritten or manual orders with electronic ordering that records each transaction.~~

- 8.6 Official orders for the purchase of information technology equipment and software exceeding £500 shall be signed approved by officers authorised by the ~~Chief Finance Officer~~ Head of ICT.
- 8.7 Each order shall conform with the directions of practice of the Council with respect to central purchasing and the standardisation of supplies and materials. Orders shall only be placed for goods and services in respect for which there is provision in the current year's estimate or where prior approval to exceed cash limits has been given by the Council.

9. Payments

- 9.1 All payments due by the Council shall be made by the Chief Finance Officer or from petty cash advances authorised by him / her. The normal method of payment of money due from the Council shall be by ~~cheque~~ BACS, CHAPS, cheques and, exceptionally, the payment of court and legal costs by

corporate credit card ~~or other instrument~~ drawn on the Council's appropriate bank account.

- 9.2 Before any payment is made the invoice shall be certified by the appropriate Chief Officer, Director or his / her authorised representative. Before certifying an invoice the certifying officer shall, save to the extent that the Chief Finance Officer may otherwise determine, have satisfied himself / herself that:
- (i) the work, goods or services to which the account relates have been received, carried out, examined and approved;
 - (ii) the prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct;
 - (iii) the relevant expenditure has been properly incurred and provision made therefore in the financial estimates of the committee Portfolio concerned;
 - (iv) appropriate entries have been made on copy orders and in inventories, stores records or stock books as required electronic or otherwise;
 - (v) the account has not been previously passed for payment and is a proper liability of the Council; and
 - (vi) the payment is lawful.

9.3 The names of officers authorised to certify such documents shall be notified in advance to the Chief Finance Officer, together with specimen signatures, and any change in such authorisation shall be similarly notified to the Chief Finance Officer.

9.4 Duly certified accounts shall be passed without delay to the Chief Finance Officer who shall examine them to the extent that he / she considers necessary, for which purpose he / she shall be entitled to make such enquiries and to receive such information and explanations as he /she may require.

9.5 Each Chief Officer or Director shall, not later than a date to be specified by the Chief Finance Officer, notify him / her of all outstanding expenditure within his / her purview which relates to the previous financial year and which has not already been passed to him / her as duly certified "old year" accounts for payment in April.

10. Contracts for Building Construction or Engineering Works

10.1 Where contracts provide for payment to be made by instalments, the Chief Finance Officer or Director shall keep a register showing the state of account on each contract between the Council and the contractor, together with any other payments and the related fees.

10.2 Payment to contractors on account of contracts shall be made only on a certificate issued by the appropriate Chief Officer, Director, his / her nominated representative or consultant formally engaged by the Council and certified by an officer authorised under paragraph 9.43.

10.3 Subject to the provisions of the contract in each case every extra or variation shall be authorised by the Chief Officer, Director or his / her nominated officer.

- 10.4 Where it appears to the Chief Officer or Director concerned that the cost of the work comprised in any contract (where the contract sum is Level 2 or more) will exceed the contract sum by 5%, he / she shall report the variance to the Chief Finance Officer and the Executive as soon as practicable.
- 10.5 The Chief Finance Officer shall, to such an extent as he / ~~sje-she~~ considers necessary, examine final accounts for all contracts and shall be entitled to make such enquiries and receive, in a timely manner, such documents explanations and information as he /she may require in order to satisfy himself / herself as to the accuracy of such accounts.
- 10.6 Claims by and compensation from contractors in respect of matters not expressly referred to in the terms of any existing contract shall be reviewed by the relevant Chief Officer or Director for technical consideration and by the Chief Executive for consideration of the Council's legal liability, if any, and, where necessary, by the Chief Finance Officer for financial consideration before a settlement is reached.
- 10.7 Where completion of a contract is delayed beyond the agreed period (including any extensions granted), it shall be the duty of the Chief Officer or Director concerned to take appropriate action in respect of any claim for liquidated damages.
- 10.8 Work carried out by any in-house trading unit must conform to the terms of any legislation on competitive tendering. Chief Officers should supervise the work and approve payments to the in-house contractor strictly under the terms of the agreement as they would any external contractor.
- 10.9 Where there is a separation of client and contractor functions, officers should co-operate to obtain value for money and provide an effective service, whilst fully observing Contract ~~Standing Orders-Regulations~~ and Financial Regulations.

11. Salaries, Wages and Other Emoluments

- 11.1 The Chief Finance Officer shall be responsible for the calculation of all salaries, wages, compensation and other emoluments to officers and the production of other necessary records in connection with pensions, national insurance, income tax, maternity and sick pay.

11.2
12

The Chief Finance Officer shall be responsible for the payment of members' allowances and for the authorisation and payment of salaries, wages and other emoluments. All associated accounting arrangements shall be approved and controlled by the Chief Finance Officer ~~cer.eer~~.

Each Chief Officer or Director shall notify the Chief Finance Officer as soon as possible, and in a form to be prescribed by him / her, of all matters affecting the payment of such emoluments and in particular:

- (i) appointments, resignations, dismissals, suspensions, secondments and transfers;
- (ii) absences from duty for sickness or other reason, apart from approved leave;
- (iii) changes in remuneration, other than normal increments and pay awards and agreements of general application; and
- (iv) any information which is necessary to maintain records of service for pensions, income tax, national insurance, etc.-

11.3 Appointments of all employees of the Council shall be made in accordance with:

- (i) the approved Establishment; and
- (ii) prescribed procedures.

11.4 Approval of new posts within budget, ~~other than to post titles,~~ shall be agreed by the Chief Executive.

11.5 Approval of new posts outside of the agreed budget, ~~other than to post titles,~~ shall be agreed by the Council.

11.6 All time records or other pay documents shall be in a form prescribed or approved by the Chief Finance Officer and shall be certified in manuscript by an authorised officer. The names of officers authorised to sign such documents shall be sent in advance to the Chief Finance Officer by each Chief Officer or Director together with specimen signatures and any change shall be duly notified to the Chief Finance Officer.

12. Travelling, Subsistence and Attendance Allowances

12.1 All claims for the payment of car allowances, subsistence, removal and disturbance allowances, travelling and incidental expenses shall be submitted promptly in a form approved by the Chief Finance Officer. After certification by or on behalf of the appropriate Chief Officer or Director details of amounts due shall be submitted to the Chief Finance Officer for payment.

12.2 The names of officers authorised to sign such records, together with specimen signatures, shall be sent to the Chief Finance Officer and shall be amended on the occasion of any change. Certification shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenses were properly and necessarily incurred, and that the allowances are properly payable by the Council.

12.3 Payments to members, including any co-opted members of the Council or its committees, who are entitled to claim travelling or other allowances, shall be made by the Chief Finance Officer, upon receipt of the prescribed form duly completed.

13. Income

13.1 Arrangements for the collection of all money due to the Council shall be approved by and under the supervision of the Chief Finance Officer.

13.2 Each Chief Officer or Director shall ensure that all money received in his / her service area by an officer on behalf of the Council shall be receipted in a

manner specified by the Chief Finance Officer and shall, without delay, be deposited with the Chief Finance Officer or, as he / she may direct, with the Council's bankers.

- 13.3 No deduction may be made from such money except to the extent that the Chief Finance Officer may specifically authorise it.
- 13.4 Every transfer of official money from one member of staff to another will be evidenced in the records of the departments concerned by the signature of the receiving officer.
- 13.5 Every officer who receives money on behalf of the Council or for which he / she is accountable to the Council, shall keep such records as required by the Chief Finance Officer, and shall produce them for inspection as and when required by the Chief Finance Officer.
- 13.6 Each Chief Officer or Director shall be responsible for the prompt notification to the Chief Finance Officer of particulars of all sums due to the Council.
- 13.7 The Chief Finance Officer shall be responsible for ~~arranging, arranging~~ or supervising arrangements for ordering and maintaining stocks of all receipt books and other numbered accounting documents used by the Council and shall satisfy himself / herself as to the arrangements for their control.
- 13.8 The Chief Finance Officer shall be authorised to write off any individual debt up to and including Level 2, provided that he / she is satisfied that all action for recovery of the debt appropriate to the amount has been taken. The Finance and Staffing Portfolio Holder has executive power to write off any debt above Level 2. The Chief Finance Officer and the Finance and Staffing Portfolio Holder will report annually for information to Council on the number and value of amounts written off under their respective delegated powers.

14. Stocks, Stores and Other Assets

- 14.1 Each Chief Officer or Director shall be responsible for the care, custody and recording of stocks and stores held by his / her department. The Chief Finance Officer shall agree the form and content of records to be kept for this purpose. Stocks shall not exceed the quantities considered necessary by the Chief Officer or Director concerned to meet the reasonable requirements of the Council.
- 14.2 Chief Officers or Directors responsible for stocks shall arrange for periodical checks of stocks by persons other than those responsible for the stocks and the Chief Finance Officer shall ensure that such checks are made at least once in every financial year.
- 14.3 The Chief Finance Officer shall be authorised to write-off physical differences or losses (including obsolescence) of stocks, stores or other assets amounting to less than one half of Level 1 in aggregate, by department. Variances in excess of one half of Level 1 shall be reported to the Council for authorisation.
- 14.4 Chief Officers or Directors responsible for stocks and stores shall forward to the Chief Finance Officer as soon as possible after 31 March in each year a certificate as to the value of stocks held at the close of the financial year.

15. Inventories

- 15.1 Each Chief Officer or Director shall maintain an inventory and this shall record an accurate description of furniture, fittings, equipment, plant and machinery so as to enable identification. The extent to which the property of the Council shall be recorded and the form in which the inventory shall be kept will be specified by the Chief Finance Officer.
- 15.2 Each Chief Officer or Director shall be responsible for undertaking an annual check of all items on the inventory and annotating the inventory accordingly. A report containing details of any surpluses or deficiencies identified by the annual check should be submitted to the Chief Finance Officer immediately following the 30 September in each year. The Chief Finance Officer shall be authorised to write-off any deficit amounting to less than one half of Level 1 in aggregate, by department. Variances in excess of one half of Level 1 shall be reported to the Council for authorisation.
- 15.3 All property owned or acquired by the Council shall, so far as practicable, be effectively marked as Council property. The Council's property shall only be used in the ordinary course of the Council's business.

16. Insurances

- 16.1 The Chief Finance Officer shall effect insurance cover and prescribed procedures for claims, consulting with Chief Officers or Directors as appropriate.
- 16.2 Chief Officers or Directors shall notify the Chief Finance Officer promptly of all new risks, property or vehicles to be insured and every matter which may affect existing insurances.
- 16.3 Chief Officers or Directors shall notify forthwith in writing any loss, liability or damage or any event likely to lead to a claim to the Chief Finance Officer, who will, in turn, notify the Council's Insurers. In appropriate instances, the Chief Finance Officer will inform the Police.
- 16.4 The Chief Finance Officer shall ensure that all relevant employees of the Council are included in a suitable fidelity guarantee insurance.
- 16.5 The Chief Finance Officer shall annually, or at other such periods as he / she may consider necessary, review all insurances in consultation with Chief Officers and Directors.
- 16.6 Chief Officers or Directors shall consult the Chief Finance Officer with respect to the terms of any indemnity that the Council is requested to give.

17. Land and Property

- 17.1 The ~~Executive Director (Corporate Services)~~ Corporate Director of (Affordable HousingHomes) shall maintain a terrier of all properties owned by the Council showing the statutory purpose or other purpose for which the property is held, the location, extent and plan reference. In addition the terrier should record the purchase price and the nature of the Council's interest, together with particulars of any lease or tenancies granted by the Council.

- 17.2 The Chief Executive shall be responsible for ensuring the custody, under secure arrangements, of all title deeds for properties belonging to or mortgaged to the Council.
- 17.3 Discretionary acquisitions and disposals not otherwise authorised under any delegation shall be submitted for approval by the Council on the recommendation of the Executive.

18. Internal Audit

- 18.1 The Chief Finance Officer shall:
- (i) maintain an adequate and effective internal audit of all activities of the Council;
 - (ii) have authority (which may be delegated to his / her authorised representative) to visit all departments and have a right of access at all times to such offices, officers, records, correspondence and other documents relating to any financial and other transactions of the Council and Council property that appear necessary for the purpose of the audit.
 - (iii) require and receive such explanations as are necessary concerning any matter under examination; and
 - (iv) require any council employee to produce cash, stores or any other council property under that employee's control.
- 18.2 Unless the Chief Finance Officer has already been informed under Regulation 3.2, each Chief Officer or Director shall immediately notify him / her of any suspected or apparent fraud or irregularity concerning cash, stores or other property of the Council or the exercise of the functions of the Council. The Chief Finance Officer will arrange, where appropriate, for an internal audit investigation and for the Council's external auditors and the Council's insurers to be informed. The Chief Finance Officer shall consider whether to refer any irregularity to the Police.
- 18.3 The Regulations set out in 18.1 and 18.2 apply equally to any direct service, direct labour organisation or semi-autonomous trading unit of the Council.
- 18.4 The Client Partner and Manager for Internal Audit Services shall report to the Chief Finance Officer who shall refer audit reports to the appropriate officers. Where in exceptional circumstances a report concerns the Chief Finance Officer in person, the Client Partner and Manager for Internal Audit Services shall have access to report direct to the Chief Executive and / or the Leader of the Council.
- 18.5 The Chief Finance Officer shall be responsible for ensuring that the Council's Anti-Theft, -Fraud and -Corruption Policy and Whistle-blowing Policy is subject to periodic review and, where deemed appropriate, he / she shall make recommendations for improvement to the Council. Each Chief Officer or Director shall be responsible for ensuring his / her staff are aware of the existence of the Policies and of ~~its~~ their contents.

19. Data Protection

- 19.1 Prior to the implementation of any new computer application or processing system the Chief Executive/Head of IT shall be consulted in writing as to the implications with respect to the Data Protection Act 1998 and the Freedom of Information Act 2000. No such applications or system shall be used to

process live data until the [Chief Executive Head of IT](#) has confirmed [in writing](#) that the requirements in respect of registration and security have been met.

- 19.2 The [Chief Executive Legal and Democratic Services Manager](#) shall be responsible for ensuring that the Council complies with the requirements of the Data Protection Act 1998 and the Freedom of Information Act 2000 and will be responsible for co-ordinating arrangements whereby all members and employees are fully conversant with their duties and responsibilities resulting from this [Rule Regulation](#).

20. Security

- 20.1 Each Chief Officer or Director shall be responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash, etc., under his / her control. The Chief Finance Officer shall satisfy himself / herself that such security arrangements are adequate.
- 20.2 Keys to safes and similar receptacles shall at all times be kept securely by those responsible and the loss of any keys must be reported forthwith to the Chief Finance Officer.
- 20.3 Chief Officers or Directors shall ensure that cash holdings overnight do not exceed those sums provided for in the Council's insurance arrangements.

21. Imprest / Advance Accounts

- 21.1 The Chief Finance Officer shall approve such advance amounts as he / she considers appropriate. These shall be operated on an imprest basis and in a manner specified by the Chief Finance Officer.
- 21.2 Where he / she considers it appropriate, the Chief Finance Officer shall open an account with the Council's bankers, or such other financial institution as deemed appropriate, for the use by the imprest holder. The arrangements shall provide that under no circumstances is the account to go overdrawn and instances where this would otherwise have arisen should be drawn to the attention of the Chief Finance Officer promptly.
- 21.3 No income received on behalf of the Council may be paid into an imprest / advance account but must be banked or paid to the Council as provided elsewhere in these Regulations.
- 21.4 Payments shall be limited to minor items of expenditure and to such other items as the Chief Finance Officer may approve and shall be supported by a receipt voucher to the extent that the Chief Finance Officer may require.
- 21.5 An officer responsible for an advance amount shall sign a certificate as to the state of the advance on the 31 March in each year.
- 21.6 On leaving the employment of the Council or otherwise ceasing to be entitled to hold the advance, an officer shall account to the Chief Finance Officer for the amount of the advance.

22. Information Technology

- 22.1 The [Chief Executive Executive Director \(Corporate Services\)](#) is the Council's e-champion and shall be responsible for maintaining overall security and privacy of information held on all computers operating on Council premises.

- 22.2 Chief Officers or Directors shall satisfy themselves that any new systems or amendments to existing systems are developed in a controlled manner and thoroughly tested prior to implementation.
- 22.3 The ~~Chief Executive~~[Executive Director \(Corporate Services\)](#) shall ensure that computer audit reviews are carried out at regular intervals and immediately in the event of a situation that demands such action.
- 22.4 The ~~Chief Executive~~[Executive Director \(Corporate Services\)](#) shall ensure that all information technology initiatives are compatible with the official strategy adopted by the Council. An annual review of the strategy will be undertaken in order to accommodate technical advances and to keep it in line with the Council's perceived needs.
- 22.5 The technical specifications and purchasing arrangements for IT-related items should conform to the guidelines as from time to time adopted by the Management Team.

23. Risk Management

- 23.1 The ~~Chief Executive~~[Executive Director \(Corporate Services\)](#) is the senior manager responsible for risk management and will ensure that the Council's risk management strategy and process is reviewed at least annually and that the Council's strategic risk register is reviewed quarterly.
- 23.2 The risk management strategy and process and the strategic risk register will be reported to Members in accordance with the above frequencies.
- 23.3 Service managers will review service area risk registers as part of the service plan process, for approval by Portfolio Holders, and at quarterly intervals. These will be reviewed by the Directors to ensure that risks identified are adequately addressed. Significant corporate or common risks arising from service area risk registers may be included in the strategic risk register.
- 23.4 Project managers will carry out risk management as an integral element of project management. Lead officers will monitor risk management arrangements in partnerships. Report writers will identify risk management implications in all reports to Members.
- 23.5 Risk management will be incorporated in the preparation of the Council's Performance Plan.

This page is left blank intentionally.

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee

28 September 2012

AUTHOR/S: Executive Director (Corporate Services)

APPROVAL OF THE 2011-12 STATEMENT OF ACCOUNTS**Purpose**

1. To approve the amended 2011-12 Statement of Accounts and to discuss and agree the letter of representation.
2. This is not a key decision but is a legal and auditing requirement.

Recommendations

3. That the 2011-12 Statement of Accounts is approved and the letter of representation discussed and agreed.

Reasons for Recommendations

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

Background

6. The Statement of Accounts 2011-12 (subject to audit) was certified by the Executive Director (Corporate Services) as the Council's responsible financial officer and noted by this Committee on 29 June 2012.

Considerations

7. The results of the audit are now known and are set out in the Auditor's Annual Governance Report, which is a separate item on this agenda. The amendments required by the Auditors to the financial statements are set out in Appendices 2 and 3 of their Report; those noted in Appendix 3 have been incorporated in the amended Statement of Accounts 2011-12.
8. The letter of representation is Appendix 4 of the Auditor's Report. This needs to be discussed and agreed by this Committee and then signed by the Executive Director (Corporate Services) as the Council's responsible financial officer

Options

9. None.

Implications

10.	Financial	Members were informed of the balances, i.e. how much money we have got to spend in the future, in the weekly bulletin of 18 July 2012. These were the balances on the General Fund, Housing Revenue Account and Capital account as at 31 March 2012 as set out in the draft Statements of Accounts. The audit of the accounts has confirmed these balances. The amendments required by the auditors to the accounts are asset classification and technical adjustments to conform strictly with accounting standards, and have a net nil effect; minor corrections to the notes; and typographical errors; some of which were reported by officers at the last meeting.
	Legal	None
	Staffing	None
	Risk Management	There is a reputational risk to the Council if the accounts cannot be agreed with the Auditors and issued with an unqualified audit opinion
	Equality and Diversity	None
	Equality Impact Assessment completed	No Not applicable
	Climate Change	None

Consultations

11. None.

Consultation with Children and Young People

12. None.

Effect on Strategic Aims

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

Conclusions / Summary

14. None.

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

Contact Officer: Sally Smart - Principal Accountant
Telephone: (01954) 713706
sally.smart@scambs.gov.uk

Statement of Accounts for year ended 31 March 2012

Contents	Page Number
Explanatory Foreword	2
Statement of Responsibilities	11
Auditors Report	12
Main Financial Statements	15
Movement in Reserves Statement	16
Comprehensive Income and Expenditure Statement	17
Balance Sheet	18
Cash Flow Statement	20
Notes to Main Financial Statements	21
Supplementary Financial Statements	73
Housing Revenue Income and Expenditure Account	74
Statement of Movement on Housing Revenue Income and Expenditure Account	75
Collection Fund	76
Notes to Supplementary Financial Statements	78
Glossary of Financial Terms and Abbreviations	87

South Cambridgeshire District Council
 South Cambridgeshire Hall
 Cambourne Business Park
 Cambourne
 Cambridge, CB23 6EA

Telephone: 01954 713 076
www.scambs.gov.uk

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
Expenditure	£'000	£'000
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	14,969	14,098
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)
	(13,940)	(14,065)
Deficit for the year	1,029	33

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)
				(996)
Less underspendings in 2011-12 which will now be incurred in 2012-13				210
				(786)

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		Underspending/slippage()		
Actual to Original Estimate			Overspending+	
Services	Reason for variance	%	£'000	£'000
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	<u>81</u>	(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				<u>12</u>
				<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 £4.24 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.

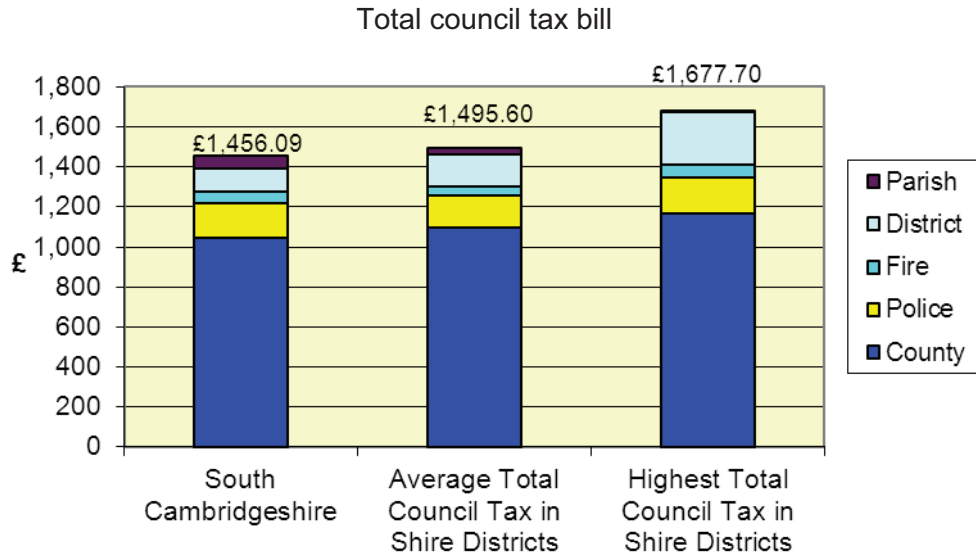
In view of the uncertainty over future pension costs, an additional 1.8% of pensionable pay has been charged against the General Fund and the Housing Revenue Account and placed in a reserve for use in future years (Notes 6 and 46).

Change in Accounting Policy

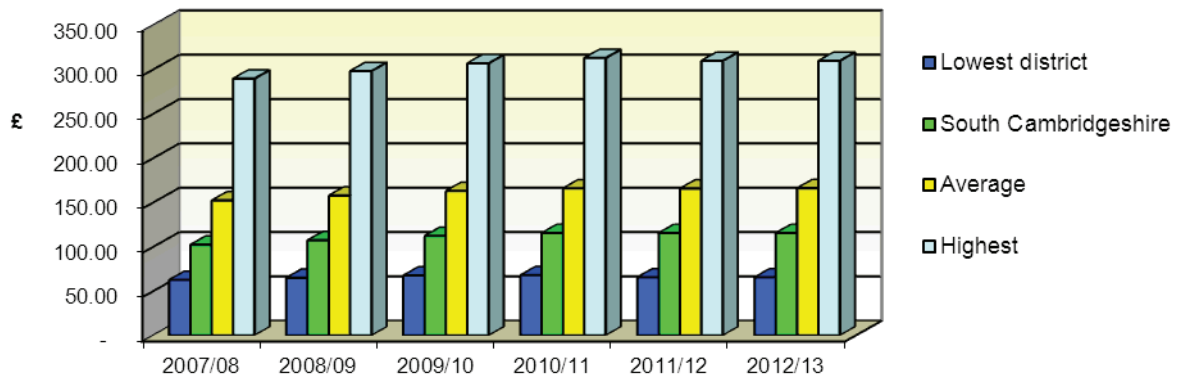
The 2011-12 Code includes the adoption of financial reporting standard 30 heritage assets which has resulted in the recognition of an asset not previously recognised in the Balance Sheet and the disclosure of other assets as set out in note 28 Property, Plant and Equipment, Surplus Assets held for Sale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

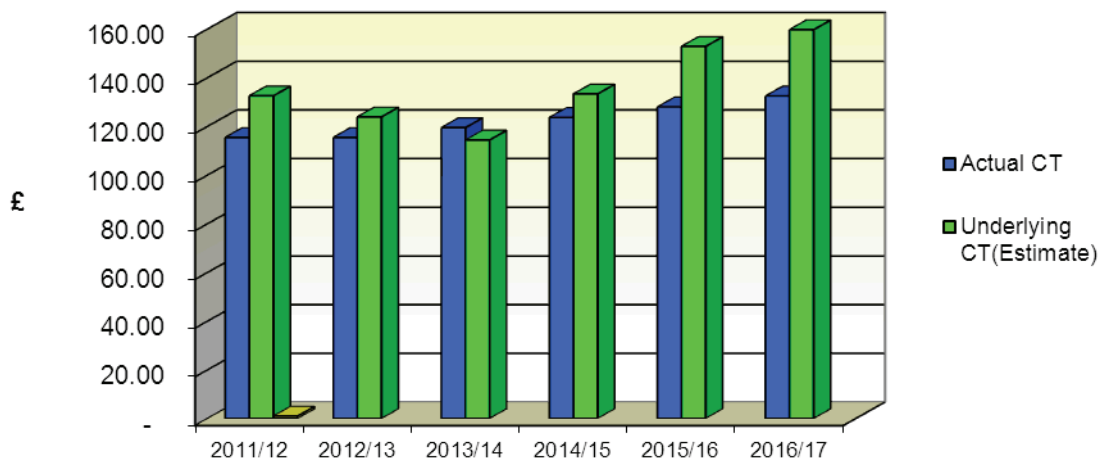
With the exception of parishes,

- 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 has been audited with the Auditor's opinion on page 12.

Alex Colyer
Executive Director and Chief Finance Officer

Dated: 28 September 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: 28 September 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 AUDITOR'S REPORT TO THE MEMBERS OF SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of South Cambridgeshire District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Income and Expenditure Account, the Statement of Movement on the Housing Revenue Income and Expenditure Account, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

Respective responsibilities of the Executive Director Corporate Services and auditor

As explained more fully in the Statement of the Executive Director Corporate Services' Responsibilities, the Executive Director Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of South Cambridgeshire District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

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

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

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

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, South Cambridgeshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

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

Paul King

Officer of the Audit Commission

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

September 2012

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.

	General Fund Balance £	Earmarked Reserves £	Housing Revenue Account (HRA) £	Capital Receipts Reserve £	Capital Grants Unapplied £	Total Usable Reserves £	Restated Unusable Reserves £	Total Authority Reserves £
Balance as at 31 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	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	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	(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 31 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	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	(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	(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 31 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			2011-12		2011-12		
	Gross	Gross	Net	Expenditure		Gross	Gross	Income	Net	
	Expenditure	Income	Expenditure	£	Note	Expenditure	Income	Expenditure	Expenditure	
	£	£	£	£		£	£	£	£	
Restated										
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	1,213,602	(175,064)	1,038,538			1,095,963	0	1,095,963		
Cultural and Related Services	7,561,024	(1,831,470)	5,729,554			7,640,383	(2,164,157)	5,476,226		
Environmental Services	6,190,150	(2,056,144)	4,134,006			5,631,275	(1,808,316)	3,822,959		
Planning and Development Services	701,405	(77,311)	624,094			35,383	0	35,383		
Highways, Roads and Transport Services										
Non HRA Housing	319,548	(132,415)	187,133			361,980	(40,492)	321,488		
Personal Social Services	24,687,107	(24,561,976)	125,131			27,129,328	(26,862,150)	267,178		
Housing Benefit and Administration	1,049,645	(475,998)	573,647			1,028,504	(482,817)	545,687		
Private Sector Housing Renewal	376,339	(256,129)	120,210			353,463	(252,765)	100,698		
Supporting People	1,454,722	(505,896)	948,826			1,177,291	(522,627)	654,664		
Other Non HRA Housing Services Expenditure	137,399	0	137,399			133,682	0	133,682		
Other Contributions to/from HRA	(10,777,000)	0	(10,777,000)		10	23,000	0	23,000		
Non -distributed Costs	44,719,611	(37,666,890)	7,052,721			56,389,589	(39,832,175)	16,557,414		
General Fund Services-Continuing operations	61,851,418	(24,497,620)	37,353,798			27,553,561	(25,975,555)	1,578,006		
Housing Revenue Account Services	0	0	0			205,123,000	0	205,123,000		
Housing Revenue Account Self-financing	106,571,029	(62,164,510)	44,406,519			289,066,150	(65,807,730)	223,258,420		
Net cost of services										
Other operating expenditure			5,443,434				Note 7	7,265,270		
Financing and investment income			905,856				Note 8	351,526		
Taxation and non-specific grant income			(18,304,293)				Note 9	(18,345,307)		
Deficit for the year on provision of services								212,529,909		
(Surplus)/Deficit on revaluation of non-current assets								(1,506,293)		
Actuarial (gain)/loss on pension assets and liabilities							Note 22	7,678,000		
Total comprehensive income and expenditure								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 29 June 2012 and the audited accounts were authorised for issue on 28 September 2012.

Signed:

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

Dated: 28 September 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		
(78,209,235)	Cash receipts		(82,726,159)
<u>81,607,273</u>	Cash payments		<u>79,187,061</u>
3,398,038	Net cash flows from Operating Activities	13	(3,539,098)
<u>0</u>	HRA self-financing	13	<u>205,123,000</u>
3,398,038			201,583,902
(4,190,471)	Investing Activities	14	9,368,061
<u>608,917</u>	Financing Activities		<u>(211,133,538)</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 and effective in 2011-12 that have not been adopted. The Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 incorporates amendments to *IFRS7 Financial Instruments: Disclosures*. These amendments require additional disclosures in respect of transfers of financial assets. It is not expected that these requirements will impact on the Council.

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.

Restated 2010-11 £	General Fund	2011-12 £
	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
9,683,552	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(466,679)
(52,808)	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	(1,276)
(39,093)	Amount by which officer remuneration on an accruals basis is different from remuneration chargeable by statute	25,546
	Insertion of items not included in the Comprehensive Income and Expenditure Account	
(856,003)	Transfer from Capital Receipts Reserve to finance payment to the Government housing capital receipts pool	(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
(6,626,343)	Excess of depreciation over major repairs allowance element of housing subsidy	(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)
(300,552)	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(113,321)
2,674	Amount by which officer remuneration on an accruals basis is different from remuneration chargeable by statute	24,288
0	Housing Revenue Account Self-financing	(205,123,000)
	Insertion of items not included in the Comprehensive Income and Expenditure Account	
1,297,599	Capital expenditure charged against the Housing Revenue Account	891,874
(38,019,543)	Total adjustments	(210,491,183)
	Capital Receipts Reserve	
0	Prior year adjustment	
(2,111,496)	Transfer of sale proceeds credited to net gain/loss on disposal of non-current assets in the Comprehensive Income and Expenditure Statement	(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
856,003	Use of Capital Receipts Reserve to finance payment to the Government housing capital receipts pool	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><u>19,984,005</u></u>		<u><u>6,171,706</u></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 items 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.

- In 2010-11 a reduction in expenditure on non-distributed costs of £10.98 million for the reduction in the cost of previously accumulated pension liabilities resulting from the move from the retail price index to the (expected to be lower) consumer price index for up-rating future pensions; and
- in 2010-11 a net revaluation loss of £32.04 million on the Housing Revenue Account. During 2010-11 the social housing adjustment factor changed from 46% to 39% in the percentage prescribed by the Department of Communities and Local Government to be applied to the market value with vacant possession of dwellings to arrive at the value on an existing use for social housing basis. This change in prescribed percentage resulted in a loss of £66.42m with a further £4.3m loss on revaluation; 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 and with, if appropriate, the reversal of prior year impairment previously recognised in the Comprehensive Income and Expenditure Account.

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	(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)
1,711,604	Write out of revenue expenditure funded from 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:

Restated 2010-11 £		2011-12 £	2011-12 £
(28,504,534)	Housing Benefit grant	(32,541,179)	
(17,806,724)	Cash received for goods and services	(15,197,897)	
(10,521,588)	Housing rents	(11,319,452)	
(10,483,165)	Council tax receipts - Council and Parish share	(10,858,317)	
(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)	
(561,375)	Interest received	(546,474)	
20,147	Collection Fund -Council share	(473)	(82,726,159)
11,672,371	Negative Housing Subsidy	12,526,981	
19,230,166	Housing Benefit	20,394,780	
3,655,380	Parish Precepts	3,929,068	
16,845,984	Cash paid to and on behalf of employees	16,647,357	
26,985,139	Other operating cash payments	23,194,034	
1,711,604	Revenue funded from capital under statute	1,765,435	
1,506,629	Payments to the Capital Receipts Pool	729,406	79,187,061
3,398,038			(3,539,098)
0	HRA Self Financing		205,123,000
3,398,038	Net cash flows from operating activities		201,583,902

14 Investing Activities

The cash flows for investing activities include the following items:

Restated 2010-11 £		2011-12 £
7,636,467	Purchase of property, plant and equipment and intangible assets	5,944,835
45,000,000	Purchase of Short-term and long-term investments	31,336,464
(2,119,652)	Proceeds from the sale of property, plant and equipment	(2,399,559)
(54,717,848)	Proceeds from short-term and long-term investments	(25,527,454)
10,562	Other receipts from investing activities	13,775
(4,190,471)		9,368,061

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	(6,010,538)
<hr/>		
608,917		(211,133,538)

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 Services (General Fund)		Housing Revenue A/c		Sustainability Planning and 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	(79,567)	(12,566)	(31,345,529)		
Government grants	(32,320,757)	0	(103,262)	0	0	0	0	0	(70,000)	(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)	(120,647)	(12,566)	(63,880,628)				
Employee expenses	231,741	11,341	0	1,340,042	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	55,585,423				
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	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	666,395	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

	14,640,924
	5,861
	3,534,872
	(46,236)
	<u>18,135,421</u>

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		Corporate amounts		HRA self financing		Total	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Fees, charges & other service income	(31,345,529)	0	0	18,209	(100,437)	(31,427,757)	0	0	0	0	0	0	0	0	0	0	(31,427,757)	
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Interest and investment income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Income from council tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Government grants and contributions	(32,535,099)	0	0	50,470	(82,549)	(32,567,178)	0	0	0	0	0	0	0	0	0	0	0	
Total Income	(63,880,628)	0	0	68,679	(182,986)	(63,994,935)	0	0	0	0	0	0	0	(18,950,900)	0	0	(82,945,835)	
Employee expenses	1,583,124	0	(367,834)	(195,937)	15,964,648	16,984,001	0	0	0	0	0	0	0	898,000	0	0	17,882,001	
Other service expenses	55,588,423	5,861	219,966	1,032,015	667,336	57,513,601	0	0	0	0	0	0	0	0	0	0	57,513,601	
Operational and support service recharges	16,759,636	0	0	(16,766,107)	(6,471)	0	0	0	0	0	0	0	0	0	0	0	(6,471)	
Financing, depreciation, etc.	4,531,250	0	3,682,740	(891,874)	317,109	7,639,225	0	0	0	0	0	0	0	0	0	0	212,762,225	
Interest payments	59,119	0	0	(59,119)	0	0	0	0	0	0	0	0	0	59,119	0	0	59,119	
Precepts & levies	0	0	0	0	0	0	0	0	0	0	0	0	0	4,072,404	0	0	4,072,404	
Payments to housing capital receipts pool	0	0	0	0	0	0	0	0	0	0	0	0	0	829,758	0	0	829,758	
Gain or loss on disposal of non-current assets	0	0	0	0	0	0	0	0	0	0	0	0	0	2,363,107	0	0	2,363,107	
Total operating expenses	78,521,552	5,861	3,534,872	(114,915)	182,986	82,130,356	0	0	0	0	0	0	0	8,222,388	205,123,000	295,475,744		
Surplus or deficit on the provision of services	14,640,924	5,861	3,534,872	(46,236)	0	18,135,421	0	0	0	0	0	0	0	(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 Revenue		Sustainability Planning and Climate Change		Northstowe Communities		Leader	Policy and Performance		Economic Development	Total
	Staffing	Services	General Fund	A/c Revenue	£	£	£	£		£	£		
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	0	(30,178,624)
Government grants	(30,203,200)	0	(69,290)	0	(76,666)	(16,835)	0	(60,279)	0	(60,279)	0	0	(30,449,888)
Total income	(31,043,451)	(1,704,150)	(864,053)	(24,177,104)	(1,835,265)	(801,363)	(801,363)	(179,508)	(23,618)	(179,508)	0	0	(60,628,512)
Employee expenses	299,838	10,921	0	1,339,475	0	0	0	0	0	0	0	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	160,550	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	595,049	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	4,918,360
Total expenditure	34,547,070	7,389,099	2,012,713	24,632,779	4,498,329	2,297,085	2,297,085	755,599	379,831	755,599	114,657	114,657	76,627,162
Net expenditure	3,503,619	5,684,949	1,148,660	455,675	2,663,064	1,495,722	1,495,722	576,091	356,213	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)
	<u>44,406,519</u>

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

	Portfolio analysis		Services not in analysis		Not reported in management		Not included in Comp I & E		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	0	0	0	0	0	0	(29,218,611)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest and investment income	0	0	0	0	0	0	0	0	0	0	0	(561,144)	(561,144)	
Income from council tax	0	0	0	0	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)	0	0	0	0	(7,864,237)	(38,353,153)		
Total Income	(60,628,512)	0	0	1,003,119	(82,134)	(59,707,527)	0	0	0	0	(18,865,437)	(78,572,964)		
Employee expenses	1,650,234	0	(10,813,581)	0	15,446,311	6,282,964	0	0	0	0	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	0	0	0	0	53,540,759		
Operational and support service recharges	16,983,765	0	0	0	(16,983,765)	0	0	0	0	0	0	0		
Financing, depreciation, etc.	4,918,360	0	38,998,148	0	373,815	44,290,323	0	0	0	0	0	44,290,323		
Interest payments	0	0	0	0	0	0	0	0	0	0	0	0		
Precepts & levies	0	0	0	0	0	0	0	0	0	0	3,796,313	3,796,313		
Payments to housing capital receipts pool	0	0	0	0	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	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	0	0	0	0	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	0	0	0	0	(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 29 June 2012 and the audited accounts were authorised for issue on 28 September 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)		
Impairment	501,621	69,038,057
Charge to RR	(371,490)	(34,087,673)
Reversal	(3,578,474)	(3,900,899)
Other Land and Buildings		
Impairment	156,612	5,174
Charge to RR	(2,661)	(11,864)
Reversal	(442,725)	(163,636)
Vehicles, Plant and Equipment		
Impairment	0	58,250
Reversal	0	0
Infrastructure		
Impairment	11,890	0
Reversal	0	0
Surplus Assets held, not for sale		
Impairment	506,020	2,133,143
Charge to RR	0	(658,348)
Reversal	0	(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	365,956,555	21,486,853	4,658,137	95,404	2,767,401	394,964,350
Additions	4,240,156	59,879	448,741	11,890	981,222	5,741,888
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(4,973,039)	22,059	0	(11,890)	(9,586)	(4,972,456)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(130,131)	(153,950)	0	0	(506,020)	(790,101)
Derecognition-disposals	(2,791,085)	(205,689)	(10,000)	0	(2,035,444)	(5,042,218)
Other movements in cost or valuation and inter-asset transfers	0	0	0	0	0	0
At March 2012	362,302,456	21,209,152	5,096,878	95,404	1,197,573	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	(10,229,476)	(277,005)	(315,550)	(11,279)	(9,736)	(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	9,891,770	432,540	0	0	9,736	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	365,956,555	21,168,563	2,302,703	50,290	2,767,401	392,245,512
At March 2012	362,302,456	21,046,397	2,425,894	39,011	1,197,573	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	435,777,989	21,587,625	3,260,847	95,404	1,587,500	462,309,365
Additions	5,135,154	6,953	1,538,790	0	858,751	7,539,648
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(38,259,066)	134,438	0	0	348,277	(37,776,351)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(34,944,666)	0	(58,250)	0	(1,449,014)	(36,451,930)
Derecognition-disposals	(1,794,523)	(242,163)	(83,250)	0	(758,336)	(2,878,272)
Other movements in cost or valuation and inter-asset transfers	41,667	0	0	0	2,180,223	2,221,890
At March 2011	365,956,555	21,486,853	4,658,137	95,404	2,767,401	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	(9,895,808)	(269,980)	(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	9,589,155	69,345	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	435,777,989	21,463,461	1,327,960	61,569	1,587,500	460,218,479
At March 2011	365,956,555	21,168,563	2,302,703	50,290	2,767,401	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 and inter-asset transfers	0	(2,244,337)
At 31 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 31 March	0	0
Net Book Value		
Opening balance	0	2,244,337
Closing balance	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 31 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 31 March	0	0	0	0	0
Net Book Value					
Opening balance	609,429	580,409	552,770	526,448	506,200
Closing balance	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 owned and 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 capital financing requirement	3,459,376	1,664,450
Expenditure		
Intangible assets	202,944	76,717
Non-current assets	5,741,889	7,539,648
Revenue funded from capital under statute (REFCUS)	1,765,435	1,711,605
Long term debtors	5,174	20,102
Financing		
Capital Receipts	(1,842,402)	(1,573,250)
Revenue	(943,385)	(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)
	312,206	1,794,926
2011-12 exceptional REFCUS		
Housing Revenue Account self-financing	205,123,000	0
Minimum Revenue Provision	(66,870)	0
Closing capital financing requirement	208,827,712	3,459,376

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 – District Council Share	(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	(104,206)
(241,394)	Housing Rents	(237,108)
(956,178)	Cambridgeshire County Council	(375,153)
(38,174)	Cambridgeshire Police Authority	(997)
(13,089)	Cambridgeshire Fire Authority	(250)
(73,632)	Cambridge City Council	(65,998)
(2,522,724)	Sundry Creditors	(4,064,772)
(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 Orchard Park	(68,908)	0	(68,908)
Public Art S106 Orchard Park	(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:	
	greater than £10,000 million	7,123,596
5,107,853	between £1,500 million and £5,000	
	million	1,044,673
1,044,846	Government Securities	110
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 £
(31,592,000)	Liability related to defined benefit pension scheme	(39,703,000)
(122,533)	Deferred Liability -Pension	(54,635)
(31,714,533)	Total	(39,757,635)
0	Borrowing for HRA Self Financing	(205,123,000)

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)
<hr/>			

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)
<u>38,475,218</u>	Deficit for the year on HRA services		<u>210,091,646</u>

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	101,716
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		Note	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
	(9,895,808)	Depreciation adjustment on revaluation 42		(10,229,475)
4,484,000	6,406	Other land and Buildings	4,400,000	6,594
	(6,406)	Depreciation adjustment on revaluation 42		(6,594)
2,403,000	0	Surplus assets not held for sale	600,150	0
372,843,555	0		367,302,606	0

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) at 31 March 2012, based on vacant possession, was £928,980,101.

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	Acquisition of existing dwellings	206,195
4,111,545	Improvement of housing stock and other buildings	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.

In view of the uncertainty over future pension costs, an additional 1.8% of pensionable pay has been charged against the Housing Revenue Account and placed in a reserve for use in future years (Note 6).

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 £176,857,098 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 £293,066 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

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee 28th September 2012
AUTHOR/S: Executive Director (Corporate Services) / Legal & Democratic Services
Manager

**REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)
AMENDMENTS TO POLICY & QUARTERLY UPDATE ON USE OF RIPA**

Purpose

1. To amend the Council's policy following legislative changes introduced in the Protection of Freedoms Act 2012 which come into force on 1st November 2012, and to update on the use of RIPA powers in the last quarter.

Recommendations

2. That Corporate Governance Committee:
 - (a) **AGREE** the recommendations for amendments to the Council's RIPA policy marked using track changes at Appendix A;
 - (b) **NOTE** the information contained in the report about the council's use of surveillance powers in the period July to September 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. Following a Home Office Review into counter-terrorism and security powers the Protection of Freedoms Act 2012 was passed on 1st May 2012 with the effect that from 1st November 2012 all local authority surveillance authorised under RIPA will have to be approved by a Magistrate.

Considerations

5. The role of the Magistrate is to ensure that the correct procedures have been followed and the relevant factors have been taken into account. The new provisions allow the Magistrate, on refusing an approval of an authorisation, to quash that authorisation.
6. Approval will only be given by a Magistrate if he/she is satisfied that:
 - (a) There were reasonable grounds for the authorising officer approving the application to believe that the Directed Surveillance or deployment of a CHIS was necessary and proportionate and that there remain reasonable grounds for believing so.

- (b) The authorising officer was of the correct seniority within the organisation i.e. a Director, Head of Service, Service Manager or equivalent as per the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 (“the 2010 Order”).
- (c) The granting of the authorisation was for the prescribed purpose, as set out in the 2010 Order i.e. preventing or detecting crime (and satisfies the Serious Offence Test for Directed Surveillance (see below))
- (d) Any other conditions set out in any order under Part 2 of RIPA are satisfied (none at present).

In addition to the above, where the authorisation is for the deployment of a CHIS, the Magistrate must be satisfied that:

- (e) The provisions of section 29(5) have been complied with. This requires a local authority to ensure that there are officers in place to carry out roles relating to the handling and management of the CHIS as well as the keeping of records (as per the Regulation of Investigatory Powers (Source Records) Regulations 2000).
 - (f) Where the CHIS is under 16 or 18 years of age, the requirements of the Regulation of Investigatory Powers (Juveniles) Order 2000 have been satisfied. This sets out rules about parental consent, meetings, risk assessments and the duration of the authorisation. The authorisation of such persons to act as a CHIS must come from the Chief Executive.
 - (g) Where the application is for the renewal of a CHIS authorisation, a review has been carried out by the local authority and the magistrate has considered the results of the review.
7. The new provisions make it clear that the authorising officer is not required to apply in person and there is no need to give notice to either the subject of the authorisation or their legal representatives (Section 32B(2)). This reflects the covert nature of the exercise of the investigatory powers under RIPA.

Directed Surveillance and the Serious Crime Test

8. The Home Office Review also recommended that where local authorities wish to use RIPA to authorise Directed Surveillance, this should be confined to cases where the offence under investigation carries a custodial sentence of six months or more (the Serious Crime Test). This recommendation was put into effect by The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012, which also comes into force on 1 November 2012.

Communications Data

Chapter 2 of Part 1 of RIPA allows local authorities, as well as others, to access communications data about an individual from any Communications Service Provider (CSP) (e.g. a telephone or mobile phone service provider). A new section 23A will be added to Chapter 2 of RIPA (by section 37 of the 2012 Act). Once again, an authorisation or notice to obtain communications data from a CSP shall not take effect until a Magistrate has made an order approving it. The magistrate must be satisfied that:

- There were reasonable grounds for the Designated Person (the person authorising the obtaining of the data) within the local authority to believe that obtaining communications data was necessary and proportionate and that there remain reasonable grounds for believing so.
 - The Designated Person was of the correct seniority within the local authority in accordance the Regulation of Investigatory Powers (Communications Data) Order 2010 i.e. Director, Head of Service, Service Manager or equivalent.
 - The granting or renewal of the application was only for the prescribed type of communications data to be acquired for the prescribed purpose as set out in the above Order (i.e. subscriber and service use data (e.g. mobile phone subscriber information and itemized call records) to be acquired only for the purpose of preventing or detecting crime or preventing disorder)
 - Any other conditions set out in an order made by the Secretary of State under Chapter 2 of Part 1 of RIPA are satisfied (none at present).
9. The Draft Communications Data Bill was laid before Parliament on 14 June 2012. This provides an updated framework for ensuring the availability of communications data how public authorities obtain it. It will replace the communications data provisions within the RIPA as amended by the Protection of Freedoms Act.
10. The new RIPA codes of practice and guidance (yet to be published), which will accompany the changes to the local authority surveillance regime, will spell out precisely how the Magistrate approval process will work.

The council's use of RIPA in Quarter 3 2012

11. The information in the table below outlines the authorisations granted by the council during the fourth quarter of the year 2011.

Quarter	Directed surveillance	CHIS	Total	Purpose
July - Sept 2012	1	0	1	To assist in the detection of fly tipping in Earith/Willingham

Implications

12.	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

13. None identified.

Conclusions / Summary

14. This report outlines proposed amendments to the Council's RIPA policy months and updates the Committee on the Council's use of RIPA powers in the last quarter. The new procedure will have a profound impact on the work of the council's investigators and auditors. The added scrutiny of authorisation forms by Magistrates increases the importance of staff training and guidance on completing such forms correctly.

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

The Protection of Freedoms Act 2012

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

South Cambridgeshire District Council

**Regulation of Investigatory Powers Act 2000
Corporate Policy & Procedures**

Statement of Intent: South Cambridgeshire District Council attaches a high value to the privacy of citizens. It will adhere to the letter and to the spirit of the Act and will comply with this policy.

Contents

Introduction	3
What are the Origins of RIPA?	54
When Does RIPA Apply and Who Does it Apply to?	65
Private Information.....	5
What happens if RIPA is ignored?	76
Surveillance Outside of RIPA.....	6
What is Surveillance?:	86
Covert Surveillance:.....	87
Directed Surveillance:.....	97
Immediate Response to Events	8
Recording of Telephone Conversations.....	108
Intrusive Surveillance:.....	108
Commercial Premises and Vehicles	108
Covert Human Intelligence Source (CHIS)	109
Conduct and Use of a Source	119
Management of Sources	1240
Tasking.....	1240
Security and Welfare	1241
Record Management for CHIS	1341
RIPA Application and Authorisation Process	1413
Applications.....	1413
Duration of Applications.....	1514
Reviews	1514
Renewal	1514
Cancellation	1615
Who Can Grant a RIPA Authorisation?.....	1745
Urgent Oral Authorisations	1746
Local Sensitivities	1816
Authorising Officers Responsibility.....	1817
Necessity and Proportionality.....	1947
Collateral Intrusion	2048
Unexpected Interference with Third Parties.....	2049
Confidential Information.....	2149
Use of CCTV	2220
Joint Agency Surveillance	2220
Documentation and Central Record	2221
Annual Report to Office of Surveillance Commissioners	2422
Storage and Retention of Material	2423
Training	2523
Oversight.....	23
Reporting to Members.....	23
Scrutiny and Tribunal.....	2524
Appendix 1: List of Authorising Officers and Authorising levels.....	25
<u>defined.-</u>	
Appendix 2: Resolution of Full Council.....	26
_Toc241564599	

Introduction

The Regulation of Investigatory Powers Act 2000 ("RIPA") is designed to ensure that public bodies respect the privacy of members of the public when carrying out investigations, and that privacy is only interfered with where the law permits and where there is a clear public interest justification.

The purpose of this policy is to explain the scope of RIPA and the circumstances where it applies to the Council. It provides guidance on the authorisation procedures to be followed in the event that you need to undertake surveillance. If you do not secure an authorisation it leaves any evidence gathered open to challenge under section 78 of the Police and Criminal Evidence Act as well as challenges for breach of privacy against the Council

In preparing this policy the Council has followed the Revised Codes of Practice (April 2010) produced by the Home Office and considered guidance provided by the Office of Surveillance Commissioners.

[The Protection of Freedoms Act 2012 imposed new restrictions on the circumstances in which the Council is permitted to use directed surveillance and this policy has been updated to take into account these new restrictions.](#)

[This policy relates to the management of the process by the Council. Separate guidance will be issued by the Home Office which will specify the procedure for the consideration and approval of applications by Magistrates and this policy must be read in conjunction with that procedure and documents issued by the Office of the Surveillance Commissioner.](#)

If having read this document you are unclear about any aspect of the process, seek the advice of an Authorising Officer or the Legal and Democratic Services Manager, who is the Council's RIPA Monitoring Officer.

NB. To assist with oversight of the Council's RIPA processes it has appointed the Executive Director (Corporate Services) as the Senior Responsible Officer who will be responsible for the integrity of the process. However all staff involved in the process must take their responsibilities seriously in order to assist with the integrity of the Councils processes and procedures.

Further guidance:

Copies of the Codes of Practice can be found on the Council's RIPA Intranet page and at the following links:

<http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/ripa-codes-of-practice/>

Further guidance can also be obtained from the Office of Surveillance Commissioners website:

<http://surveillancecommissioners.independent.gov.uk/>

What are the origins of RIPA?

The Human Rights Act 1998 brought into UK law many of the provisions of the 1950 European Convention on Human Rights and Fundamental Freedoms. Article 8 requires the Council to have respect for people's private and family lives, their homes, and their correspondence. These subjects can be referred to as "Article 8 rights".

The Human Rights Act makes it unlawful for any local authority to act in a way which is incompatible with the European Convention on Human Rights. However these are not absolute rights and are qualified by the ability of the Council to interfere with a person's Article 8 rights if:-

- Such interference is in accordance with the law
- is **necessary**
- and is **proportionate**

"In accordance with the law" means that any such interference is undertaken in accordance with the mechanism set down by RIPA and the Home Office Covert Surveillance Codes of Practice. The Codes of Practice deals with the use of Covert Surveillance and the use of persons such as informants and Undercover Officers who gather information in a covert capacity (**Covert Human Intelligence Source or CHIS** for short – refer to Page 9). Any covert activity must also meet the test of necessity and proportionality and these are dealt with on page 18 of this policy.

A considerable amount of observations are carried out in an overt capacity by Council employees carrying out their normal functions. These activities are general and routine and do not involve the systematic surveillance of an individual. RIPA is not designed to prevent these activities or regulate them.

RIPA also applies to the **Accessing of Communications Data** under Part 1, Chapter 2 of the legislation. The Council has produced separate guidance dealing with the accessing of communications data under the SPOC (Single Point of Contact) provisions.

The Council has numerous statutory duties and powers to investigate the activities of private individuals and organisations within its jurisdiction for the benefit and protection of the greater public. Some of these investigations may require surveillance or the use of a CHIS. These may include:

- benefit fraud
- environmental health (eg. flytipping)
- housing
- planning
- criminal investigations by audit such as fraud offences

RIPA aims to provide a framework to control and supervise covert activities such as surveillance and the use of a CHIS in these criminal investigations. It aims to balance the need to protect the privacy of individuals against the need to protect others by the Council complying with its enforcement functions. Covert Surveillance and CHIS are covered by separate Codes of Practice which can be found on the Council's Intranet RIPA page.

When does RIPA apply and who does it apply to?

RIPA applies to Public Authorities such as Local Authorities and permits them to conduct covert surveillance activities and use Covert Human Intelligence Sources (CHIS) such as informants and undercover officers only when the following two conditions are both met and when properly authorised by an authorising officer and a -Magistrate:

Formatted: No underline

• For the "...preventing or detecting conduct which constitutes one or more criminal offences or is or corresponds to, any conduct which, if it all took place in England and Wales, would constitute one or more criminal offences".¹ on and detection of crime or of preventing disorder in respect of its core functions.
and

Formatted: Bulleted + Level: 1 + Aligned at: 0.63 cm + Indent at: 1.27 cm

• an offence which is punishable, whether on summary conviction or on indictment by a maximum term of at least 6 months of imprisonment or certain other specified offences.²

Formatted: Don't adjust space between Latin and Asian text, Don't adjust space between Asian text and numbers

Note that the provision relating to the prevention of disorder is no longer included). This is the only lawful reason for conducting activities under RIPA.

Formatted: Font: (Default) Arial, 12 pt, English (U.S.)

Formatted: No bullets or numbering, Don't adjust space between Latin and Asian text, Don't adjust space between Asian text and numbers

Using the RIPA application process helps protect the Council from challenges and provides the lawful authority for officers to conduct covert surveillance and use CHIS in connection with the prevention and detection of crime or of preventing disorder. South Cambridgeshire District Council and its staff has a responsibility to adhere to the legislation and the Human Rights Act. Any contract staff employed by South Cambridgeshire District Council to undertake such activity are also covered by the codes.

Formatted: Font: Not Bold

Surveillance outside of RIPA such as in the case of serious disciplinary issues would be outside of RIPA. Any type of surveillance outside of RIPA should still meet the same tests of necessity and proportionality and advice should be sought from Legal Services prior to any surveillance taking place.

The RIPA Codes of Practice state where there is an interference by a public authority with the right to respect for private and family life guaranteed under Article 8 of the European Convention on Human Rights, and where there is no other source of lawful authority, the consequence of not obtaining an authorisation under the 2000 Act may be that the action is unlawful by virtue of section 6 of the Human Rights Act 1998.

Public authorities are therefore strongly recommended to seek an authorisation under RIPA where the surveillance is likely to interfere with a person's Article 8 rights to privacy by obtaining private information about that person, whether or not that person is the subject of the

Formatted: Font: (Default) Arial, 10 pt

Formatted: Font: (Default) Arial, 10 pt

Formatted: Font: (Default) Arial, 10 pt, Not Bold

Formatted: Font: (Default) Arial, 10 pt

Formatted: Font: (Default) Arial, English (U.K.)

Formatted: Font: (Default) Arial, 10 pt

Formatted: Font: (Default) Arial, 10 pt

Formatted: Indent: Left: 1.27 cm, First line: 1.27 cm

Formatted: English (U.K.)

¹ Amendment of Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 by Statutory Instrument 2012 No. 1500,

² Specifically: (i) section 146 of the Licensing Act 2003(a) (sale of alcohol to children); (ii) section 147 of the Licensing Act 2003 (allowing the sale of alcohol to children); (iii) section 147A of the Licensing Act 2003(b) (persistently selling alcohol to children); (iv) section 7 of the Children and Young Persons Act 1933(c) (sale of tobacco, etc. to persons under eighteen)."

investigation or operation. Obtaining an authorisation will ensure that the action is carried out in accordance with law and subject to stringent safeguards against abuse.

Private information

Private information includes **any information relating to a person's private or family life**. Private information should be taken generally to include any aspect of a person's private or personal relationship with others, including family and professional or business relationships.

Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person's activities in public may still result in the obtaining of private information. This is likely to be the case where that person has a reasonable expectation of privacy even though acting in public and where a record is being made by a public authority of that person's activities for future consideration or analysis.

Private life considerations are particularly likely to arise if several records are to be analysed together in order to establish, for example, a pattern of behaviour, or if one or more pieces of information (whether or not available in the public domain) are covertly (or in some cases overtly) obtained for the purpose of making a permanent record about a person or for subsequent data processing to generate further information. In such circumstances, the totality of information gleaned may constitute private information even if individual records do not. Where such conduct includes surveillance, a directed surveillance authorisation may be considered appropriate.

If you need to conduct surveillance or use a CHIS as part of investigating a criminal matter which might result in court proceedings or proceedings before some other form of tribunal, you should consider whether private information is likely to be gained as a result of the activities and whether RIPA applies.

What happens if RIPA is ignored?

If Investigators undertake covert activity to which this legislation applies without the relevant authority being obtained and the case progressed to criminal proceedings the defence may challenge the validity of the way in which the evidence was obtained under Section 78 of the Police and Criminal Evidence Act 1984. Should the evidence then be disallowed by a court, the prosecution case may be lost with a financial cost to the Council.

The person who was the subject of your surveillance may complain to the Ombudsman who may order the Council to pay compensation. The activity may also be challenged through the civil courts under the Human Rights Act 2000 for breach of privacy.

A properly obtained and implemented authorisation under RIPA will provide the Council with lawful authority to interfere with the rights of the individual. It is not simply enough that an authorisation for surveillance is obtained. It must be properly obtained, implemented, managed, reviewed and cancelled.

Surveillance outside of RIPA

As explained earlier there may be a necessity for the Council to undertake surveillance which does not meet the criteria to use the RIPA legislation such as in cases of serious disciplinary investigations. The Council still must meet its obligations under the Human Rights Act and therefore any surveillance outside of RIPA must still be necessary and proportionate having taken account of the intrusion issues. The decision making process and the management of such surveillance will mirror that of RIPA-authorised surveillance, except that the activity will not require approval from a Magistrate. An application will be made using the normal RIPA application form but these forms will not make any reference to the Act. The authorising officer will be required to give the application the same degree of consideration and copies of all forms will be passed to the RIPA Monitoring Officer, who will keep a record of all activity separately from the records of RIPA-authorised surveillance. -must be well documented.

~~Therefore before any such surveillance takes place advice must be sought from Legal Services~~

What is Surveillance?

Surveillance:

Surveillance is defined in paragraph 1.9 of the Revised Codes of Practice as:

Surveillance, for the purpose of the 2000 Act, includes monitoring, observing or listening to persons, their movements, conversations or other activities and communications. It may be conducted with or without the assistance of a surveillance device and includes the recording of any information obtained.

Covert Surveillance:

Covert Surveillance is defined in paragraph 1.10 of the Revised Codes of Practice as:

Surveillance is covert if, and only if, it is carried out in a manner calculated to ensure that any persons who are subject to the surveillance are unaware that it is or may be taking place.

If activities are open and not hidden from the persons subject to surveillance such as Officers conducting Council business openly, e.g. a market inspector walking through markets, the RIPA framework does not apply because that is "Overt Surveillance". Equally, if you tell the subject that surveillance will be taking place, the surveillance is overt. This would happen, for example, where you warn a noisemaker that noise will be recorded if it continues. RIPA does not regulate Overt Surveillance.

RIPA regulates only two types of Covert Surveillance which are:

- **Directed Surveillance**
- **Intrusive Surveillance**

However, where the purpose of a surveillance operation is to obtain private information about a person, his family or what he does, the authorization procedures set out in this policy should be followed and the surveillance treated as being “directed”.

Directed surveillance:

Surveillance is directed surveillance (paragraph 2.2. of the Revised Codes of Practice) if the following are all true:

- **it is covert, but not intrusive surveillance;**
- **it is conducted for the purposes of a specific investigation or operation;**
- **it is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation);**
- **it is conducted otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under Part II of the 2000 Act to be sought.**

The planned covert surveillance of a specific person, where not intrusive, would constitute directed surveillance if such surveillance is likely to result in the obtaining of private information about that, or any other person.

~~In practice the sort of directed surveillance which the Council might undertake would include the use of concealed cameras as part of an investigation into anti-social behaviour or breach of tenancy conditions. It might include covert surveillance connected with the enforcement of environmental health or planning regulations or in connection with investigating benefit fraud.~~

It is important that all activity that may constitute surveillance is recognised as such and correctly authorised, either as directed surveillance or, in some instances, as surveillance outside of RIPA as governed by this policy. You should treat anything involving the use of concealed cameras or anything involving keeping covert observation on premises or people as potentially amounting to directed surveillance. If you are unsure please take advice from the Legal and Democratic Services Manager.

Immediate response to events

There may be occasions when officers come across events unfolding which were not pre-planned which then requires them to carry out some form of observation. This will not amount to Directed Surveillance. However, ~~as the Council is no longer able to grant urgent oral authority to conduct surveillance the officer must the officer’s objectives at that time will determine if they should then seek an urgent oral authority to continue to carry out the surveillance. Officers must not abuse the process and~~ be prepared to explain their decisions in court should it be necessary. Therefore they should document their decisions, what took place, what evidence or information was obtained.

Recording of telephone conversations

The recording of telephone conversations connected to criminal investigations outside of the Councils monitoring at work policy for its own equipment falls under RIPA and provides, where one party to the communication consents to the interception, it may be authorised in accordance with section 48(4) of the 2000 Act. In such cases, the interception is treated as directed surveillance.

There may be occasions where this is required such as a witness who has text or voicemail evidence on their mobile telephone and we require to examine the phone.

Intrusive surveillance:

NB. South Cambridgeshire District Council has no authority in law to carry out Intrusive Surveillance or activity under the Police Act 1997.

Intrusive surveillance is defined in section 26(3) of the 2000 Act as covert surveillance that:

- is carried out in relation to anything taking place on any residential premises or in any private vehicle; and
- involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device.

Where surveillance is carried out in relation to anything taking place on any residential premises or in any private vehicle by means of a device, without that device being present on the premises, or in the vehicle, it is not intrusive unless the device consistently provides information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the vehicle. Thus, an observation post outside premises, which provides a limited view and no sound of what is happening inside the premises, would not be considered as intrusive surveillance.

A risk assessment of the capability of equipment being used on residential premises and private vehicles should be carried out to ensure that it does not fall into Directed Surveillance.

Commercial premises and vehicles

Commercial premises and vehicles are therefore excluded from the definition of intrusive surveillance. However they are dealt with under the heading of Property Interference contained within the Police Act 1997.

NB. South Cambridgeshire District Council has no authority in law to carry out Intrusive Surveillance or activity under the Police Act 1997.

Covert Human Intelligence Source (CHIS)

A CHIS could be an informant or an undercover officer carrying out covert enquiries on behalf of the council. However the provisions of the 2000 Act are not intended to apply in circumstances where members of the public volunteer information to the Council as part of their normal civic duties, or to contact numbers set up to receive information such as the

~~Benefit~~-Fraud Hotline. Members of the public acting in this way would not generally be regarded as sources.

Under section 26(8) of the 2000 Act a person is a source if:

- a) **he establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph (b) or (c);**
- b) **he covertly uses such a relationship to obtain information or to provide access to any information to another person; or**
- c) **he covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.**

By virtue of section 26(9)(b) of the 2000 Act a purpose is covert, in relation to the establishment or maintenance of a personal or other relationship, if and only if, the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the purpose.

By virtue of section 26(9)(c) of the 2000 Act a relationship is used covertly, and information obtained as above is disclosed covertly, if and only if it is used or, as the case may be, disclosed in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the use or disclosure in question.

NB: The use by South Cambridgeshire District Council of a CHIS is expected to be extremely rare and if contemplated advice should be sought from the Legal and Democratic Services manager urgently. Only the Chief Executive should authorise the use of a juvenile CHIS.

Conduct and Use of a Source

South Cambridgeshire District Council will ensure that arrangements are in place for the proper oversight and management of sources including appointing a Handler and Controller for each source prior to a CHIS authorisation. The Handler of the source will usually be of a rank or position below that of the Authorising Officer.

The **use of a source** involves inducing, asking or assisting a person to engage in the conduct of a source or to obtain information by means of the conduct of such a source.

The **conduct of a source** is any conduct falling within section 29(4) of the 2000 Act, or which is incidental to anything falling within section 29(4) of the 2000 Act.

The **use of a source** is what the Authority does in connection with the source and the **conduct** is what a source does to fulfill whatever tasks are given to them or which is incidental to it. **Both the use and conduct require separate consideration before authorisation.**

When completing applications for the use of a CHIS you are stating who the CHIS is, what they can do and for which purpose

When determining whether a CHIS authorisation is required consideration should be given to the covert relationship between the parties and the purposes mentioned in a, b, and c above.

Management of Sources

Within the provisions there has to be;

- (a) a person who has the day to day responsibility for dealing with the source and for the source's security and welfare (**Handler**)
- (b) at all times there will be another person who will have general oversight of the use made of the source (**Controller**)
- (c) at all times there will be a person who will have responsibility for maintaining a record of the use made of the source

The **Handler** will have day to day responsibility for:

- dealing with the source on behalf of the authority concerned;
- directing the day to day activities of the source;
- recording the information supplied by the source; and
- monitoring the source's security and welfare;

The Controller will be responsible for the general oversight of the use of the source.

Tasking

Tasking is the assignment given to the source by the Handler or Controller by, asking him to obtain information, to provide access to information or to otherwise act, incidentally, for the benefit of the relevant public authority. Authorisation for the use or conduct of a source is required prior to any tasking where such tasking requires the source to establish or maintain a personal or other relationship for a covert purpose.

In some instances, the tasking given to a person will not require the source to establish a personal or other relationship for a covert purpose. For example a source may be tasked with finding out purely factual information about the layout of commercial premises. Alternatively, a Council Officer may be involved in the test purchase of items which have been labelled misleadingly or are unfit for consumption. In such cases, it is for the Council to determine where, and in what circumstances, such activity may require authorisation.

Should a CHIS authority be required all of the staff involved in the process should make themselves fully aware of all of the aspects relating to tasking contained within the CHIS codes of Practice.

Security and Welfare

The Council has a responsibility for the safety and welfare of the source and for the consequences to others of any tasks given to the source. Before authorising the use or conduct of a source, the Authorising Officer should ensure that a risk assessment is carried out to determine the risk to the source of any tasking and the likely consequences should the role

of the source become known. The ongoing security and welfare of the source, after the cancellation of the authorisation, should also be considered at the outset.

Record Management for CHIS

Proper records must be kept of the authorisation and use of a source, including:

- a. the identity of the source;
- b. the identity, where known, used by the source;
- c. any relevant investigating authority other than the authority maintaining the records;
- d. the means by which the source is referred to within each relevant investigating authority;
- e. any other significant information connected with the security and welfare of the source;
- f. any confirmation made by a person granting or renewing an authorisation for the conduct or use of a source that the information in paragraph (d) has been considered and that any identified risks to the security and welfare of the source have where appropriate been properly explained to and understood by the source;
- g. the date when, and the circumstances in which, the source was recruited;
- h. the identities of the persons who, in relation to the source, are discharging or have discharged the functions mentioned in section 29(5)(a) to (c) of the 2000 Act or in any order made by the Secretary of State under section 29(2)(c);
- i. the periods during which those persons have discharged those responsibilities;
- j. tasks given to the source and demands made of him relating to his activities as a source;
- k. all contacts or communications between the source and a person acting on behalf of any relevant investigating authority;
- l. the information obtained by each relevant investigating authority by the conduct or use of the source;
- m. any dissemination by that authority of information obtained in that way; and
- n. in the case of a source who is not an undercover operative, every payment, benefit or reward and every offer of a payment, benefit or reward that is made or provided by or on behalf of any relevant investigating authority in respect of the source's activities for the benefit of that or any other relevant investigating authority.

All original surveillance Authorisation (whether authorised or refused), Review, Renewal and Cancellation documents will be forwarded to the Legal and Democratic Services Manager in a sealed envelope for security purposes.

The Legal and Democratic Services Manager will be responsible for maintaining the Central Record of Authorisations (see Documentation and Central Record page 21) and will ensure that all records are held securely with no unauthorised access.

The only persons who will have access to these documents will be the the Legal and Democratic Services Manager, the Senior Responsible Officer and Authorising Officers.

RIPA Application and Authorisation Process

Application, Review, Renewal and Cancellation Forms

No covert activity covered by RIPA should be undertaken at any time unless it has been authorised by an Authorised Officer and a Magistrate and the appropriate forms completed at the appropriate time.

All the relevant forms for authorisation through to cancellation must be in writing using the standard forms which are available on the Council's Intranet site but officers must ensure that the circumstances of each case are accurately recorded on the application form (see Application Process).

If it is intended to undertake both directed surveillance and the use of a CHIS on the same surveillance subject the respective applications forms and procedures should be followed and both activities should be considered separately on their own merits.

An application for an authorisation must include an assessment of the risk of any collateral intrusion or interference (see collateral intrusion on page 19). The Authorising Officer will take this into account, particularly when considering the proportionality of the directed surveillance or the use of a CHIS.

Applications

All the relevant sections on an application form must be completed with sufficient information for the Authorising Officer and then the Magistrate to consider Necessity, Proportionality and the Collateral Intrusion issues. Risk assessments should take place prior to the completion of the application form. Each application should be completed on its own merits of the case. **Cutting and pasting or using template entries should not take place as this would leave the process open to challenge.**

All applications will be submitted to the Authorising Officer via the Line Manager of the appropriate enforcement team in order that they are aware of the activities being undertaken by the staff. The Line Manager will perform an initial quality check of the application. However they should not be involved in the sanctioning of the authorisation. Completed application forms are to be initialled by Line Managers to show that the quality check has been completed.

Applications whether authorised or refused will be issued with a unique number by the Authorising Officer, taken from the next available number in the Central Record of Authorisations. To obtain this number contact Stephanie Kaleo in the Legal Services team.

The procedure for submitting applications to Magistrates for consideration is set out in the procedure issued by the Home Office for this purpose.

Formatted: Font: 12 pt, Not Bold

Duration of Applications

Directed Surveillance	3 Months
Urgent Oral Authority	72 Hours
Renewal	3 Months
Covert Human Intelligence Source	12 Months
Juvenile Sources	1 Month
Urgent Oral Authority	72 Hours
Renewal	12 months

All Authorisations must be cancelled by completing a cancellation form. They must not be left to simply expire.

Reviews

Regular reviews of authorisations should be undertaken to assess the need for the surveillance to continue. The results of a review should be recorded on the central record of authorisations. Particular attention is drawn to the need to review authorisations frequently where the surveillance provides access to confidential information or involves collateral intrusion.

In each case the Authorising Officer should determine how often a review should take place. This should be as frequently as is considered necessary and practicable and they will record when they are to take place on the application form. This decision will be based on the circumstances of each application. However reviews will be conducted on a monthly or less basis to ensure that the activity is managed. It will be important for the Authorising Officer to be aware of when reviews are required following an authorisation to ensure that the applicants submit the review form on time.

Applicants should submit a review form by the review date set by the Authorising Officer. They should also use a review form for changes in circumstances to the original application so that the need to continue the activity can be reassessed. However if the circumstances or the objectives have changed considerably a new application form may be more appropriate. The applicant does not have to wait until the review date if it is being submitted for a change in circumstances.

Managers or Team Leaders of applicants should also make themselves aware of when the reviews are required to ensure that the relevant forms are completed on time.

Renewal

If at any time before an authorisation would cease to have effect, the Authorising Officer considers it necessary for the authorisation to continue for the purpose for which it was given, he may renew it in writing for a further period of three months. Like applications, all renewals must also be considered by a Magistrate ~~Renewals may also be granted orally in urgent cases and last for a period of seventy-two hours.~~

A renewal takes effect on the day on which the authorisation would have ceased.

An application for renewal should not be made until shortly before the authorisation period is drawing to an end but the applicant must consider the need to allow sufficient time for consideration by the authorising officer and any potential delay in getting the matter before a Magistrate for consideration. -

~~A renewal takes effect on the day on which the authorisation would have ceased.~~

Authorising Officers should examine the circumstances with regard to Necessity, Proportionality and the Collateral Intrusions issues before making a decision to renew the activity.

A CHIS application should not be renewed unless a thorough review has been carried out covering the use made of the source, the tasks given to them and information obtained.

The Authorising Officer must consider the results of the review when deciding whether to renew or not. The review and the consideration must be documented.

Cancellation

The cancellation form is to be submitted by the applicant or another investigator in their absence. The Authorising Officer who granted or last renewed the authorisation must cancel it if they are satisfied that the directed surveillance no longer meets the criteria upon which it was authorised. Where the Authorising Officer is no longer available, this duty will fall on the person who has taken over the role of Authorising Officer or the person who is acting as Authorising Officer

As soon as the decision is taken that directed surveillance should be discontinued, the applicant or other investigating officer involved in the investigation should inform the Authorising Officer. The Authorising Officer will formally instruct the investigating officer to cease the surveillance, noting the time and date of their decision. This will be required for the cancellation form. The date and time when such an instruction was given should also be recorded in the central record of authorisations (see paragraphs 2.14 - 2.15 in the Codes of Practice).

It will also be necessary to detail the amount of time spent on the surveillance as this is required to be retained by Central Register.

The officer submitting the cancellation should complete in detail the relevant sections of the form and include the period of surveillance and what, if any, images were obtained and any images containing third parties. The Authorising Officer should then take this into account and issues instructions regarding the management and disposal of the images etc.

The cancellation process should also be used to evaluate whether the objectives have been achieved and whether the applicant carried out what they stated was necessary in the application form. This check will form part of the oversight function. Where issues are identified they will be brought to the attention of the line manager and the Senior Responsible Officer (SRO). This will assist with future audits and oversight.

Who Can Grant a RIPA Authorisation?

Officers who are designated "Authorising Officers" may authorise written applications for the use of directed surveillance or the use of a CHIS ~~but, from the 1st November 2012, all applications will also require the authorisation of a Magistrate. whether on a written application or under the urgency oral procedures.~~

Formatted: Superscript

Please refer to Appendix 1 for the list of Authorising Officers, to show name, departmental details, contact number and levels of Authority.

The Chief Executive Officer or in her absence the Executive Director (Corporate Services) will authorise cases where confidential information is likely to be gathered or in the case of a juvenile or vulnerable CHIS.

The Legal and Democratic Services Manager should be informed of any changes to the list of Authorising Officers and will amend the policy accordingly. The intranet will also be updated appropriately.

Urgent Oral Authorisations

~~The provision for urgent oral authorisations is no longer available to local authorities, with effect from the 1st November 2012 as all applications will have to be put before a Magistrate for consideration. Urgent authorisations should not normally be necessary, but a verbal authorisation can be given if the time which would elapse before written authorisation can be granted would be likely to endanger life or jeopardise the investigation.~~

Formatted: Superscript

~~An authorisation is not to be regarded as urgent where the need for an authorisation has been neglected or the urgency is of the Authorising Officer's own making.~~

~~It will not be a case of urgency where you have simply forgotten about the requirement for authorisation.~~

~~An urgent oral authorisation may be granted by Authorising Officers designated for the purpose. (see Appendix 1) and if authorised last for 72 hours. In such cases, a statement that the Authorising Officer has expressly authorised the action should be recorded in writing by both the Authorising Officer and applicant as soon as is reasonably practicable. Contemporaneous notes of the oral authorisation regarding the circumstances of the case, necessity, proportionality taking account of collateral intrusion should be recorded together with exactly what has been authorised. This affectively would be the same as what would be~~

~~recorded in an application as the authorisation process must still stand scrutiny. There is no requirement to then subsequently complete an authorisation form.~~

~~A copy of both the applicant's and Authorising Officers notes should be forwarded to the central register where the application will be allocated a unique reference number.~~

~~Urgent authorisations must be renewed or cancelled following the normal procedure.~~

Local Sensitivities

Authorising Officers and Applicants should be aware of particular sensitivities in the local community where the directed surveillance is taking place, or of similar activities being undertaken by other public authorities which could impact on the deployment of surveillance. This should form part of the risk assessment.

It should be noted that although this is a requirement there is no provision made within the application form for this information. Therefore applicants should cover this area where they feel it is most appropriate such as when detailing the investigation or proportionality or within the separate risk assessment form. However it must be brought to the attention of the Authorising Officer when deciding whether to authorise the activity.

Authorising Officers Responsibility

Authorising officers should not be responsible for authorising investigations or operations in which they are directly involved, although it is recognised that this may sometimes be unavoidable such as where it is necessary to act urgently. Where an Authorising Officer authorises such an investigation or operation the Central Record of Authorisations should highlight this and it should be brought to the attention of a Commissioner or Inspector during their next inspection.

Authorising Officers must treat each case individually on its merits and satisfy themselves that the authorisation is **necessary**, the surveillance is **proportionate** to what it seeks to achieve, taking into account the **collateral intrusion** issues, and that the level of the surveillance is appropriate to achieve the objectives. If any equipment such as covert cameras, video cameras are to be used the Authorising Officer should know the capability of the equipment before authorising its use. This will have an impact on collateral intrusion, necessity and proportionality. They should not rubber-stamp a request. It is important that they consider all the facts to justify their decision. They may be required to justify their actions in a court of law or some other tribunal.

Authorising Officers are responsible for determining when reviews of the activity are to take place.

Before authorising surveillance the Authorising Officer should also take into account the risk of intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation (collateral intrusion). Measures should be taken, wherever practicable, to avoid or minimise unnecessary intrusion into the lives of those not directly connected with the investigation or operation.

In the absence of your particular Line Manager or Head of Department the application should be submitted to another Authorising Officer for authorisation.

Necessity and Proportionality

Obtaining a RIPA authorisation will only ensure that there is a justifiable interference with an individual's Article 8 rights if it is necessary and proportionate for these activities to take place. It must be necessary for the **prevention and detection of crime or of preventing disorder**. It must also be shown the reasons why the requested activity is necessary in the circumstances of that particular case. Can you achieve the same end result without the surveillance?

If similar objectives could be achieved by methods other than covert surveillance, then those methods should be used unless it can be justified why they can not be used.

Then, if the activities are **necessary**, the person granting the authorisation must believe that they are **proportionate** to what is sought to be achieved by carrying them out. This involves balancing the intrusiveness of the activity on the subject and others who might be affected by it against the need for the activity in operational terms. The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means. All such activity should be carefully managed to meet the objective in question and must not be arbitrary or unfair. The interference with the persons right should be no greater than that which is required to meet the aim and objectives.

The onus is on the Authorising Officer to ensure that the surveillance meets the tests of **necessity and proportionality**.

The codes provide guidance relating to proportionality which should be considered by both applicants and Authorising Officers :

- balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
- explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
- considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
- evidencing, as far as reasonably practicable, what other methods had been considered and why they were not implemented.

It is important that the staff involved in the surveillance and the Line Manager manage the enquiry and operation and evaluate constantly the need for the activity to continue.

Collateral Intrusion

Collateral intrusion is an integral part of the decision making process and should be assessed and considered very carefully by both applicants and Authorising Officers.

The Revised Codes state that Collateral Intrusion is **intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation such as neighbours or other members of the subject's family**. Where it is proposed to conduct surveillance activity specifically against individuals who are not suspected of direct or culpable involvement in the overall matter being investigated, interference with the privacy or property of such individuals should not be considered as collateral intrusion but rather as intended intrusion. Any such surveillance activity should be carefully considered against the necessity and proportionality criteria.

Intended intrusion could occur if it was necessary to follow a person not committing any offences but by following this person it would lead you to the person who is committing the offences.

Where such collateral intrusion is unavoidable, the activities may still be authorised, provided this intrusion is considered proportionate to what is sought to be achieved. The same proportionality tests apply to the likelihood of collateral intrusion as to intrusion into the privacy of the intended subject of the surveillance.

Prior to and during any authorised RIPA activity, a risk assessment should take place to identify the likely intrusion into the subject and any collateral intrusion. Officers should take continuing precautions to minimise the intrusion where possible. The collateral intrusion, the reason why it is unavoidable and your precautions to minimise it will have to be detailed on any relevant application forms. This will be considered by the Authorising Officer.

Before authorising surveillance the Authorising Officer should take into account the risk of collateral intrusion detailed on the relevant application forms as it has a direct bearing on the decision regarding proportionality.

The possibility of Collateral Intrusion does not mean that the authorisation should not be granted, but you should weigh up the importance of the activity to be carried out in operational terms on the one hand and the risk of collateral intrusion on the other hand.

Unexpected Interference with Third Parties

When you are carrying out covert directed surveillance or using a CHIS, you should inform the Authorising Officer if the investigation unexpectedly interferes with the privacy of individuals who are not the original subjects of the investigation or covered by the authorisation in some other way. It will be appropriate in some circumstances to submit a review form and in other cases the original authorisation may not be sufficient and consideration should be given to whether a separate authorisation is required.

Confidential Information

Confidential information consists of matters subject to Legal Privilege, confidential personal information or confidential journalistic material and applications where there is a likelihood of acquiring such information can only be authorised by the Chief Executive or the Executive Director (Corporate Services).

No authorisation should be given if there is any likelihood of obtaining legally privileged material without consulting the Legal and Democratic Services Manager.

Confidential personal information is information held in confidence relating to the physical or mental health or spiritual counselling concerning an individual (whether living or dead) who can be identified from it. Such information, which can include both oral and written communications, is held in confidence if it is held subject to an express or implied undertaking to hold it in confidence or it is subject to a restriction on disclosure or an obligation of confidentiality contained in existing legislation. Examples might include consultations between a health professional and a patient, or information from a patient's medical records. Journalistic material is also mentioned in the codes however it is highly unlikely that this will be obtained. The definition should it be required can be obtained from the Codes of Practice at Chapter 4.

The following general principles apply to confidential material acquired under authorisations:

- Those handling material from such operations should be alert to anything which may fall within the definition of confidential material. Where there is doubt as to whether the material is confidential, advice should be sought from the Legal and Democratic Services Manager before further dissemination takes place;
- Confidential material should not be retained or copied unless it is necessary for specified purpose;
- Confidential material should be disseminated only where an appropriate officer (having sought advice from the Legal and Democratic Services Manager) is satisfied that it is necessary for a specific purpose;
- The retention or dissemination of such information should be accompanied by a clear warning of its confidential nature. It should be safeguarded by taking reasonable steps to ensure that there is no possibility of it becoming available, or its content being known, to any person whose possession of it might prejudice any criminal or civil proceedings related to the information;
- Confidential material should be destroyed as soon as it is no longer necessary to retain it for a specified purpose.

Use of CCTV

The use of the CCTV systems operated by the Council do not normally fall under the RIPA regulations. However it does fall under the Data Protection Act 1998 and the Councils CCTV policy. However should there be a requirement for the CCTV cameras to be used for a specific purpose to conduct surveillance it is likely that the activity will fall under Directed Surveillance and therefore require an authorisation.

On the occasions when the CCTV cameras are to be used in a Directed Surveillance situation either by enforcement officers from relevant departments within the Council or outside law enforcement agencies such as the Police, either the CCTV staff are to have a copy of the application form in a redacted format, or a copy of the authorisation page. If it is an urgent oral authority a copy of the applicants notes are to be retained or at least some other document in writing which confirms the authorisation and exactly what has been authorised. It is important that the staff check the authority and only carry out what is authorised. A copy of the application or notes is also to be forwarded to the Information Management Team for filing. This will assist the Council to evaluate the authorisations and assist with oversight.

Operators of the Councils CCTV system need to be aware of the RIPA issues associated with using CCTV and that continued, prolonged systematic surveillance of an individual may require an authorisation.

Joint Agency Surveillance

In cases where one agency is acting on behalf of another, it is usually for the tasking agency to obtain or provide the authorisation. For example, where surveillance is carried out by Council employees on behalf of the Police, authorisation would be sought by the police. If it is a joint operation involving both agencies the lead agency should seek authorisation.

Council staff involved with joint agency surveillance are to ensure that all parties taking part are authorised on the authorisation page of the application to carry out the activity. When staff are operating on another organisation's authorisation they are to ensure they see what activity they are authorised to carry out and make a written record. They should also Legal and Democratic Services Manager of the unique reference number, the agencies involved and the name of the officer in charge of the surveillance. This will assist with oversight of the use of Council staff carrying out these types of operations.

Documentation and Central Record

Authorising Officers or Managers of relevant enforcement departments may keep whatever records they see fit to administer and manage the RIPA application process. However this will not replace the requirements under the Codes of Practice for the Council to hold a centrally held and retrievable record.

A centrally retrievable record of all authorisations will be held by the Legal and Democratic Services Manager and regularly updated whenever an authorisation is refused, granted, renewed or cancelled. The record will be made available to the relevant Commissioner or an Inspector from the Office of Surveillance Commissioners, upon request. These records should

be retained for at least three years from the ending of the authorisation or for the period stipulated by the Council's document retention policy, whichever is greater, and should contain the following information:

- if refused, that the application was not authorised and a brief explanation of the reason why. The refused application should be retained as part of the Central Record of Authorisation.
- if granted, the type of authorisation and the date the authorisation was given;
- name and rank/grade of the authorising officer;
- the unique reference number (URN) of the investigation or operation;
- the title of the investigation or operation, including a brief description and names of subjects, if known;
- whether the urgency provisions were used, and if so why.
- frequency and the result of each review of the authorisation;
- if the authorisation is renewed, when it was renewed and who authorised the renewal, including the name and rank/grade of the authorising officer;
- whether the investigation or operation is likely to result in obtaining confidential information as defined in this code of practice;
- the date the authorisation was cancelled.
- authorisations by an Authorising Officer in urgent cases where they are directly involved in the investigation or operation (see Authorising Officer Responsibility page 17.) If this has taken place it must be brought to the attention of a Commissioner or Inspector during their next RIPA inspection.
- the date and time when any instruction was given by the Authorising Officer.

As well as the Central Record the Legal and Democratic Services Manager will also retain:

- the original of each application, review, renewal and cancellation together with any supplementary documentation of the approval given by the Authorising Officer
- a record of the period over which the surveillance has taken place;

For CHIS applications the Codes state;

In addition, records or copies of the following, as appropriate, should be kept by the relevant authority:

- the original authorisation form together with any supplementary documentation and notification of the approval given by the Authorising Officer;
- the original renewal of an authorisation, together with the supporting documentation submitted when the renewal was requested;

- the reason why the person renewing an authorisation considered it necessary to do so;
- any authorisation which was granted or renewed orally (in an urgent case) and the reason why the case was considered urgent;
- any risk assessment made in relation to the source;
- the circumstances in which tasks were given to the source;
- the value of the source to the investigating authority;
- a record of the results of any reviews of the authorisation;
- the reasons, if any, for not renewing an authorisation;
- the reasons for cancelling an authorisation.
- the date and time when any instruction was given by the Authorising Officer to cease using a source.

The records kept by public authorities should be maintained in such a way as to preserve the confidentiality of the source and the information provided by that source. There should, at all times, be a designated person within the relevant public authority who will have responsibility for maintaining a record of the use made of the source.

Annual Report to Office of Surveillance Commissioners

The Council is required to provide statistics to The Office of Surveillance Commissioners every year in March for the purposes of the OSC Annual Report. The Legal and Democratic Services Manager shall be responsible for completing the return and providing the statistics.

Storage and Retention of Material

All material obtained and associated with an application will be subject of the provisions of the Criminal Procedures Investigations Act 1996 (CPIA) Codes of Practice which state that relevant material in an investigation has to be recorded and retained and later disclosed to the prosecuting solicitor in certain circumstances. It is also likely that the material obtained as a result of a RIPA application will be classed as personal data for the purposes of the Data Protection Act. All officers involved within this process should make themselves aware of the provisions within this legislation and how it impacts on the whole RIPA process. Material obtained together with relevant associated paperwork should be held securely. Extra care needs to be taken if the application and material relates to a CHIS.

Material is required to be retained under CPIA should be retained until a decision is taken whether to institute proceedings against a person for an offence or if proceedings have been instituted, at least until the accused is acquitted or convicted or the prosecutor decides not to proceed with the case.

Where the accused is convicted, all material which may be relevant must be retained at least until the convicted person is released from custody, or six months from the date of conviction, in all other cases.

If the court imposes a custodial sentence and the convicted person is released from custody earlier than six months from the date of conviction, all material which may be relevant must be retained at least until six months from the date of conviction.

Training

There will be an ongoing training programme for Council Officers who will need to be aware of the impact and operating procedures with regards to this legislation. The Legal and Democratic Services Manager will be required to retain a list of all those officers who have received training and when the training was delivered.

Authorising Officers must have received formal RIPA training before being allowed to consider applications for surveillance and CHIS.

Oversight

It is important that all staff involved in the RIPA application process take seriously their responsibilities. Overall oversight within the Council will fall within the responsibilities of the Senior Responsible Officer (SRO) for the Council. However careful management and adherence to this policy and procedures will assist with maintaining oversight and reduce unnecessary errors.

Reporting to Members

Quarterly returns of all surveillance activity undertaken by Council staff will be made to the Council's Corporate Governance Committee by the Senior Responsible Officer line with the current duties in the Codes of Practice. The Corporate Governance Committee will review the policy annually and amend the policy where necessary.

Scrutiny and Tribunal

Scrutiny will be provided by the Office of the Surveillance Commissioner (OSC) The Surveillance Commissioner will periodically inspect the records and procedures of the Authority to ensure the appropriate authorisations have been given, reviewed, cancelled, and recorded properly.

It is the duty of any person who uses these powers to comply with any request made by a Commissioner to disclose or provide any information he requires for the purpose of enabling him to carry out his functions.

A tribunal has been established to consider and determine complaints made under RIPA if it is the appropriate forum. Persons aggrieved by conduct, e.g. directed surveillance, can make

complaints. The forum hears application on a judicial review basis. Claims should be brought within one year unless it is just and equitable to extend that period.

Complaints can be addressed to the following address
Investigatory Powers Tribunal
PO Box 33220
London
SW1H9ZQ

Appendix 1

LIST OF AUTHORISING OFFICERS AND AUTHORISING LEVELS

Jean Hunter	Chief Executive
Alex Colyer	Executive Director (Corporate Services)
Steve Hampson	Executive Director (Operational Services)
Mike Hill	Corporate Manager <u>Director (Health and Environmental Services)</u> (Environmental Health)
<u>(To be appointed)</u>	<u>Head of Finance (Deputy s151 Officer)</u>
Senior Responsible Officer	Alex Colyer (Executive Director – Corporate Services)
RIPA Monitoring Officer	Fiona McMillan Legal & Democratic Services Manager

Appendix 2

Resolution of Full Council:

On the 22nd day of September 2011 Council considered the revised Policy for Regulation of Investigatory Powers Act 2000 and resolved as follows:-

1. To adopt the revised RIPA policy with effect from 22nd September 2011
2. To amend the Scheme of Delegation for Officers in the Council Constitution to incorporate the changes needed to implement the revised RIPA policy.

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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

28 September 2012

TREASURY MANAGEMENT BENCHMARKING 2011/12

Purpose

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

Recommendations

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

Reasons for Recommendations

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

Background

5. The Investment Strategy approved by Council on 23 February 2012 requires an annual report to be presented to Corporate Governance Committee after the end of the financial year.

Considerations

6. Investments at the end of the year were:

31 March 2011		31 March 2012
£	Investments analysed by counterparty	£
1,550,690	Clearing Banks	5,336,464
2,000,000	Banks, other	2,500,000
	Building Societies with assets:	
5,000,000	greater than £10,000 million	7,000,000
1,000,000	between £1,500 million and £5,000 million	1,000,000
9,550,690	Sub-total	15,836,464
0	Money Market Funds	0
9,550,690	Total	15,836,464

31 March 2011	Investments analysed by maturity	31 March 2012
£		£
3,550,690	2011/12	0
2,000,000	2012/13	9,836,464
2,000,000	2013/14	4,000,000
2,000,000	2014/15	2,000,000
9,550,690		15,836,464

7. The Council is a member of a benchmarking club on treasury management, which is organised by the Chartered Institute of Public Finance and Accountancy. The results of this benchmarking exercise for 2011/12 were issued in late June and the results over the last five years are shown in **Appendix A**.
8. The results for 2011/12 show that South Cambridgeshire achieved a return of 2.45% on combined investments (less than and more than 365 days) compared to 1.20% for its comparator group and 1.19% for the overall group. South Cambridgeshire was top in the comparator group of 16 other organisations and third highest in the overall group of 84 other organisations.
9. The performance target is a greater return than average over a five-year rolling period. For 2011/12, a better than average return was achieved compared to the comparator group and to the overall group. Over the five-year period the target has been met.
10. The Council's Investment Strategy states that the effective management and control of risk are the prime objectives of its treasury management activities. The specific risks in treasury management are:
- (a) **credit and counterparty risk**
The risk of failure by a counterparty to meet its contractual obligations to pay interest and repay principal: the Council's range of counterparties is restricted to UK banks, financial institutions approved by the Council and large building societies (all of which must have a satisfactory credit rating) and to public sector bodies.
 - (b) **liquidity risk**
The risk that cash will not be available when it is needed: the Council has cash flow forecasts which are updated weekly, an overdraft facility with its bank and, as a last resort, can borrow on the open market or from the Public Works Loan Board.
 - (c) **interest rate risk**
The risk of loss through adverse movements in interest rates: the Council mainly invests in fixed interest rate deposits so it accepts the risk of an opportunity cost that money is invested at fixed rates and market rates subsequently rise.

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

Options

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

Implications

- 12. The in-house treasury management function achieved an average rate of 2.45% on combined investments compared to an overall group average of 1.19%. The differential of 1.26% on the average amount invested of £25.0 million during the year amounts to higher interest of around £315,000.

13. The cost of the in-house investment function, excluding cash flow forecasting and planning and control, is estimated at £880 per million (£750 in 2010/11) invested compared to an overall group average per million invested of £660 (£720 in 2010/11) for in-house costs plus £1,630 for external fund managers. Accurate comparisons of costs on a true like for like basis can be complex and time-consuming and there have been questions raised over the validity of this year's benchmarking data on costs.

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

Consultations

15. None.

Consultation with Children and Young People

16. None.

Effect on Strategic Aims

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

Conclusions / Summary

18. The in-house treasury management has achieved a good performance in 2011/12 at a minimal cost.

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

CIPFA Treasury Management Benchmarking Club 2012 reports

Contact Officer: Sally Smart - Principal Accountant
 Telephone: (01954) 713706
sally.smart@scamb.gov.uk

Treasury management investment performance	2007/08			2008/09			2009/10			2010/11			2011/12		
	SCDC Ranking	Group Size		SCDC Ranking	Group Size		SCDC Ranking	Group Size		SCDC Ranking	Group Size		SCDC Ranking	Group Size	
Money Market Funds															
SCDC	5.70%			4.39%			0.57%			0.56%			0.69%		
Comparable Group	5.81%	4	5	4.05%	2	8	0.67%	7	14	0.63%	7	11	0.72%	10	13
Overall Group	5.74%	19	42	3.90%	16	57	0.65%	42	67	0.62%			0.72%		
Less than 365 days (in-house, fixed term and callable)															
SCDC	5.92%			5.67%			1.96%			1.09%			1.63%		
Comparable Group	5.89%	6	12	5.48%	4	13	1.84%	5	14	1.18%	9	14	1.21%	1	16
Overall Group (excluding impaired investments)	5.90%	54	134	5.45%	32	128	1.91%	47	137	1.06%			1.23%		
Over 365 days (in-house, fixed term and callable)															
SCDC	5.33%			5.92%			5.56%			5.21%			5.19%		
Comparable Group	5.53%	9	12	5.87%	7	12	4.42%	2	14	3.53%	4	13	2.49%	1	12
Overall Group (excluding impaired investments)	5.61%	78	107	5.87%	48	100	4.98%	42	137	3.60%			2.53%		
Combined (externally managed)															
Comparable Group	4.55%	N/A		5.03%	N/A		2.69%	N/A		-0.06%			-1.78%		
Overall Group (excluding impaired investments)	5.54%	N/A		5.74%	N/A		2.05%	N/A		1.27%			1.57%		
Combined Investments (fixed term, callable, call and money markets) (all period: in-house and externally managed)															
SCDC	5.75%			5.61%			2.68%			2.21%			2.45%		
Comparable Group	5.65%	5	12	5.36%	3	13	2.21%	5	14	1.55%	3	14	1.20%	1	16
Overall Group (excluding impaired investments)	5.78%	92	134	5.26%	19	128	1.87%	23	137	1.19%	5	95	1.19%	3	84

This page is left blank intentionally.