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South Cambridgeshire District Council

20 June 2013

To: Chairman – Councillor Francis Burkitt
Vice-Chairman – Councillor David McCraith
Members of the Corporate Governance Committee – Councillors Richard Barrett, Andrew Fraser, Douglas de Lacey, Bridget Smith, 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 JUNE 2013** 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 19 March 2013 as a correct record.	**1 - 4**
	AUDIT REPORTS	
4.	**Internal Audit Annual Report 2012-13**	**5 - 12**
5.	**Internal Audit Progress Report**	**13 - 16**

DECISION ITEMS

INFORMATION ITEMS

The Committee are asked to note the next meetings

- Friday 27 September 2013 at 9am
- Thursday 28 November 2013 at 10am (please note that this date has changed from 13 December at 9am)

OUR LONG-TERM VISION

South Cambridgeshire will continue to be the best place to live, work and study 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 focusing 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.

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

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Toilets
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Recording of Business 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.

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Agenda Item 3

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Corporate Governance Committee held on
Tuesday, 19 March 2013 at 9.00 a.m.

PRESENT: Councillor Francis Burkitt – Chairman

Councillors:	Richard Barrett	Douglas de Lacey
	John Williams	
Officers:	Patrick Adams	Senior Democratic Services Officer
	Alex Colyer	Executive Director, Corporate Services
	John Garnham	Head of Finance, Policy & Performance
	Anita Goddard	Housing Operational Services Manager
External:	Mark Hodgson	Ernst & Young
	Suzanne Lane	RSM Tenon
	Daniel Harris	RSM Tenon

Apologies for absence were received from Councillors David McCraith and Peter Topping.

73. DECLARATIONS OF INTEREST

None.

74. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 14 December 2012 were agreed as a correct record.

75. INTERNAL AUDIT PROGRESS REPORT

Dan Harris of RSM Tenon presented the Internal Audit Progress Report which summarised the audits carried out so far during 2012/13.

Repairs partnership arrangements
It was noted that management had specifically requested Internal Audit to examine this area and were working to solve the problem. Dan Harris explained that the “red” audit opinion shown in page 6 of the report related to the work carried out by Internal Audit in the summer of 2012 and did not reflect the current level of concern.

The Housing Operational Services Manager explained that Mears had taken on repair work for the Council from April 2012. The two organisations’ computer systems were not fully compatible and this had resulted in questionable data informing the key performance indicators on the time taken to move tenants into empty properties, known as voids. The Housing Operational Services Manager assured the Committee that the Council had changed to a more manual system and data was now updated every hour, whilst it had previously been updated twice a day.

Updating portfolio holders
The Executive Director assured the Committee that, as a matter of practice portfolio holders were made aware of all internal audit reports, with particular attention being drawn to any “red” findings.

Consolidating reports
The Committee welcomed the suggestion to combine the Annual Governance Statement,

the end of year performance report and the annual report (and potentially also the Plain English accounts) into one report, probably to become the non-statutory section of the annual accounts publication. The Executive Director agreed to liaise with Cabinet on this approach, as they were responsible for agreeing the end of year performance report. Members agreed that this was a non-political cross-party initiative.

The Committee

NOTED The Internal Audit Progress Report.

76. INTERNAL AUDIT STRATEGY UPDATE 2013-14

Dan Harris of RSM Tenon presented this report on the Council's Internal Audit Strategy for 2013/14 to 2015/16 and the annual plan for 2013/14.

New internal auditors
It was noted that the Council's contract with RSM Tenon was about to expire and a report would be going to Cabinet on 11 April 2013 recommending that the internal audit service be brought in-house in a shared service arrangement with Peterborough City Council and Cambridge City Council. The current plan was for the new auditors to be in place by 1 July 2013. A preference was expressed for a direct contract with the individuals concerned, instead of a service contact with another authority.

In response to concerns with regard to impartiality, it was stated that employees already had an excellent knowledge of the authority and having an in-house internal audit team was not uncommon. It was also considered good practice to change audit providers to maintain impartiality. Dan Harris assured the Committee that RSM Tenon would be fully able to continue to assist the Council with their internal audit needs should this become necessary.

ICT Review
Dan Harris explained that due to its complexity the scope of the ICT review was still to be determined. It was agreed that the Scrutiny and Overview Committee review of ICT should have a different focus to the internal audit review.

Welfare Reform and HRA Business Plan
The Committee considered that the above two reports were too wide in their scope, and suggested to the Executive that they either be removed or much more focussed.

The Committee **ENDORSED** the Internal Audit Strategy and annual plan.

77. EXTERNAL AUDIT: AUDIT PLAN 2012/13

Mark Hodgson of Ernst & Young introduced the External Audit Plan 2012/13 by highlighting two financial statement risks:

- Valuation of property, plant and equipment.
- Risk of misstatement due to fraud and error.

It was noted that Rachel Brittain of Ernst & Young would be assisting Mark Hodgson with the day-to-day direction of audit work.

Timetable
It was noted that

- At the next meeting on 28 June 2013, the Committee would review the pre-audit

Statement of Accounts, which would have been drawn up by Officers and sent to the Committee for review, prior to being sent to the Auditors for audit;

- At the subsequent meeting on 27 September 2013, the Committee would receive the draft report from the auditors, which would include suggested changes and a response from officers. The meeting would be asked to formally approve the accounts, ahead of the deadline of 30 September 2013.

Audit fees
It was noted that the planned external audit fee for 2012/13 was £68,400, which was a 40% reduction on the fee for 2011/12, in line with Audit Commission's announcement on scale fees.

The Committee **NOTED** the External Audit Plan 2012/13.

78. RISK MANAGEMENT STRATEGY: ANNUAL REVIEW

The Head of Finance, Policy and Performance presented this report which invited the Committee to review the Council's Risk Management Strategy and process and consider any changes deemed necessary. He explained that changes being proposed resulted from internal audit's review of risk management and that only risks with a total score of 5 or more would be shown in the risk registers reported to EMT and Members.

It was noted that the Corporate and Customer Services Portfolio Holder was responsible for reviewing the Strategic Risk Register, whilst the Committee was responsible for reviewing the Risk Management Strategy.

The following points were raised:

- There should be consistency in the Strategy with regard to modal verbs, in particular the word "shall" shall be used in the future instead of "will" or "should".
- The word "must" was used with regard to matters such as complying with the Law.
- Sentences that use the passive voice should be amended and replaced with a clear explanation of who was responsible for each action.
- The word "etc" in paragraph 2.2(b) should be replaced with "as set out in Appendix A".

It was agreed that the Risk Management Strategy should be amended in line with the above recommendations and then e-mailed to members of the Committee for their comments in the hope that an amended Strategy will be agreed at the next meeting on 28 June 2013.

The Committee

DEFERRED the Risk Management Strategy as set out in Appendix B to the next meeting of the Committee.

79. MATTERS OF TOPICAL INTEREST

None.

80. DATE OF NEXT MEETING

The Committee **NOTED** that the next meetings would be held on:

- 28 June 2013 at 9am
- 27 September 2013 at 9am

- 13 December 2013 at 9am

The Meeting ended at 10.30 a.m.

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South Cambridgeshire District Council

Internal Audit Annual Report

Year ended 31 March 2013

Presented at the Corporate Governance Committee meeting of: 28 June 2013

Daniel Harris
Head of Internal Audit

Recommendation: The Corporate Governance Committee **Notes** the Internal Audit Annual Report

1 INTERNAL AUDIT OPINION

1.1 Context

As the provider of the internal audit service to South Cambridgeshire District Council we are required to provide the Section 151 Officer and the Corporate Governance Committee an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

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

1.2 Internal Audit Opinion 2012/2013

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of South Cambridgeshire District Council's arrangements. For the 12 months ended 31 March 2013, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of South Cambridgeshire District Council's arrangements for governance, risk management and control is as follows:
Governance The Council had adequate and effective Governance processes in place.
Risk Management The Council had adequate and effective risk management arrangements in place.
Control The Council had adequate and effective control arrangements in place. We have undertaken 23 assurance reviews in 2012/13, all of which resulted in positive opinions with the exception of a review of Repairs – Partnership Arrangements which resulted in a red opinion. We followed up the progress of implementing these recommendations during the year confirmed that adequate progress had been made.

1.3 The Basis of the Opinion

1.3.1 Governance

The 2012/13 audit was an annual review of the Council's Governance processes and is a key element of the Councils high level control framework. The Council can take reasonable assurance that the controls upon which the organisation relies to manage the area of Governance were suitably designed, consistently applied and effective. The scope of this review was focused around compliance by Portfolios with their stated roles and responsibilities and included interviewing the Leader and the Environmental Services Portfolio Holder to gain their views of the decision making process.

1.3.2 Risk Management

This is a key element for supporting the production of the Annual Governance Statement and also provides on-going assurance to the Council over the effectiveness of controls identified to mitigate principal risks that threaten the achievement of the Councils strategic objectives.

The Council can take reasonable assurance that the controls upon which the organisation relies to manage the area of Governance were suitably designed, consistently applied and effective

This review considered the documentation and maintenance of the Risk Management Strategy and the maintenance and review of both the strategic risk register and the operational risk register.

1.3.3 Control

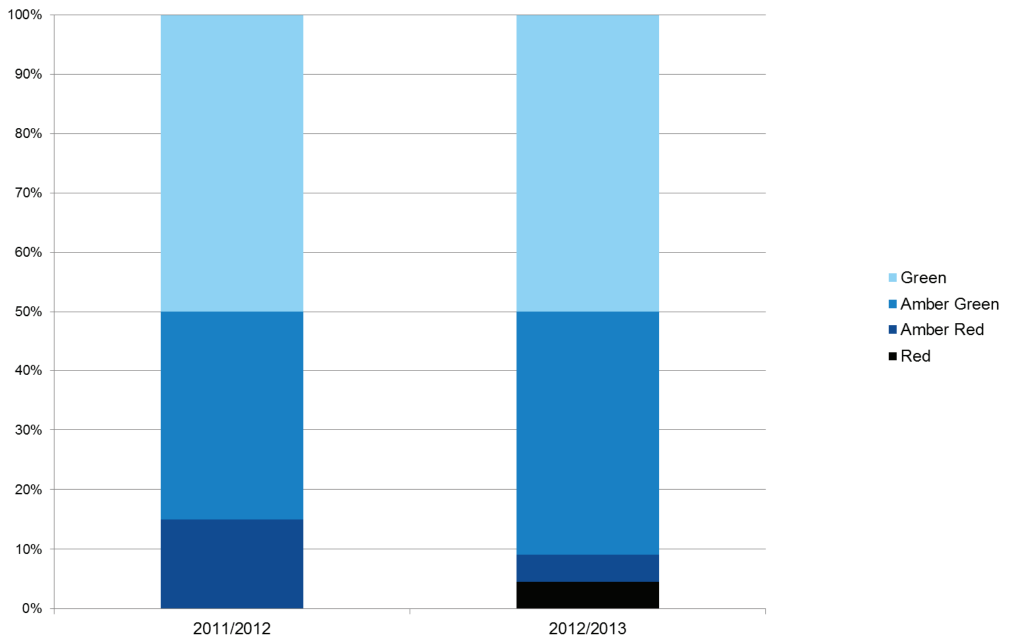
We have undertaken 23 reviews on the internal control framework. Of these reviews 12 were given a Green (substantial assurance) opinion, 9 were given an Amber / Green (reasonable assurance) opinion, 1 was given an Amber / Red (some assurance) opinion and 1 was given a Red (cannot take assurance) opinion. In addition, we undertook 2 follow up review of the recommendations previously made which concluded that adequate progress had been made to implement the recommendations.

The Red opinion related to a review of Repairs – Partnership Arrangements where a number of issues were identified in relation to management information flows. A subsequent follow up of this review confirmed that adequate progress had been made in implementing the recommendations made.

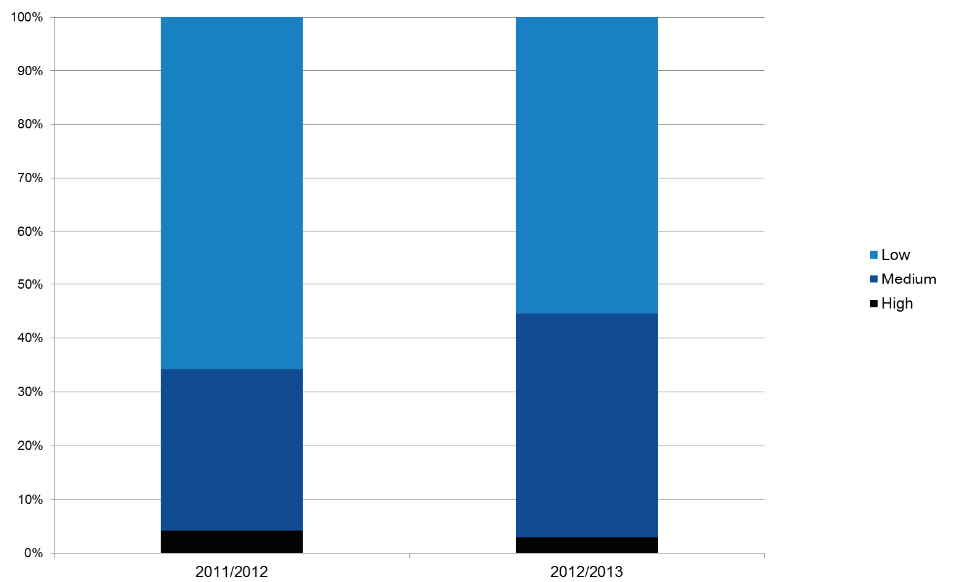
1.3.4 Acceptance of Recommendations

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

1.3.5 Comparison of Internal Audit Opinions (Assurance assignments) in 2012/2013 compared with 2011/2012



1.3.6 Comparison of Internal Audit recommendations made 2012/2013 compared with 2011/2012



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1.3.7 Reliance Placed Upon Work of Other Assurance Providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

2 OUR PERFORMANCE

2.1 Wider value-adding delivery

As part of our client service commitment, during 2012 we issued 10 local government client updates and four general briefings. In addition:

- We provided benchmarking within all of our reports on the number and category of recommendations and assurance opinions across organisations similar to the Council.
- We have made suggestions throughout our audit reports based on our knowledge and experience in the public sector to provide areas for consideration.
- We have provided support on the revised approach to the Annual Governance Statement including workshop with management and members and assistant with drafting the Annual Governance Statement.

2.2 Conformance with Internal Audit Standards

RSM Tenon affirms that our internal audit services to South Cambridgeshire District Council are designed to comply with the CIPFA Code of Practice for Internal Audit and the International Standards published by the Global Institute of Internal Auditors (IIA).

Under the standards, internal audit services are required to have an external quality and review at least once every five years. During 2011 RSM Tenon commissioned an external independent review of our internal audit services to provide assurance whether our approach meets the requirements set out in the International Professional Practices Framework (IPPF) published by the IIA.

The external review concluded that *"the design and implementation of systems for the delivery of internal audit provides **substantial assurance** that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner".*

In this year we have reviewed our processes to ensure we will be conformant with the Public Sector Internal Auditing Standards when they are introduced in 2013/2014.

2.3 Conflicts of Interest

We have not undertaken any work or activity during 2012/13 that would lead us to declare any conflict of interests.

APPENDIX A: INTERNAL AUDIT OPINIONS AND RECOMMENDATIONS 2012/2013

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Audits to address specific risks					
Section 106	Section 106 planning gain is an important element of any development and maximum benefit should be achieved.	Amber Green	0	3	4
Planning and Growth	While there is good progress on the Cambridge fringe sites, at Cambourne and on a refreshed planning application for Northstowe despite uncertainty about improvements to the A14, development is below target, *leading to* the authority being unable to deliver its housing needs, *resulting in* the Council having to meet the shortfall in the short term from developments in existing villages and head off speculative major planning applications outside the strategy.	Amber Green	0	1	4
Medium Term Financial Planning	Risks concerning the financial projections *leading to* the Council needing to take action to cut its budgets, *resulting in* cuts in services, public dissatisfaction, audit and inspection criticism.	Green	0	0	0
Governance	Annual Review of the Authority's Governance processes.	Amber Green	0	4	3
Housing rents	To ensure that housing rents are appropriately set, collected and that rent arrears are chase in line with the Councils Policy.	Green	0	1	2
Repairs - Partnership Arrangement	Responsive Repairs for the Authority transferred to a partnership with Mears as of April 2012.	Red	1	6	3
Supported Housing	Reduction in Supporting People (SP) funding, *leading to* loss of staff and changes to delivery structure, *resulting in* dissatisfaction amongst residents and concerns over well being of vulnerable people	Amber/Green	0	1	2

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
General Ledger	The accuracy and integrity of the general ledger is pivotal in the production of the Authority's accounts.	Green	0	0	0
Housing Allocations and Voids	To ensure that housing stock is allocated promptly to the right applicants through the choice based letting system.	Amber/Green	0	0	3
Capital Expenditure and Capital Accounting	The accuracy and integrity of the general ledger is pivotal in the production of the Authority's accounts.	Amber/Red	1	1	1
Creditors	Promptness and process of input, approval and payment of supplier invoices to ensure charges made on the Authority are valid and authorised.	Green	0	1	2
Insurances	To ensure that the Authority has appropriate insurance policies in place, that these are regularly reviewed and claims are appropriately dealt with.	Amber/Green	0	2	3
Asset Management (Housing)	To ensure that the Authority is maintaining the standards of its housing stock. The audit will review the stock conditions survey and link to compliance with the Decent Homes Standards.	Green	0	1	2
Income and Debtors	To ensure all funds due to the Authority are promptly recognised and invoiced for. To confirm there is an adequate and effective debt control process to minimise outstanding debt.	Green	0	1	0
Procurement	To review the procurement/tendering process used by the Authority to ensure integrity and compliance with legislation.	Green	0	1	1
National Non Domestic Rates	To review the procurement/tendering process used by the Authority to ensure integrity and compliance with legislation.	Green	0	0	4

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Cash, Bank and Treasury Management	To ensure the Authority's bank accounts and cash are adequately controlled and monitored. To ensure that investment opportunities are clearly identified and managed to maximise security where appropriate.	Green	0	0	2
Payroll	To ensure the Authority is compliant with statutory legislation and that all payroll, pension and expense payments are correctly authorised.	Amber/Green	0	2	0
Risk Management	Annual Review of the Authority's Risk Management processes.	Amber/Green	0	0	8
Reconciliations	To meet External Audit requirements	Green	0	0	0
Council Tax	To ensure domestic properties are correctly charged for based on the CT band settings and reconciliations between the Authority and Valuation Office listings.	Green	0	0	4
Housing Benefits	To ensure that benefits are accessible, correctly calculated, paid promptly, adequately monitored and accurately recorded with other related areas.	Amber / Green	0	0	1
Repairs - Partnership Arrangement Follow Up	To meet the IIA Standards and to provide management with ongoing assurance regarding implementation of recommendations.	Adequate	0	4	2
Network Security Control Framework	Weaknesses in the network security control environment resulting in a loss to networked systems data availability, confidentiality and integrity.	Amber / Green	0	4	0
Performance Management	Adequacy of performance management integral part of governance arrangements.	Amber / Green	0	2	2
Follow Up (Draft)	To meet the IIA Standards and to provide management with ongoing assurance regarding implementation of recommendations.	Adequate	1	7	2
Top Up Testing (Draft)	To meet External Audit requirements	Green	0	0	1
		Total	**3**	**42**	**56**

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We use the following levels of opinion classification within our internal audit reports:

Red	Amber / Red	Amber / Green	Green
Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.	Taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.	Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.	Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

Agenda Item 5

South Cambridgeshire District Council

Internal Audit Progress Report

Corporate Governance Committee Meeting: 28 June 2013

Recommendation: The Corporate Governance Committee **Notes** the Internal Audit Progress Report

Introduction

The internal audit plan for 2013/14 was approved by the Corporate Governance Committee in March 2013. This report provides an update on progress against that plan and summarises the results of our work to date. The reports shown in **bold** below have been finalised since the previous meeting.

Summary of Progress against the Internal Audit Plan

Assignment **Reports considered today are shown in bold**	Status	Opinion	Actions Agreed (by priority) High	 Medium	 Low
2012/13					
Repairs Partnership Arrangements - Follow Up Review (23.12/13)	**FINAL**	**ADEQUATE**	**0**	**4**	**2**
Network Security Control Framework (24.12/13)	**FINAL**	**AMBER / GREEN**	**0**	**3**	**0**
Follow Up (25.12/13)	Draft – 08 Apr 13				
Performance Management (26.12/13)	**FINAL**	**AMBER / GREEN**	**0**	**2**	**2**
Top up testing (27.12/13)	Draft – 18 Jun 13				

Assignment **Reports considered today are shown in bold**	Status	Opinion	Actions Agreed (by priority) High	 Medium	 Low
2013/14					
Customer Services – Contact Centre (1.13/14)	**FINAL**	**GREEN**	**0**	**0**	**2**
Business Planning	Quality Assurance				
Safeguarding	Quality Assurance				
Environmental Health - Environmental Service Waste Review	Quality Assurance				
Proactive Fraud work	Fieldwork in Progress				
ICT Review	24 Jun 13				
Welfare Reform Project	Q2				
Corporate Governance	Q2				
Risk Management	Q3				
Annual Governance Statement	Q4				
Income & Debtors	Q3				
Budgetary Control	Q3				
General Ledger	Q3				

Creditors	Q3				
Cash, Banking & Treasury Management	Q3				
Payroll (including Expenses & Pensions)	Q2				
Capital Expenditure and Asset Management	Q3				
Procurement	Q2				
NNDR	Q3				
Council Tax	Q3				
Housing Benefits	Q3				
Housing Rents	Q2				
Top up testing	Q4				
Reconciliation testing	Q3				
Health and Safety	Q1 (Delayed to Q4)				
Performance Management	Q4				
Repairs – Partnership Arrangements	Q2				
Housing Allocations and Voids	Q2				
Follow Up	Q4				

Other Matters

Planning and Liaison:

Since the last Corporate Governance Committee we have met with Management on a regular basis to discuss the progress of the audit plan. In addition, we have discussed with management and the new Head of Internal Audit the transition to the in-house Internal Audit provider from July 2013.

We have included our annual report as a separate agenda item summarising all of our planned work for 2012/13.

Management have agreed all of the recommendations in the reports finalised above, with agreed target dates for implementation.

This is the last Corporate Governance Committee that RSM Tenon will be attending as the Council's Internal Audit provider and we would like to put on record our thanks to the members of the committee and to officers.

Internal Audit Plan 2013/14 - Change Control:

Since the last Corporate Governance Committee at the request of management we have delayed the Health and Safety Review due to changes within the department and undertaken the Environmental Service Waste Review.

Information and Briefings:

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

- LGE eUpdate LG eUpdate March 2013
- LGE eUpdate LG eUpdate May 2013
- LGE eUpdate LG eUpdate June 2013

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO:	Corporate Governance Committee	28th June 2013
AUTHOR/S:	Executive Director (Corporate Services)/ Legal and Democratic Services Manager	

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL'S ANNUAL GOVERNANCE STATEMENT 2012/13

Purpose

1. To consider and approve the draft Annual Governance Statement 2012/13 prior to the statement being signed by the Leader and Chief Executive and being included in the statement of accounts for the year ending 31st March 2013.

Recommendations

2. That the Committee:
   a) considers and approves the draft Annual Governance Statement, including whether to accept the draft recommendation for action, and notes the information which supports the report.

   b) notes that the final version of the Statement will be updated following the receipt of the External Auditors Opinion.

   c) notes the progress made to address the governance issues identified in the Annual Governance Statement for 2011/2012.

Background

3. The requirement to publish an Annual Governance Statement ("the AGS") is a statutory requirement which was introduced with effect from the 2007/2008 financial year. The AGS provides public assurance about the effectiveness of the Council's system of internal control and the Council's corporate governance arrangements and assurance framework.

4. The CIPFA/SOLACE governance framework "Delivering Good Governance in Local Government" brings together an underlying set of legislative requirements, governance principles and management processes and highlights the fact that good governance relates to the whole organisation. Six core principles of governance in the framework focus on the systems and processes for the direction and control of the Council and its activities through which it accounts and engages with the community.

Considerations

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

actions. The Corporate Governance Committee agreed at its March 2013 meeting that it would instruct officers and the internal auditors to produce a revised format for the 2012/13 AGS.

6. The draft AGS is attached at Appendix A. The revised format was prepared and populated following a workshop run by RSM Tenon with key officers, the Chairman of Corporate Governance Committee and representatives of both opposition groups. The workshop considered best practice guidance on the AGS and recent publications by governance specialists. It was concluded that the six governance principles should be mapped to the Council's performance framework as it is widely agreed that good governance is usually linked to good performance.

7. It was agreed that the revised format for 2012/13 would be a prototype of a new AGS and would attempt to also include content that has already been published in the Annual Performance report. As a result the AGS has most of the performance element contained as an appendix. The format for the 2013-14 combined AGS/performance report is likely to change emphasis in part, as it should fully replace a separate annual performance report. The reporting of the Council's performance is high profile and the inclusion of the governance arrangements alongside performance should complement the performance reporting. The effectiveness review will also be included.

8. The draft AGS includes the External Audit "unqualified" opinion for 2011/12 that the council has followed the right accounting processes, delivered value for money and that the Council's finances were adequately presented. The AGS will be updated with the External Audit opinion for 2012/13 when it is received.

9. No "significant" governance issues have been identified in this year's AGS. One issue has been identified by the internal auditors as possibly meriting attention to further strengthen effective corporate governance at the Council under 2012/13 recommendations.

Implications

10.

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

Consultations

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

Effect on Strategic Aims

12. The Annual Governance Statement covers the whole range of Council activities and the way in which it implements its policies and values reflecting the strategic aims of the authority.

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

Annual Governance Statement 2011/2012

Delivering Good Governance in Local Government – Guidance and Framework published by CIPFA 2007

Annual Audit Letter 2011/12

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

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Were we well-governed?

and

Did we perform well?

in 2012/13

SCDC's annual assessment of its governance and performance during the civic year to 31 March 2013

South Cambridgeshire District Council

INTRODUCTION AND PURPOSE OF THIS DOCUMENT

This document is an assessment of our "governance", but what do we mean by that word? There is no legal definition of "governance", but we believe it is best summarised as:

having the right inputs:

- the right **governance structures** (including constitution, committees, delegated powers, internal management structures and audit arrangements)
- the right **vision, aims, approaches and ambitions**; and
- the right **way of operating** (including openly, honestly and efficiently)

so that, as outputs, we deliver:

- the **right services**, to the **right people**, at the **right price** and at the **right time**.

Further guidance is given by CIPFA (the Chartered Institute for Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) which in 2007 jointly published a "Framework for Delivering Good Governance in Local Government", updated by an Addendum in December 2012. This guidance is recognised as the proper practices referred to in the Accounts & Audit Regulations that we must follow (and in that sense is the nearest one can get to the 'official' definition of Governance), and sets out six core principles of good governance, which we think are compatible with the summary we gave above.

CIPFA/SOLACE lists these core principles as:

1. Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area
2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of Members and Officers to be effective
6. Engaging with local people and other stakeholders to ensure robust public accountability.

The law requires each council to produce an annual statement to provide assurance that it is a well-governed organisation with the right policies and controls in place to ensure excellent public services are delivered and public money is spent wisely. **This is called our 'Annual Governance Statement' and includes a 'review of effectiveness', where we do a self-assessment of how well all our processes are working to make sure we do things well and in the right way. This report seeks to provide this assurance in respect of South Cambridgeshire District Council**.

Governance matters because we all believe that **good governance produces good results**. Since it is sometimes difficult to measure governance, it is standard practice to 'work backwards' and assess the results and performance, and infer that, if these outputs are good, that is a sign that the underlying governance is also working properly. This report therefore also focusses on how far we achieved the objectives we set ourselves, in terms of positive outcomes for our communities.

Some people will, rightly, question whether it is right that we report on ourselves: sure that gives rise to a conflict of interest? In response, we would say that (a) we are required to do so; (b) we have tried to be as objective as possible in summarising our performance against our corporate objectives; (c) feedback from residents has in many cases contributed to our assessment of how far we have delivered; (d) all political groups – those in control of the council and those in opposition or independent – have been given the opportunity to input into this report, challenging its content where appropriate; and (e) this report is only part of the overall process, as we have internal audit (from RSM Tenon) and external audit (from Ernst & Young) as well.

This report (a) was written under the authority of the council's Corporate Governance Committee, and approved by it on [insert date] 2013 through its delegated authority; (b) will be submitted to a Full Council meeting on [insert date] 2013; and (c) will be signed by the Leader (an elected Councillor) and Chief Executive (an Officer) when it is published with the final accounts by 30th September 2013. It will be submitted to our external auditors along with our annual accounts in July 2013; the auditors will decide whether the information we've submitted meets their expectations when they give their annual opinion in September 2013.

GOVERNANCE STRUCTURES

In the Introduction above, the first thing we said was that we should have the right governance structures in place. This section reviews those structures. We govern ourselves through **Council**, a **Management Team**, **Cabinet** and **Committees**, and we have many **policies** in place that govern our activities and which we follow. These are listed in turn below:

- ***Council***

  The Council met seven times. Of the 57 Councillors, the numbers attending were 51, 44, 48, 50, 45, 44 and 46 on those seven occasions. Meetings of Council were held in open forum and considered reports from other committees.

- ***Management Team***

  The management team structure (i.e. paid Officers, as opposed to elected Councillors) is available to view here [insert link] or at Appendix #.

  The **Chief Executive** (Jean Hunter) is the Head of the Paid Service, and is ultimately responsible for the welfare of the Council's employees.

  The **Management Team** meets regularly throughout the year, and reviews and approves reports before they are sent on for consideration by the relevant Committee. They are also involved in the development of new policies and strategies for the Council, either directly, or by management review and comment.

  The Council has appointed a **Chief Financial Officer** (Alex Colyer) who is responsible for looking after the financial affairs of the Council. By doing this, the Council's financial management arrangements conform to the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2010).

  The Council has appointed a **Monitoring Officer (**Fiona McMillan**)**, who is responsible for ensuring that decisions by the Council are legal, and are made in an open and transparent way. The Monitoring Officer also reviews any reports or complaints about conduct and behaviour of Members. Nineteen standards complaints were received and dealt with during the year, mostly relating to multiple complaints arising out of a small number of parish councils..

- ***Cabinet***

  The Cabinet is the Council's principal decision-making body, consisting of elected Councillors, appointed by the Leader of the Council, each with an area of responsibility called a 'portfolio'. Across the country, councils are allowed to choose between a number of models for their committee structures. We have been using the Cabinet model since 2001, and although the Cabinet can be made up of any political proportion, at the moment all our Cabinet Members come from the majority political party.

- ***Corporate Governance Committee***

  This Committee met three times during the year. Its main purposes are:

  – reviewing and advising on governance arrangements including risk management and internal controls

  – approving the Statement of Accounts each year, agreeing the Annual Governance Statement and confirming the annual Audit Risk Index and Strategic Audit Plan

  – commissioning "value for money" or special studies as appropriate, and considering the Performance Indicators and Local Authority Profile as published by the Audit Commission

  – recommending to the Council action in respect any issues of major concern arising from audit reports and/or management letters

  – monitoring overall efficiency and effectiveness of internal and external audit

  – monitor the use of directed surveillance under the Regulations of Investigatory Powers Act (RIPA)

  – receiving information from the Chief Finance Officer or Monitoring Officer of any suspected fraud, maladministration or illegality

- ***Civic Affairs Committee***

  This Committee met three times during the year. Its main purposes are:

  – to review the Council's Constitution, including proposals for substantive changes for consideration by the Council (excluding those matters which are specifically included within the remit of other bodies on the Council)

  – considering changes to electoral arrangements, (including District, ward and parish ward boundaries), and making recommendations to Council

  – ethical standards (as set out in Article 9.03 of the Council's constitution)

- ***Employment Committee***

  The Employment Committee deals with the appointment of senior management, re-gradings and disciplinary and grievance issues. It met once during the year.

- ***Scrutiny and Overview Committee***

  The Scrutiny and Overview Committee consists of 13 non-Executive members (those who are not members of the Cabinet) and is appointed on a proportional basis (with political groups represented in the same proportion as on the whole Council). It monitors the performance of the Leader and Cabinet and scrutinises services and policies throughout the district, whether or not South Cambridgeshire District Council provides them, and makes recommendations for improvement. During the year, the Committee met seven times and:

  – considered the draft Health and Wellbeing Strategy, ahead of the Council submitting a formal response to the Health and Wellbeing Board on the content of the Strategy

  – following a substantial public consultation process, the Committee considered and provided comments on a range of options open to the Council in respect of the Localised Council Tax Support Scheme (introduced as part of the Government's Welfare Reform proposals), to reduce Council Tax exemptions and discounts on certain types of empty and second homes

  – undertook pre-decision scrutiny on the Medium Term Financial Strategy and the Corporate Plan, prior to consideration of both issues by Cabinet and Full Council. Formal recommendations were made and incorporated.

  – considered performance issues quarterly, including in-depth questioning of the under-performing Mechanical Biological Treatment plant for diversion of waste from landfill

– considered updates on the implications of the changes to the NHS and Public Health in Cambridgeshire, including the establishment of Clinical Commissioning Groups (CCGs)

This committee produces its own report of its activities, which can be found by clicking this link *Scrutiny Annual Report 2012-13*

The Council also has other committees, eg planning, licensing etc, but these are not concerned directly with governance arrangements so are not listed here.

- ***Policies***

  The following table lists the Council's main documents, policies and procedures; we refer to and follow these, to make sure we do things in the right and consistent way. All these policies have been approved by your elected Councillors where required.

Title	*Contact Officer*	*Last updated*
The Council's Constitution (including Procurement Strategy, Financial and Contract Regulations, Code of Conduct)	Fiona McMillan	April 2013
People and Organisation Development Strategy	Susan Gardner Craig	November 2011
Risk Management Strategy	John Garnham	June 2012
Anti-Fraud and Corruption Policy	John Garnham	November 2009
Whistleblowing Policy	John Garnham	October 2009
Corporate Plan 2013-2018	Richard May	February 2013
Service Plans 2013-14	Richard May	March 2013
Statement of Accounts	John Garnham	June 2012

VISION, AIMS, APPROACHES AND ACTIONS

In the introduction to this document, the second thing we said we needed was the right Vision, Aims, Approaches and Actions.

In February 2012, the Council agreed the following **Vision** for itself and for the District, and in [#month] 2013 added the words in square brackets:

> "South Cambridgeshire will continue to be the best place to live and work [and study] 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."

Each year we agree a rolling five-year **Corporate Plan**, showing how we will work towards this Vision. We have chosen to express this in terms of "Aims, Approaches and Actions", because we believe that a clear, simple, transparent set of statements provides the best way of establishing and then achieving them, and of being able to monitor performance – all of which is good governance.

The 2012/13 Corporate Plan had three strategic **aims**:

> A. We will listen to and engage with residents, parishes and businesses to ensure we deliver first class services and value for money
>
> B. We will work with partners to create and sustain opportunities for employment, enterprise, education and world-leading innovation
>
> C. We will make sure that South Cambridgeshire continues to offer an outstanding and sustainable quality of life for our residents

For each of these three aims, we set out:

- a number of **approaches** (i.e. how we will go about achieving those aims); and
- specific **actions** (i.e. A1-12, B1-8 and C1-13), as shown in Appendix 1.

REPORTING

In the Introduction, we said that we needed the right way of operating (including openly, honestly, efficiently, etc) so that, as outputs, we deliver the right services, to the right people, at the right price, and the right time. We also mentioned above that "it is standard practice to 'work backwards' and assess the results and performance, and infer that, if these outputs are good, that is a sign that the underlying governance is also working properly". This section reviews how we operated and delivered.

Regular reporting

We publish, annually:

- **Statutory accounts**: The format of these is set by accounting regulations, and we recognise that these are hard for many people to understand. To help make them comprehensible, we add an '**explanatory foreword**'.
- "**Plain English Accounts**": these are intended to be an even more straightforward version of the statutory accounts

With respect to the Corporate Plan mentioned above, we also publish:

- **Corporate Plan**
- **Corporate Health Dashboard**: quarterly report on progress against the targets in the Corporate Plan
- **Council actions and performance summaries**: published after 6 months, 9 months and at the year-end

Auditing and monitoring

The Council is subject to four principal auditing and monitoring processes, which are intended to be objective and (where necessary) critical:

- ***Internal audit:*** although this is called 'internal' audit, we use an external firm to help us. We hired RSM Tenon to do #X amount of hours work and they carried out audits on [number] of specific areas that we asked us to investigate. For each area, we ask them to check our policies and procedures; report on a 'traffic light' system (red, amber, green) as to how they think each area is doing; and to make recommendations for changes to our procedures. We then accept or reject each of their recommendations. Appendix 2 includes all the areas they investigated; how many hours they spent doing so; what 'traffic light' they gave; how many [major/minor] recommendations they made; and how many of these we accepted. In addition, their annual report can be found at [link to annual report of IA or Appendix #].
- ***External audit:*** The Audit Commission is the external auditor of the Council. It performs work on the accounts and other documents and processes; checks that we are delivering good value for money; and provides an audit opinion at the end of that work. In 2011-12 it gave the Council an 'unqualified' audit opinion, which means that it was satisfied that we had followed the right accounting processes, delivered value for money and that the numbers were an accurate view of the Council's finances. The opinion for 2012-13 was **#insert annual opinion here when available.** The full report is available here **[# insert link]**
- ***Other external assurance sources:*** Sometimes we are reviewed by external bodies that look at certain services such as Customer Service Excellence, Investors in People or Health

and Safety. Any actions or recommendations they might make would be included here. We did not have any inspections in 2012-13. **# or insert any external opinions [e.g. IIP, ETC]**

- ***Major Opposition Leader's annual report:*** Another 'critical friend' of the Council is the Leader of the largest opposition political party. For SCDC in 2012/13, when the majority of Councillors were Conservative (33 out of 57), the Major Opposition Leader was Cllr Sebastian Kindersley, leading 16 Liberal Democrats. His report is available at http://scambs.moderngov.co.uk/documents/b50001959/Major%20Opposition%20Group%20Leaders%20Annual%20Written%20Statement%20Thursday%2023-May-2013%2014.00%20Council.pdf?T=9.

Analysis performed for this Governance statement

In drawing up this governance statement, we have reviewed the 33 actions in the Corporate Plan from a governance and performance basis. This is set out in the table in Appendix 1. For each action, the table:

- lists the action
- comments 'how did we do?'
- comments 'what's still left to do?'
- shows how that action relates to CIPFA/SOLACE's six core principles of good governance listed on page 2.

We believe that a study of the table in Appendix 1 shows that our results and performance was good, when measured against the visions, aims, approaches and actions that we set ourselves, and (on the basis of the 'work backwards' approach discussed above) we take that as a sign that our governance was also good.

IMPROVEMENTS

Last year (2011/12), we identified four areas for improvement. The table below lists them, and comments how we did in addressing them in 2012/13.

2011/12 recommendation	*2012-2013 action taken*
The Whistle-blowing Policy to be reviewed	# LINK The Policy was a standing item on every Standards Committee agenda and was last considered on 20 June 2012. This will continue to be kept under regular review by the newly constituted Civic Affairs Committee.
Update the Council's Scheme of Delegation when the restructuring is complete. Change job descriptions where responsibilities have changed following management restructure.	click here
Respond promptly to guidance on Localism Act and self-regulation over local standards of Member behaviour, code of conduct, and other governance arrangements.	Civic Affairs Committee established – several committees merged and/or abolished. All actions completed.
Adopt Sustainable Communities Strategy for 2011-14	No longer applicable – Sustainable Communities Strategy has been replaced by a proactive approach to partnership working, based on outcomes.

This year (2012/13), during our own review of our arrangements, and by the work of the internal and external auditors:

- no 'governance issues which we regarded as 'significant' were identified
- the following issues, not classed as 'significant', were identified as meriting attention to further strengthen effective corporate governance:

2012/13 recommendations	*Action planned for 2013-14*
Range of attendance at the seven Council meetings where all Members should attend was 77%-89%, with an average of 82% over the year. Members to be reminded that every effort should be made to attend all meetings of Council.	
[insert]	

It is clearly important that these issues are addressed. The statement below is an undertaking by the Leader and Chief Executive to do so, as required by regulations:

We, the Leader and Chief Executive, undertake over the coming year to take steps to address the above matters set out in the table headed "2012/13 recommendations" above, to enhance further our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed ……………………………… Signed ………………………………

Date: Date:

Leader Chief Executive

CONCLUSION

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

The Committee believes that it has discharged that responsibility, and that this report is evidence of that.

The Council may not have been perfect in all respects, and we recognise that there will always be room for improvement (which will need to be balanced by the costs associated with that, and whether the 'law of diminishing returns' applies), but on balance we are delighted to report that **we believe that, during 2012/13, the council was well-governed, and performed well.**

Appendix 1 – list of Aims, Approaches and Actions, and our assessment of how we performed against them

	Priority action	*How Did We Do?*	*What's still left to do?*	*Core Principle link*
A1	Strengthen working with key partners including MPs and County Council.	• Partnerships on health, ageing well, waste and community safety have delivered outcomes on issues such as exploring joint waste procurement and tackling anti-social behaviour	• Continue to work with the City and County Councils on issues such as City Deal, the Local Development Plan, Ultra-Fast Broadband, Procurement and Strategic Planning & Transportation	1,6
A2	Invest in our employees and members by carrying out the actions in our Organisational and Member Development Strategies.	• 20 new staff enrolled on the second tranche of the Leadership Development Programme, first tranche have progressed well • Member Development Programme approved in Feb 2013 • Delivered briefing sessions on Welfare Reform and Budgets	• Council's Member Development Charter Status re-assessed in June 2013 • Launch a new flexitime policy in April 2013 increasing staff capacity to work hours which suit their circumstances • Refresh and update strategies to reflect current priorities – Council Action A1	2,3, 5
A3	Develop new and monitor existing shared services to achieve strengthened resilience and improved customer service.	• Cabinet agreed shared service arrangements for Payroll (Cambridge City Council) and Internal Audit (Peterborough City Council).	• Discussions are continuing regarding possible shared ICT, emergency planning and business continuity services with the City Council. •	1
A4	Maintain financial sustainability whilst channelling our resources to create opportunities for investment, sustainable borrowing and economic growth.	• Council agreed a revised, balanced Medium Term Financial Strategy in Feb 2013 looking at delivering annual savings of £920,000 from 2014-15 • Council tax increases to be limited and cuts in government grant funding absorbed	• Still a priority Action (A2) for 2013-14 • Deliver the Business Efficiency Programme to generate MTFS savings from 2014-15 • New Housing Company providing potential new income sources.	2,4
A5	Implement actions within the County-wide Asset Management Strategy to ensure best use of the Council's assets and benefit from opportunities to achieve efficiencies from working together.	• Police and Crime Commissioner's team moved to South Cambs Hall.	• Still a priority Action (A3) for 2014/15 • Exploring efficiencies from the co-location of highway and waste management operations • Undertaking further joint commissioning of facilities management work	1,4
A6	Implement a streamlined, integrated and accessible grants process to support	• Stakeholder consultation informedchanges to a simplified and refocused grants system, which better meets our current aims and priorities	• Exploring a community facilities loan scheme to support local groups in delivering capital schemes.	1,4

	Priority action	How Did We Do?	What's still left to do?	Core Principle link
	localism	• Revised programme protects and provides welfare advice, and allows opportunities to strengthen partnerships with parishes and communities • Community Chest small grants scheme provided assistance to a wide range of groups and projects		
A7	Develop a resilient and responsive planning service that is an effective tool to deliver corporate priorities	• Service Improvement Plan actions have been taken, including a streamlined process for Historic Building applications, simplified report templates and arrangements for internal consultations • Performance on proportion of cases determined within target has improved and key targets have been achieved during the last quarter of 2012-13	• Work is underway on the next phase of the improvement plan, which will inform how the service should progress	2
A8	Develop and promote self-service through the implementation of the new interactive website and customer contact arrangements	• Initial development stage of the new web platform completed with launch of the redesigned website in Dec 2012 and intranet in Apr 2013 • Call resolution in the new contact centre averaging over 83%	• Next stage of development will continue through 2013-14 launch new customer access channels and satisfaction monitoring mechanisms	1,6
A9	Ensure residents are better informed about the Council and its services	• Achieved over 1,300 items in the media with 90% rated positive or neutral, issued 220 press releases and dealt with 590 media enquiries • Communications Strategy was refreshed to provide a more focused forward plan and targets • Residents' magazine developed to allow readers to have a direct say on key issues	• Still a priority Action for 2013/14 (A5) • Deliver Communications Strategy aims around campaigns and proactive information • Review Community Engagement framework to ensure we remain in touch with our communities and what's important to them	6
A10	Build on existing social media networks to engage local communities and deliver the "Cambridgeshire Connection"	• Communications Strategy was refreshed to provide a more focused forward plan and targets • Community mapping service on our website • Regular updates on Twitter and Facebook • Inclusion of Parish Council data	• Monitoring implementation to ensure maximum take-up and value added by the service	1,6
A11	Work with the newly elected Tenant Participation Group and other tenants to set up an independent Tenant Scrutiny	• Ran 3 Open Days, and began working with tenants and the Linchpin Project (a tenant-led consultancy service) • Started the creation of a tenant scrutiny panel (a project over 18 months) • In 2013 established a more tenant focussed complaints	• Training tenants to enable a pilot scrutiny project to commence and agree the way scrutiny embeds into democratic decision making processes for housing	1,6

	Priority action	How Did We Do?	What's still left to do?	Core Principle link
	Panel	process within housing •		
A12	Ensure the new South Cambs Development Plan is based on effective engagement with members and parishes and reflects corporate priorities	• Member workshops have been held and draft chapters of the Local Plan were considered by the Planning Policy & Localism Portfolio Holder in March and April 2013. The project proceeded according to timescale.	• An ongoing priority for 2013/14 (Action A7) • The remaining draft chapters will be considered by the Portfolio Holder and Cabinet in June 2013. Consultation on the draft Local Plan should start in July 2013. The project is proceeding according to timescale.	1,6
B1	Work with partners to improve digital Infrastructure.	• Actively participated in the "Connecting Cambridge" initiative (a Superfast Broadband programme) • Leading partner in the registration process, making up 9,000 of the 26,000 residents and businesses.	• An ongoing priority for 2013/14 (Action B1) • The programme of activity will continue to 2015 (which includes procurement, project management to demand registration, demand stimulations, public relations and delivery, including planning).	1
B2	Identify ways to support existing, developing and new businesses.	• Our Business Support Programme has provided 15 workshops to 154 delegates of whom 99% rated all sessions as either 'excellent' or 'good'. • Business diagnostic support has been provided to 75 organisations	• An ongoing priority for 2013/14 (Actions B2 and B5) • Our 13-14 business support programme will include an additional round of workshops in the first half of 2013-14 and the development of a Register of Businesses	1
B3	Develop a strategy to reduce barriers to employment, thus reducing the impacts of benefits reform.	• Our Pathway to Employment Strategy was agreed in April 2013 • Two apprentices are joining the Council as part of this initiative	• An ongoing priority for 2013/14 (Action B3) • Deliver the Pathway to Employment Strategy and 'Back to work' project and take forward apprenticeships policy	1
B4	Improve marketing to promote inward investment to South Cambridgeshire.	• Provided leaflets, display materials and web optimisation, answered enquiries and held business meetings in partnership with the Local Enterprise Partnership and UK Trade Investment (UKTI)	• An ongoing priority for 2013/13 (Actions B2 and B5) • The Council's approach towards inward investment will be independently reviewed.	1
B5	Ensure our enforcement teams robustly target residents' problems and reduce "red-tape" and unnecessary burdens on businesses.	• Staff training on the Intelligence Database has started, supporting the Tasking & Coordination Group meetings to "join-up" case management across SCDC. • Completed major reorganisation of Health and Environmental Services to move to customer-focused, multiskilled "Working with Business" and "Community Response" teams	• A Portfolio Holder Task and Finish Group has developed a corporate enforcement and inspection policy, which will be subject to stakeholder consultation before being submitted to Cabinet for adoption	1,6
B6	Work with partners to deliver an effective, collaborative approach to strategic planning and transport.	• Joint Strategic Transport and Spatial Planning Group met regularly to oversee our development of Local Plans with Cambridge City Council, and the County Council's Transport Strategy	• An ongoing priority for 2013/14 (Council Action B6) • Portfolio Holder and Cabinet to agree a draft Local Plan for consultation during June 2013 • Negotiating City Deal with partners to secure delegation of powers from Government to improve strategic transport.	1,5,6

	Priority action	*How Did We Do?*	*What's still left to do?*	*Core Principle link*
B7	Ensure the effective delivery of Northstowe and other new communities.	• Outline Planning Permission granted for Phase 1 development earlier in 2013 • Councillors approved headline items in March 2013 for the legal agreement to secure developer contributions towards 20% affordable housing and infrastructure equating to £20k per house built • The Major phase, including retail units, at Orchard Park, was approved in Aug 2012 and, in the same month, the Decision Notice issued for the University's north-west application.	• An ongoing priority for 2013/14 (Council Action B7) • Issue a Decision Notice for Northstowe Phase 1 by the end of July 2013. • Continuing Construction of new homes at Cambourne and Trumpington Meadows. Pre-application discussions are underway for land north of Newmarket Road and land north of Huntingdon Road, Cambridge	1
B8	Work to deliver a range of homes that are affordable to all and where people want to live that will support economic growth and economic activity.	• In Nov 2012, Cabinet agreed a Housing Development Strategy for 2012 – 2014 • Arms-length development company set up (Dec 2012), to deliver homes to meet local need and provide income-generating opportunities for the Council.	• An ongoing priority for 13/14 (Actions B8-B10) • Agree delivery priorities for housing company • Deliver target for providing new affordable homes Planning permission has been obtained for the first new build Council properties, at Linton, and these are on target for completion by the target date of December 2013.	1
C1	Work with partners to encourage local environmental enhancements including the Chalk Rivers project.	• Enhancement projects for the Rivers Mel and Shep have been completed. • Six new Community Orchards have been supported. • Six planning-related proposals have been supported.	• An ongoing priority for 13/14 (Action C8) • Revised catchment restoration projects are being developed for Hoffer and Bourn Brooks and Bar Hill.	1
C2	Promote the benefits of black-bin waste minimisation and maximising the use of enhanced recycling facilities by households and businesses to reduce the environmental impact of our waste.	• The figure for Trade waste recycling in 2012/13 was 19.59% - an increase on the target of 15%. • The reduction in total household waste diverted from landfill to 55.93%, is mainly due to unseasonable weather conditions, resulting in less green waste that could be composted	• An ongoing priority for 13-14 (Action A8) to work with partners to reduce council tax costs, carbon impacts and waste sent to landfill • Initiatives to promote black-bin waste minimisation and recycling are progressing well and will continue (Textiles, Village recycling bins, RECAP Joint Waste Partnership).	1
C3	Develop solutions to deliver co-ordinated community transport	• Work to bring forward a pilot Demand Responsive Transport (DRT) solution in the south-west of the district has been well-supported at community level.	• An ongoing priority for 13/14 (Action C1) • An updated Community Transport Strategy is being finalised for consultation. • Procurement of a pilot DRT solution will take place in 2013-14	1,4
C4	Work with older people to improve their independence and quality of life and ensure that our sheltered housing	• The new Sheltered Housing service continues to produce positive outcomes through targeted work by support staff for residents with specific needs. • Estate Officers have led initiatives to boost community cohesion through greater use of communal rooms, for example	• An ongoing priority for 13/14 (Action C2) • Following the adoption of Age Well as a key priority in the Cambridgeshire Health & Wellbeing Board Strategy, the Ageing Well partnership group is being merged into the South Cambridgeshire Local Health Partnership.	1,6

	Priority action	How Did We Do?	What's still left to do?	Core Principle link
	schemes remain attractive places to live.	Keep Fit schemes for older people to which the wider community have been invited. The first session at Cottenham attracted 18 attendees	• Roll-out of the new "Community Navigators" scheme across the District began in May 2013, with the Portfolio Holder joining the Project Steering Group.	
C5	Work together with our Local Health Partnership, GPs and communities to protect and improve public health, meet local health needs and reduce and prevent future health problems.	• The Health and Wellbeing Board's Strategy Action Plan was agreed in April 2013 • The Local Health Partnership and the Crime and Disorder Reduction Partnership held a joint workshop in Jan 2013 to look at growth (and in particular Northstowe)	• An ongoing priority for 2013/14 (Action C3) to work with GPs and the Local Health Partnership to improve the health of new communities, access to mental health services and support for emerging vulnerable groups •	1,4, 6
C6	Develop a sustainable process to address the accommodation needs of Gypsies and Travellers.	• £1.5M Government funded investment was secured for the long term future of existing sites as well as the provision of new sites •	• An ongoing priority for 2013/14 (Action C3) to work with GPs and the Local Health Partnership to improve the health of new communities, access to mental health services and support for emerging vulnerable groups •	1,4,6
C7	Ensure benefits reform is implemented as smoothly and as effectively as possible.	• The Council's local scheme for Council Tax was formally agreed in Jan 2013 and launched in April 2013. • Additional contact centre staff provided to answer customer queries about what changes mean to individuals.	• The scheme will be reviewed as part of the Revenues and Benefits Service Plan for 2013-14. • An ongoing priority for 13-14 (Action A9) •	4
C8	Work with local communities and businesses to develop and deliver actions on climate change that make a difference.	• The Cambourne Parish Energy Fund was established and delivered • Enhanced Sustainability Show Homes delivered in Trumpington Meadows and Upper Cambourne • The Sustainable Energy Parish Partnership won regional Carbon Footprint Award from National Energy Action • Green Deal 'Community Connection' project that has brought together all Cambs' local authorities in successfully securing £75k Govt funding • Approval of the district's first community wind turbine • Development of a sustainable business assessment tool for agriculture and public houses	• Green Deal 'Community Connection' project is working to procure necessary business relationships to launch single Green Deal brand for Cambridgeshire in the coming year • An ongoing priority for 13-14 (Action C5)	1,6
C9	Work to ensure the provision of a sustainable housing service for the Council's sheltered housing residents.	• Estate Officers led initiatives to boost community cohesion through greater use of communal rooms • Established Keep Fit schemes for older people, to which the wider community have been invited	• The new Sheltered Housing service will continue to produce positive outcomes through targeted work by support staff for residents with specific needs • Prepare for the retendering of the Supporting People contract by the County Council	1,6

	Priority action	How Did We Do?	What's still left to do?	Core Principle link
C10	Ensure the effective delivery of the Children and Young People's Plan and the development of the Youth Council.	• The majority of the 2011-12 Children & Young People's Plan has now been delivered with the launch of the South Cambridgeshire Youth Council in Jan 2013 • The Children & Young People's Partnership is successfully delivering projects in Chesterton, and supporting access to mental health services for young people across the District	• Our ongoing priority action is to work with the Youth Council to develop an integrated plan to improve health, success and opportunities for young people (Action C6)	1,6
C11	Celebrate rural life through the Diamond Jubilee, 2012 Olympics, Community Pride, Village Heroes' and best-kept garden awards.	• The Parklife, Paralympic Flame Event, Village Hero Awards and Best Kept Gardens Awards have all been completed • The 'Emerge' arts programme of events celebrating young talent has been delivered	• All 2012-13 actions completed • An ongoing priority to organise similar successful events during 13-14 (Action C7)	1,6
C12	Continue support for community orchards, hedgerows, tree-planting and other conservation and enhancement projects.	• We have planted 6 community orchards (target 6), 30 trees (target 30) and 2500 metres of hedges (target 2500 metres) supported by parish planting/trees and hedges grants • 11 historic buildings grants have been awarded	• 2012-13 actions completed • An ongoing priority to deliver improvement schemes (Action C8)	1
C13	Work with parish councils and police to implement new local policing arrangements which improve community safety.	• A Police Inspector now attends fortnightly SCDC Tasking and Coordination Group to share intelligence and support joint operations • We continue to support 7 Police Panels across the District • A PCSO is now partly based at South Cambs Hall to help reduce business crime in support of the SCDC "Open for Business" Priority • Figures published in 2012 showed a 6% drop in overall crime, whilst the district has recently been judged one of the most peaceful places to live in the country in an Institute for Economics and Peace survey	• We are working with Police to improve resident and Parish engagement with the Police Panels • Our ongoing priority for 13-14 is to effectively influence the Police and Crime Commissioner's Plans via improved engagement with our local communities and better sharing of intelligence with police and partners (Action A10)	1,2

Appendix 2 – summary of internal audit findings

[insert]

Appendix 3 – Management team Structure

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SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO:	Corporate Governance Committee	28 June 2013
AUTHOR/S:	Executive Director (Corporate Services)	

RISK MANAGEMENT

Purpose

1. The purpose of this report is for Corporate Governance Committee to approve the Council's Risk Management Strategy and process.

Recommendations

2. That Corporate Governance Committee approves the Risk Management Strategy set out at Appendix A.

Reasons for Recommendations

3. The Risk Management Strategy had been updated prior to Corporate Governance Committee's meeting on 19 March 2013, to address recommendations resulting from Internal Audit's risk management review. It has now been amended in line with the recommendations of that meeting and to reflect subsequent comments. It therefore represents appropriate application of risk management best practice to the Council's strategy and process.

Background

4. The Council's Risk Management Strategy was first adopted in January 2004 and has since been updated several times.

Considerations

5. As well as being amended in line with recommendations from Corporate Governance Committee's meeting on 19 March 2013, comments from members of the committee have been taken into account in the Risk Management Strategy as follows:
   (a) paragraph 4.1: the image has been made into a picture to avoid future distortion;
   (b) paragraph 5.2.2: the wording has been clarified (here and elsewhere) to "the Council's risk tolerance line", with a reference to paragraph 6.2.2 which defines it;
   (c) paragraph 8.5.4 has been amended to "Relevant director(s) / the Executive Director (Corporate Services) shall provide on request from a portfolio holder a briefing/update on the service area risk register(s) appropriate to that portfolio.";
   (d) paragraph 8.5.10: 'can' has been replaced by 'may' for consistency;
   (e) paragraph 9.2.1: the wording of the fourth bullet point reflects that training for staff depends to some extent on changes in posts/postholders/responsibilities, as well as developments in risk management; for Members, Planning and Licensing are regulatory committees and Employment requires some formal training, while other Member training comes under Member Development;

(f) Annex B: implementation of legislation is already provided for under different aspects of the various categories, rather than including specific individual references, which would mean continually having to update the annex;

(g) Annex C: service area risk registers use direction of travel arrows; however, the Strategic Risk Register is monitored through CorVu, the Council's performance management system, which enables two things:
  (i) risk viewed alongside the corporate plan, key projects, performance, customer satisfaction and feedback, staffing and resources; and
  (ii) an early indication of any changes to risk impact/likelihood scores from CorVu's red/amber/green mechanism.

CorVu's report function is the basis for the quarterly reports to EMT and PFH; to show direction of travel in a different way would mean having to adapt that report, causing extra work and losing the benefit of its direct derivation from the CorVu system. The Corporate and Customer Services Portfolio Holder has advised that he wants to retain the CorVu red/ amber/green format.

6. The amended Risk Management Strategy is attached at ***Appendix A***.

Options

7. Corporate Governance Committee could approve the amended Risk Management Strategy (***this is the recommended option***). Alternatively, the committee could suggest other improvements or enhancements to the Risk Management Strategy, risk management process or document formats.

Implications

8.

Financial, Legal, Staffing	There are no immediate financial, legal or staffing implications resulting from this report.
Risk Management	The amended Risk Management Strategy will ensure the authority has an effective risk management process, reflecting the authority's political arrangements and management structure and the Council's Aims, and providing appropriate ownership and assurance. Risk management is undertaken regularly in order to minimise the possibility of the Council being adversely affected should either an unforeseen risk arise or an assessed risk not be properly planned for.
Equality and Diversity	The Risk Management Strategy and process has no inherent equality and diversity implications; however, Equalities is included as a risk area on the Strategic Risk Register.
Equality Impact Assessment completed	No
	A Partial Equality Impact Assessment (EqIA) of the Risk Management Strategy was prepared in March 2011; the impacts were assessed as neutral, with no issues arising.
Climate Change	The Risk Management Strategy and process has no inherent climate change implications; however, 'Safeguarding the Council's services against climate change' is included as a risk area on the Strategic Risk Register.

Consultations

9. Corporate Governance Committee Members were consulted on the amended strategy; the Corporate and Customer Services Portfolio Holder was copied in to the

consultation; comments received have been taken into account as reported in paragraph 5 above.

Consultation with Children and Young People

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

Effect on Strategic Aims

11. The Risk Management Strategy relates to the Council's commitment to deliver first class services and value for money:
    (a) it contributes to the Council's corporate governance responsibilities;
    (b) it also ensures that risks involved in the delivery of the Council's Corporate Plan and in meeting its strategic Aims are identified and managed adequately and effectively.

Conclusions / Summary

12. This report proposes amendments to the Risk Management Strategy in line with recommendations resulting from Corporate Governance Committee's meeting on 19 March 2013 and to reflect subsequent comments.

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

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APPENDIX A

South Cambridgeshire District Council

Draft Risk Management Strategy

To be approved by Corporate Governance Committee, 28 June 2013

Contents

1. Purpose

1.1 South Cambridgeshire District Council's primary role is to fulfil its statutory obligations. The Council also has a Long Term Vision that:

(a) South Cambridgeshire will continue to be the best place to live, work and study 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;

(b) The Council will be recognised as consistently innovative and a high performer with a track record of delivering value for money by focusing on the priorities, needs and aspirations of our residents, parishes and businesses.

1.2 Supporting the Vision are three strategic Aims, which have associated Approaches and Actions:

(a) We will listen to and engage with residents, parishes and businesses to ensure we deliver first class services and value for money;

(b) We will work with partners to create opportunities for employment, enterprise, education and world-leading innovation;

(c) We will make sure that South Cambridgeshire continues to offer an outstanding quality of life for our residents.

1.3 The Council has a responsibility to consider risks involved in providing or enabling service delivery, both in fulfilment of its statutory obligations and in achieving its strategic aims. This strategy is a key part of strategic planning and an integral part of service planning and performance management. It sets out the arrangements for the identification, assessment, management and review of risks that may adversely affect the Council's services or the achievement of its aims and objectives.

2. Objectives

2.1 The Council's concern is to manage risk effectively, eliminating or controlling risk to an acceptable level. This is done by identification, assessment and management of potential risks, rather than reaction and remedy to past events.

2.2 The objectives of the strategy are to:

(a) Integrate risk management into the culture of the Council, including a process to identify and report upon existing and emerging risks to the Council.

(b) Anticipate and respond to changing social, environmental, legislative and other requirements, as set out in **Annex A**.

(c) Manage risks in accordance with best practice, so that they are eliminated or controlled to an acceptable level.

(d) Raise awareness of the need for managers responsible for the Council's delivery of services to undertake risk management.

(e) Seek to improve the delivery of Council services and ensure that risks to the Council's reputation and public image are considered.

2.3 It will not always be feasible completely to eliminate risk. Indeed, calculated risk-taking may be required in certain circumstances to achieve innovative or creative solutions that will help to improve services to customers. However, reckless or unplanned risk-taking would never be acceptable.

3. Guiding principles

3.1 To fulfil its risk management objectives, the Council shall:

(a) Develop a culture that involves the participation of all appropriate staff in risk management.

(b) Secure the commitment of Members and management at all levels to promote risk management and provide leadership and direction, by endorsing the allocation of executive and governance roles between:
- the Corporate & Customer Services Portfolio Holder – the executive role – agreement and ownership of the Council's strategic risk register, i.e. the strategic risks facing the Council;
- the Corporate Governance Committee – the governance role – advice and assurance regarding the adequacy and effectiveness of the Council's risk management strategy and process.

(c) Adopt agreed standards of risk management that are monitored at corporate and service level and ensure that further action is taken where necessary.

(d) Ensure that regular identification, assessment and management of significant risks is integral to all corporate and service planning.

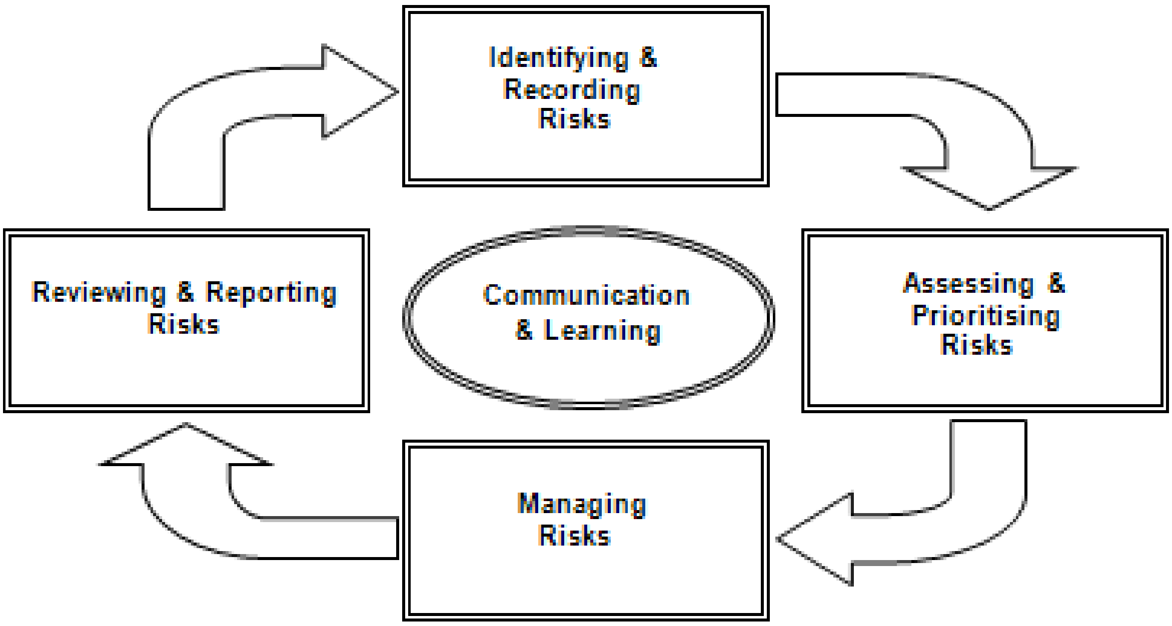
(e) Ensure that effective processes are in place to facilitate prompt remedial action on adverse events and their identification and reporting and to enable near misses to inform future action.

(f) Have effective communication to make sure everyone is sufficiently informed about risk management.

(g) Provide information, training, guidance and advice, as appropriate, to meet these objectives.

4. Approach to risk management

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



4.2 These steps are outlined in the sections below.

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

5. Identifying and recording risks

5.1 *Identifying risks*

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

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

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

5.2 *Recording risks*

5.2.1 Identified risks shall be recorded in the relevant strategic or service area risk register, project or partnership risk register, as set out in paragraphs 5.2.2 to 5.2.9 below, with risks described in terms of: the risk event (i.e. what could happen), the consequence that it might lead to for service(s)/ Aim(s)/ Action(s), and the possible outcome(s) that could result.

<u>Strategic Risk Register</u>

5.2.2 The strategic risk register CorVu report template is attached at **Annex C**. The Head of Finance, Policy & Performance (HFPP), on behalf of the Executive Director Corporate Services, shall record in the strategic risk register the top risks facing the Council from a corporate perspective, noting for each risk:

- relevant Actions or Aims in the current Corporate Plan;
- the person nominated as the responsible "Risk Owner";
- "Target" and "Actual" Risk Scores resulting from assessed Impact and Likelihood scores (see 6.1.1 below);
- Control measures to address / sources of assurance over the risk;
- for risks assessed above the Council's risk tolerance line (see 6.2.2 below), the "Timescale to progress", i.e. the Month/ Year by which it is planned to mitigate the risk to below the line.

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

5.2.3 Control measures are defined as actions to reduce either the likelihood of the risk occurring, or the potential impact of it materialising. Control measures may be either already in place, or additional ones considered necessary to manage the risk.

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

5.2.5 The "Timescale to Progress" shall also note control measures / sources of assurance that are not yet in place, with expected dates where appropriate.

5.2.6 The CorVu report enables monitoring of movement in strategic risk scores, where Red / Amber / Green means:

	for risks previously above the Council's risk tolerance line	for risks previously below the Council's risk tolerance line
Red:	• the score has increased	• the score has increased to above the line
Amber:	• the score has not changed, or has decreased but stays above the line	• the score has increased but stays below the line
Green:	• the score has decreased to below the line	• the score has not changed, or has decreased

Service area risk registers

5.2.7 The service area risk register template is attached at **Annex D**. Directors shall record in their service area risk registers potential operational risks affecting the services for which they are responsible, noting for each risk:

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

Project risk registers

5.2.8 The Council shall require projects (see section 8.2 below) to use the same format as the service area risk register template. The Project Management Toolkit reflects this and guidance is available within the Toolkit.

Partnership risk registers

5.2.9 The Council shall encourage partnerships (see section 8.3 below) to use the same format as the service area risk register template; however, the Council acknowledges that a partnership may choose to use another format appropriate to its needs. If a partnership chooses not to use the same format, the Council's lead officer for that partnership shall liaise with the HFPP for guidance on how to structure the risk register/log. Guidance is also available in the Partnership Toolkit.

6. Assessing and prioritising risks

6.1 *Assessing risks*

6.1.1 At both strategic and service area levels and for projects and partnerships, nominated risk owners shall assess each of the identified risks in terms of the likelihood of the risk occurring and the potential impact of it materialising, according to the guidelines in **Annex E** and **Annex F**, respectively.

6.2 *Prioritising risks*

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

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

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

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

6.2.4 Those assessed risks that fall above the Council's risk tolerance line are considered to require further action to reduce either the likelihood of the risk occurring or its impact if and when it does occur; nominated risk owners shall identify and record additional control measures / sources of assurance for these risks (see 7.1 below).

7. Managing risks

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

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

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

7.3 At the service area level, service managers shall develop and implement additional control measures / sources of assurance for managing risks assessed above the Council's risk tolerance line. Managers shall re-evaluate the Impact and Likelihood scores taking the additional control measures / sources of assurance into account, recording any changes to the scores in the 'Adjusted risk score' column. Where additional control measures / sources of assurance affect other Aims, Approaches and/or Actions, services, projects or partnerships, require additional resources or will incur additional costs, service managers shall discuss these with the managers/officers concerned.

7.4 Project managers and partnership lead officers shall manage project and partnership risks in accordance with their project/partnership governance arrangements.

7.5 Directors, project managers and partnership lead officers shall reassess risks below the Council's risk tolerance line (i.e. with a Total risk score of 10 or lower) quarterly to ensure there is no change to the underlying risk or control measures / sources of assurance.

7.6 When an appropriate review meeting (see 8.1.2 below) considers that a risk has been "managed", i.e. it either no longer exists, or it is now an integral part of day to day management of the service area concerned, the meeting shall agree to remove the risk from the relevant risk register.

8. Reviewing and reporting risks

8.1 *Reviewing risks*

8.1.1 Reviews of risk registers shall include consideration of any new risks. Approval of risk registers shall include both the acceptance of new risks and also the removal of risks considered to be "managed".

8.1.2 Risks are reviewed at service planning, corporate management teams, Executive Management Team (EMT), Corporate & Customer Services Portfolio Holder, project management and partnership meetings, as appropriate:

- EMT shall review the strategic risk register quarterly, including consideration of the impact and likelihood assessments and the control measures / sources of assurance in place to address risks, recommending its approval to the Corporate & Customer Services Portfolio Holder.
- The Corporate & Customer Services Portfolio Holder shall similarly review and approve the strategic risk register quarterly.
- Directors shall review and approve their service areas' risk registers, collated to give a comprehensive set of risks coming under their responsibility and to enable moderation of impact and likelihood assessments, as part of the annual preparation of service plans. Service area risk registers shall be on departmental management team meeting agendas for review at least quarterly. The Executive Director (Corporate Services) shall similarly review and approve the collated risk registers for service areas reporting direct to him.

- Project managers and partnership lead officers shall facilitate the review and approval of the risk logs/registers for which they are responsible, at frequencies set out in their project or partnership plans.

8.1.3 Should a significant risk arise between reviews, the relevant director, manager or officer shall consider it with the HFPP for inclusion on the appropriate risk register and the HFPP shall inform the relevant director accordingly.

8.2 ***Project risks***

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

8.3 ***Partnership risks***

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

8.3.2 The Council has an understanding of its involvement with the partnerships in which it participates and the implications of that involvement in each partnership. Equally, each partnership has an understanding of the Council's role in the partnership.

8.3.3 Lead officers of partnerships shall adopt a two stage approach to risk management:

(a) Identify and assess, from the Council's perspective, the risks that face the Council from participating in the partnership. This analysis shall identify the controls and contingency plans (including an appropriate exit strategy) that are or should be in place. This will be informed by the extent to which the partnership has effective controls and risk management procedures in place and whether it is able to provide the Council with the relevant assurances in this regard.

(b) Champion effective risk and performance management procedures within the partnership (including the risk of fraud and corruption), so that the threats to the achievement of the partnership's objectives are properly identified, assessed and managed.

8.3.4 Partnership lead officers shall review partnership risk registers in accordance with the partnerships' governance arrangements.

8.4 ***Links***

8.4.1 When reviewing the strategic risk register, EMT may cascade a strategic risk to an appropriate service area, project or partnership risk register, so that the relevant service manager, project manager or partnership lead officer can take a corporate lead on managing it.

8.4.2 When reviewing their service area risk registers, service managers and directors / the Executive Director (Corporate Services), may escalate a service area risk for EMT to consider including in the strategic risk register, if the risk is significant (i.e. has a score of 12 or more, and especially if it is a new risk) or has a corporate nature. The

HFPP may similarly escalate a risk if it, or a similar one, is being recorded in more than one service area risk register.

8.4.3 The strategic risk register may also include project and partnership risks, if these are of a corporate or significant nature. The project/ partnership risk registers shall record the detailed risks and control measures / sources of assurance relating to the particular project/partnership.

8.4.4 The HFPP shall facilitate these links. The HFPP shall also keep a record of the risks included in the strategic risk register and the impact and likelihood assessments of them, so that the priority of identified strategic risks can be tracked over time.

8.5 ***Reporting risks***

8.5.1 The HFPP shall report the draft strategic risk register to EMT quarterly, for review and recommendation to the Corporate & Customer Services Portfolio Holder. These reports shall show only risks with a total score of 5 or more (risks scoring 4 or less will still be on the strategic risk register, just not included in the reports). (Corporate Governance Committee shall review the adequacy of this as part of its annual review of the risk management strategy and process, as described in 8.5.11 below. Corporate Governance Committee may report to full Council, if the Committee considers it necessary to ensure that strategic risks are appropriately managed.)

8.5.2 Directors / the Executive Director (Corporate Services) shall record service area risks above the Council's risk tolerance line in the Overview section of their service plans published annually. They shall update their service area risk registers and control measures / sources of assurance to the HFPP quarterly, for EMT to consider in its quarterly review of the strategic risk register.

8.5.3 In addition, EMT shall review service area risk registers, collated by corporate area/direct reports, on a rolling programme throughout the year. These reports shall show only risks with a total score of 5 or more (risks scoring 4 or less will still be on the service area risk registers, just not included in the reports). EMT shall review the HRA Business Plan risk register alongside the Affordable Homes risk register. As part of these reviews, EMT shall consider whether to include risks scoring 12 or more in the strategic risk register. (It shall be assumed not, unless minuted otherwise.)

8.5.4 Relevant director(s) / the Executive Director (Corporate Services) shall provide on request from a portfolio holder a briefing/update on the service area risk register(s) appropriate to that portfolio.

8.5.5 Project managers and partnership lead officers shall report project and partnership risk registers in accordance with their project management/governance arrangements and reporting frequencies. Project managers and partnership lead officers shall update their risk registers, including control measures / sources of assurance, to the HFPP quarterly, for EMT to consider in its quarterly review of the strategic risk register.

8.5.6 The HFPP shall provide updates of risk registers to the Council's insurance officer, to facilitate discussion of insurance cover and negotiation of any premium discounts or reductions with the Council's insurers.

8.5.7 If a risk materialises, it shall be reported as follows:

- strategic: a report to the next meeting of EMT by the risk owner, in conjunction with the HFPP, outlining the event that occurred, the consequence for the

service, objective or priority and the outcome that resulted, together with recommendations for the application of any lessons to be learnt;
- service area: a similar report to the service manager by the risk owner;
- EMT or the service manager, as appropriate, shall decide how to implement any recommendations regarding lessons to be learnt;
- project or partnership: a similar report by the project manager or partnership lead officer; decisions about implementing any recommendations regarding lessons to be learnt shall be taken in accordance with the project management or partnership governance arrangements.

8.5.8 Reports to Members contain as standard a Risk Management Implications section. Report writers use this section to describe risks associated with the report's proposals, possible consequences, the likelihood and potential impact of the risk occurring. Where the risk is assessed above the Council's risk tolerance line, report writers also outline the additional actions that shall be taken to mitigate the risk and copy the report to the HFPP, so that the risk can be incorporated in the strategic risk register, relevant service area risk register, project or partnership risk register, as appropriate. Directors/report writers shall fully brief Members on risks identified in the report.

8.5.9 Reports to Members also include as standard, Options and Financial Implications sections. Where reports relate to major options appraisal or capital investment decisions, report writers shall also review relevant risk registers, to identify any risks for inclusion in the report.

8.5.10 Positive aspects of the matter under consideration are generally described in the body of the report to Members, alongside the various "Implications" sections (Financial, Legal, Staffing, Equality & Diversity, Climate Change). Report writers may also use the Risk Management Implications section to highlight any positive risks (opportunities) not mentioned elsewhere in the report.

8.5.11 The HFPP shall report to EMT on the risk management strategy and process (including staffing resources) annually, or if there is a material change during the year, for EMT to review the strategy and process and make any recommendations regarding them to Corporate Governance Committee. (The HFPP shall similarly invite the Corporate & Customer Services Portfolio Holder to review the risk management strategy and process and recommend changes.) Corporate Governance Committee shall review and approve changes to the risk management strategy and process annually, or if there is a material change during the year.

9. Communication and learning

9.1 *Communication*

9.1.1 The HFPP shall give relevant staff and Members timely guidance and advice relating to their risk management responsibilities, including particular aspects such as review of risk registers.

9.1.2 The HFPP shall also keep staff and Members informed through a risk management page on In-Site, the Council's intranet, which shall include the following:
- the risk management strategy,
- the latest version of the strategic risk register,
- the latest versions of service area risk registers;

- guidance and advice concerning risk management, including assessment criteria for the potential impact and likelihood of risks occurring;
- risk management templates.

9.2 ***Learning***

9.2.1 The Council shall keep its risk management strategy and processes up to date by learning from a variety of sources:
- applying best practice from other local authorities and organisations, as appropriate;
- ascertaining whether risk management matters identified in one service area also apply elsewhere across the Council;
- learning from any mistakes;
- providing relevant training for appropriate staff and Members (including at least a refresher session annually), facilitated by external specialists if necessary:
    - EMT shall decide the risk management training for staff, following a recommendation by the HFPP;
    - The Chairman of the Corporate Governance Committee and the Corporate & Customer Services Portfolio Holder (the portfolio holder responsible for both risk management and for Member development), shall decide the risk management training for Members, following a recommendation from EMT;
    - The HFPP shall keep a record of risk management training attended by staff and Members;
    - Corporate Governance Committee shall review risk management training and the attendance records annually, to ensure that capabilities remain adequate.

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

10. Organisational arrangements

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

10.2 The prompt alerting of something going wrong can help prevent a situation from becoming worse. Staff are therefore encouraged to alert their line manager to potential risks at the earliest opportunity, without the fear of blame being attributed as a result. This will enable action to be taken as soon as possible to reduce either the likelihood of the risk occurring or the possible effects of it doing so and also promote a culture of openness, transparency and support.

10.3 A chart summarising the Council's arrangements for risk management is shown in ***Annex H***.

Annex A

The scope of risk; areas to consider

Political / Reputation

Partnership

Governance

Economic

Social

Technological

Legislative / Regulatory

Environmental

Competitive

Customer / Citizen

Managerial / Professional

Fraud / Corruption

Financial

Legal / Contractual

Physical

Health & Safety

Performance

Annex B

Some of the risks to consider when making strategic decisions

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

Strategic political risks - associated with failure to deliver either local or central government policy, or to meet the Council's commitments. Includes things such as:
- Wrong strategic priorities
- Not meeting the government's agenda
- Decisions based on faulty or incomplete information
- Too slow to innovate/modernise
- Unfulfilled promises to electorate
- Community planning oversights/errors

Strategic economic risks - affecting the ability of the Council to meet its financial commitments. Includes things such as:
- Internal budgetary pressures
- Inadequate insurance cover
- External macro level economic changes (e.g. interest rates, inflation)
- The consequences of proposed investment decisions
- General/regional economic problems
- High cost of capital
- Treasury risk
- Missed business and service opportunities
- Failure to meet efficiency targets

Strategic social risks - relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives. Includes things such as:
- Failing to meet the needs of a disadvantaged community
- Impact of demographic change
- Failures in partnership working
- Problems in delivering life-long learning
- Crime and disorder

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

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

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

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

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

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

- Takeover of services by government/agencies
- Failure to show best value and/or value for money
- Failure of bids for government funds
- Inadequate expertise to write tight tender documents and contracts

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

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

Annex C **Strategic Risk Register CorVu report template**

Strategic Risk Register
[Date] (Month Year)
[changes highlighted]

[Note: Strategic Risk Registers reported to EMT or PFH only show risks with a total score of 5 or more (risks scoring 4 or less are still on the Strategic Risk Register, but are not included in the reports).]
Risks removed since the last time EMT reviewed the risk register are shown greyed out at the end.

South Cambridgeshire District Council

Risk Reference, Title and Description, plus associated Aims The risk event, *leading to* consequence for service/ Aim(s)/ Action(s), *resulting in* possible outcome(s). Plus associated 3 A's. [and see Note 1]	**Risk Owner**	**Risk Score**		**Risk Owner's Comments** [2, 4, 5]
		Target	**Actual** [3]	
Reference - Title The risk event, *leading to* consequence for service/ Aim(s)/Action(s), *resulting in* possible outcome(s). Associated 3 A's	Risk owner			IMPACT SCORE: X. LIKELIHOOD SCORE: Y. CONTROL MEASURES / SOURCES OF ASSURANCE: Detail. TIMESCALE TO PROGRESS: Detail.
Reference - Title The risk event, *leading to* consequence for service/ Aim(s)/Action(s), *resulting in* possible outcome(s). Associated 3 A's	Risk owner			IMPACT SCORE: X. LIKELIHOOD SCORE: Y. CONTROL MEASURES / SOURCES OF ASSURANCE: Detail. TIMESCALE TO PROGRESS: Detail.
Reference - Title The risk event, *leading to* consequence for service/ Aim(s)/Action(s), *resulting in* possible outcome(s). Associated 3 A's	Risk owner			IMPACT SCORE: X. LIKELIHOOD SCORE: Y. CONTROL MEASURES / SOURCES OF ASSURANCE: Detail. TIMESCALE TO PROGRESS: Detail.
Reference - Title The risk event, *leading to* consequence for service/ Aim(s)/Action(s), *resulting in* possible outcome(s). Associated 3 A's	Risk owner			IMPACT SCORE: X. LIKELIHOOD SCORE: Y. CONTROL MEASURES / SOURCES OF ASSURANCE: Detail. TIMESCALE TO PROGRESS: Detail.

3 A's (Aims, Approaches, Actions)

Risks are cross referenced to the relevant Corporate Plan Actions adopted by Council on 28 February 2013 with effect from 1 April 2013 (e.g. A5 or C2, etc). Where risks relate to previous objectives since embedded, the cross-referencing is to the relevant 2013/14 Aim.

Impact

5 Extreme
4 High
3 Medium
2 Low
1 Insignificant

Likelihood

5 Almost certain
4 Likely
3 Possible
2 Unlikely
1 Rare

Notes

1. The "Reference" is a unique risk reference, retained by the risk throughout the period of its inclusion in the risk register.
2. Criteria and guidelines for assessing "Impact" and "Likelihood" are available on In-Site.
3. The "Actual" risk score is obtained by multiplying the Impact score by the Likelihood score.
4. The dotted line (- - - - - - -) shows the Council's risk tolerance line.
5. The "Timescale to progress" is the date (Month Year) by which it is planned to mitigate the risk to below the line.

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

	Red	**Amber**	**Green**
for risks previously above the line:	the score has increased	the score has not changed, or has decreased but stays above the line	the score has decreased to below the line
for risks previously below the line:	the score has increased to above the line	the score has not changed, or has decreased	the score has not changed, or has decreased

Annex D Service Area Risk Register template

[Name of Service Area] Risk Register
[Date] (Month Year)
[Numbers in header rows refer to Notes at the end of the document]

EMT shall consider whether any risks scoring 12 or more should be included in the Strategic Risk Register.
Service area risk registers reported to EMT only show risks with a total score of 5 or more.
Changes to previous wording are shown as highlighted text.
Risks removed since the last time EMT reviewed the risk register are shown greyed out at the end.

South Cambridgeshire District Council

Ref. [1]	**Title and Description of risk** The risk event, *leading to* consequence for service/ Aim(s)/ Action(s), *resulting in* possible outcome(s).	**3 A's** [2]	**Control measures/ sources of assurance in place**	**Risk score** [3, 4]		**Direction of travel**	**Risk owner / Review frequency**	**Additional control measures/sources of assurance**	**Additional cost resources required**	**Adjusted risk score** (where relevant) [5]		**Timescale to progress** [7]
	Title The risk event, *leading to* consequence for service/ Aim(s)/Action(s), *resulting in* possible outcome(s).			Impact Likelihood Total		↓ → ↑ ( ) new	Risk owner / Review frequency			Impact Likelihood Total		
	Title The risk event, *leading to* consequence for service/ Aim(s)/Action(s), *resulting in* possible outcome(s).			Impact Likelihood Total		↓ → ↑ ( ) new	Risk owner / Review frequency			Impact Likelihood Total		
	Title The risk event, *leading to* consequence for service/ Aim(s)/Action(s), *resulting in* possible outcome(s).			Impact Likelihood Total		↓ → ↑ ( ) new	Risk owner / Review frequency			Impact Likelihood Total		
	Title The risk event, *leading to* consequence for service/ Aim(s)/Action(s), *resulting in* possible outcome(s).			Impact Likelihood Total		↓ → ↑ ( ) new	Risk owner / Review frequency			Impact Likelihood Total		

<u>Notes</u>
1. The "Ref." is a unique risk reference, retained by the risk throughout the period of its inclusion in the risk register.
2. Risks are cross referenced to the relevant Aims, Approaches and/or Actions adopted by Council on 28 February 2013 with effect from 1 April 2013 (e.g. A5 or C2, etc). Where risks relate to previous objectives since embedded, the cross-referencing is to the relevant 2013/14 Aim.
3. Criteria and guidelines for assessing Impact and Likelihood are available on In-Site.
4. The "Total" risk score is obtained by multiplying the Impact score by the Likelihood score.
5. The "Adjusted risk score" would result from re-evaluation of the Impact and Likelihood taking the additional control measures / sources of assurance into account.
6. The dotted line (- - - - - - -) shows the Council's risk tolerance line.
7. The "Timescale to progress" is the date (usually Month Year) by which it is planned to mitigate the risk to below the line.

<u>Impact</u>
5 Extreme
4 High
3 Medium
2 Low
1 Insignificant

<u>Likelihood</u>
5 Almost certain
4 Likely
3 Possible
2 Unlikely
1 Rare

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

Annex E Likelihood assessment guidelines

Likelihood	***Guidelines***	***Score***
Almost certain	• Is expected to occur in most circumstances (more than 90%), or • Could happen in the next year, or • More than 90% likely to occur in the next 12 months	5
Likely	• Will probably occur at some time, or in most circumstances (66% - 90%), or • Could happen in the next 2 years, or • 66% to 90% likely to occur in the next 12 months	4
Possible	• Fairly likely to occur at some time, or in some circumstances (36% - 65%), or • Could happen in the next 3 years, or • 36% to 65% likely to occur in the next 12 months	3
Unlikely	• Is unlikely to occur, but could, at some time (11% - 35%), or • Could happen in the next 10 years, or • 11% to 35% likely to occur in the next 12 months	2
Rare	• May only occur in exceptional circumstances (up to 10%), or • Unlikely to happen in the next 10 years, or • Up to 10% likely to occur in the next 12 months	1

Annex F Impact assessment guidelines

Impact	*Giving rise to one or more of the following:*							*Score*
	Service disruption	***People***	***Financial loss*** *(including claim or fine)*	***Environment***	***Statutory service/ legal obligations***	***Management***	***Reputation***	
Extreme	Serious disruption to services (loss of services for more than 7 days)	Loss of life	Financial loss over £500k	Major regional / national environmental damage	Central government intervention; or Multiple civil or criminal suits	Could lead to resignation of Leader or Chief Executive	Extensive adverse coverage in national press and/or television	5
High	Major disruption to services (loss of services for up to 7 days)	Extensive multiple injuries	Financial loss between £251k - £500k	Major local environmental damage	Strong regulatory sanctions; or Litigation	Could lead to resignation of Member or Executive Director	Adverse coverage in national press and/or television	4
Medium	Noticeable disruption to services (loss of services for up to 48 hours)	Serious injury (medical treatment required)	Financial loss between £51k - £250k	Moderate environmental damage	Regulatory sanctions, interventions, public interest reports; or Litigation	Disciplinary / capability procedures invoked	Extensive adverse front page local press coverage	3
Low	Some disruption to internal services; no impact on customers	Minor injury (first aid)	Financial loss of between £6k - £50k	Minor environmental damage	Minor regulatory consequences; or Litigation	Formal HR procedure invoked	Some local press coverage; or, adverse internal comment	2
Insignificant	Insignificant disruption to internal services; no impact on customers	No injuries	Financial loss of up to £5k	Insignificant environmental damage	No regulatory consequences; or Litigation	Informal HR procedure invoked	No reputational damage	1

Annex G Prioritisation Matrix template

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

Risk Tolerance Line

Managing the risk

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

Above the Council's risk tolerance line (i.e. a score of 12 – 25):
Requires active management (consider termination of the activity or project)
Contingency plans – robust plan in place to detect any deviation from expectations
May require some mitigation to reduce likelihood (if cost effective)

Below the Council's risk tolerance line (i.e. a score of 1 – 10):
Reassess quarterly to ensure no change to underlying risk or control measures / sources of assurance

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

Corporate Governance Committee

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

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

With regard to risk management, the Committee:

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

Executive

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

Notes:

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

Executive Management Team (EMT)

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

"Risk owners"

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

At the strategic level:

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

At the service area level:

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

Service managers

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

Project managers

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

Partnership lead officers

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

Head of Finance, Policy and Performance (HFPP)

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

Notes:

- Relevant officers' job descriptions shall include responsibility in respect of risk and risk management.
- The management competency framework incorporates risk management.

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO:	Corporate Governance Committee	28 June 2013
AUTHOR/S:	Executive Director (Corporate Services)/Head of Finance, Policy & Performance	

APPROVAL OF THE 2012-13 STATEMENT OF ACCOUNTS (SUBJECT TO AUDIT)

Purpose

1. To endorse the 2012-13 Statement of Accounts distributed as a separate document.

Recommendations

2. The Corporate Governance Committee is recommended to endorse the Statement of Accounts for 2012-13.

Background

3. The Accounts and Audit Regulations 2003 used to require the draft statement of accounts to be approved before the 30 June by Council or by a delegated Committee.

4. The Accounts and audit Regulations 2011 changed the approval requirements so that the responsible financial officer (in this Council, the Executive Director (Corporate services)) must, no later than the 30 June, sign and date the statement of accounts and certify that it presents a true and fair view of the financial position of the Council at the year end and of the income and expenditure for the year.

5. The Council or a delegated Committee must then, no later than 30 September, consider and approve the accounts – so that, when Members approve the accounts, the results of the audit of accounts will then be known and any amendments required by the auditors and agreed by the Council will be incorporated in the accounts submitted for approval.

6. In October 2000, a statutory instrument was issued setting out the functions which were not to be the responsibility of an authority’s executive. One of these functions was the duty to approve the authority’s statement of accounts. At its meeting in March 2007, Council resolved that the terms of reference of the Audit Panel (now known as Corporate Governance Committee) be extended to incorporate approval of the Statement of Accounts.

Considerations

7. I am pleased to report that the Statement of Accounts for 2012-13 has been produced, subject to audit. The production of the accounts under international financial reporting standards is complex and involved and requires a significant and concentrated staff commitment to meet statutory deadlines.

8. The contents of the Statement of Accounts are largely determined by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) issued by the Chartered Institute of Public Finance and Accountancy. The Code is updated annually and is based on international financial reporting standards. The main financial statements are:

   i. A movement in reserves statement which shows all reserves and the movement in usable reserves, such as the general fund and housing revenue account working balances which can be used to provide services or keep down council tax/rent increases, and the movement in unusable reserves which are mainly accounting balances.

   ii. A comprehensive income and expenditure statement which combines the income and expenditure account and the statement of total recognised gains and losses.

   iii. A balance sheet which again reflects the distinction between usable and unusable reserves; and

   iv. Much of the detail in the above statements, and the cash flow statement, is now shown in the notes to the accounts.

9. The explanatory foreword is intended to explain in overall terms and in an easily understandable manner the Council's financial position including a comparison of actual expenditure with original estimate. A more detailed report on actual expenditure compared to original estimate will be submitted to the Cabinet meeting on 27 June.

10. In view of the detailed technical processes involved in the preparation of the Statement of Accounts and accompanying explanatory information, it will be helpful if Members provide advance notice of any questions, thereby allowing time for any associated research to be completed.

11. The statement of Accounts is issued subject to audit. The audit is due to take place in July/August/September. The accounts and other related documents will be available for inspection by the public for 20 working days and electors or their representatives may question the auditor about the accounts and make objections on an appointed day which is Wednesday 25 September 2013.

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

Options

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

Implications

14.

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

Background Papers: the following background papers were used in the preparation of this report:
Statement of Accounts distributed as a separate document and associated working papers.

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sally.smart@scambs.gov.uk

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Statement of Accounts for year ended 31 March 2013

Contents

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	15,023	14,651
Internal drainage boards	145	148
Interest and investment income	(475)	(665)
Amount to be met from Government Grant and local taxpayers	14,693	14,134
Income		
Principal sources of finance		
District element of Council Tax	(7,019)	(7,019)
Formula Grant		
(a general Government grant towards expenditure)	(5,412)	(5,412)
New Burdens	0	(13)
New Homes Bonus	(1,817)	(1,691)
Council Tax Freeze Grant	(175)	(175)
Other items	65	66
	(14,358)	(14,244)
Deficit/(Surplus) for the year	**335**	**(110)**

When the council tax for the financial year ending 31 March 2013 was set in February 2012, the deficit was estimated at £334,600. The variance of £445,511 is attributable to the following:

	Reason for variance	Underspending/slippage( ) Overspending+ %	£'000	£'000
Community Strategy	Lower recharges; increased expenditure	(50)	(76)	
Community Safety	Lower recharges and income	(41)	(49)	
Corporate Management	Lower recharges; savings on audit fees	(12)	(123)	
Cost of collecting council tax	Lower recharges; reduction on legal fees	(12)	(87)	
Democratic Representation	Lower recharges;reduced service costs and expenses	(7)	(88)	
Policy and Performance	Lower recharges: lower expenditure on service costs and expenses	(46)	(86)	
Environmental Health	Lower recharges offset by additional expenditure on supplies and services	(25)	(110)	
Refuse Collection and Recycling	Reduced contractor costs and recharges offset by reduced income	(3)	(79)	
Street Cleansing Service	Lower recharges, agency and contracted services cost	(11)	(93)	
Housing Lettings and Advisory Service	Lower salary costs; increase in recharges costs and a reduction in recharged income received	43	127	
Northstowe	Additional expenditure on viability study and transfer to earmarked reserves	100	227	
Development Control	Lower recharges; additional income from S106 recoverable costs offset by an increase on services	(10)	(160)	
Economic Development	Lower expenditure on services and grant	(53)	(94)	
Growth Agenda	Lower recharges; lower expenditure and income on service	(34)	(303)	
Overheads etc.	now allocated to services	100	233	
Net cuts/savings	now allocated to services	100	516	
Reduction for vacancies	now allocated to services	100	200	
				(45)
Precautionary Items	Contingency not needed	(100)		(125)
Support for Economic Downturn	Slippage on business workshops, etc.	(1)		(7)
Revenue financing of capital expenditure	Not fully required	(29)		(13)
Interest on Balances	Higher interest rates	(29)		(190)
New Homes Bonus	Scheme not finalised at time of estimate	7		126
Other items individually under £50,000				(192)
				(446)
Less underspendings in 2012-13 which will now be incurred in 2013-14				260
				(186)

Housing Revenue Account

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

Housing Revenue Account	Original estimate	Actual
Expenditure	**£'000**	**£'000**
Repairs and maintenance	3,705	3,686
Management and services	5,707	5,352
Major Repairs Allowance	5,512	5,512
Transfer to reserves	3,500	4,500
Interest payable	7,179	7,193
Capital expenditure met from revenue	1,832	1,681
Other	79	86
	27,514	28,010
Income		
Rents and charges	(27,195)	(27,583)
Receipt from General Fund	(328)	(150)
Interest	(23)	(15)
	(27,546)	(27,748)
Deficit/(Surplus) for the year	**(32)**	**262**

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 2013 were set in February 2012, the estimated rent increase was set in line with government guidance at 6.1% and the surplus was estimated at £31,910. The variance of £294,391 is attributable to the following:

Housing Revenue Account Actual to Original Estimate Services	**Reason for variance**	**Underspending/slippage( ) Overspending+ %**	**£'000**	**£'000**
Dwellings Rents	Shorter void periods; more new tenants	(1)	(133)	
Charges for Services and Facilities	Service and recoverable charges; sales	(3)	(52)	
Repairs and Maintenance	Lower expenditure on non-response	0	0	
Supervision and Management - repairs and maintenance	Repairs administration, supported housing	(4)	(355)	
				(540)
Interest Payable				0
Capital Expenditure met from revenue	More repurchases; more grant	8		(151)
Transfer to investment/repayment reserve	Increase in provision	29		1,000
Other items individually under £50,000				(15)
				294

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 was 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 £10.35 million. The major part of the programme involved the provision of housing; with £6.98 million being invested in the Council's own housing stock.

Treasury Management

At the 31 March 2013, investments (excluding accrued interest) totalled £23.0 million, an increase of £7.66 million over the previous year-end (although this increase is partly offset by a decrease in short term debtors). These investments produced interest of over £0.66 million, which was used towards the cost of services.

The Council has debt of £205 million as mentioned above.

Balances and Reserves

The balances on the General Fund and the Housing Revenue Account were at £7.48 million and £2.43 million respectively as at 31 March 2013 - 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 £3.32 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 £18.33 million in 2017-18 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 £45.4 million as at 31 March 2013 on an IAS 19 basis. With 76% 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 2012-13 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.

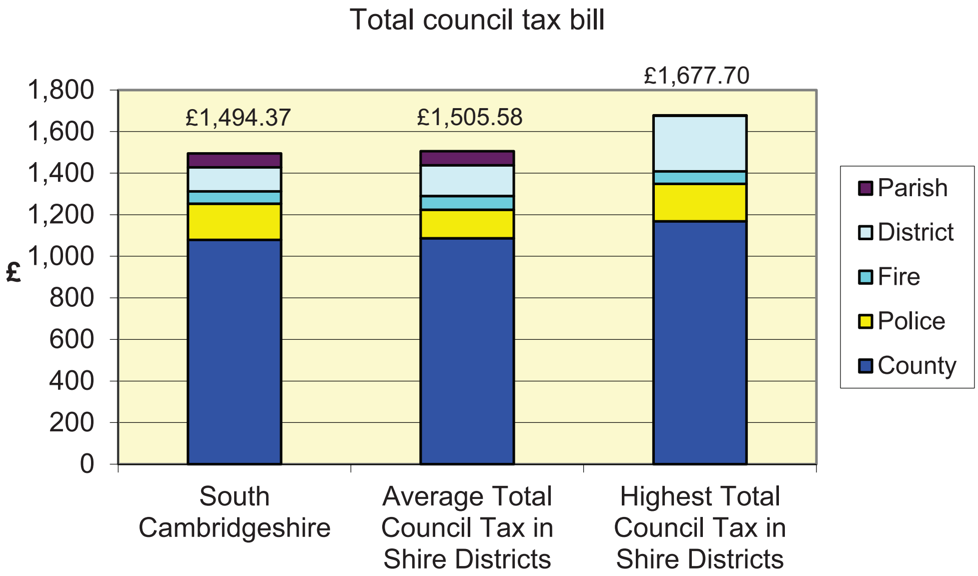
In view of the uncertainty over future pension costs, an additional 2.8% of pensionable pay has been charged against the General Fund and the Housing Revenue Account and placed in a reserve for use in future years (Notes 6, 23 and 47).

Change in Accounting Policy

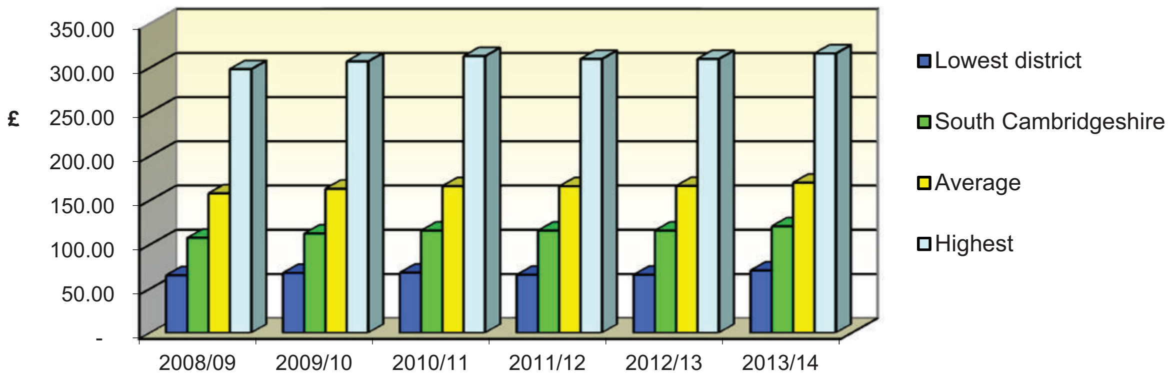
The 2011-12 Code included the adoption of financial reporting standard 30 heritage assets which resulted in the recognition of an asset not previously recognised in the Balance Sheet and the disclosure of other assets as set out in note 29 Property, Plant and Equipment, Surplus Assets Held For Sale and 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 2012-13 was £1,494.37. 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 2012-13 at £115.46 in a range of £65.48 to £309.69, with the average being £168.51



The ranking is:

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
South Cambridgeshire	13th lowest	12th lowest	13th lowest	13th lowest	13th lowest	15th lowest
Total number of shire districts	238	201	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.

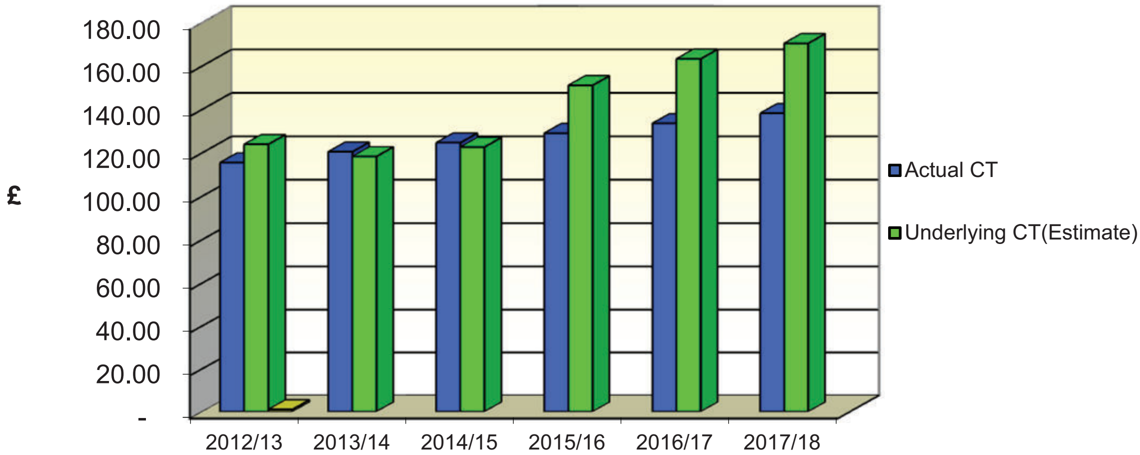
With the exception of parishes,

- the council taxes for 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
- the council taxes for 2013-14 show a small increase over 2012-13 as some authorities accepted a Government grant payable for two years based on 1% of the previous year council tax in return for freezing the 2013-14 council tax, while some authorities in the lower quartile of council tax, including South Cambridgeshire, were given permission by Government to increase council tax in cash terms without triggering the local requirement for a referendum.

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 higher, underlying level, and this use of reserves continues in future years. The Council's financial strategy is monitored and reviewed on a regular basis.



Localised Council Tax Support Scheme

From 1 April 2013, as a result of the Government welfare reforms, Council Tax Benefit is being replaced and each local authority has had to design their individual Council Tax Support Scheme.
These reforms will see the end of the current council tax benefit scheme through which our less well-off residents have been able to get help towards the cost of meeting their council tax bill. Until now, council tax benefit has been funded entirely through national funds but the government has concluded that this system is too expensive in the current financial climate and that, in some circumstances, it operates as a disincentive to claimants to seek employment.

From April therefore, district councils are required to design and implement their particular localised council tax support schemes (LCTSS). Essentially, this will be done through the granting of discounts to the council tax bill. Under the legislation, the council is required to grant the equivalent discount in cash terms as benefit for pensioners, so they will not notice any change to their bills. South Cambridgeshire District Council has also decided, in principal, to grant equivalent discounts for certain vulnerable groups (principally the disabled, their carers and some families with very young children). All other claimants will receive discounts that are broadly equivalent to at least 91.5% of the current benefits receivable. To partially offset the impact of the new LCTSS, the district council will take the opportunity to cease discounts granted to owners of second and empty homes.

Like the district and county councils, most parish councils, therefore, will see a reduction to their council tax base. This is because the granting of discounts is treated as a reduction to the amount chargeable as opposed to council tax benefit which is treated as a reduction to the amount payable by the claimant. To fund these discounts the government is giving the major precepting authorities a new fixed grant equivalent to 90% of the cost of the current benefit scheme. The district council will pay a share of this grant to parish councils from April to compensate for the loss in tax base, with future funding decisions being subject to government grant and consultation with parish councils.

Retained Business Rates

The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. It also enables local authorities to implement tax increment financing, giving the ability to undertake borrowing against future business rates growth, supported by the forecast tax increment that accrues from additional development.
These new arrangements for the retention of business rates come into effect on 1 April 2013, at which time the Council will assume liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list, which will include amounts that were paid over to central Government in respect of 2012-13 and prior years. A provision for these liabilities will be recognised in the 2013-14 accounts; but is not expected to be material.

Reporting Cycle

The General Fund and Housing Revenue Account estimates are presented to Cabinet and Council for approval every year, in February, and are published on the Council website at:
http://scambs.moderngov.co.uk/ieListDocuments.aspx?CId=293&MId=5780&Ver=4

During the year expenditure and income is monitored and significant variances reported to Cabinet. The Council's Forward Plan providing information on key reports is published on the Council's website http://scambs.moderngov.co.uk/mgListPlans.aspx?RPId=293&bcr=1

The Council regularly monitors performance against key performance indicators, this information is available from: http://www.scambs.gov.uk/content/council-aims-and-objectives

Corporate plan

The Council has published its Aims, Approaches and Actions for 2013-14 and the Corporate Plan for 2013-18 on its website at:

http://www.scambs.gov.uk/content/council-aims-and-objectives

Population growth

The District population of 131,000 people in 2001 is projected to increase to 174,000 by 2021, the estimate for June 2013 being 154,600. 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 / likely. 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;
- supported housing with reduced funding; and
- illegal traveller encampments/developments.

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 it is anticipated will enable the council to build several hundred new homes.

A company, wholly owned by the Council, has been set up to facilitate a new approach to delivering equity share, market sale and private rented properties, there have been no transactions during 2012-13.

New Initiatives

Two initiatives are currently under consideration; the City Deal, a proposal focussing on connecting homes and jobs via improved infrastructure in partnership with our neighbour authorities and organisations and;
the Community Infrastructure Levy (CIL), a levy that Councils can choose to charge on new developments in their area to fund infrastructure that the Council, local community and neighbourhoods want.

Auditor's Opinion

The Statement of Accounts is issued subject to audit.

Alex Colyer
Executive Director and Chief Finance Officer

Dated: 20 June 2013

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 2013 and its income and expenditure for the year then ended.

Alex Colyer
Executive Director (Corporate Services) as Chief Financial Officer
Dated: 20 June 2013

I confirm that these accounts were approved by the Corporate Governance Committee held on 28 June 2013.

Chairman of the Corporate Governance Committee

Dated: 28 June 2013

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

Main Financial Statements

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

Movement in Reserves

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

	Note	General Fund Balance £	Earmarked General Fund Reserves £ (Note 6)	Housing Revenue Account (HRA) £	Earmarked HRA Reserves £ (Note 49)	Capital Receipts Reserve £ (Note 11)	Capital Grants Unapplied £ (Note 11)	**Total Usable Reserves £** (Note 11)	**Unusable Reserves £** (Note 12)	**Total Authority Reserves £**
Balance as at 31st March 2011		**(7,407,235)**	**(3,189,504)**	**(2,290,418)**	**0**	**(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		210,091,646	0	0	0	212,529,909	0	212,529,909
Other comprehensive expenditure and income	5	0	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	0	212,529,909	6,171,706	218,701,615
Adjustments between accounting basis and funding basis under regulations	5	(2,127,272)	0	(210,491,183)	0	329,037	(32,172)	(212,321,590)	212,321,590	0
Net (increase) / decrease before transfers to earmarked reserves		310,991	0	(399,537)	0	329,037	(32,172)	208,319	218,493,296	218,701,615
Transfers (to) / from earmarked reserves	6	(277,833)	277,833	0	0	0	0	0	0	0
(Increase) / Decrease in year		33,158	277,833	(399,537)	0	329,037	(32,172)	208,319	218,493,296	218,701,615
Balance as at 31st March 2012		(7,374,077)	(2,911,671)	(2,689,955)	0	(1,096,879)	(622,022)	(14,694,604)	(139,556,451)	(154,251,055)
Movement in reserves during 2012-13										
Deficit / (Surplus) on provision of services (accounting basis)		1,087,195		(13,072,545)	0	0	0	(11,985,350)	0	(11,985,350)
Other comprehensive expenditure and income	5	0	0	0	0	0	0	0	1,193,790	1,193,790
Total comprehensive income and expenditure		1,087,195	0	(13,072,545)	0	0	0	(11,985,350)	1,193,790	(10,791,560)
Adjustments between accounting basis and funding basis under regulations	5	(1,325,393)	0	8,835,025	0	(1,635,337)	31,894	5,906,189	(5,906,189)	0
Net (increase) / decrease before transfers to earmarked reserves		(238,198)	0	(4,237,520)	0	(1,635,337)	31,894	(6,079,161)	(4,712,399)	(10,791,560)
Transfers (to) / from earmarked reserves	6/49	127,287	(127,287)	4,500,000	(4,500,000)	0	0	0	0	0
Increase / Decrease in year		(110,911)	(127,287)	262,480	(4,500,000)	(1,635,337)	31,894	(6,079,161)	(4,712,399)	(10,791,560)
Balance as at 31st March 2013		**(7,484,988)**	**(3,038,958)**	**(2,427,475)**	**(4,500,000)**	**(2,732,216)**	**(590,128)**	**(20,773,765)**	**(144,268,850)**	**(165,042,615)**

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.

2011-12 Gross Expenditure £	2011-12 Gross Income £	2011-12 Net Expenditure £		2012-13 Gross Expenditure £	2012-13 Gross Income £	2012-13 Net Expenditure £
			Expenditure on services			
3,129,829	(177,944)	2,951,885	Central Services	2,687,075	(99,149)	2,587,926
8,649,508	(7,520,907)	1,128,601	Central Services to the Public	8,779,491	(7,534,240)	1,245,251
			Cultural, Environmental and Planning Services			
1,095,963	0	1,095,963	Cultural and Related Services	615,994	0	615,994
7,640,383	(2,164,157)	5,476,226	Environmental Services	7,996,870	(2,523,852)	5,473,018
5,631,275	(1,808,316)	3,822,959	Planning and Development Services	5,668,884	(1,693,436)	3,975,448
35,383	0	35,383	Highways, Roads and Transport Services	37,783	(361)	37,422
			Non HRA Housing			
361,980	(40,492)	321,488	Personal Social Services	580,052	(138,384)	441,668
27,129,328	(26,862,150)	267,178	Housing Benefit and Administration	28,725,501	(28,479,366)	246,135
1,028,504	(482,817)	545,687	Private Sector Housing Renewal	968,360	(526,845)	441,515
353,463	(252,765)	100,698	Supporting People	25,021	0	25,021
1,177,291	(522,627)	654,664	Other Non HRA Housing Services Expenditure	126,478	(480,649)	(354,171)
133,682	0	133,682	Other Contributions to/from HRA	141,544	0	141,544
23,000	0	23,000	Non -distributed Costs	0	(28,000)	(28,000)
56,389,589	(39,832,175)	16,557,414	General Fund Services-Continuing operations	56,353,053	(41,504,282)	14,848,771
27,553,561	(25,975,555)	1,578,006	Housing Revenue Account Services	7,278,101	(27,732,525)	(20,454,424)
205,123,000	0	205,123,000	Housing Revenue Account Self-financing	0	0	0
289,066,150	(65,807,730)	223,258,420	**Net cost of services**	63,631,154	(69,236,807)	(5,605,653)
		7,265,270	Other operating expenditure		Note 7	4,199,745
		351,526	Financing and investment income		Note 8	7,908,113
		(18,345,307)	Taxation and non-specific grant income		Note 9	(18,487,555)
		212,529,909	**Deficit for the year on provision of services**			**(11,985,350)**
		(1,506,293)	**(Surplus)/Deficit on revaluation of non-current assets**			(3,288,210)
		7,678,000	**Actuarial (gain)/loss on pension assets and liabilities**		Note 23	4,482,000
		218,701,616	**Total comprehensive income and expenditure**			**(10,791,560)**

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'.

31 March 2012 £		Notes	31 March 2013 £
387,011,331	Property, Plant and Equipment	29	396,143,688
624,665	Heritage Assets	29	624,665
308,846	Intangible Assets	27	307,952
6,000,110	Long Term Investments	38	2,000,110
412,939	Long Term Debtors		379,716
394,357,891	**Long Term Assets**		**399,456,131**
9,559,702	Short Term Investments	38	21,201,018
42,203	Inventories	31	57,491
4,381,064	Short Term Debtors	32	2,778,268
1,018,113	Cash and Cash Equivalents	16	614,712
0	Assets held for sale	29	1,255,934
15,001,082	**Current Assets**		**25,907,423**
(937,325)	Cash and cash equivalents	16	(883,465)
(9,061,472)	Short Term Creditors	33	(8,670,274)
(228,486)	Provisions	34	(219,400)
(10,227,283)	**Current Liabilities**		**(9,773,139)**
(39,757,635)	Other Long Term Liabilities	23/39	(45,424,800)
(205,123,000)	Long Term Borrowing	39	(205,123,000)
(244,880,635)	**Long Term Liabilities**		**(250,547,800)**
154,251,055	**Net Assets**		**165,042,615**
(14,694,604)	Usable reserves	11	(20,773,765)
(139,556,451)	Unusable reserves	12	(144,268,850)
(154,251,055)	**Total Reserves**		**(165,042,615)**

Balance Sheet

Signed:

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

Dated: 20 June 2013

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.

2011-12 £		Note	2012-13 £
	Cash Flows from operating activities		
(82,726,159)	Cash receipts		(96,715,192)
79,187,061	Cash payments		75,600,063
(3,539,098)	Net cash flows from Operating Activities	13	(21,115,129)
205,123,000	HRA self-financing	13	0
201,583,902			(21,115,129)
9,368,061	Investing Activities	14	12,646,427
(211,133,538)	Financing Activities	15	8,818,244
(181,575)	Net increase or decrease in cash and cash equivalents		349,542
100,786	Cash and cash equivalents at the beginning of the reporting period		(80,789)
(80,789)	**Cash and cash equivalents at the end of the reporting period**	**16**	**268,753**

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 2012-13 and the Service Reporting Code of Practice 2012-13 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. No minimum revenue provision is currently charged on the debt acquired in relation to Housing Revenue Account self-financing as this is outside the scope of this regime.
The provisions for charges to revenue for non-current assets in the HRA were amended on 1 April 2012 following the introduction of self-financing. The Authority is required to charge the Housing Revenue Account a notional amount for depreciation; calculated in a similar way to the major repairs allowance. The notional depreciation charge is reserved to fund similar major repairs and improvement works. The transition period will continue till 2017-18, with a full depreciation charge equivalent to the whole capital adjustment transfer being charged to the Housing Revenue Account from 2018-19.

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 2012-13. 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 re-valued 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 is 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 is 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 the 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 2012-13 that have not been adopted.

The Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 incorporates amendments to:

Employee benefits, the removal of the “gain/loss on recognition” options, this is rarely used or permitted within the UK, and therefore not expected to apply to the Council. In addition there will be the introduction of a Termination Benefits recognition point, the point at which the Council will not be able to withdraw an offer.

Presentation of Financial statements; a potential reclassification within Other Comprehensive Income and expenditure. The main impact of this change will affect available for sale financial assets under IFRS 9. It is expected that this will have a minimal impact on the Council.

Fair Value Measurement introduces a consistent definition of assets and liabilities held at fair value. The revised definition will apply when other standards require an assessment under fair value and all fair value assessments from 2013-14 will be undertaken on this basis.

Financial Instrument disclosures, new disclosures will have the aim of assisting readers of the accounts in understanding the netting arrangements that occurs in the Balance Sheet.

Service Concession Arrangements, changes are expected to have a minimal 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 are 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 31 March 2013 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:

	2011/12	2012/13
Change in assumption	Increase in liability (£ million)	Increase in liability (£ million)
0.5% decrease in real discount rate	9.69	9.69
1 year increase in member life expectancy	3.09	3.09
0.5% increase in salary increase rate	2.42	2.42
0.5% increase in pensions increase rate	7.22	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 £421,417 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.

2011-12 £		2012-13 £
	General Fund	
	Reversal of items included in the Comprehensive Income and Expenditure Account	
(622,340)	Depreciation of non-current assets	(740,844)
(602,823)	Impairment of non-current assets	(17,627)
442,725	Reversal of impairment of non-current assets	975,133
168,106	Capital Grants and contributions applied to capital financing	0
32,042	Capital Grants and contributions unapplied	0
(778,210)	Revenue expenditure funded from capital under statute	(306,248)
387,013	Net gain/(loss) on sale of non-current assets	(35,137)
(466,679)	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(1,067,118)
(1,276)	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	42,965
25,546	Amount by which officer remuneration on an accruals basis is different from remuneration chargeable by statute	14,394
	Insertion of items not included in the Comprehensive Income and Expenditure Account	
(829,758)	Transfer from Capital Receipts Reserve to finance payment to the Government housing capital receipts pool	(355,972)
51,512	Capital expenditure charged against the General Fund	31,406
66,870	Statutory provision for financing of capital investment	133,655
(2,127,272)	**Total adjustments**	**(1,325,393)**
	Housing Revenue Account	
	Reversal of items included in the Comprehensive Income and Expenditure Account	
3,379,305	Impairment of non-current assets	11,505,731
(6,901,925)	Excess of depreciation over major repairs allowance element of housing subsidy	(4,608,699)
101,716	Capital Grants and contributions applied to capital financing	109,850
(2,750,120)	Net gain/(loss) on sale of non-current assets	378,325
(113,321)	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(225,882)
24,288	Amount by which officer remuneration on an accruals basis is different from remuneration chargeable by statute	(5,308)
(205,123,000)	Housing Revenue Account Self-financing	0
	Insertion of items not included in the Comprehensive Income and Expenditure Account	
891,874	Capital expenditure charged against the Housing Revenue Account	1,681,008
(210,491,183)	**Total adjustments**	**8,835,025**
	Capital Receipts Reserve	
(2,390,958)	Transfer of sale proceeds credited to net gain/loss on disposal of non-current assets in the Comprehensive Income and Expenditure Statement	(4,226,319)
1,842,402	Use of Capital Receipts Reserve to finance new capital expenditure	1,968,155
47,835	Capital receipts transferred to reserves	266,855
829,758	Use of Capital Receipts Reserve to finance payment to the Government housing capital receipts pool	355,972
329,037	**Total adjustments**	**(1,635,337)**
(212,289,418)	**Total adjustments**	**5,874,295**

Movement in other comprehensive income and expenditure

Decrease / (Increase) 2011-12 £		Decrease / (Increase) 2012-13 £
	Movement in Unusable Reserves	
(310,133)	Revaluation Reserve	(2,788,167)
210,727,210	Capital Adjustment Account	(7,540,835)
8,111,000	Pensions Reserve	5,696,000
1,276	Collection Fund Adjustment Account	(42,965)
13,777	Deferred Capital Receipts	(27,346)
(49,834)	Accumulating Compensated Absences Adjustment Account	(9,086)
218,493,296		(4,712,399)
	Adjustment between accounting basis and funding basis under regulations	
(2,127,272)	General Fund	(1,325,393)
(210,491,183)	Housing Revenue Account	8,835,025
329,037	Capital Receipts	(1,635,337)
(32,172)	Capital Grants Unapplied	31,894
(212,321,590)		5,906,189
6,171,706		1,193,790

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 2012-13.

	31 March 2011 £	Transfers out 2011-12	Transfers in 2011-12	31 March 2012 £	Transfers out 2012-13	Transfers in 2012-13	31 March 2013 £
Capital							
Preservation of Historic Buildings Fund	(54,622)	0	0	(54,622)	0	0	(54,622)
Arts Grants	(45,650)	12,260	(40,000)	(73,390)	105,915	(40,000)	(7,475)
Dual Use Recreational Facilities	(206,125)	183,477	0	(22,648)	22,648	0	0
Planning Projects	0	0	0	0	0	0	0
Community Development	(80,667)	62,727	(135,307)	(153,247)	87,189	(249,789)	(315,847)
Sports Development	(263,902)	161,307	(64,693)	(167,288)	92,393	(100,000)	(174,895)
Other	(226,035)	87,398	(54,183)	(192,820)	53,642	(27,256)	(166,434)
Revenue							
Conservation Reserves	(1,090)	422	0	(668)	0	0	(668)
Building Control Reserve	(202,777)	60,196	0	(142,581)	24,213	0	(118,368)
Arts Reserve	(34,871)	29,892	0	(4,979)	0	0	(4,979)
Planning Reserve	(1,032,417)	320,130	0	(712,287)	326,530	(66,524)	(452,281)
Community Safety & Grants Reserve	(22,295)	10,940	(2,000)	(13,355)	4,000	(4,500)	(13,855)
Sports Reserve	(33,313)	28,428	(7,300)	(12,185)	10,000	0	(2,185)
Travellers Reserve	(628,400)	56,457	(131,988)	(703,931)	48,913	(61,890)	(716,908)
Additional Pension Reserve -Notes 23/47	0	0	(195,937)	(195,937)	0	(290,968)	(486,905)
Other	(357,341)	18,379	(122,771)	(461,733)	14,634	(76,437)	(523,536)
	(3,189,505)	**1,032,013**	**(754,179)**	**(2,911,671)**	**790,077**	**(917,364)**	**(3,038,958)**
Total - Capital	(877,001)	507,169	(294,183)	(664,015)	361,787	(417,045)	(719,273)
Revenue	(2,312,504)	524,844	(459,996)	(2,247,656)	428,290	(500,319)	(2,319,685)
	(3,189,505)	**1,032,013**	**(754,179)**	**(2,911,671)**	**790,077**	**(917,364)**	**(3,038,958)**

7 Comprehensive Income and Expenditure Statement - Other Operating Expenditure

2011-12 Net Expenditure £	Other operating expenditure	Note	2012-13 Net Expenditure £
3,929,068	Precepts of Local Precepting Authorities		4,039,148
143,336	Internal Drainage Boards		147,813
829,758	Payment to the Government for Housing Pooled Capital receipts		355,972
2,363,108	Loss (Gain) on disposal of non-current assets	5	(343,188)
7,265,270			**4,199,745**

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

2011-12 Net Expenditure £	Financing and investment income	Note	2012-13 Net Expenditure £
898,000	Pensions interest cost and expected return on pension assets	23	1,395,000
59,119	Interest Payable		7,192,805
(605,593)	Interest and investment income		(679,692)
351,526			**7,908,113**

9 Comprehensive Income and Expenditure Statement - Taxation

2011-12 Net Expenditure £	Taxation and non-specific grant income	Note	2012-13 Net Expenditure £
(10,868,526)	Income from Council Tax		(11,035,199)
(4,603,491)	Distribution from Non-Domestic Rate Pool		(5,309,295)
(2,571,426)	Non-ring fenced Government Grants	40	(2,033,211)
(301,864)	Capital Grants and contributions		(109,850)
(18,345,307)			**(18,487,555)**

10 Material items of income and expenditure

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

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

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

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

11 Usable Reserves

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

31 March 2012 £		Note	31 March 2013 £
(1,096,879)	Usable Capital Receipts Reserve		(2,732,216)
(2,911,671)	Earmarked Reserve-General fund	6	(3,038,958)
0	Earmarked Reserve-Housing Revenue Account	49	(4,500,000)
(622,022)	Capital Grants Unapplied		(590,128)
(7,374,077)	General Fund		(7,484,988)
(2,689,955)	Housing Revenue Account		(2,427,475)
(14,694,604)			**(20,773,765)**

Usable Capital Receipts Reserve

2011-12 £		2012-13 £
(1,425,916)	**Balance at 1 April**	**(1,096,879)**
(2,390,958)	Capital receipts received	(4,226,319)
1,842,402	Capital receipts applied	1,968,155
829,758	Payments to DCLG	355,972
47,835	Transfers to/ (from) reserves	266,855
(1,096,879)	**Balance at 31 March**	**(2,732,216)**

Capital Grants Unapplied

2011-12 £		2012-13 £
(584,050)	Planning Delivery Grant	(584,050)
(5,800)	Council Tax - efficiency changes	(5,800)
(31,894)	Improvement East - Information Technology and energy	0
(278)	Other	(278)
(622,022)	**Balance at 31 March**	**(590,128)**

12 Unusable Reserves

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

2011-12 £		2012-13 £
(14,920,498)	Revaluation Reserve	(17,708,665)
(164,563,237)	Capital Adjustment Account	(172,104,072)
39,703,000	Pensions Reserve	45,399,000
42,132	Collection Fund Adjustment Account	(833)
(46,334)	Deferred Capital Receipts	(73,680)
228,486	Accumulated Absences	219,400
(139,556,451)	**Balance at 31 March**	**(144,268,850)**

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.

31 March 2012 £		31 March 2013 £
(14,610,365)	**Balance at beginning of year**	**(14,920,498)**
(6,100,572)	Revaluation gains	(16,490,474)
4,021,198	Reversal of impairment	12,380,887
33,784	Revaluation impairment	326,312
1,395,090	Release of revaluation gains on disposal	586,508
340,367	Depreciation adjustment	408,600
(14,920,498)	**Balance at 31 March**	**(17,708,665)**

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 2012 £	Balance at 1 April	31 March 2013 £
(375,290,447)		**(164,563,237)**
	Capital expenditure financed from;	
(1,842,402)	Capital Receipts	(1,968,155)
(943,385)	Revenue	(1,737,386)
(1,283,305)	Grants and Reserves	(966,499)
(3,334,144)	Major Repairs Allowance	(5,512,300)
(66,870)	Internal financing	(133,655)
205,123,000	HRA Self Financing	0
(1,395,090)	Write out of revaluation gain on disposal	(586,508)
5,042,218	Disposal of assets	3,827,115
11,682,951	Depreciation, amortisation and impairment	10,802,042
(4,021,198)	Reversal of impairment on revaluation	(12,380,887)
1,765,435	Write out of revenue expenditure funded from capital under statute and loans repaid	1,115,398
(164,563,237)	**Balance at 31 March**	**(172,104,072)**

Pensions Reserve

2011-12 £'000		2012-13 £'000
31,592	**Balance at 1 April**	**39,703**
8,111	Movement in pension reserve	5,696
39,703	**Balance at 31 March**	**45,399**

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.

2011-12 £		2012-13 £
40,856	**Balance at 1 April**	**42,132**
1,276	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	(42,965)
42,132	**Balance at 31 March**	**(833)**

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.

2011-12 £		2012-13 £
278,320	**Balance at 1 April**	**228,486**
(49,834)	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	(9,086)
228,486	**Balance at 31 March**	**219,400**

13 Operating Activities

The cash flows for operating activities include the following items:

2011-12 £		2012-13 £	2012-13 £
(32,541,179)	Housing Benefit grant	(34,600,303)	
(15,197,897)	Cash received for goods and services	(15,240,351)	
(11,319,452)	Housing rents	(25,646,855)	
(10,858,317)	Council tax receipts - Council and Parish share	(11,017,196)	
(5,311,275)	Other grants and contributions	(2,427,658)	
(4,603,491)	Council share of National Non-Domestic Rates from National pool	(5,309,295)	
(2,347,601)	Revenue Support Grant/New Homes Bonus	(1,793,842)	
(546,474)	Interest received	(679,692)	
(473)	Collection Fund -Council share	0	(96,715,192)
12,526,981	Negative Housing Subsidy	0	
20,394,780	Housing Benefit	20,985,987	
3,929,068	Parish Precepts	4,039,148	
16,647,357	Cash paid to and on behalf of employees	15,747,250	
23,194,034	Other operating cash payments	33,127,923	
1,765,435	Revenue funded from capital under statute	1,084,388	
729,406	Payments to the Capital Receipts Pool	602,062	
0	Collection Fund -Council share	13,305	75,600,063
(3,539,098)			**(21,115,129)**
205,123,000	HRA Self Financing		0
201,583,902	**Net cash flows from operating activities**		**(21,115,129)**

14 Investing Activities

The cash flows for investing activities include the following items:

2011-12 £		2012-13 £
5,944,835	Purchase of property, plant and equipment and intangible assets	9,260,990
31,336,464	Purchase of Short-term and long-term investments	47,513,535
(2,399,559)	Proceeds from the sale of property, plant and equipment	(4,226,319)
(25,527,454)	Proceeds from short-term and long-term investments	(39,872,219)
13,775	Other receipts from investing activities	(29,560)
9,368,061		**12,646,427**

15 Financing Activities

2011-12 £		2012-13 £
(205,123,000)	Cash receipts of short and long term borrowing	0
(6,010,538)	Other receipts from financing activities	1,625,439
0	Other payments for financing activities	7,192,805
(211,133,538)		**8,818,244**

16 Cash and Cash Equivalents

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

2011-12 £		2012-13 £
181,575	(Increase) /decrease in cash	(349,542)
181,575	Increase in net debt from cash flow	(349,542)
(100,786)	Net debt at 1 April	80,789
80,789	**Net debt at 31 March**	**(268,753)**

17 Amounts Reported for Resource Allocation 2012-13

For the year ended 31st March 2013

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 Staffing	Environmental Services	Housing General Fund	Housing Revenue A/c	Planning and Economic Development	Northstowe	Leader	Corporate and Customer Services	Planning Policy & Localism	Total
	£	£	£	£	£	£	£	£	£	£
Fees, charges and other service income	(387,927)	(2,074,622)	(507,545)	(27,427,345)	(1,668,846)	(290,074)	(111,025)	(321,722)	(90,384)	(32,879,490)
Government grants	(33,908,023)	0	(55,167)	0	0	0	(50,540)	0	0	(34,013,730)
Total income	(34,295,950)	(2,074,622)	(562,712)	(27,427,345)	(1,668,846)	(290,074)	(161,565)	(321,722)	(90,384)	(66,893,220)
Employee expenses	135,991	13,889	0	750,726	0	0	0	0	0	900,606
Other service expenses	33,457,995	5,166,521	729,484	9,033,447	319,277	141,703	378,656	688,220	261,303	50,176,606
Operational and support service recharges	2,778,190	2,234,919	1,046,085	3,532,214	3,545,192	148,371	392,376	1,304,508	1,586,268	16,568,123
Financing, depreciation, etc.	1,400	215,495	70,922	7,180,634	16,073	0	3,000	0	0	7,487,524
Interest payments	0	0	0	7,192,805	0	0	0	0	4,400	7,197,205
Total expenditure	36,373,576	7,630,824	1,846,491	27,689,826	3,880,542	290,074	774,032	1,992,728	1,851,971	82,330,064
Net expenditure	2,077,626	5,556,202	1,283,779	262,481	2,211,696	0	612,467	1,671,006	1,761,587	15,436,844

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

Cost of services on Segmental Reporting (Portfolio) basis	15,436,844
Additional segments not included in the Portfolio analysis	52,828
Amounts not included in reports to Portfolio Holders but included in the Comprehensive Income and Expenditure Statement net cost of services	(8,285,773)
Amounts included in reports to Portfolio Holders but not included in the Comprehensive Income and Expenditure Statement net cost of services	(12,809,554)
Net cost of services	(5,605,655)

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	Total
	£	£	£	£	£	£	£	£
Fees, charges & other service income	(32,879,490)	0	0	14,678	(285,610)	(33,150,422)	0	(33,150,422)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	0	0	0	0	0	0	(679,692)	(679,692)
Income from council tax	0	0	0	0	0	0	(11,035,199)	(11,035,199)
Government grants and contributions	(34,013,730)	0	0	50,470	0	(33,963,260)	(7,452,354)	(41,415,614)
Total Income	(66,893,220)	0	0	65,148	(285,610)	(67,113,682)	(19,167,245)	(86,280,927)
Employee expenses	900,606	0	(111,086)	(290,968)	16,035,982	16,534,534	1,395,000	17,929,534
Other service expenses	50,176,606	52,828	(320,149)	(3,709,921)	385,196	46,584,560	0	46,584,560
Operational and support service recharges	16,568,123	0	0	0	(16,568,123)	0	0	0
Financing, depreciation, etc.	7,487,524	0	(7,854,538)	(1,681,008)	432,555	(1,615,467)	0	(1,615,467)
Interest payments	7,197,205	0	0	(7,192,805)	0	4,400	7,192,805	7,197,205
Precepts & levies	0	0	0	0	0	0	4,186,961	4,186,961
Payments to housing capital receipts pool	0	0	0	0	0	0	355,972	355,972
Gain or loss on disposal of non-current assets	0	0	0	0	0	0	(343,188)	(343,188)
Total operating expenses	82,330,064	52,828	(8,285,773)	(12,874,702)	285,610	61,508,027	12,787,550	74,295,577
Surplus or deficit on the provision of services	15,436,844	52,828	(8,285,773)	(12,809,554)	0	(5,605,655)	(6,379,695)	(11,985,350)

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 Staffing	Environmental Services	Housing (General Fund)	Housing Revenue A/c	Planning and Economic Development	Planning Policy and Localism	Leader	Corporate and Customer Services	Northstowe	Total
	£	£	£	£	£	£	£	£	£	£
Fees, charges and other service income	(396,915)	(2,099,036)	(724,493)	(25,747,201)	(1,770,063)	(83,154)	(79,551)	(320,116)	(125,000)	(31,345,529)
Government grants	(32,320,757)	0	(103,262)	0	0	0	(111,080)	0	0	(32,535,099)
Total income	(32,717,672)	(2,099,036)	(827,755)	(25,747,201)	(1,770,063)	(83,154)	(190,631)	(320,116)	(125,000)	(63,880,628)
Employee expenses	231,741	11,341	0	1,340,042	0	0	0	0	0	1,583,124
Other service expenses	31,992,960	5,054,458	711,542	16,221,611	327,129	243,087	370,282	660,883	0	55,581,952
Operational and support service recharges	2,759,568	2,293,216	1,262,596	3,500,874	3,567,303	1,497,343	524,282	1,360,925	0	16,766,107
Financing, depreciation, etc.	1,600	202,747	81,127	4,226,018	15,358	4,400	0	0	0	4,531,250
Interest payments	0	0	0	59,119	0	0	0	0	0	59,119
Total expenditure	34,985,869	7,561,762	2,055,265	25,347,664	3,909,790	1,744,830	894,564	2,021,808	0	78,521,552
Net expenditure	2,268,197	5,462,726	1,227,510	(399,537)	2,139,727	1,661,676	703,933	1,701,692	(125,000)	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	14,640,924
Additional segments not included in the Portfolio analysis	5,861
Amounts not included in reports to Portfolio Holders but included in the Comprehensive Income and Expenditure Statement net cost of services	3,534,872
Amounts included in reports to Portfolio Holders but not included in the Comprehensive Income and Expenditure Statement net cost of services	(46,236)
Net cost of services	18,135,421

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		(31,427,757)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0		0
Interest and investment income	0	0	0	0	0	0	(605,593)		(605,593)
Income from council tax	0	0	0	0	0	0	(10,868,526)		(10,868,526)
Government grants and contributions	(32,535,099)	0	0	50,470	(82,549)	(32,567,178)	(7,476,781)		(40,043,959)
Total Income	(63,880,628)	0	0	68,679	(182,986)	(63,994,935)	(18,950,900)		(82,945,835)
Employee expenses	1,583,124	0	(367,834)	(195,937)	15,964,648	16,984,001	898,000		17,882,001
Other service expenses	55,581,952	5,861	219,966	1,032,015	667,336	57,507,130	0		57,507,130
Operational and support service recharges	16,766,107	0	0	0	(16,766,107)	0	0		0
Financing, depreciation, etc.	4,531,250	0	3,682,740	(891,874)	317,109	7,639,225	0	205,123,000	212,762,225
Interest payments	59,119	0	0	(59,119)	0	0	59,119		59,119
Precepts & levies	0	0	0	0	0	0	4,072,404		4,072,404
Payments to housing capital receipts pool	0	0	0	0	0	0	829,758		829,758
Gain or loss on disposal of non-current assets	0	0	0	0	0	0	2,363,107		2,363,107
Total operating expenses	78,521,552	5,861	3,534,872	(114,915)	182,986	82,130,356	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	(10,728,512)	205,123,000	212,529,909

18 Acquired and Discontinued Operations

There are no transactions to report under these headings in 2011-12 or in 2012-13.

19 Trading Operations

2011-12 £	Direct Labour Organisation	2012-13 £
	Building Maintenance	
2,216,586	Turnover	6,908
453	(Surplus)/ Deficit	6,908
(16,248)	Accounting adjustments for pensions and impairment	0
(15,795)	**Total (Surplus)/ Deficit**	**6,908**

20 Members Allowances

The total of Members' allowances paid in the year was £363,269 (£368,943 in 2011-12). 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.

21 Officers' Remuneration

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

Remuneration band	2012-13 number of employees	2011-12 number of employees
£50,000 - £54,999	3	3
£55,000 - £59,999	2	2
£60,000 - £64,999	1	1
£65,000 – £69,999	2	2
£70,000 - £74,999	3	2
£80,000 - £84,999	1	0

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 2012-13 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	
	2011-12	2012-13	2011-12	2012-13	2011-12 £	2012-13 £
£0 - £20,000	6	4	4	0	87,667	45,672
£20,001 - £40,000	7	5	0	0	202,317	149,356
£40,001- £80,000*	2	0	0	0	105,713	0
Total	**15**	**9**	**4**	**0**	**395,697**	**195,028**

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

Senior Officer Remuneration

In 2012-13 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 etc.	Compensation for loss of office	Total Remuneration excluding pension contributions	Employers Pension contributions	Total Remuneration including pension contributions
		£	£	£	£	£	£	£
Chief Executive	**2012-13**	120,000	13,549	0	0	133,549	26,108	159,657
	2011-12	120,000	13,777	0	0	133,777	26,040	159,817
Executive Director [1]	**2012-13**	12,525	0	3,955	50,291	66,771	1,860	68,630
(Operational Services)	2011-12	102,835	0	0	0	102,835	22,315	125,150
Executive Director	**2012-13**	102,835	655	0	0	103,490	22,315	125,805
(Corporate Services)	2011-12	102,835	300	0	0	103,135	22,315	125,450

Executive Director [1] date of termination of service: 30 April 2012

22 External Audit Costs

Expenditure during the year on audit costs was:

2011-12 £	Audit Commission	2012-13 £
114,000	Auditing Fee	68,400
(9,120)	Rebate	0
104,880		68,400
34,374	Certifying grant claims	32,391
139,254		100,791
0	Inspection fee	0
139,254		**100,791**

23 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 2012 £'000		31 March 2013 £'000
63,267	Fair value of scheme assets	72,408
(102,946)	Present value of scheme liabilities	(117,794)
(39,679)		(45,386)
(147)	Less capital contribution to early retirement included in scheme assets	(68)
123	Liability for cost of early retirement shown separately under creditors in balance sheet	55
(39,703)	**Amount recognised in balance sheet**	**(45,399)**

Transactions in the Comprehensive Income and Expenditure Account

2011-12 £'000		2012-13 £'000
	Net cost of services	
2,162	Current service cost apportioned to services	2,189
127	Past service costs (non-distributed cost)	0
10	Losses on curtailment (non-distributed cost)	92
	Net operating expenditure	
5,220	Interest cost	4,929
(4,322)	Expected return on assets	(3,534)
3,197		**3,676**

Transactions in the Movement in Reserves Statement

2011-12 £'000		2012-13 £'000
(3,197)	Reversal of pension costs earned in year	(3,676)
2,503	Employer's payment to pension fund	2,263
114	Employer's payment for unfunded pensions	120
(580)		(1,293)
0	Movement in creditor	0
(580)		**(1,293)**

The movement in the fair value of scheme assets is:

2011-12 £'000			2012-13 £'000
64,135	**Opening balance as at 1 April**		**63,267**
4,322	*	Expected return on assets	3,534
739		Contributions by Members	697
2,650	**	Contributions by Employer	2,331
114		Contributions in respect of unfunded benefits	120
(4,041)		Actuarial gain / (losses)	5,927
(114)		Unfunded benefits paid	(120)
(4,538)		Benefits paid	(3,348)
63,267	**Closing balance as at 31 March**		**72,408**

* 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 2013-14 are £2,283,000. In addition, the employer has contributed approximately £291,000 in 2012-13 to an internal reserve.

The movement on the present value of scheme liabilities is:

2011-12 £'000		2012-13 £'000
(95,703)	**Opening balance as at 1 April**	**(102,946)**
(2,162)	Current service cost	(2,189)
(5,220)	Interest cost	(4,929)
(739)	Contributions by Members	(697)
(3,637)	Actuarial gains / (losses)	(10,409)
(127)	Past service (costs) / gains	0
(10)	Losses on curtailment	(92)
114	Estimated unfunded benefits paid	120
4,538	Estimated benefits paid	3,348
(102,946)	**Closing balance as at 31 March**	**(117,794)**

The analysis of the fair value of scheme assets is:

31 March 2012 £'000	%		31 March 2013 £'000	%
45,553	72%	Equities	55,030	76%
8,857	14%	Bonds	10,137	14%
5,694	9%	Property	5,069	7%
3,163	5%	Cash	2,172	3%
63,267	**100%**	**Total**	**72,408**	**100%**

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

2011-12 £'000		2012-13 £'000
(3,637)	Actuarial (loss) / gain on scheme liabilities	(10,409)
(4,041)	Actuarial loss /(gain) on scheme assets	5,927
(7,678)	**Actuarial gains /(losses)**	**(4,482)**
(35,861)	**Cumulative actuarial (losses) at year end**	**(40,343)**

The principal assumptions used by the Actuary are:

31 March 2012		31 March 2013
	Financial assumptions	
2.5%	Inflation/pensions increase rate	2.8%
**4.8%	Salary increase rate	*5.1%
	* (1% to 31 March 2016, long term assumption thereafter)	
	** (1% to 31 March 2015, long term assumption thereafter)	
5.6%	Expected return on assets	4.5%
4.8%	Discount rate	4.5%
	Analysis of the expected return on assets	
6.3%	Equities	4.5%
3.3%	Bonds	4.5%
4.4%	Property	4.5%
3.5%	Cash	4.5%
	Life expectancy at age 65	
	Current pensioners	
21 years	Males	21 years
23.8 years	Females	23.8 years
	Future pensioners	
22.9 years	Males	22.9 years
25.7 years	Females	25.7 years
	Employees electing to take additional tax-free lump sum up to HMRC limits	
25%	pre April 2008 service	25%
63%	post April 2008 service	63%

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

	2008-09 £'000	2009-10 £'000	2010-11 £'000	2011-12 £'000	2012-13 £'000
Fair value of scheme assets	44,858	59,864	64,135	63,267	72,408
Present value of scheme liabilities	(68,964)	(112,621)	(95,703)	(102,946)	(117,788)
Surplus/deficit	**(24,106)**	**(52,757)**	**(31,568)**	**(39,679)**	**(45,380)**
Actuarial gains/ (losses) on asset obligation					
Experience gains/(losses) on assets	(14,294)	11,777	4	(4,041)	5,927
Experience (gains)/losses on liabilities	6,664	(39,637)	11,288	(3,637)	(10,409)
	(7,630)	**(27,860)**	**11,292**	**(7,678)**	**(4,482)**
Experience (gains)/ losses on liabilities as % of present value of scheme liabilities	(9.7%)	35.2%	(11.8%)	3.5%	8.8%

24 Events after the Balance Sheet Date

The un-audited Statement of Accounts were authorised for issue by the Executive Director – Corporate Services on 20 June 2013. This is the date up to which events after the balance sheet date have been considered.

25 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 Note 36 and the Collection Fund Statement.

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2012-13 is shown in Note 20.

In 2012-13, there were no reported material related party transactions that are not disclosed elsewhere in the accounts.

26 Leases

There were no finance lease agreements during 2012-13.

The Council has no operating leases. Payments of £1,041,833 in respect of vehicle contract hire were made in 2012-13 (£1,142,472 in 2011-12).

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

2011-12		2012-13
£		£
1,017,523	Not later than one year	953,099
3,009,864	Later than one year and not later than five years	2,096,488
39,723	Later than five years	0
4,067,110		**3,049,587**

27 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	up to 5 years

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £77,004 charged to revenue in 2012-13 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 2012-13	Intangible Assets 2011-12
Balance at start of year		
Gross carrying amount	497,554	294,610
accumulated amortisation	(188,708)	(150,794)
Net carrying amount at start of year	**308,846**	**143,816**
Additions		
Purchases	76,110	202,944
Assets reclassified		0
Amortisation for the period	(77,004)	(37,914)
Net carrying amount at end of year	**307,952**	**308,846**
Comprising:		
Gross carrying amounts	573,664	497,554
Accumulated depreciation	(265,712)	(188,708)
	307,952	**308,846**

28 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	**2012-13**	**2011-12**
	£	**£**
Council dwellings (Housing Revenue Account and General Fund)		
Impairment	382,977	501,621
Charge to Revaluation Reserve	(623,228)	(371,490)
Reversal	(11,385,716)	(3,578,474)
Other Land and Buildings		
Impairment	141,959	156,612
Charge to Revaluation Reserve	(110,866)	(2,661)
Reversal	(322,518)	(442,725)
Vehicles, Plant and Equipment		
Impairment	7,344	0
Reversal	0	0
Infrastructure		
Impairment	108,889	11,890
Surplus assets not held for sale		
Impairment	10,575	506,020
Charge to Revaluation Reserve	0	0
Reversal	(672,653)	0

29 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, surplus assets held for sale 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 2012-13

	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 2012	**362,302,456**	**21,209,152**	**5,096,878**	**95,404**	**1,197,573**	**389,901,463**
adjustment to opening balance		125,482			(125,482)	**0**
Inter-asset transfer					(471,939)	**(471,939)**
Additions	6,987,292	171,239	346,034	108,889	0	**7,613,454**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	4,711,329	(4,642)	0	(108,889)	0	**4,597,798**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	240,252	(31,093)	0	0	0	**209,159**
Derecognition-disposals	(1,712,960)	(106,431)	(12,344)	0	(540,000)	**(2,371,735)**
At March 2013	**372,528,369**	**21,363,707**	**5,430,568**	**95,404**	**60,152**	**399,478,200**
Accumulated Depreciation and impairment						
At 1 April 2012	**0**	**(162,755)**	**(2,670,984)**	**(56,393)**	**0**	**(2,890,132)**
Depreciation Charge	(10,114,332)	(278,570)	(403,208)	(11,279)	0	**(10,807,389)**
Depreciation written out to the Revaluation Reserve	417,379	292	0	0	0	**417,671**
Depreciation written out to the Surplus/Deficit on the Provision of Services	9,696,953	255,729	0	0	0	**9,952,682**
Derecognition-disposals	0	0	(7,344)	0	0	**(7,344)**
At March 2013	**0**	**(185,304)**	**(3,081,536)**	**(67,672)**	**0**	**(3,334,512)**
Net Book Value						
At March 2012	**362,302,456**	**21,046,397**	**2,425,894**	**39,011**	**1,197,573**	**387,011,331**
At March 2013	**372,528,369**	**21,178,403**	**2,349,032**	**27,732**	**60,152**	**396,143,688**

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)**
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**
Derecognition-disposals	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**

Surplus assets held for sale

	Assets held for sale 2012-13 £	Assets held for sale 2011-12 £
Cost or valuation		
At 1 April	**0**	**0**
Inter-asset transfer	471,939	0
Additions	1,571,427	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	5,870	0
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	662,078	0
De-recognition-disposals	(1,455,380)	0
At 31 March	**1,255,934**	**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**	**0**
Closing balance	**1,255,934**	**0**

Heritage Assets

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.

	Heritage Assets 2012-13 £	Heritage Assets 2011-12 £	Heritage Assets 2010-11 £	Heritage Assets 2009-10 £	Heritage Assets 2008-09 £
Valuation					
At 1 April	**624,665**	**609,429**	**580,409**	**552,770**	**526,448**
Additions	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	15,236	29,020	27,639	26,322
At 31 March	**624,665**	**624,665**	**609,429**	**580,409**	**552,770**
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	**624,665**	**609,429**	**580,409**	**552,770**	**526,448**
Closing balance	**624,665**	**624,665**	**609,429**	**580,409**	**552,770**

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 Mr Paul Gedge, MRICS, as at 31 March 2013 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 2013 by Mr Paul Gedge, 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 41. 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 2012 (numbers)		**31 March 2013 (numbers)**
5,479	Council dwellings (HRA & GF)	5,457
1	Office	1
1	Depot and workshop (leased)	1
0	Country Park, visitors centre and toilet block (99 year lease granted to Cambridge Sports Lake Trust Ltd at 31 March 2008)	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 2013 were £0.497 million on Housing and £1.5 million on General Fund, but these commitments are more than covered by usable housing capital receipts and from earmarked reserves in the General Fund.

30 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:

	2012-13 £		2011-12 £	
Opening capital financing requirement		**208,827,712**		**3,459,376**
Expenditure				
Intangible assets	76,110		202,944	
Non-current assets	9,184,883		5,741,889	
Revenue funded from capital under statute (REFCUS)	1,084,388		1,765,435	
Long term debtors	1,450		5,174	
Financing				
Capital Receipts	(1,999,165)		(1,842,402)	
Revenue	(1,737,386)		(943,385)	
Grant and contributions	(448,668)		(794,470)	
Major Repairs Allowance	(5,512,300)		(3,334,144)	
Reserves	(517,831)		(488,835)	
Minimum Revenue Provision	(133,655)		(66,870)	
		(2,174)		245,336
2011-12 exceptional REFCUS				
Housing Revenue Account self-financing		0		205,123,000
Closing capital financing requirement		**208,825,538**		**208,827,712**
Increase/(decrease) in underlying need to borrow		(2,174)		205,368,336

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.

	2012-13 £	2011-12 £
Balance as at 1 April	**0**	**0**
Improvement Grants	618,679	715,508
Other	465,709	1,049,927
Written out	(1,084,388)	(1,765,435)
Balance as at 31 March	**0**	**0**

31 Inventories

31 March 2012 £		31 March 2013 £
38,258	DSO - Recycling and refuse bins and sacks	51,137
1,502	Catering	1,910
2,443	Post	4,444
42,203		**57,491**

32 Short Term Debtors

31 March 2012 £	Debtors	31 March 2013 £
1,108,315	Government Departments - other	586,856
0	Government Departments - Business Rates	192,109
109,161	Council Tax - District Council share	129,176
317,469	Housing Rents	364,607
242,894	Cambridgeshire County Council	63,918
4,041,978	Sundry Debtors	3,070,451
5,819,817		4,407,117
	Provision for Doubtful Debts	
(46,613)	Council Tax -District Council share	(53,585)
(301,677)	Housing	(316,067)
(1,090,463)	Sundry Debtors	(1,259,197)
(1,438,753)		(1,628,849)
4,381,064	**Total Debtors**	**2,778,268**

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 37.

33 Short Term Creditors

31 March 2012 £			31 March 2013 £
(679,761)		Government Departments - other	(1,278,829)
(2,214,765)		Government Departments - Business Rates	0
(104,206)		Council Tax -District Council share	(88,064)
(237,108)		Housing Rents	(207,338)
(375,153)		Cambridgeshire County Council	(524,674)
(997)		Cambridgeshire Police Authority	(11,638)
(250)		Cambridgeshire Fire Authority	(4,476)
(65,998)		Cambridge City Council	(88,042)
(4,064,772)		Sundry Creditors	(4,703,882)
(380,411)		Provision	(206,716)
(938,051)	**	Developers Contributions	(1,556,615)
(9,061,472)		**Total Creditors**	**(8,670,274)**

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 2012 £	Movement during year £	Balance at 31 March 2013 £
Capital			
Commuted Sums	(81,989)	0	(81,989)
Partnership works on Awarded Watercourses	(319,584)	12,348	(307,236)
Affordable Housing S106	(336,245)	(639,508)	(975,753)
Revenue			
Sustainability S106 Orchard Park	(68,908)	0	(68,908)
Public Art S106 Orchard Park	(106,339)	29,245	(77,094)
Community Development S106	(11,517)	0	(11,517)
Electoral Arrangements	(7,216)	0	(7,216)
Waste Management	(6,253)	(20,649)	(26,902)
	(938,051)	**(618,564)**	**(1,556,615)**
Capital	(737,818)	(627,160)	(1,364,978)
Revenue	(200,233)	8,596	(191,637)
	(938,051)	**(618,564)**	**(1,556,615)**

34 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 £219,400 as shown in the Balance Sheet and Note12.

35 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 297 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 77 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; the Executive Director Corporate Services and the Human Resource Manager do not consider these to be a significant or material risk requiring a provision in the accounts.

3. the Council has received a claim for subsidence repairs to a listed building following refusal of consent by the Council's Planning Committee to fell a cedar tree, the tree also being subject to a Tree Preservation Order. Dependent on the work undertaken, repair costs have been provisionally estimated between £80,000 and £400,000, but may be greater dependent on the solution adopted. The claim is under review by the Council's legal and planning departments.

4. The Council is a defendant in proceedings brought by a group of property search companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £1,309 plus interest and costs. A second group of property search companies are also seeking to claim refunds although no proceedings have been issued. The Council has been informed that the value of those claims at present is £151,655 plus interest and costs. The second group of property search companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour.

It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

36 Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2012-13.

Restated* 2011-12 £			2012-13 £
		Credited to services	
		Department of Social Security and Department of Communities and Local Government	
(32,351,350)	*	Housing Benefit Administration, Discretionary and Fraud	(33,854,723)
		Department of Communities and Local Government	
(216,443)		NNDR Cost of Collection Allowance	(217,420)
0		Habitat regulation	0
(5,258)		Homelessness	(5,258)
(1,500)		Mortgage Rescue	0
(10,206)		Council tax /Business Rates	(3,000)
(311,301)		Improvement Grant	(306,910)
		Cambridgeshire County Council	
(41,080)		Building Safer Communities -Safer, Stronger Communities Fund	(20,540)
(70,000)		LPSA Reward Grant	(30,000)
(52,390)		Other contributions	(864,925)
		Cambridge Horizons and Department of Communities and Local Government	
0		Growth Agenda/ New Communities	(195,074)
		Private Sector	
(201,333)		Housing Association Support	0
(41,027)		S106 contributions	(219,487)
(1,136,072)		Contributions from other authorities	(252,961)
(34,437,960)			**(35,970,298)**
		Credited to Taxation and Non-specific Grant Income	
		Department of Communities and Local Government	
(1,422,952)		Revenue Support Grant	(102,919)
(924,649)		New Homes Bonus	(1,690,923)
0		New Burdens	(13,420)
(173,355)		Council Tax Freeze Grant	(175,479)
(50,470)		Local Services Support Grant	(50,470)
(2,571,426)			**(2,033,211)**

37 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 £356,667 as at 31 March 2013 (£386,228 in 2011-12).

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 £5.0 million of its surplus balances to any one institution, this limit was revised to £7.5 million in February 2013.
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.

38 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 2012 £		31 March 2013 £
	Local Authorities	
5,390,639	Clearing Banks	17,111,906
2,502,463	Banks, other	0
0	Money Market Funds	75,694
	Building Societies with assets:	
7,123,596	greater than £10,000 million	6,089,112
1,044,673	between £1,500 million and £5,000 million	0
110	Government Securities	110
16,061,481		23,276,822
	Less:	
(501,669)	Cash and cash equivalents	(75,694)
15,559,812	Total	23,201,128
	Principal Investments analysed by maturity	
9,336,464	2012/13	0
4,000,000	2013/14	21,000,000
2,000,000	2014/15	2,000,000
110	Government Securities	110
15,336,574		23,000,110
223,238	Accrued interest	201,018
15,559,812		23,201,128

39 Long Term Liabilities

31 March 2012 £		Note	31 March 2013 £
(39,703,000)	Liability related to defined benefit pension scheme	**23**	(45,399,000)
(54,635)	Deferred Liability -Pension		(25,800)
(39,757,635)	**Total**		**(45,424,800)**
(205,123,000)	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 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 within 25 years	15,000
Repayable within 30 years	50,000
Repayable within 35 years	50,000
Repayable within 40 years	50,000
Repayable within 45 years	40,123
Total commitment	**205,123**

40 Non ring-fenced Government Grant

2011-12 £		Note	2012-13 £
(1,422,952)	Revenue Support Grant		(102,919)
(924,649)	New Homes Bonus		(1,690,923)
(173,355)	Council Tax Freeze Grant		(175,479)
0	New Burdens		(13,420)
(50,470)	Local Services Support Grant		(50,470)
(2,571,426)		**9**	**(2,033,211)**

Supplementary Financial Statements

- **Housing Revenue Income and Expenditure Account**
- **Collection Fund**

Housing Revenue Income and Expenditure Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2011-12				2012-13
£	**INCOME**		£	£
(23,547,577)	Dwelling Rents (Gross)		(25,433,115)	
(368,338)	Non-dwelling Rents (Gross)		(379,956)	
(1,886,473)	Charges for Services and Facilities		(1,559,110)	
				(27,372,181)
	Contributions towards expenditure			
(157,372)	General Fund		(150,344)	
0	Other Sources		(210,000)	
				(360,344)
(15,795)	Transfer of DLO surplus			0
(25,975,555)	**Total Income**			(27,732,525)
	EXPENDITURE			
3,234,540	Repairs and Maintenance			3,686,006
	Supervision and Management			
1,450,877	General			1,807,240
861,135	Repairs and Maintenance			712,512
2,400,554	Special Services			2,261,370
93,614	Rent, Rates and Other Charges			103,223
12,526,981	Payment to Government into National Pool	Note 46		0
6,856,764	Depreciation and impairment of Non-Current Assets	Notes 43 & 44		(1,384,732)
0	Transfer of DLO deficit			6,908
205,123,000	Self Financing Settlement	Note 39		0
99,400	Treasury Management Costs			27,050
29,696	Increased/(Decreased) Provison for Bad or Doubtful Debt			58,524
232,676,561	**Total Expenditure**			7,278,101
	Net Cost of Services as included in the whole authority			
206,701,006	**Income and Expenditure Account**			**(20,454,424)**
518,628	HRA services share of Corporate and Democratic Core			453,393
(2,064)	Mortgage Interest			(1,349)
207,217,570	**Net Cost of HRA Services**			**(20,002,380)**
2,750,120	Loss/(Gain) on sale of HRA non-current assets	Note 5		(378,325)
59,119	Interest payable on Self Financing Debt	Note 8		7,192,805
(16,145)	Interest and Investment Income			(13,329)
	Pensions Interest Cost and Expected Return on			
182,698	Pension Assets			238,535
(101,716)	Capital grants and contributions	Note 5		(109,850)
210,091,646	**Deficit/(surplus) for the year on HRA services**			**(13,072,544)**

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;

2011-12 £		Note	2012-13 £
210,091,646	(Surplus)/deficit for the year on the HRA Income and Expenditure Account		(13,072,544)
24,288	Amount by which officer remuneration on an accruals basis is different from remuneration chargeable by statute		(5,308)
3,379,305	Impairment taken to Capital Adjustment Account		11,505,731
(2,750,120)	(Loss)/gain on sale of HRA non-current assets		378,325
(205,123,000)	Self-Financing Settlement		0
(113,321)	HRA share of contributions to the Pensions Reserve		(225,882)
(6,901,925)	Transfer from Major Repairs Reserve/Capital Asset Accounting Adjustment		(4,608,699)
891,874	Capital expenditure funded by the Housing Revenue Account		1,681,008
	Adjustments between accounting basis and funding basis		
0	Transfer to reserves		4,500,000
101,716	under statute	5	109,850
(399,537)	Decrease/(increase) in the Housing Revenue Account balance for the year		262,481
(2,290,417)	Housing Revenue Account balance brought forward		(2,689,954)
(2,689,954)	**Housing Revenue Account balance carried forward**		**(2,427,473)**

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.

2011-12 £	INCOME	Note		2012-13 £
(81,271,612)	Income from Council Tax			(84,580,062)
	Transfers from General Fund			
(6,148,182)	Council Tax Benefits	50		(6,197,010)
(62,940,593)	Income collectable from Business Ratepayers			(65,310,765)
(150,360,387)				(156,087,837)
	EXPENDITURE			
	Demands and Precepts			
	Precepts			
62,926,733	Cambridgeshire County Council		65,574,369	
10,183,299	Cambridgeshire Police Authority		10,608,986	
3,475,510	Cambridgeshire Fire Authority		3,605,633	
				79,788,988
	Demands - District Council			
6,934,204	General Expenses		7,019,160	
3,929,068	Special Expenses - Parish Precepts		4,039,148	11,058,308
				90,847,296
	Contribution towards previous year's estimated Collection Fund Surplus/(deficit)			
38,596	Cambridgeshire County Council		(382,742)	
6,246	Cambridgeshire Police Authority		(61,938)	
2,132	Cambridgeshire Fire Authority		(21,139)	
6,530	District Council		(66,074)	(531,893)
	Business Rate			
62,724,150	Payment to National Pool		65,093,345	
216,443	Cost of Collection		217,420	65,310,765
	Bad and Doubtful Debts			
127,480	Write Offs		82,468	
(202,758)	Provision for Bad and Doubtful Debts		41,370	123,838
150,367,633				155,750,006
7,246	**Deficit/(Surplus) of income over expenditure**			(337,831)
327,952	Fund Balance at Beginning of year			335,198
335,198	**Fund Balance at end of year**			**(2,633)**

Collection Fund balance:

Attribution of (surplus) / deficit carried forward:

31 March 2012 £		31 March 2013 £
240,765	Cambridgeshire County Council	(1,255)
38,969	Cambridgeshire Police Authority	(200)
13,332	Cambridgeshire Fire Authority	(345)
293,066		(1,800)
42,132	District Council	(833)
335,198	**Deficit/(Surplus)**	**(2,633)**

The surplus relating to Council Tax transactions due to Cambridgeshire County Council, Cambridgeshire Police Authority and Cambridgeshire Fire Authority of £1,800 on the Collection Fund as at 31 March 2013 is included as a creditor in the Council's Balance Sheet and will be distributed in subsequent financial years.

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)

41 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 2012	Conversions/ transfers during year	Additions during year	Disposals/ adjustments during year	As at 31 March 2013
1 Bedroom	1,076	0	0	(2)	1,074
2 Bedroom	2,300	2	2	(8)	2,296
3 Bedroom	1,964	(2)	0	(15)	1,947
4 or more bedrooms	78	0	0	0	78
	5,418	**0**	**2**	**(25)**	**5,395**

Disposals	
Right to Buy	24
Equity Share	1
Other	0
	25

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

31 March 2012 Asset value £	31 March 2012 Depreciation £		Note	31 March 2013 Asset value £	31 March 2013 Depreciation £
		Property, Plant and Equipment			
362,302,456	10,229,475	Council Dwellings (HRA only)		372,528,369	10,114,332
	(10,229,475)	Depreciation adjustment on revaluation	**43**		(10,114,332)
4,400,000	6,594	Other Land and Buildings		4,296,000	6,667
	(6,594)	Depreciation adjustment on revaluation	**43**		(6,667)
600,150	0	Surplus assets held, not for sale		60,150	0
367,302,606	**0**			**376,884,519**	**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 2013, based on vacant possession, was £955,200,946.

42 Capital expenditure, financing and receipts

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

	2012-13 £		2011-12 £	
Opening capital financing requirement		**205,123,000**		**0**
Expenditure				
Acquisition of land	0		3,000	
Acquisition of existing dwellings	357,110		206,195	
Improvement of housing stock , other buildings and infrastructure	6,891,329		4,105,660	
Financing				
Capital Receipts	(30,277)		0	
* Revenue	(1,596,012)		(878,995)	
Grant and contributions	(109,850)		(101,716)	
Major Repairs Allowance	(5,512,300)		(3,334,144)	
Reserves			0	
		0		0
2011-12 exceptional REFCUS				
Housing Revenue Account self-financing		0		205,123,000
Minimum Revenue Provision		0		0
Closing capital financing requirement		**205,123,000**		**205,123,000**

*In addition, £84,997 was spent relating to the HRA contribution to capital expenditure on software.

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

2011-12 £		2012-13 £
72,424	Sale of Land	95,565
	Sale of dwellings	
734,243	Right to Buy	2,514,810
889,776	Other	156,163
1,696,443		**2,766,538**

43 Depreciation

In 2012-13, 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:

2011-12 £		2012-13 £
	Operational Assets	
10,236,069	In year depreciation	10,120,999
0	Non Operational	0
(10,236,069)	Depreciation adjustment on revaluation	(10,120,999)
0		**0**

44 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.

2011-12 £	Operational assets	2012-13 £	2012-13 £
(3,379,305)	Impairment charged to Housing Revenue Income and Expenditure Account (net)	(11,505,731)	
374,151	Impairment charged to Revaluation Reserve	733,802	
			(10,771,929)
(3,005,154)			**(10,771,929)**

2011-12 £		2012-13 £
(3,379,305)	Impairment charged to Housing Revenue Income and Expenditure Account (net)	(11,505,731)
374,151	Impairment charged to Revaluation Reserve	733,802
(3,005,154)		**(10,771,929)**
	Operational assets	
573,320	Impairment	633,825
(3,578,474)	Impairment reversal	(11,405,754)
(3,005,154)		**(10,771,929)**

45 Major Repairs Reserve

Previously, within the housing subsidy scheme, there was an annual allowance for major repairs which could only be used for expenditure on major repairs and/or improvements to Housing Revenue Account dwellings. The housing subsidy scheme and, therefore the Major Repairs Allowance, ceased at the end of 2011-12 with the advent of the Self Financing regime. In 2012-13 the Council was required to charge the Housing Revenue Account a notional amount for depreciation; calculated in a similar way to the major repairs allowance. The notional depreciation charge is reserved to fund similar major repairs and improvement works. The transition period will continue till 2017-18, with a full depreciation charge equivalent to the whole capital adjustment transfer being charged to the Housing Revenue Account from 2018-19.

2011-12 £		2012-13 £
0	**Balance at 1 April**	0
(10,236,069)	Transfer to Capital Adjustment Account	(10,120,999)
6,901,925	Amount transferred to Statement of Movement on the HRA balance	4,608,699
3,334,144	HRA Capital expenditure charged to Major Repairs Reserve	5,512,300
0	**Balance at 31 March**	0

46 Housing subsidy

The Government housing subsidy system ceased at the end 2011-12 when it was replaced by the Self Financing Settlement consequently there was no negative housing subsidy payable in 2012-13.

2011-12 £		2012-13 £
		No Longer Applicable
2,271,138	Allowance for management	
5,203,368	Allowance for maintenance	
3,334,144	Allowance for major repairs	
9,290	Other items	
10,817,940		
(23,413,873)	Rent	
(4,382)	Interest on receipts	
(12,600,315)		
73,530	Allowance for interest on self-financing debt payable in 2011-12	
(196)	Adjustment for previous year	
(12,526,981)	**Payable to the Government**	

47 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 2.8% of pensionable pay has been charged against the Housing Revenue Account and placed in a reserve for use in future years (Note 6).

48 Rent arrears on dwellings

As at 31 March 2012 £		As at 31 March 2013 £
£317,470	Arrears	£364,607
1.24%	Arrears as a percentage of gross rents collectable	1.35%
£240,000	Provision for uncollectable amounts	£270,000

49 Movement in Reserves Statement – transfers (to)/from Earmarked Reserves

This note sets out the amount set aside from the Housing Revenue Account balances in Earmarked Reserves to provide financing for future expenditure plans.

	31 March 2012 £	Transfers out 2012-13	Transfers in 2012-13	31 March 2013 £
Revenue				
Self-Insurance Reserve	0	0	(1,000,000)	(1,000,000)
Investment/Repayment Reserve	0	0	(3,500,000)	(3,500,000)
	0	**0**	**(4,500,000)**	**(4,500,000)**
Revenue	0	0	(4,500,000)	(4,500,000)
	0	**0**	**(4,500,000)**	**(4,500,000)**

Notes to the Collection Fund Account

50 General

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

51 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	3.0	5/9	1.7
A	Upto £40,000	1,916.5	6/9	1,277.7
B	£40,001 - £52,000	5,894.5	7/9	4,584.6
C	£52,001 - £68,000	17,630.0	8/9	15,671.1
D	£68,001 - £88,000	10,802.5	9/9	10,802.5
E	£88,001 - £120,000	9,902.4	11/9	12,102.9
F	£120,001 - £160,000	6,681.8	13/9	9,651.5
G	£160,001 - £320,000	3,806.7	15/9	6,344.5
H	More than £320,000	331.0	18/9	662.0
		56,968.4		61,098.5

Assumed rate of collection	99.5%		
Tax base for tax setting purposes (number of Band D equivalent dwellings)			60,793.0
Tax rate for a Band D property			£1,494.37
Estimated income due			£90,847,235
Actual income due			
Net of write offs and provisions		£84,538,964	
Council Tax Benefit net of subsidy limitation		£6,197,010	
			£90,735,974
Difference in income due to variations in tax base and rate of collection			(£111,261)

52 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 2013 was £174,835,864 and the standard uniform rate was 45.8 pence in the £, and the small business uniform rate 45.0 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.

Changes to Retained Business Rates

The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. It also enables local authorities to implement tax increment financing, giving the ability to undertake borrowing against future business rates growth, supported by the forecast tax increment that accrues from additional development.

New arrangements for the retention of business rates come into effect on 1 April 2013, at which time the Council will assume liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list, which will include amounts that were paid over to central Government in respect of 2012-13 and prior years. A provision for these liabilities will be recognised in the 2013-14 accounts, but is not expected to be material.

Glossary of Financial Terms and Abbreviations

Accounting Period

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

Accruals

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

Capital Charges

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

Capital Expenditure

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

Capital Receipt

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

Contingent Liabilities

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

Creditors

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

Current Assets

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

Current Liabilities

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

Debtors

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

Depreciation

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

Finance Lease

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

Glossary of Financial Terms and Abbreviations (continued)

Non-current Asset

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

Government Grant

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

Impairment

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

Operating Lease

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

Precepting Authorities

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

Precepts

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

Provisions

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

Reserves

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

Revenue Expenditure

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

Revenue Expenditure funded from capital under statute
Capital expenditure for which there is no tangible asset, for example renovation grants.

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

Abbreviations used in the accounts

CAA
Capital Adjustment Account

CIPFA

Chartered Institute of Public Finance and Accountancy

The Code

Code of Practice on Local Authority Accounting

DLO

Direct Labour Organisation

DSO

Direct Service Organisation

HRA

Housing Revenue Account

IFRS

International Financial Reporting Standards

IAS

International Accounting Standards

MRA

Major Repair Allowance

NNDR

National Non-Domestic Rates (Business Rates)

RR
Revaluation Reserve

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Agenda Item 9

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO:	Corporate Governance Committee	28th June 2013
AUTHOR/S:	Executive Director (Corporate Services) / Legal & Democratic Services Manager	

REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) QUARTERLY UPDATE ON USE OF RIPA

Purpose

1. To update the Committee on the use of RIPA powers in the last two quarters.

Recommendations

2. That Corporate Governance Committee:

   NOTE the information contained in the report about the council's use of surveillance powers in the period January to June 2013.

Background

3. The Regulation of Investigatory Powers Act 2000 (RIPA) regulates covert investigations by the Council. 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 have to be approved by a Magistrate. 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.

The council's use of RIPA in Quarters 1 & 2 2013

5. The information in the table below outlines the authorisations granted by the council during the first half of 2013.

Quarter	Directed surveillance	CHIS	Total	Purpose
January – March 2013	1	0	1	Fly Tipping at Uttons Drove, Swavesey. Concluded - no further flytipping has taken place.
April – June 2013	0		0	

Implications

6.

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

7. None identified.

Conclusions / Summary

8. This report updates the Committee on the Council’s use of RIPA powers in the last two quarters.

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

None

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