

17 September 2015

To: Chairman – Councillor Francis Burkitt  
Vice-Chairman – Councillor Tony Orgee  
Members of the Corporate Governance Committee – Councillors Tom Bygott,  
Andrew Fraser, Roger Hall, Douglas de Lacey, David McCraith, Bridget Smith  
and John Williams  
Portfolio Holders: Simon Edwards and Peter Topping

Quorum: 3

Dear Councillor

You are invited to attend the next meeting of **CORPORATE GOVERNANCE COMMITTEE**, which will be held in **SWANSLEY ROOM, GROUND FLOOR** at South Cambridgeshire Hall on **FRIDAY, 25 SEPTEMBER 2015 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.**

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AGENDA		PAGES
1.	<b>Apologies for Absence</b> To receive Apologies for Absence from Committee members.	
2.	<b>Declarations of Interest</b>	
3.	<b>Minutes of Previous Meeting</b> To confirm the minutes of the meeting held on 26 June 2015 as a correct record.	1 - 6
<b>AUDIT REPORTS</b>		
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	<b>DECISION ITEMS</b>	
<b>7.</b>	<b>Statement of Accounts 2014-15</b>	<b>47 - 184</b>
<b>8.</b>	<b>Regulation of Investigatory Powers Act (RIPA) - Annual Report and Policy Review</b>	<b>185 - 214</b>
	<b>INFORMATION ITEMS</b>	
<b>9.</b>	<b>Treasury Management Annual Report 2014-15</b>	<b>215 - 220</b>
<b>10.</b>	<b>Local Government Ombudsman Annual Review Letter 2015</b>	<b>221 - 224</b>
<b>11.</b>	<b>Matters of Topical Interest</b>	
<b>12.</b>	<b>Date of Next Meeting</b>	
	No future meeting dates are currently booked and so Committee members are asked to bring their diaries.	

### **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.

### **OUR VALUES**

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

- Working Together
- Integrity
- Dynamism
- Innovation

## **GUIDANCE NOTES FOR VISITORS TO SOUTH CAMBRIDGESHIRE HALL**

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While we try to make sure that you stay safe when visiting South Cambridgeshire Hall, you also have a responsibility for your own safety, and that of others.

#### **Security**

When attending meetings in non-public areas of the Council offices you must report to Reception, sign in, and at all times wear the Visitor badge issued. Before leaving the building, please sign out and return the Visitor badge to Reception.

Public seating in meeting rooms is limited. For further details contact Democratic Services on 03450 450 500 or e-mail [democratic.services@scambs.gov.uk](mailto:democratic.services@scambs.gov.uk)

#### **Emergency and Evacuation**

In the event of a fire, a continuous alarm will sound. Leave 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 opposite the staff entrance

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

#### **First Aid**

If you feel unwell or need first aid, please alert a member of staff.

#### **Access for People with Disabilities**

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#### **Toilets**

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#### **Recording of Business and Use of Mobile Phones**

We are open and transparent about how we make decisions. We allow recording, filming and photography at Council, Cabinet and other meetings, which members of the public can attend, so long as proceedings at the meeting are not disrupted. We also allow the use of social media during meetings to bring Council issues to the attention of a wider audience. To minimise disturbance to others attending the meeting, please switch your phone or other mobile device to silent / vibrate mode.

#### **Banners, Placards and similar items**

You are not allowed to bring into, or display at, any public meeting any banner, placard, poster or other similar item. Failure to do so, will result in the Chairman suspending the meeting until such items are removed.

#### **Disturbance by Public**

If a member of the public interrupts proceedings at a meeting, 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. The meeting will be suspended until order has been restored.

#### **Smoking**

Since 1 July 2008, South Cambridgeshire District Council has operated a Smoke Free Policy. No one is 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. You 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  
Friday, 26 June 2015 at 9.00 a.m.

**PRESENT:** Councillor Francis Burkitt – Chairman  
Councillor Tony Orgee – Vice-Chairman

<b>Councillors:</b>	Tom Bygott Roger Hall David McCraith John Williams	Andrew Fraser Douglas de Lacey Bridget Smith
<b>Officers:</b>	Patrick Adams Alex Colyer Fiona McMillan  Caroline Ryba Sally Smart	Senior Democratic Services Officer Executive Director, Corporate Services Legal & Democratic Services Manager and Monitoring Officer Head of Finance Principal Accountant Financial & Systems
<b>External:</b>	Rachel Brittain Steve Crabtree	Ernst & Young Shared Head of Internal Audit

Councillors Simon Edwards was in attendance, by invitation.

### **1. APOLOGIES FOR ABSENCE**

There were no apologies for absence from members of the Committee.

### **2. DECLARATIONS OF INTEREST**

None.

### **3. MINUTES OF PREVIOUS MEETING**

The minutes of the meeting held on 27 March 2015 were agreed as a correct record. The Committee was pleased to note that following the Chairman's recommendation the benefits team had received the Council's Going the Extra Mile award.

### **4. INTERNAL AUDIT ANNUAL REPORT 2014-15**

Steve Crabtree, Shared Head of Internal Audit, presented the annual report into the provision of the Internal Audit service for 2014/15 and the opinion of the Head of Internal Audit into the adequacy of governance, risk management and internal control arrangements. The Committee noted that the overall audit opinion for 2014/15 was that the Council had "adequate" and "effective" systems of internal control. Steve Crabtree explained that an assurance could never be absolute and it was not realistic for the Council to strive for a better result than "adequate".

#### **Human Resources/Staffing**

The Committee was concerned that whilst the Council had sound policies in place for sickness absence management, these were "not always consistently applied by departments."

**Accounts Payable (Creditors)**

The Committee noted that two assurances had been given for this audit. A “significant” rating had been given for the electronic process for procurement and a “limited assurance” for the manual process. In response to questioning the Principal Accountant Financial and Systems explained that orders for housing repairs were made using the Orchard system and these were then manually input into the Financial Management System for payment. The number of electronic procurements would greatly increase if the orders made on the Orchard system were included.

**Shared Services**

The Executive Director explained that shared services arrangements resulted in greater scrutiny as each individual authority conducted its own audit. The Committee noted that a joint governance committee could be set up in the future to manage the audit process for shared services.

**BACS payments**

Steve Crabtree agreed to circulate to the Committee details of the improvements that were required to ensure there were appropriate checks in place with regard to securely held data.

**Housing repairs**

The Committee noted that internal audit’s report into housing repairs was likely to be discussed at its next meeting. The Scrutiny and Overview Committee had examined the housing repairs contract the Council had with Mears.

**Treasury managements**

The Chairman and Committee congratulated the Principal Accountant Financial and Systems on the full assurance received for the audit on Treasury Management.

**Corporate Governance Committee Effectiveness**

Steve Crabtree reported that the Committee had operated effectively during the last year. He suggested that the Committee consider:

- Receiving annual reports on how the Council tackles fraud and corruption.
- Producing annual reports on the work of the Committee.

After discussion, the Committee decided that its existing level of reporting was adequate and that the return-on-effort for producing and additional reports could not be justified.

**Community Chest Grants**

A Committee member expressed concern at the audit report’s finding that there was “no formal documentation to assist in the decision making process” and asked where the evidence was that decision making on the awarding of grants was consistent. After discussion the Committee was satisfied on this point, and noted that decisions regarding the awarding of, or withholding, community chest grants were fully recorded in the minutes of the Leader’s Portfolio Holder meeting.

**Depot**

The Executive Director explained that the Committee would receive the audit report into the works of the waste service. The Council had entered into a shared service arrangement with Cambridge City Council and separate governance and reporting lines were scrutinising this.

**Details of previous audits**

The Committee noted that whilst it could be misleading to include benchmark data from previous audits because the scope of audits changed, it would be useful if internal audit

included previous recommendations made in the past.

The Committee thanked Steve Crabtree and Magen Powell for their work over the last year and for including more detailed information in their report, as requested.

The Committee **NOTED** the report.

## **5. STATEMENT OF ACCOUNTS 2014-15 (SUBJECT TO AUDIT)**

The Principal Accountant Financial and Systems presented this report, which invited the Committee to endorse the Statement of Accounts for 2014/15. He confirmed that, if he was asked to sign them today, he would be happy to do so.

### **Minor amendments**

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

- On page 32 of the agenda the word “Capial” under the Housing Revenues Account Actual to Original Estimate Services heading should read “Capital”.
- On page 33 of the agenda the figure £61,849 million in the second paragraph under the Pensions heading should read £61.849 million.
- On page 115 of the agenda the figures for operational assets for 2013-14 should be recorded in thousands instead of the actual figures in full.

The Committee agreed that the second paragraph under the heading Ermine Street Housing on page 37 of the agenda should be amended as it currently implied that the company was set up to provide additional affordable housing when it was actually set up to bring extra income into the Council.

### **Business rates**

The Executive Director explained that companies had the right to appeal against the level of their business rates and if successful the rebate would be back dated. This had resulted in a £2,230,818 deficit on the collection of business rates.

### **Street Cleansing Service**

The Committee noted that the “reduced contractor costs” for the Street Cleansing Service, as shown on page 31 of the agenda, was due to reduced contractor activity levels.

### **Pensions**

The Committee requested that the pension fund’s audited accounts be sent to all the members of the Committee.

### **Plain English Accounts**

The Committee praised the Council’s Plain English version of the accounts, which expressed the finances of the authority in an understandable way and had a very useful glossary and list of abbreviations.

The Executive Director explained that following the Committee’s discussion the Statement of Accounts would be amended before he formally approved them by 30 June. Then, after the audit, the Committee would be asked to consider formally agreeing the Accounts at its meeting on 25 September.

The Committee endorsed and **NOTED** the Statement of Accounts.

## 6. ANNUAL GOVERNANCE STATEMENT 2014-15

The Legal and Democratic Services Manager presented this report which invited the Committee to approve the Annual Governance Statement 2014-15 prior to it being signed by the Leader and Chief Executive. The Annual Governance Statement 2014-15 will be included with the Statement of Accounts 2014-15.

### **Format of Annual Governance Statement 2014-15**

The Committee asked the Legal and Democratic Services Manager to liaise with the Communications Manager to ensure that the Statement was written, presented and laid out in the Council's corporate style, but not to make this a major piece of work.

### **Amendments to Shared Services Governance Arrangements diagram**

The Committee noted the following amendments to the flow diagram showing the Shared Services Governance Arrangements in Appendix 2 of the report:

- The text "3x Shared Service Lead PFH / Deputy" was removed from under the heading Joint Committee (Member Board).
- The text box with the heading "Shared Service Operational Management Board/Team" was merged with the text box headed "Head of Service".

The Committee noted that Cabinet would be asked to formally agree this Arrangements diagram on 9 July.

### **Minor amendments**

The Committee agreed the following minor amendments:

- In the final sentence on page 139 of the agenda the words "They are" were amended to read "It is".
- On page 144 of the agenda the words "even more straightforward" were amended to read "straightforward and comprehensible."
- Steve Crabtree agreed to amend the wording of the third recommendation on page 146 of the agenda to reflect the work the Committee were likely to carry out regarding the governance arrangements of the Greater Cambridge City Deal.

The Committee suggested that the Performance Indicator "% Satisfaction with local environment quality" required an explanation.

The Committee

- A) Endorsed the Annual Governance Statement, including the draft recommendations for action.
- B) Noted that the final version of the Statement will be updated following the receipt of the External Auditors Opinion in September.
- C) Noted the draft Shared Services Governance Arrangements at Appendix 2, as amended, which will be reported to Cabinet on 9 July.

## 7. MATTERS OF TOPICAL INTEREST

### **Internal Audit shared services**

The Executive Director explained that Huntingdon District Council's internal audit function would in due course be provided by the shared service arrangement currently serving both South Cambridgeshire District Council and Cambridge City Council.

### **Regulation Investigatory Powers Act (RIPA)**

The Head of Legal and Democratic Services Manager reported that there had been no use of the RIPA powers in the first quarter of this year.



**8. DATE OF NEXT MEETING**

The Committee **NOTED** that its next meeting would be held on Friday 25 September 2015 at 9am.

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**The Meeting ended at 10.30 a.m.**

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**SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**

**CORPORATE GOVERNANCE COMMITTEE**

**25 SEPTEMBER 2015**

**INTERNAL AUDIT PLAN 2015 / 2016: PROGRESS REPORT**

**RECOMMENDATIONS:**

**That Corporate Governance Committee notes:**

- **Progress against the delivery of the 2015 / 2016 Audit Plan**

Report Author:	Steve Crabtree
Position:	Shared Head of Internal Audit (for Peterborough UA / Cambridge City / South Cambridgeshire Councils)
Contact:	Peterborough Office: 01733 384557
	Cambridge Office: 01223 458181
	South Cambridgeshire Office: 01954 713445

**1. INTRODUCTION**

- 1.1 The purpose of this report is to bring the Corporate Governance Committee up to date with progress made against the delivery of the 2015 / 2016 Internal Audit Plan. This report aims to:
- Provide a high level of assurance, or otherwise, on internal controls operated across the Council that have been subject to audit;
  - Advise the Committee of significant issues where controls need to improve to effectively manage risks;
  - Advise of any planned changes to reviews, slippage or deletions to that originally agreed on 27 March 2015; and
  - Track progress on the delivery of agreed actions which will be reported as part of the annual reporting process.
- 1.2 The information included in this progress report will feed into, and inform our overall opinion in the Annual Head of Internal Audit Report issued at the year-end. This opinion will in turn be used to inform the Annual Governance Statement (AGS) included in the Statement of Accounts and signed by the Chief Executive and Leader of the Council. The report is for the Committee to consider under its Terms of Reference:
- To monitor the activities of the Internal Audit service provider and measure performance against the plan; and
  - To consider a quarterly report detailing audit coverage and the extent to which any major problems were highlighted.
- 1.3 A number of the activities set out within the agreed Audit Plan are to support the works of External Audit to avoid the risk of duplication of audit work; and improve the effectiveness, efficiency and economy of both audit teams. The scope for a number of new audit areas have been agreed with senior management and a series of audits have commenced, findings and conclusions of which will be reported at the next meeting. The following analysis details progress up to, and including 14 August 2015.
- 1.4 In addition to providing assurance on the current controls, while we have been able to confirm that the majority of systems comply with expected controls, we have also identified a number of areas where efficiencies could be made to the system. We have incorporated these into our reports for management consideration.

## 2. AUDIT ACTIVITIES 2014 / 2015

2.1 The status for audit work undertaken against the current plan is as follows:

### CORE SYSTEMS ASSURANCE WORK

AUDIT ACTIVITY	COMMENTARY						
	Previous Review	Assurance Rating / No. of Recommendations					Commentary
		Assurance	Critical	High	Medium	Low	
Accounts Receivable (Trade Waste)	Not applicable	DRAFT REPORT ISSUED Awaiting confirmation / agreement from officers					
Responsive Repairs	RSM Tenon review	NO	0	5	3	0	<p>The review focussed on the performance of the housing repairs Partnering Contract with Mears and the robustness of the monitoring arrangements.</p> <p>At the time of the audit it was identified that the contract monitoring arrangements were ineffective. Poor performance issues identified were not being escalated for action in line with the contract and the quality and accuracy of the data provided to calculate performance was inconsistent.</p>

3. AUDIT ACTIVITIES 2015 / 2016

2.1 The status for audit work undertaken against the current plan is as follows:

CORE SYSTEMS ASSURANCE WORK

AUDIT ACTIVITY		COMMENTARY					
	Previous Review	Assurance Rating / No. of Recommendations					Commentary
		Assurance	Critical	High	Medium	Low	
Housing Benefits	March 2015 <b>FULL</b>	Audit scheduled for Quarter 3. Focus will be on the key controls and to follow up any previous recommendations.					
Accounts Payable (Creditors)	March 2015 <b>SIGNIFICANT</b>	Audit scheduled for Quarter 3. Focus will be on the key controls and to follow up any previous recommendations.					
Accounts Receivable (Debtors)	April 2015 <b>SIGNIFICANT</b>	Audit scheduled for Quarter 4. Focus will be on the key controls and to follow up any previous recommendations.					
Housing Rents	February 2015 <b>SIGNIFICANT</b>	Audit scheduled for Quarter 3. Focus will be on the key controls and to follow up any previous recommendations.					

## GOVERNANCE AND ASSURANCE WORK

AUDIT ACTIVITY	COMMENTARY
Annual Governance Statement	<p><b>COMPLETED</b></p> <p>The Annual Governance Statement was approved at Corporate Governance Committee in September 2015.</p> <p>No material issues were identified for attention of management / members within the Statement.</p> <p>Internal Audit has reviewed the methodology used to collect, collate and interpret the information and have identified no gaps.</p>
Annual Audit Opinion	<p><b>COMPLETED</b></p> <p>The Annual Audit Opinion was submitted to Corporate Governance Committee in June 2015</p>
National Fraud Initiative	<b>ON GOING</b>
Corporate Fraud Arrangements	<p>Audit scheduled for Quarter 4.</p> <p>Focus will be to review the arrangements put in place following the transfer of staff to the Single Fraud Investigation Service within the Department for Works and Pensions.</p>
Risk Management	<p><b>PLANNING STAGE</b></p> <p>Audit is scheduled to start in September 2015.</p>
Project Management	<b>FIELDWORK IN PROGRESS</b>

## CORPORATE CROSS CUTTING AUDITS

Audit Activity	Commentary						
	Previous Review	Assurance Rating / No. of Recommendations					Commentary
		Assurance	Critical	High	Medium	Low	
Human Resources / Staffing	Not applicable (different areas looked at each year)	<b>DRAFT REPORT ISSUED.</b>  Review has been in relation to compliance against Recruitment and Selection processes and awaiting agreement / confirmation from officers.					
Service Preparations for Growth	New audit area	Audit scheduled for quarter 4.					
Corporate Governance	Not applicable (different areas looked at each year)	<b>PLANNING STAGE</b>  Focus will be to review and evaluate the appropriateness of governance arrangements in place for Gifts and Hospitality; the Bribery Act and Ethics and Culture.					
Reorganisation / Service Delivery	New audit area	Audit scheduled for quarter 4.					



DEPARTMENTAL SPECIFIC

AUDIT ACTIVITY	COMMENTARY						
	Previous Review	No. of Recommendations / Severity					Commentary
		Assurance	Critical	High	Medium	Low	
Allocations / Voids	February 2014 <b>SIGNIFICANT</b>	Scheduled for quarter 3					
HRA Business Plan	New audit area	Scheduled for quarter 3					
Insurance	New audit area	<b>PLANNING STAGE</b> Scheduled for start in September 2015					
Information Governance	RSM Tenon	Scheduled for quarter 3					
Energy Emissions	New audit area	<b>PLANNING STAGE</b> Scheduled for start in September 2015					
Members Allowances	RSM Tenon	<b>SIGNIFICANT</b>	0	0	5	1	Following verification that all payments made are in accordance with the scheme and are correct. Generally, the scheme has been administered well although a number of anomalies were identified.
Community Right to Bid	New audit area	<b>SIGNIFICANT</b>	0	0	1	3	Community asset applications since April 2014 were reviewed to ensure the correct processes had been adhered to regarding acceptance, refusal, appeals and disposals of assets. Although the process is defined some controls could be tightened and an additional control implemented documenting decisions made to

							promote transparency and efficient operation of the evaluation of asset nominations.
<b>RECAP</b>	New audit area	Discussions are being held with the Director with regard to this audit. It may be prudent to substitute a separate audit for this activity.					
<b>Urban Design and Conservation</b>	New audit area	Scheduled for quarter 3					

Separate advice has been provided to the Council in relation to:

- Document retention policies;
- Providing details of the internal control environment to assist in Insurance policy requests;
- Investigating new NFI matches;
- The publication of expenses information; and
- The scheme of delegation.

We have one separate request received from Senior Management to review the Whaddon Travellers Site refurbishment project which is ongoing.

#### 4. DEVELOPMENT OF THE SERVICE

4.1 Scrutiny and Overview Committee received a report in July 2015 setting out proposals for future development of shared services, principally with Huntingdonshire District Council and Cambridge City Council. While Internal Audit is currently part of a shared management arrangement, this does not preclude it from further development.

## ARRIVING AT AN OPINION

Where appropriate, each report we issue during the year is given an overall opinion based on the criteria below. Certain pieces of work do not result in an audit report with an opinion – such as consultancy work, involvement in working groups, review of National Fraud Initiative (NFI) reports and follow-ups. The assessment from each report, along with our consideration of other audit work, is used to formulate the overall Opinion.

AUDIT ASSURANCE	
Assurance	Definitions
Full	The system is designed to meet objectives / controls are consistently applied that protect the Authority from foreseeable risks.
Significant	The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks.
Limited	There are weaknesses in the design of controls and / or consistency of application, which can put the system objectives at risk. Therefore there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
No	Controls are weak and / or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss / embarrassment / failure to achieve key objectives.

This is based upon the number and type of recommendations we make in each report and is for any control weaknesses that jeopardises the complete operation of the service. The prioritisation is established as follows:

RECOMMENDATIONS MADE TO IMPROVE ASSURANCE LEVELS		
Status	Definitions	Implementation
Critical	Extreme control weakness that jeopardises the complete operation of the service.	Immediately
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	As a matter of priority
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	At the first opportunity
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	As soon as reasonably practical

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# South Cambridge District Council

## Corporate Governance Committee Summary

For the year ended 31 March 2015

Audit Results Report – ISA (UK and Ireland) 260

14 September 2015

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Agenda Item 5



Building a better  
working world

**Mark Hodgson**

Executive Director

[mhodgson@uk.ey.com](mailto:mhodgson@uk.ey.com)

**Rachel Brittain**

Senior Manager

[rbrittain@uk.ey.com](mailto:rbrittain@uk.ey.com)

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Section 1

# Executive summary

# Executive summary – key findings

## Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the **Corporate Governance Committee** – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2014/15 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

### Financial statements

- ▶ As of 14 September 2015, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate, through the few matters we have to communicate, that the Council has prepared its financial statements adequately.

### Value for money

- ▶ We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

### Whole of Government Accounts

- ▶ We are not required to report to the National Audit Office (NAO) regarding the Whole of Government Accounts, as the Council falls below the threshold for audit work.

### Audit certificate

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.



## Section 2

# Extent and purpose of our work

# Extent and purpose of our work

## The Council's responsibilities

- ▶ The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
- ▶ The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Purpose of our work

- ▶ Our audit was designed to:
  - ▶ Express an opinion on the 2014/15 financial statements and the consistency of other information published with them
  - ▶ Report on an exception basis on the Annual Governance Statement
  - ▶ Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the Value for Money conclusion)
  - ▶ Discharge the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

As a component auditor, we also follow the NAO group instructions and report the results on completion of the WGA work through the Assurance Statement to the NAO and to the Council..

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than the specified party.

**Section 3**

# **Addressing audit risks**

# Addressing audit risks – significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Audit risk identified within our audit plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
<b>Risk of management override</b> As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement. One area which may be susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme.	<ul style="list-style-type: none"> <li>▶ tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>▶ reviewed the accounting estimates for evidence of management bias, and</li> <li>▶ evaluated the business rationale for significant unusual transactions</li> <li>▶ Tested the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure.</li> </ul>	Subject to clearance of final queries, no issues have been identified in relation to the testing of journals and assurance has been gained in this area.  No issues have arisen with the testing of capital expenditure and assurance has been gained in the area.  Our audit testing has not identified any instances of misstatement due to fraud and error.

# Addressing audit risks – other audit risks

- We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
<b>Other audit risks</b>		
<b>Group Accounts</b> The Council is proposing to prepare group accounts for the first time. While the activities of the subsidiary company have been fairly limited to date there are considerable additional disclosures required within group accounts requirements.	► Testing the accuracy and completeness of the consolidation entries ► Testing the compliance of the group accounts with disclosure requirements.	We did not identify any issues in relation to the consolidation and production of group accounts.
<b>Provision for business rate appeals</b> In 2013/14 the Council was required to calculate a provision for business rate appeals for the first time. We found that the council had developed an appropriate methodology for the estimate once they had included the need for consideration of future appeals not yet lodged. This methodology needs to be reassessed to ensure that the assumptions made remain appropriate to prepare a reliable estimate.	Reviewed the Council's provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS 37 and that the assumptions underlying the estimate are reasonable. As part of this we ensured the provision is supported by appropriate evidence and that any level of estimation uncertainty is adequately disclosed in the accounts.	We did not identify any significant issues that we wish to bring to your attention in this regard.
<b>Property Asset Valuations</b> Due to the complexity in accounting for property, plant and equipment, the cyclical approach to valuations, and the material values involved, there is a higher risk that asset valuations contain material misstatements.	► Our assessment of management's valuation experts found them to be competent and objective and their work was adequate for our purposes. ► We considered whether the Council's property assets were valued appropriately and reasonably, including the choice of valuation technique and the presentation of gains and impairments in the Statement of Comprehensive Income as required by the Code. ► We sample tested valuation balances to ensure that they were correctly accounted for within the financial statements. ► We reviewed and tested journal entries to ensure that the valuation balances tested above were accurately disclosed within the financial statements.	We did not identify any significant issues that we wish to bring to your attention in this regard.

**Section 4**

# **Financial statements audit – issues and findings**

# Financial statements audit – issues and misstatements arising from the audit

## Progress of our audit

- ▶ The following areas of our work programme remain to be completed. We will provide an update of progress at the Corporate Governance Committee meeting:
  - ▶ Testing of cash flow statement
  - ▶ Finalisation of journals testing
  - ▶ Finalisation of payroll transactional testing
  - ▶ Receipt of a Letter of Representation
  - ▶ Final Manager and Director review, closing procedures and sign off
- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

## Uncorrected misstatements

- ▶ Our audit has identified one uncorrected misstatement within the draft financial statements. This is in relation to a misclassification between Debtors and Creditors of £0.17 million. This is detailed in Appendix A.

## Corrected misstatements

- ▶ Our audit identified a small number of misstatements which our team have highlighted to management for amendment. The most significant of these was in relation to the omission of the revaluation on disposal of Assets Held for Sale (AHFS) - £1.3 million and £0.75 million in respect of the Comprehensive Income & Expenditure Statement and the Balance Sheet.
- ▶ Adjustments were made to Movement in Reserves Statement Note 5 & Comprehensive Income and Expenditure Account Note 7, Revaluation Reserve and Capital Adjustment Account (CAA) . Further details are in Appendix B.

## Other matters

- ▶ As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following:
  - ▶ Qualitative aspects of your accounting practices; estimates and disclosures;
  - ▶ Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
  - ▶ Any significant difficulties encountered during the audit; and
  - ▶ Other audit matters of governance interest.

We have no other matters we wish to report.

- ▶ The Council's closedown processes and working papers are adequate to support the current audit timescales. However, they are not adequate to meet the demands of the faster close audit deadlines in 2017/18. There are also areas where the supporting documentation would improve the efficiency of the audit process.
- ▶ One example of this is in relation to the capitalisation of revenue expenditure. Whilst we have not reported any audit misstatements, we did however identify two small errors from our testing. We would recommend that the Council undertakes a detail review of all capitalised items to ensure they meet the criteria and are capitalised to the correct asset category.

# Financial statements audit – application of materiality

## Our application of materiality

- ▶ When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	
Planning Materiality and Tolerable error	<p>We determined planning materiality to be £1.318 million (2014: £ 1.528 million), which is 2% of gross expenditure reported in the accounts of £65.930million consisting of Gross expenditure (cost of services, other operating expenditure and financing expenditure).</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p> <p>We set a tolerable error for the audit. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion.</p> <p>We have set tolerable error at the higher level of the available range because there were limited errors reported in the Authority's 2013/14 financial statements.</p>
Reporting Threshold	We agreed with the Corporate Governance Committee that we would report to the Committee all audit differences in excess of £0.066 million (2014: £0.076 million)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas,. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: Strategy applied: review and test transactions to supporting evidence and approvals
- ▶ Member allowances and audit fees: Strategy applied: review and test transactions to supporting evidence and approvals
- ▶ Related party transactions. Strategy applied: review disclosure for completeness, testing to supporting evidence

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



# Financial statements audit – internal control, written representations and whole of government accounts

## Internal control

- ▶ It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.
- ▶ We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.
- ▶ We have reviewed the Annual Governance Statement and can confirm that:
  - ▶ It complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
  - ▶ It is consistent with other information that we are aware of from our audit of the financial statements.
- ▶ We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

## Request for written representations

- ▶ We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We have not requested any non-standard representations at this time.

## Whole of Government Accounts

- ▶ Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.
- ▶ The Council is below the £350 million reporting threshold, therefore we are not required to review the data collection tool.

**Section 5**

**Arrangements to  
secure economy,  
efficiency and  
effectiveness**

# Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that South Cambridgeshire District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

## Criteria 1 – arrangements for securing financial resilience

- ▶ 'Whether the Authority has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future'
- ▶ We identified one significant risk in relation to this criteria: criteria: *"Along with many other Council's, South Cambridgeshire is facing significant financial challenges over the next three to four years. The Council's external funding sources are reducing and are likely to be subject to change and uncertainty in future years."*
- ▶ We have undertaken a review of the medium term financial plan and the assumptions included within it. South Cambridgeshire District Council have robust plans in place to address the significant financial challenges they face in the coming years. The Medium Term Financial Strategy is robust, detailing a number of assumptions and scenarios. The Council refresh this on a regular basis for updates in circumstances. Savings plans have been put in place to address budget gaps.
- ▶ We have also assessed the level of reserves (both general fund and earmarked) that the Council has at the 31 March 2015.

We are comfortable that the level of reserves held by the Council (£16.4 million) covers the budget gap identified within the medium term financial plan, after excluding uncertain funding streams such as New Homes Bonus (£8.4 million) to an appropriate level.

## Criteria 2 – arrangements for securing economy, efficiency and effectiveness

- ▶ 'Whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity'.
- ▶ We identified one significant risk in relation to this criteria: *"The Council has established a wholly owned company (South Cambridgeshire Ltd) to take forward its strategic plans in the local housing market."*

*The Councils governance arrangements should be adequate to ensure that these decisions are based on a sound assessment of the returns and value of this strategy to the Council."*
- ▶ The governance arrangements over the set up of South Cambridgeshire Limited were discussed and formally agreed at the relevant Council committee meetings. A business plan for the Company are in place which is linked to the Council's medium term strategy and Housing Strategy.
- ▶ Formal agreement on whether the Council should extend the pilot scheme of the Company will take place in late 2015.

Our work did not identify any other matters relating to aspects of your corporate performance and financial management framework which are not covered by the scope of the two specified criteria above.

**Section 6**

# **Independence and audit fees**

# Independence and audit fees

## Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 3 March 2015.
  - ▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
  - ▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Corporate Governance Committee on 25 September 2015.

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- ▶ We confirm that we have met the reporting requirements to the Corporate Governance Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements were set out in our Audit Plan of 3 March 2015.

## Audit fees

- ▶ The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2014/2015	Scale fee 2014/2015	Variation comments
	£	£	
Audit Fee: Code work	69,300	69,300	-
Certification of claims and returns	18,390*	18,390	See note 1 below

- ▶ Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

Note 1 – Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission. This will be reviewed in light of the work required in 2014/15.

Section 7

# Appendices

# Appendix A – uncorrected audit misstatements

- ▶ The following misstatements, which are greater than £0.988m, have been identified during the course of our audit and in our professional judgement warrant communicating to you as those charged with governance.
- ▶ These items have not been corrected by management.

## Balance sheet and statement of comprehensive income and expenditure

Item of account	Nature	Type	Balance sheet	Comprehensive income and expenditure statement
	Description	F, P, J	Debit/(credit)	Debit/(credit)
1. Current Liabilities – Short Term Creditors	Recycling credits had been included in creditors, however this is a debtor balance at year end.	F	(170,000)	
2. Current Assets – Short Term Debtors			170,000	
Cumulative effect of uncorrected misstatement			0	

## Key

- ▶ F – Factual misstatement
- ▶ P – Projected misstatement based on audit sample error and population extrapolation
- ▶ J – Judgemental misstatement

# Appendix B – corrected audit misstatements

- ▶ The following corrected misstatements, greater than £0.988 m have been identified during the course of our audit and warrant communicating to you.
- ▶ These items have been corrected by management within the revised financial statements.

## Balance sheet and statement of comprehensive income and expenditure

Item of account	Nature	Type	Balance sheet	Comprehensive income and expenditure statement
	Description	F, P, J	Debit/(credit) - £'s	Debit/(credit) - £'s
1. Revaluation Reserve		F	(748,000)	
2. Capital Adjustment Account – write out of revaluation	Revaluation of Asset Held For Sale on disposal omitted from profit/loss on disposal calculation		748,000	
3. Note 7 – profit / loss on disposal				1,292,000
4. Note 5 – General Fund profit / loss on disposal				(1,292,000)
Cumulative effect of corrected misstatement			0	0

## Key

- ▶ F – Factual misstatement
- ▶ P – Projected misstatement based on audit sample error and population extrapolation
- ▶ J – Judgemental misstatement



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ED None

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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Alex Colyer  
Executive Director (Corporate Services)  
South Cambridgeshire District Council  
South Cambridgeshire Hall  
Cambourne Business Park  
Cambourne, Cambridge  
CB23 6EA

14 September 2015

Ref: MH/2014-15 LoR Request

Direct line: 01223 394547

Email: mhodgson@uk.ey.com

Dear Alex

## **South Cambridgeshire District Council - 2014/15 financial year Request for a letter of representation**

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the representations you provide extend to the Council's single entity financial statements, the fire-fighters' pension fund financial statements and the consolidated financial statements;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Council.

I would expect the letter of representation to include the following matters.

### **Introduction**

That your representation letter is provided in connection with our audit of the consolidated and parent financial statements of South Cambridgeshire District Council ("the Authority") for the year ended 31 March 2015. That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the consolidated and parent financial statements give a true and fair view of the financial position of the Authority as of 31 March 2015 and of its income and expenditure for the year then ended in accordance with, for the Group and the Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

That you understand that the purpose of our audit of your financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves.

#### **A. Financial Statements and Financial Records**

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the Group and Council financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
2. That you acknowledge your responsibility as members of management of the Group and Council for the fair presentation of the consolidated and council financial statements. You believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and are free of material misstatements, including omissions. You have approved the consolidated and council financial statements.
3. You confirm that the Responsible Officer has:
  - Reviewed the consolidated and council financial statements;
  - Reviewed all relevant written assurances relating to the consolidated and council financial statements, and
  - Made other enquiries as appropriate.
4. That the significant accounting policies adopted in the preparation of the consolidated and council financial statements are appropriately described in the consolidated and council financial statements.
5. As members of management of the Group and the Council, that you believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 that are free from material misstatement, whether due to fraud or error.
6. You believe that the effects of any unadjusted audit differences, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole. Please specify the reasons for not correcting these misstatements - see Appendix 1 for details.

## **B. Fraud**

1. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. You have disclosed to us the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.
3. That you have disclosed to us all significant facts relating to any frauds, suspected frauds or allegations of fraud known to you that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, you have disclosed to us your knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the consolidated and council financial statements. You have also disclosed to us all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the consolidated and council financial statements.

## **C. Compliance with Laws and Regulations**

1. You have disclosed to us all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.

## **D. Information Provided and Completeness of Information and Transactions**

1. You have provided us with:
  - Access to all information of which you are aware that is relevant to the preparation of the consolidated and council financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
  - Additional information that we have requested from you for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.
3. That you have made available to us all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 25 September 2015.

4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended 31 March 2015, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. That you have disclosed to us, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the consolidated and council financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the consolidated and council financial statements all guarantees that you have given to third parties.

#### **F. Subsequent Events**

1. That other than described in the consolidated and council financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

#### **G. Accounting Estimates**

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the consolidated and council financial statements:
  - That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
  - That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.

- That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the consolidated and council financial statements.

#### **H Going Concern**

1. That you have made us aware of any issues that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.
2. That there are no significant restrictions on your ability to distribute the retained profits of the group because of statutory, contractual, exchange control or other restrictions other than those indicated in the accounts.
3. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent, subsidiary undertakings and associated undertakings.

#### **I Segmental reporting**

1. That you have reviewed the operating segments reported internally to the Cabinet and that you are satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8: Operating Segments, they are similar in each of the following respects :
  - The nature of the products and services
  - The nature of the production processes
  - The type or class of customer for their products and services
  - The methods used to distribute their products

#### **J Retirement Benefits**

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with your knowledge of the business. That all significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

#### **K Use of management experts**

1. That you agree with the findings of the experts engaged to evaluate the values of the Group and Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the consolidated and council financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated on the proposed audit opinion date (25 September 2015), on formal headed paper.

Yours sincerely



Mark Hodgson  
Director  
Ernst & Young LLP  
United Kingdom



## Appendix 1 Summary of Audit Differences schedule

We highlight the following misstatements which are currently not corrected by management:

Item of account	Nature	Type	Balance sheet	Comprehensive income and expenditure statement
	Description	F, P, J	Debit/(credit)	Debit/(credit)
1. Current Liabilities – Short Term Creditors	Recycling credits had been included in creditors, however this is a debtor balance at year end.	F	(170,000)	
2. Current Assets – Short Term Debtors			170,000	
Cumulative effect of uncorrected misstatement			0	

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# Agenda Item 7

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Corporate Governance Committee

25 September 2015

**AUTHOR/S:** Executive Director (Corporate Services)

---

### APPROVAL OF THE 2014-15 STATEMENT OF ACCOUNTS

#### Purpose

1. To approve the amended 2014-15 Statement of Accounts and to discuss and agree the letter of representation.
2. This is not a key decision but is a legal and auditing requirement.

#### Recommendations

3. That the 2014-15 Statement of Accounts is approved and, the letter of representation is discussed and agreed.

#### Reasons for Recommendations

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

#### Background

6. The Statement of Accounts 2014-15 (subject to audit) was certified by the Executive Director (Corporate Services) as the Council's responsible financial officer and noted by this Committee on 26 June 2015.

#### Considerations

7. South Cambs Limited, a wholly owned subsidiary of South Cambridgeshire District Council, began trading on 1 April 2014. As an independent but wholly owned subsidiary and in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy Code of Practice; the Council has prepared group accounts to show the overall financial position and results of the District Council. For the purposes of these accounts transactions between the parent entity and subsidiary are excluded and the remaining transactions of both organisations consolidated in group statements.
8. Ernst and Young LLP were appointed as auditors for South Cambs Limited for the financial period ended 31 March 2015; the audit is now concluded with an unqualified opinion. The company accounts are included, for information, as Appendix A.
9. The results of the audit of the Council's accounts are now known and are set out in the Auditor's Audit Committee Summary Report, which is a separate item on this

agenda. Further to the correction indicated in Appendix B of the Audit Committee Summary report Council officers identified amendments relating to the General Fund and Housing Revenue Account financing of capital expenditure, the required changes were notified to the Auditors. The amendments to the statements and disclosures have been included in the final version of the statement of accounts, included as Appendix B.

10. The letter of representation is included as Appendix C to this report. This needs to be discussed and agreed by this Committee and then signed by the Executive Director (Corporate Services) as the Council's responsible financial officer

### Options

11. None.

### Implications

12.	Financial	Members were informed of the balances, i.e. how much money we have got to spend in the future, in the weekly bulletin of 9 July 2015. These were the balances on the General Fund, Housing Revenue Account and Capital account as at 31 March 2015 as set out in the draft Statements of Accounts.  The audit of the accounts has reviewed these balances, and confirmed the balances as shown in the Statement of Accounts.
	Legal	None
	Staffing	None
	Risk Management	There is a reputational risk to the Council if the accounts cannot be agreed with the Auditors and issued with an unqualified audit opinion
	Equality and Diversity	None
	Equality Impact Assessment completed	No Not applicable
	Climate Change	None

### Consultations

13. None.

### Consultation with Children and Young People

14. None.

### Effect on Strategic Aims

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

### Conclusions / Summary

16. None.

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

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

# South Cambs Limited

## Annual Report and Financial Statements 2014-15

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## **Corporate Information**

South Cambs Limited is a limited liability company domiciled in the United Kingdom.

### Director

Stephen Hills

### Secretary

Alex Colyer

### Registered Address

South Cambridgeshire Hall  
Cambourne Business Park  
Cambourne  
Cambridge  
CB23 6EA

### Auditors

Ernst & Young LLP  
One Cambridge Business Park  
Cowley Road  
Cambridge  
CB4 0DZ

### Solicitors

Walker Morris LLP  
Kings Court  
12 King Street  
Leeds  
LS1 2HL

### Bankers

HSBC Bank PLC  
62 Hills Road  
Cambridge  
CB2 1LA

## Strategic Report

The Director presents the Strategic Report for the period ended 31 March 2015.

### Principal Activity

In 2015, the Company's first period of trading, significant and planned investments have been made in the acquisition of a core property portfolio. The principal activity during the period being the management of both purchased and leased properties for the purpose of residential lettings across the eastern region of the UK. A suitable spread of property type is maintained, overriding importance is attached to standard of construction and suitability for the residential rental market, with upwards only rent reviews. The portfolio is kept under constant review with the object of disposing of any property if growth prospects diminish or appropriate rental returns are not expected to be achievable.

### Business Review

The Company was incorporated and began trading on 1 April 2014.

The loss for the period to 31 March 2015, after taxation, is £281,000.

The Director does not recommend the payment of any dividends.

The Company has adopted FRS 101 and has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking, South Cambridgeshire District Council ("South Cambs"), was notified of and did not object to the use of disclosure exemptions under FRS 101. The Company has used early adoption of FRS 101.

The company's key financial and other performance indicators during the period were as follows:

	2014-15 £'000
Turnover	187
Loss for period after taxation	281

The first period of trading returned an operating loss of £281,000 for the year, which was slightly higher than originally budgeted.

Key achievements include bringing 2 empty properties back into occupation through the lettings market, contributing to the portfolio of 28 leased and 19 acquired properties across Cambridgeshire.

Future developments include expanding the leased property holding in targeted areas and further acquisitions in line with planned growth.

## Strategic Report

For the period ended 31 March 2015 (continued)

### Principal Risks and Uncertainties

#### *Contract Risk*

Contract risk is the risk that the lack of understanding or effective management may lead to the erosion in value of a contract. The Company manages this risk by periodically reviewing contracts to ensure effective monitoring and adjustment of pricing, terms and conditions relevant to market conditions and contract and performance expectations.

#### *Credit, Liquidity and Cash flow Risk*

Credit risk is the risk that one party to a transaction will cause financial loss for the other party by failing to discharge an obligation. The main exposure to credit risk relates to housing rents; the Company reduces the risk of such losses by undertaking appropriate credit checks on potential tenants and lodging tenant deposits with a third party to mitigate the potential cost of damage to the property by the tenant.

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. All trade and other payables are due to be paid in less than one year. By their very nature, properties are less liquid and therefore the investments may not be readily realisable.

Cash flow risk is the risk of exposure to variability in cash flows. The Company includes a predetermined level of property voids within its cash flow expectations and minimises cash flow variations by lease management.

*By order of the Board*

*Stephen Hills*  
*Director*

*11 September 2015*



## Director's Report

Registered number 08336413

The Director presents the Report and Financial Statements for the period ended 31 March 2015.

### Directors

A list of Directors is disclosed in the Corporate Information on page 2.

### Dividends

The Director does not recommend payment of any dividend.

### Future Developments

The Company will continue with its business plan for expansion in the property and lettings market. The Board is looking forward to increasing the level of revenue and achievement of profit in the following years.

### Employee involvement

The director ensures that the employees are informed of any significant matters affecting them as employees. Employees are encouraged to discuss with management factors affecting the Company about which they have concerns.

Suggestions from employees aimed at improving the Company's performance are welcomed.

### Employment of Disabled Persons

The Company recognises its social and statutory duty to employ disabled persons. It is the Company's policy to give full and fair consideration to applications for employment from disabled persons.

### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 3 and 4. The financial position of the Company [South Cambs Limited trading as Ermine Street Housing] is set out in these financial statements. As a consequence, the Director believes that the Company is well placed to manage its business risks successfully.

Refinancing arrangements have been agreed, on a secured equity basis, with South Cambridgeshire District Council for existing loans which are due to mature in February 2016.

The Director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus he continues to adopt the going concern basis of accounting in preparing the annual financial statements.

### Auditors

The Director will recommend the reappointment of Ernst & Young LLP as auditors at the Annual General Meeting.

## **Director's Report**

For the period ended 31 March 2015 (continued)

### **Director's Statement as to disclosure of information to auditors**

The directors who were members of the board at the time of approving the directors' report are listed on page 2. Having made enquiries and of the Company's auditors, the director confirms that:

- To the best of his knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- the director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

*By order of the Board*

*Stephen Hills*

*Director*

*11 September 2015*

## Statement of Director's Responsibilities

The director is responsible for preparing the Strategic Report, Director's Report and financial statements in accordance with applicable UK law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with FRS 101. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for the period.

In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on a going concern basis, unless they consider that to be inappropriate.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent Auditors' Report to the Members of South Cambs Limited**

We have audited the financial statements of South Cambs Limited for the period ended 31 March 2015 which comprise the Statement of Changes in Equity, the Statement of Comprehensive Income, the Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Director's Responsibilities set out on page 7, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and international Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Director's Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Ian Strachan (Senior statutory auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
Cambridge*

*September 2015*

**South Cambs Ltd**  
Registered Company number: 08336413

**Statement of Changes in Equity for the period ended 31 March 2015**

	Equity Share Capital	Retained Earnings	Total Equity
	£s	£s	£s
<b>Balance on incorporation</b>	-	-	
<b>Changes in equity during 2014-15</b>			
Loss for the period	-	(280,639)	(280,639)
<b>Total Comprehensive Income for the period</b>		<b>(280,639)</b>	<b>(280,639)</b>
Shares issued	1	-	1
<b>Increase/(decrease) in the period</b>	<b>1</b>	<b>(280,639)</b>	<b>(280,638)</b>
<b>Balance at 31 March 2015</b>	<b>1</b>	<b>(280,639)</b>	<b>(280,638)</b>

**South Cambs Ltd**  
Registered Company number: 08336413

**Statement of Comprehensive Income for the period ended 31 March 2015**

	Notes	31 March 2015 £'000
<b>Turnover</b>	3	187
Cost of Sales		(263)
<b>Gross Loss</b>		<b>(76)</b>
Administrative expenses		(137)
Other expenses		(38)
<b>Operating Loss</b>	4	<b>(251)</b>
Interest payable	7	(30)
<b>Loss on ordinary activities before taxation</b>		<b>(281)</b>
Tax on loss on ordinary activities	8	-
<b>Loss for the period</b>		<b>(281)</b>

**South Cambs Ltd**  
Registered Company number: 08336413

**Balance Sheet as at 31 March 2015**

		Notes	£`000	£,000
<b>Fixed assets</b>		<b>9</b>		4,094
<b>Current assets</b>	Debtors:			
	Trade Debtors		-	
	Amounts owed by Group undertakings		-	
	Other Debtors		2	
	Cash and cash equivalents	10	14	
Total current assets				16
<b>TOTAL ASSETS</b>				<b>4,110</b>
<b>Creditors</b>	Payments received on account	11	(56)	
	Trade creditors	11	(78)	
	Amounts owed to Group undertakings	11	(4,257)	
	Current Taxation		-	
Total current liabilities				(4,391)
<b>TOTAL LIABILITIES</b>				<b>(4,391)</b>
<b>NET ASSETS</b>				<b>(281)</b>
<b>Capital and Reserves</b>				
	Called up share capital	14		-
	Profit and loss account			(281)
<b>SHAREHOLDERS FUNDS</b>				<b>(281)</b>

These statements were approved and authorised for issue by the board and signed on its behalf on 7 September 2015

Stephen Hills  
Director  
7 September 2015



## Notes to the Financial Statements:

### 1. Authorisation of Financial Statements and Statement of Compliance with FRS 101

The financial statements of South Cambs Limited for the period ended 31 March 2015 were authorised for issue by the Board of Directors on 7 September 2015 and the Balance Sheet was signed on the Board's behalf by Mr Stephen Hills, Director. South Cambs Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements are prepared under the historical cost convention.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

Paragraph 8(g): The Company is exempt from the requirements of the following paragraphs of IAS 1 Presentation of Financial Statements:

- Paragraph 10(d) and (f): The Company is exempt from preparing a Statement of Cash Flows.
- Paragraph 16: The Company shall not present a statement of compliance with IFRS.
- Paragraph 38(a), (b), (c) and (d): The Company is exempt from providing prior year information for all balances in the financial statements.
- Paragraph 40(a), (b), (c) and (d): The Company is exempt from restating prior year disclosure notes where they relate to the current period.
- Paragraph 111: The Company is exempt from the presentation requirements relating to the Statement of Cash Flows.
- Paragraphs 134, 135 and 136: The Company is exempt from disclosing information regarding its objectives, policies and processes for the management of capital.

Paragraph 8(h): The Company is exempt from the requirements of IAS 7 Statement of Cash Flows. The Company is not required to present a *Statement of Cash Flows* along with related notes.

Paragraph 8(j): The Company is exempt from the requirements of paragraph 17 of IAS 24 *Related Party Transactions*. The Company is not required to provide information about transactions with related parties, other than between two or more members of the group.

Information not here disclosed under exemption can be found in the Group Accounts of South Cambridgeshire District Council, being the parent entity of the Company.

The Company's financial statements are presented in sterling and all values are rounded to the nearest pound or thousand (£ or £,000) except when otherwise indicated.

The results of the Company are included in the consolidated financial statements of South Cambridgeshire District Council which are publicly available through the Council's website at <https://www.scambs.gov.uk/content/statement-accounts-and-annual-governance-statement>

## 2. Accounting Policies

### 2.1 Basis of preparation

The Statement of Accounts summarises the Company's transactions for the 2014-15 financial period and its position at the period end of 31 March 2015.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 31 March 2015.

### 2.2 Going Concern

A Company's financial statements should be prepared on a going concern basis, that is, the financial statements should be prepared on the assumption that the Company will continue in operational existence for the foreseeable future. This means in particular that the Statement of Comprehensive Income and Balance Sheet assume no intention to curtail significantly the scale of the operation.

The Director of the Company and South Cambridgeshire District Council, being the parent entity, believe that the Company is well placed to manage its business risks successfully.

Refinancing arrangements have been agreed, on a secured equity basis, with South Cambridgeshire District Council for existing loans which are due to mature in February 2016.

The director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the director continues to adopt the going concern basis in preparing the annual report and accounts.

### 2.3 Turnover and expenditure

Turnover represents amounts received and receivable, excluding value added tax, in respect of goods and services provided during the period. Turnover, all of which arises in the United Kingdom, is attributable to one activity, the marketing and rental of residential properties. Expenditure represents amounts paid and payable in respect of goods and services received during the period

### 2.4 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 7 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### 2.5 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, such as flexi-time, for current employees and are recognised as an expense for services in the year in which employees render services to the Company. Other long term benefits are those benefits not falling wholly before twelve months after the end of the annual reporting period and are accounted for in the same manner as defined benefit post-employment benefits.

Compensated absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Compensated absences may be accumulating or non-accumulating. Accumulating absences are those that are carried forward and can be used in future periods if the current entitlement is not used in full. Annual leave, flexi-time and time in lieu are usually accumulating absences. Accumulating absences may be either vesting or non-vesting. Where vesting, employees who leave are entitled to a cash payment in respect of any unused entitlement. Where non-vesting, benefits lapse if an employee leaves before the vesting date.

An accrual is made for the cost of holiday entitlements and/or other forms of leave earned by employees but not taken before the period-end which employees can carry forward into the next financial period. The accrual is charged to the cost of services in the Statement of Comprehensive Income.

Non-accumulating absences are those that cannot be carried forward for use in future periods if the current entitlement is not used in full. Sick leave, maternity leave, paternity leave and jury service will usually be non-accumulating. The cost of non-accumulating compensated absences is recognised when the absences occur. The cost of providing non-monetary benefits is recognised according to the same principles as benefit payable in cash. The amount recognised as a liability and an expense is the cost to the employer of providing the benefit.

Long term benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Company to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and, are charged on an accruals basis to the relevant service account or, where applicable, to Non Distributed Costs in the Statement of Comprehensive Income at the earlier of when the Company can no longer withdraw the offer of those benefits, or when the Company recognises the costs for a restructuring and involves the payment of termination benefits.

Termination benefits are often lump-sum payments, but also include

- i) enhancement of retirement benefits, and
- ii) salary until the end of a specified notice period if the employee renders no further service that provides economic benefit to the Company

Where termination benefits involve the enhancement of pensions the amount is calculated according to the relevant accounting standards.

#### Post-Employment Benefits

Post-employment benefits are employee benefits (other than termination and short-term benefits) that are payable after the completion of employment.

## 2.6 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 Financial Statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect such events.

- Those that are indicative of conditions that arose after the reporting period – the Financial Statements are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the financial statements.

## 2.7 Foreign Currency Translation

The Company's functional currency and presentation currency is pounds sterling. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

## 2.8 Debtors

Trade debtors, which generally have 30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount.

## 2.9 Income Tax

Current tax liabilities are measured at the amount expected to be paid to the taxation authorities based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

## 2.10 Investments

Investments on the Balance Sheet are deposits held in overnight call accounts. These are accounted for at cost. Interest earned is shown in the Statement of Comprehensive Income under interest receivable.

## 2.11 Leases and Tenancies at will

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 or equipment from lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements 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 fulfilment of the arrangement is dependent on the use of specific assets.

## 2.12 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## 2.13 Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the company can be determined by reference to an active market. In practice, no intangible asset held by the company 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 Statement of Comprehensive Income. 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 Statement of Comprehensive Income. Any gain or loss arising on the disposal or abandonment of an intangible asset is charged to the Statement of Comprehensive Income.

#### 2.14 Investment Property

An investment property is one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property and is accounted for as property, plant and equipment.

An investment property is measured initially at cost. After initial recognition, an investment property is measured at fair value. A gain or loss arising from a change in the fair value of investment property is recognised in the Statement of Comprehensive Income for the period in which it arises. The fair value of investment property reflects market conditions at the balance sheet date. This means that a periodic revaluation approach may only be used where the carrying amount does not differ materially from that which would be determined using the fair value at the balance sheet date. An investment property held at fair value is not depreciated.

#### 2.15 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 Company 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 Company.

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;
- investment property and assets held for sale  
market value
- 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. Valuations are undertaken by a professionally qualified valuer and also carry out a material change review at year end to ensure revaluations are kept up to date. Revaluations also take place when there has been a significant change to the asset (e.g. major building works).

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Statement of Comprehensive Income 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 Statement of Comprehensive Income.

#### 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 Statement of Comprehensive Income.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service in the Statement of Comprehensive Income, 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.

The residual value of an item of property, plant and equipment and its useful life are reviewed at the end of each financial year and, if expectations differ from previous reviews or there has been a significant change in the consumption of economic benefits or service potential, the change is accounted for as a change in accounting estimate.

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.

#### Componentisation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts are grouped together in determining the depreciation charge.

The Company has determined that dwellings and other property is subject to componentisation and are assessed against 2 components determined by the Company's valuer, namely land and buildings, components within buildings being assessed annually for materiality.

#### 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income so that this section shows the net gain or loss on the disposal of non-current assets.

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.

## 2.16 Significant Judgements

In applying the accounting policies set out in this note, the Company has to make certain judgements about complex transactions or those involving future events. There were no critical judgements to be disclosed in these financial statements.

## 3. Turnover

Turnover recognised in the Statement of Comprehensive Income is analysed as follows:

	<b>2014-15 £'000</b>
Rental income	187
Other receipts	-
	<b>187</b>
Income received from Group undertakings	-
<b>Total</b>	<b>187</b>

## 4. Operating loss

This is stated after any charges for depreciation. Depreciation was not charged on acquired assets purchased in the first year of trading.

## 5. Auditors' remuneration

The Company was charged the following amounts by its external auditors.

	<b>2014-15 £'000</b>
Audit of the Financial Statements	15
Taxation services	-



## 6. Staff costs and Directors' remuneration

During the period the Company had no employees, all staff costs have been incurred by South Cambridgeshire District Council and recharged to the Company. The total recharge for contracted services was £137,181.

The remuneration relating to the Director and Company Secretary is borne by the parent undertaking, £10,490 has been included in the recharge from South Cambridgeshire District Council relating to the services of the Director.

## 7. Interest payable

	2014-15 £'000
Bank charges	1
Loan interest	29
<b>Total</b>	<b>30</b>

## 8. Taxation

	2014-15 £'000
Current tax	
Loss before taxation	(281)
Current tax calculated at tax rate of 20%	56
Losses carried forward	(56)
<b>Tax payable</b>	<b>-</b>

### Factors that may affect future tax charges

The standard rate of UK Corporation Tax reduced from 21% to 20% on 1 April 2015. The Finance act 2015, which received Royal Assent on 26 March 2015, states that this rate will not change for financial year 2016.

In his budget of 8 July 2015, the Chancellor of the Exchequer announced tax rate changes, which, if enacted in the proposed manner, will have an effect on the company's future tax position. These additional changes will reduce the standard rate of UK corporation tax from 20% to 19% from 1 April 2017, and 18% from 1 April 2020. These proposed changes had not been substantively enacted at the balance sheet date and consequently their effects are not included in these financial statements. The effect of these announced reductions is not likely to be material.

The above changes to the rate of corporation tax will impact the amount of future cash payments to be made by the company.

## 9. Fixed Assets

	Land and Buildings £'000	Total £,000
<b>Cost</b>		
On incorporation	-	-
Additions	4,094	4,094
Disposals	-	-
<b>As at 31 March 2015</b>	<b>4,094</b>	<b>4,094</b>
<b>Accumulated Depreciation</b>		
On incorporation	-	-
Charge for the period	-	-
Disposals	-	-
<b>As at 31 March 2015</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>		
At 31 March 2015	<b>4,094</b>	<b>4,094</b>

## 10. Cash and Cash Equivalents

Cash and cash equivalents consists of cash at bank and in hand of £14,120.

## 11. Creditors

Trade creditors are unsecured, non-interest bearing and are normally settled on 30 day terms. Payments received on account are also non-interest bearing.

Amounts owing to group undertakings relates to interest bearing loans of £4,072k owed by the Company to South Cambridgeshire District Council. The loan is repayable in February 2016, being £3,632k with a fixed rate of interest at 3.20%, and £440k with a fixed rate of interest at 5%, repayment terms are without security. The balance owing to South Cambridgeshire District Council relates to recharges for contracted services.

	<b>31 March 2015 £'000</b>
Trade creditors	78
Corporation tax	-
Payments received on account	56
Amounts owing to group undertakings	4,257
	<b>4,391</b>

## 12. Leases

At 31 March 2015 the Company was committed to making the following payments during the next year in respect of operating leases.

	<b>Land and Buildings £'000</b>
Operating leases which expire:	
Within 5 years	126
<b>Total</b>	<b>126</b>

## 13. Short term employee benefits – Accumulated Absences

An accrual for accumulated absences is made where there is a cost of holiday entitlement and flex leave earned by employees, but which has not been taken before the year-end, and which employees can carry forward into the next financial year. For the period ended 31 March there is no liability.

#### 14. Authorised and Issued Share capital

	2014-15
Authorised and Issued Share Capital	£
Ordinary Shares of £1 each:	
Allotted, called up and paid for	1
<b>Total</b>	<b>1</b>

#### 15. Related Party Transactions

During the year the Company entered into transactions, in the ordinary course of business, with related parties. There were no transactions with Directors to disclose other than those disclosed under note 6. Transactions entered into, and trading balances outstanding at 31 March 2015 with related parties are as follows:

	Sales £'000	Purchases £'000	Amounts owed to related parties £'000
Parent entity	-	1,151	1,151
<b>Total</b>	<b>-</b>	<b>1,151</b>	<b>1,151</b>

Terms and conditions of transactions with related parties:

Sales and purchases are made on an arm's length basis. Balances with entities that are not subsidiaries are non-interest bearing, are unsecured, and are expected to be settled within 30 days of invoice date. Terms and conditions for transactions with related parties have the same conditions. During the period ended 31 March 2015, the Company has made no provision for doubtful debts relating to amounts owed by related parties. Amounts owed to related parties include payments received in advance. Related party agreements regarding operating leases are disclosed in note 12. Remuneration relating to the directors of the Company have been disclosed in note 6.

#### 16. Ultimate Group Undertaking

The Company's immediate and ultimate parent undertaking is South Cambridgeshire District Council. The Company is included within these group accounts which are publicly available at: <https://www.scambs.gov.uk/content/statement-accounts-and-annual-governance-statement>

## Statement of Accounts for year ended 31 March 2015

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

Telephone: 01954 713 076  
[www.scambs.gov.uk](http://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.

The Statement of Accounts also includes the Group Accounts of the Council showing the consolidated position with its 100% owned subsidiary, South Cambs Limited, trading as Ermine Street Housing. The company began active trading on the 1 April 2014.

### 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:

<b>General Fund</b>	<b>Original estimate</b>	<b>Actual</b>
<b>Expenditure</b>	<b>£'000</b>	<b>£'000</b>
Net Portfolio expenditure excluding depreciation	16,394	15,222
Internal drainage boards	167	171
Interest and investment income	(346)	(374)
Amount to be met from Government Grant and local taxpayers	<u>16,215</u>	<u>15,019</u>
<b>Income</b>		
Principal sources of finance		
District element of Council Tax	(7,156)	(7,156)
Formula Grant		
(a general Government grant towards expenditure)	(2,657)	(2,608)
Retained Business Rates	(2,870)	(3,286)
New Homes Bonus	(3,201)	(3,201)
Deficit on Collection Fund re Business Rates	0	2,231
Surplus on Collection Fund re Council Tax	<u>(65)</u>	<u>(65)</u>
	<u>(15,949)</u>	<u>(14,085)</u>
<b>Deficit/(Surplus) for the year</b>	<b><u>266</u></b>	<b><u>934</u></b>

When the council tax for the financial year ending 31 March 2015 was set in February 2014, the deficit was estimated at £266,450. The variance of £667,858 is attributable to the following:

<b>General Fund</b>		<b>Underspending/slippage( )</b>		
<b>Actual to Original Estimate</b>			<b>Overspending+</b>	
<b>Services</b>	<b>Reason for variance</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
Housing Benefits	Improving economic conditions resulting in lower benefits demand, high overpayments recovery, lower recharges	(34)	(257)	
Democratic Representation	Lower recharges; reduced service costs and expenses	(8)	(91)	
Waste Management Strategy	Higher recharges & staffing costs	72	148	
Refuse Collection and Recycling	Reduced contractor costs	(9)	(251)	
Street Cleansing Service	Reduced contractor activity levels	(9)	(37)	
Development Control	Higher planning fees received	(46)	(719)	
Conservation	Higher service costs and recharges	55	121	
Planning Policy	Lower recharges	(16)	(110)	
Net cuts/savings	now allocated to services	100	250	
Reduction for vacancies	now allocated to services	100	450	
				(496)
Precautionary Items	Contingency not needed	(100)		(75)
Retained Business Rates	Lower levy	(15)		(416)
Other Grant	Business Rates administration grant	(100)		(258)
Deficit on Collection Fund (Business Rates)		100		2,231
Other items individually under £50,000				(318)
				<u>668</u>
Less underspendings in 2014-15 which will now be incurred in 2015-16				<u>(7)</u>
				<u>661</u>

## Housing Revenue Account

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

<b>Housing Revenue Account</b>	<b>Original estimate</b>	<b>Actual</b>
<b>Expenditure</b>	<b>£'000</b>	<b>£'000</b>
Repairs and maintenance	3,994	3,708
Management and services	4,568	4,553
Depreciation of fixed assets	5,659	5,659
Transfer to reserves	1,000	1,000
Interest payable	7,193	7,193
Capital expenditure met from revenue	6,347	5,617
	<u>28,761</u>	<u>27,730</u>
<b>Income</b>		
Rents and charges	(28,000)	(27,976)
Other	(350)	(390)
Interest	(37)	(49)
	<u>(28,387)</u>	<u>(28,415)</u>
<b>Deficit/(Surplus) for the year</b>	<u><b>374</b></u>	<u><b>(685)</b></u>

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

When rents for the financial year ending 31 March 2015 were set in February 2014, the estimated rent increase was set in line with government guidance at 3.7% and the deficit was estimated at £373,920. The variance of £1,059,095 is attributable to the following:

<b>Housing Revenue Account</b>		<b>Underspending/slippage( )</b>
<b>Actual to Original Estimate</b>		<b>Overspending+</b>
<b>Services</b>	<b>Reason for variance</b>	<b>%      £'000      £'000</b>
Repairs and Maintenance	Maintenance and Improvements	(286)
Supervision and Management	Reprovision & New Homes Programme	68
	Supported housing	(130)
		(348)
Capital Expenditure met from revenue	Maximising use of capital receipts	(730)
Other items individually under £50,000		19      (711)
		<u><b>(1,059)</b></u>

## Capital

Capital expenditure produces assets capable of providing benefits to the community for several years to come. Total expenditure for the year amounted to £15.7 million. The major part of the programme involved the provision of housing; with £11.7 million being invested in the Council's own housing stock.



## Treasury Management

At the 31 March 2015, investments (excluding accrued interest) totalled £43.4 million, an increase of £14.1 million over the previous year-end. These investments produced interest of over £0.43 million, which was used towards the cost of services.

The Council has debt of £205 million following Housing Revenue Account Self-Financing.

## Balances and Reserves

The balances on the General Fund and the Housing Revenue Account were at £10.25 million and £3.18 million respectively as at 31 March 2015 - 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 £6.8 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 £8.3 million in 2011-12 to £22.4 million in 2019-20 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 £61.849 million as at 31 March 2015 on an IAS 19 basis. With 74% of the pension fund attributable to South Cambridgeshire invested in equities, the deficit can vary greatly from one year to the next.

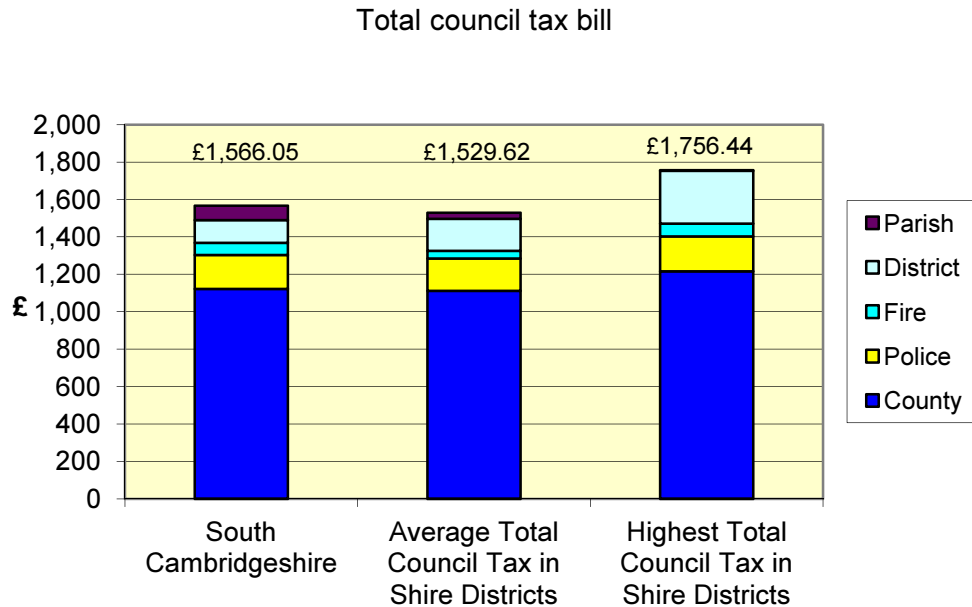
The employer's contribution rate for 2014-15 was 20.2%. The formal triennial valuation as at 31 March 2013 of assets and liabilities, for the purposes of determining contribution rate to be effective from 31 March 2014, showed a 61% funding level, being the extent to which assets cover liabilities. The 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.

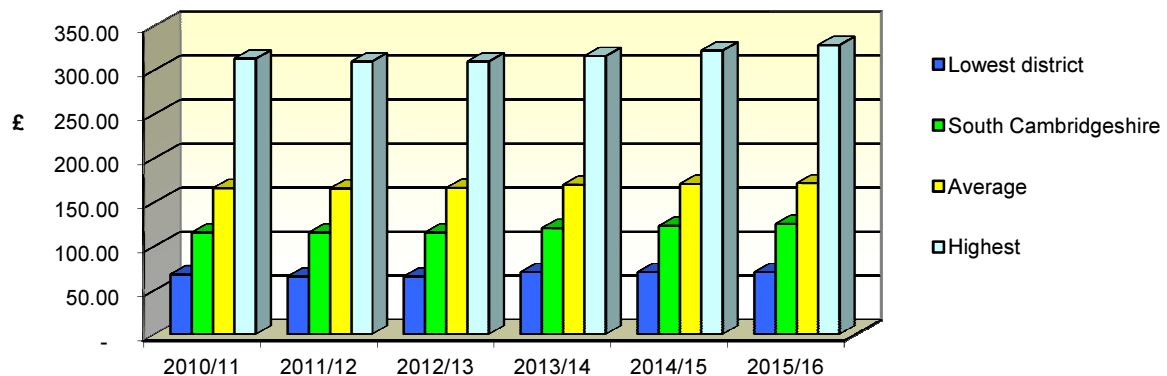
In view of the uncertainty over future pension costs, an additional percentage of pensionable pay has been charged against the General Fund and the Housing Revenue Account and placed in a reserve for use in future years (Notes 6, 21 and 42).

## 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 2014-15 was £1,566.05. 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 17th lowest in 2014-15 at £122.86 in a range of £70.46 to £322.11, with the average being £170.69.



The ranking is:

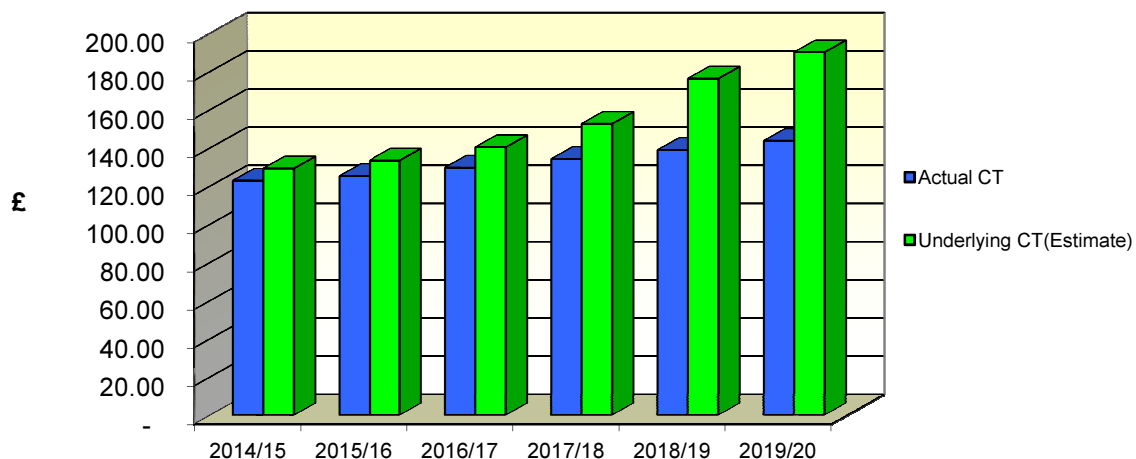
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
South Cambridgeshire	13th lowest	13th lowest	13th lowest	15th lowest	17th lowest	20th lowest
Total number of shire districts	201	201	201	201	201	201

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.

## 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. The increasing gap between the actual and underlying council tax reflects the expectation that government grant will continue to decrease in future years, requiring the continuing use of reserves; this assumption and others is monitored and reviewed in the Council's financial strategy on a regular basis.



### 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.

### 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://scambsmodern.gov.co.uk/ieListDocuments.aspx?CId=410&MId=6286&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://scambsmodern.gov.co.uk/mgPlansHome.aspx?bcr=1>

The Council regularly monitors performance against key performance indicators, this information is available from: <https://www.scambsm.gov.uk/council-aims-and-objectives>  
Corporate plan

The Council has published its Aims and Objectives for 2015-16 and the Corporate Plan for 2015-20 on its website at: <https://www.scambsm.gov.uk/council-aims-and-objectives>

## Population growth

The District population of 148,755 people (source: 2011 Census) is projected to increase to 194,500 by 2031 (source: Cambridgeshire Insight), the estimate for June 2015 being 151,400 (source: Cambridgeshire Insight). 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 redistribution of retained business rates from 2015-16 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, and
- land availability.

## Affordable housing

Following on from the Housing Revenue Account self-financing debt settlement at the end of March 2012, the Council has now embarked upon a new build development programme, with four new properties being completed and tenanted in 2013. The programme will continue in 2015-16 with the addition of an estimated 30 properties.

The Council has identified that an estimated investment surplus of £30 million will be available by 2022, this will assist in the provision of around 200 new homes being built for people in housing need.



*New homes for Linton (2013)*

### **Ermine Street Housing**

In November 2012 approval was given by Council to set up a subsidiary housing company, now registered as South Cambs Ltd and trading as Ermine Street Housing; after a period of planning the company became active in April 2014.

<http://www.erminestreethousing.co.uk/content/about-us>

Ermine Street Housing has established an initial portfolio of 46 properties, both owned and managed on behalf of other landlords, enabling the company to support the provision of rental property; further additions are planned later in the year. A full business case is scheduled for Council in the autumn of 2015.

As an independent but wholly owned subsidiary and in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy Code of Practice; the Council has prepared group accounts to show the overall financial position and results of the District Council.

### **City Deal**

Government has invited a number of cities to propose deals that change or widen their powers to enable or unblock growth. The City Deal initiative is a proposal focussing on connecting homes and jobs via improved infrastructure, funding will be in three stages

payable on results achieved with the first stage expected 2015/16 – 2019/20. South Cambridgeshire is part of a partnership with Cambridge City Council, Cambridgeshire County Council, GCGP Local Enterprise Partnership and Cambridge University the intention is to form a Combined Authority with a commitment to borrow to fund the required transport infrastructure for the area.

### **Auditor's Opinion**

The Statement of Accounts has been audited and the Auditor's opinion is shown on page 99.

Alex Colyer  
Executive Director and Chief Finance Officer

Dated: 25 September 2015



## Statement of Responsibilities for the Statement of Accounts

### The Authority's responsibilities

#### 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 2015 and its income and expenditure for the year then ended.

Alex Colyer

Executive Director (Corporate Services) as Chief Financial Officer

Dated: 25 September 2015

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.

I confirm that these accounts were approved by the Corporate Governance Committee held on 25 September 2015.

Chairman of the Corporate Governance Committee

# **Single Entity Statements for South Cambridgeshire District Council**

- ❑ 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 £,000	Earmarked General Fund Reserves £,000 (Note 6)	Housing Revenue Account (HRA) £,000	Earmarked HRA Reserves £,000 (Note 6)	Capital Receipts Reserve £,000 (Note 11)	Capital Grants Unapplied £,000 (Note 11)	Total Usable Reserves £,000 (Note 11)	Unusable Reserves £,000 (Note 12)	Total Authority Reserves £,000
<b>Balance as at 31st March 2013</b>		<b>(7,484)</b>	<b>(3,039)</b>	<b>(2,427)</b>	<b>(4,500)</b>	<b>(2,733)</b>	<b>(590)</b>	<b>(20,773)</b>	<b>(144,268)</b>	<b>(165,041)</b>
<b>Movement in reserves during 2013-14</b>										
Deficit / (Surplus) on provision of services (accounting basis)*		840		(10,981)	0	0	0	(10,141)	0	(10,141)
Other comprehensive expenditure and income*	5	0	0	0	0	0	0	0	5,508	5,508
<b>Total comprehensive income and expenditure</b>		<b>840</b>	<b>0</b>	<b>(10,981)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(10,141)</b>	<b>5,508</b>	<b>(4,633)</b>
Adjustments between accounting basis and funding basis under regulations*	5	(5,653)	0	6,916	0	(836)	6	433	(433)	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>		<b>(4,813)</b>	<b>0</b>	<b>(4,065)</b>	<b>0</b>	<b>(836)</b>	<b>6</b>	<b>(9,708)</b>	<b>5,075</b>	<b>(4,633)</b>
Transfers (to) / from earmarked reserves	6	1,110	(1,110)	4,000	(4,000)	0	0	0	0	0
<b>(Increase) / Decrease in year</b>		<b>(3,703)</b>	<b>(1,110)</b>	<b>(65)</b>	<b>(4,000)</b>	<b>(836)</b>	<b>6</b>	<b>(9,708)</b>	<b>5,075</b>	<b>(4,633)</b>
<b>Balance as at 31st March 2014</b>		<b>(11,187)</b>	<b>(4,149)</b>	<b>(2,492)</b>	<b>(8,500)</b>	<b>(3,569)</b>	<b>(584)</b>	<b>(30,481)</b>	<b>(139,193)</b>	<b>(169,674)</b>
<b>Movement in reserves during 2014-15</b>										
Deficit / (Surplus) on provision of services (accounting basis)		(1,557)		(22,564)	0	0	0	(24,121)	0	(24,121)
Other comprehensive expenditure and income	5	0	0	0	0	0	0	0	(47,213)	(47,213)
<b>Total comprehensive income and expenditure</b>		<b>(1,557)</b>	<b>0</b>	<b>(22,564)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(24,121)</b>	<b>(47,213)</b>	<b>(71,334)</b>
Adjustments between accounting basis and funding basis under regulations	5	494	0	20,953	0	(2,795)	151	18,803	(18,803)	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>		<b>(1,063)</b>	<b>0</b>	<b>(1,611)</b>	<b>0</b>	<b>(2,795)</b>	<b>151</b>	<b>(5,318)</b>	<b>(66,016)</b>	<b>(71,334)</b>
Transfers (to) / from earmarked reserves	6	1,997	(1,997)	925	(925)	0	0	0	0	0
<b>Increase / Decrease in year</b>		<b>934</b>	<b>(1,997)</b>	<b>(686)</b>	<b>(925)</b>	<b>(2,795)</b>	<b>151</b>	<b>(5,318)</b>	<b>(66,016)</b>	<b>(71,334)</b>
<b>Balance as at 31st March 2015</b>		<b>(10,253)</b>	<b>(6,146)</b>	<b>(3,178)</b>	<b>(9,425)</b>	<b>(6,364)</b>	<b>(433)</b>	<b>(35,799)</b>	<b>(205,209)</b>	<b>(241,008)</b>

## 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.

2013-14 Gross Expenditure £,000	2013-14 Gross Income £,000	2013-14 Net Expenditure £,000		2014-15 Gross Expenditure £,000	2014-15 Gross Income £,000	2014-15 Net Expenditure £,000
			<b>Expenditure on services</b>			
2,680	(110)	2,570	Corporate and Democratic Core	2,978	(92)	2,886
2,148	(937)	1,211	Central Services to the Public	2,137	(1,216)	921
			Cultural, Environmental and Planning Services			
923	(60)	863	Cultural and Related Services	637	(29)	608
7,759	(2,219)	5,540	Environmental Services	7,656	(2,214)	5,442
5,650	(2,272)	3,378	Planning and Development Services	5,088	(2,540)	2,548
59	(1)	58	Highways, Roads and Transport Services	81	(19)	62
			Non HRA Housing			
510	(75)	435	Personal Social Services	468	(39)	429
29,178	(29,071)	107	Housing Benefit and Administration	29,314	(29,106)	208
1,194	(488)	706	Private Sector Housing Renewal	980	0	980
26	(1)	25	Supporting People	26	0	26
653	(491)	162	Other Non HRA Housing Services Expenditure	439	(708)	(269)
132	0	132	Other Contributions to/from HRA	136	0	136
0	(93)	(93)	Non -distributed Costs	34	0	34
50,912	(35,818)	15,094	General Fund Services-Continuing operations	49,974	(35,963)	14,011
11,623	(28,928)	(17,305)	Housing Revenue Account Services	1,684	(30,091)	(28,407)
62,535	(64,746)	(2,211)	<b>Net cost of services</b>	51,658	(66,054)	(14,396)
		3,458	Other operating expenditure	Note 7		4,215
		8,797	Financing and investment income and expenditure	Note 8		8,843
		(20,185)	Taxation and non-specific grant income	Note 9		(21,580)
		<b>(10,141)</b>	<b>Surplus or deficit on the provision of services</b>			<b>(22,918)</b>
		4,801	<b>(Surplus)/deficit on revaluation of non-current assets</b>			<b>(59,945)</b>
		707	<b>Actuarial (gain)/loss on pension assets and liabilities</b>	Note 21		11,530
		<b>(4,633)</b>	<b>Total comprehensive income and expenditure</b>			<b>(71,333)</b>

## Balance Sheet

	Notes	31 March 2015 £,000	31 March 2014 £,000
Property, Plant and Equipment	27	475,413	397,638
Intangible Assets	25	254	284
Long Term Investments	35/36	3,156	2,000
Long Term Debtors		455	332
<b>Long Term Assets</b>		<b>479,278</b>	<b>400,254</b>
Short Term Investments	35/36	39,644	25,127
Inventories	29	53	47
Short Term Debtors	30	4,036	5,824
Cash and Cash Equivalents		1,182	2,655
Assets held for sale	27	445	807
<b>Current Assets</b>		<b>45,360</b>	<b>34,460</b>
Cash and cash equivalents		(1,023)	(723)
Short Term Creditors	31	(13,714)	(9,115)
Provisions	32	(1,910)	(1,822)
<b>Current Liabilities</b>		<b>(16,647)</b>	<b>(11,660)</b>
Other Long Term Liabilities	21/37	(61,860)	(48,256)
Long Term Borrowing	37	(205,123)	(205,123)
<b>Long Term Liabilities</b>		<b>(266,983)</b>	<b>(253,379)</b>
<b>Net Assets</b>		<b>241,008</b>	<b>169,675</b>
Usable reserves	11	(35,799)	(30,481)
Unusable reserves	12	(205,209)	(139,194)
<b>Total Reserves</b>		<b>(241,008)</b>	<b>(169,675)</b>

## 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 is 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'.

The unaudited accounts were issued on 26 June 2015 and the audited accounts were authorised for issue on 26 September 2015.

Signed:

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

Dated: 25 September 2015

## 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.

	Note	2014-15 £,000	2013-14 £,000
Cash Flows from operating activities			
Cash receipts		(89,487)	(86,059)
Cash payments		<u>64,851</u>	<u>59,736</u>
Net cash flows from Operating Activities	13	(24,636)	(26,323)
Investing Activities	14	24,579	10,199
Financing Activities	15	<u>1,830</u>	<u>13,923</u>
Net increase or decrease in cash and cash equivalents		1,773	(2,201)
Cash and cash equivalents at the beginning of the reporting period		(1,932)	269
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>16</b>	<b>(159)</b>	<b>(1,932)</b>

# **Notes to Single Entity 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 2014-15 and the Service Reporting Code of Practice. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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. Any differences between the actual and accrued amounts will be reflected in the accounts of the following 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. They include deposits in constant Net Asset Value money market funds that are available for withdrawal with 24 hours' notice. 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 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.

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.



## **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, such as flexi-time, for current employees and are recognised as an expense for services in the year in which employees render services to the Authority. Other long term benefits are those benefits not falling wholly before twelve months after the end of the annual reporting period and are accounted for in the same manner as defined benefit post-employment benefits.

Compensated absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Compensated absences may be accumulating or non-accumulating. Accumulating absences are those that are carried forward and can be used in future periods if the current entitlement is not used in full. Annual leave, flexi-time and time in lieu are usually accumulating absences. Accumulating absences may be either vesting or non-vesting. Where vesting, employees who leave are entitled to a cash payment in respect of any unused entitlement. Where non-vesting, benefits lapse if an employee leaves before the vesting date.

The Government has issued regulations that mean the Council is only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used. The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in year. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

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.

Non-accumulating absences are those that cannot be carried forward for use in future periods if the current entitlement is not used in full. Sick leave, maternity leave, paternity leave and jury service will usually be non-accumulating. The cost of non-accumulating compensated absences is recognised when the absences occur. The cost of providing non-monetary benefits is recognised according to the same principles as benefit payable in cash. The amount recognised as a liability and an expense is the cost to the employer of providing the benefit.

### **Other long term benefits**

Long term benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits

### **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 or, where applicable, to Non Distributed Costs in the Comprehensive Income and Expenditure account at the earlier of when the authority can no longer withdraw the offer of those benefits, or when the authority recognises the costs for a restructuring that is within the scope of the Code and involves the payment of termination benefits.

Termination benefits are often lump-sum payments, but also include

- i) enhancement of retirement benefits, and
- ii) salary until the end of a specified notice period if the employee renders no further service that provides economic benefit to the Council

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year end.

### Post-employment benefits

Post-employment benefits are employee benefits (other than termination and short-term benefits) that are payable after the completion of employment.

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. net interest on the net defined benefit liability (asset), that is, the net interest expense for the authority being the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged where the cost is charged to financing and investment income and expenditure in the comprehensive income and expenditure Statement.;

Remeasurements comprising:

- iv. expected return on assets being expected annual investment return on the fund assets, excluding amounts included in net interest on the defined benefit liability (asset), 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, that is, cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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 Reporting Period**

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.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

## **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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the financing and investment income and expenditure line in the Comprehensive income and Expenditure Statement in the year of repurchase or settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial assets**

Financial assets consist of:

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

The 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 and, equity shares in the Local Capital Finance Company (Municipal Bond Agency) with no quoted market prices.

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 such conditions (as distinct from a restriction) 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.

Restrictions are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified. The key difference between a condition and a restriction is that a condition requires the grant funder or donor to have a right to the return of their monies or the donated asset (or similar equivalent compensation).

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-ringfenced revenue grants and all capital grants) in the comprehensive income and expenditure statement.

When the conditions of a grant have been met and it has been reflected as income in the Comprehensive Income and Expenditure Statement, the Council still has discretion to carry the grant income forward through an earmarked reserve if it deems this

appropriate. This could arise in cases where there is no condition on the timescale in which a grant can be spent, but it has not been spent at the year-end.

In relation to capital grants or contributions recognised as income in the Comprehensive Income and Expenditure Statement, where the expenditure has not been incurred at the balance sheet date, the grant recognised as income is transferred to the Usable Reserves (Capital Grants Unapplied Account) representing capital resources not yet utilised.

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. Group Accounts**

The boundary for Group Accounts is determined by the extent of the Council's control or influence over an entity, and the materiality of the relationship to users of the Council's accounts.

A subsidiary is an entity which the Council controls through the power to govern its financial and operational activities, so as to obtain benefits from the entity. Control is deemed to exist where the Council owns more than half of the entity.

An associate is an entity where the Council has significant influence over decision making, but stopping short of control. It is normally presumed that significant influence exists where the Council owns 20% or more of the entity.

A jointly controlled entity exists where the Council is party to the contractually and binding agreed shared control of an organisation, where strategic financial and operating decisions require unanimous consent of the parties sharing control.

From 2014-15, group accounts have been prepared for South Cambs Ltd (trading as Ermine Street Housing) a wholly owned subsidiary. Investments in South Cambs Limited are recognised in the Balance Sheet as unquoted equity investments at cost.

#### **k. 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 note 27 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. Where appropriate, the Authority's heritage assets have been included in the balance sheet at

insurance valuation. 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.

Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. The Authority may occasionally dispose of heritage assets, the proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

## **I. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority (e.g. software and 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.

## **m. Investment Property**

An investment property is one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property and is accounted for as property, plant and equipment.

An investment property is measured initially at cost. After initial recognition, an investment property is measured at fair value. A gain or loss arising from a change in the fair value of investment property is recognised in the surplus or deficit on the provision of services for the period in which it arises. The fair value of investment property reflects market conditions at the balance sheet date. This means that a periodic revaluation approach may only be used where the carrying amount does not differ materially from that which would be determined using the fair value at the balance sheet date. An investment property held at fair value is not depreciated.



The Council currently has no investment properties, however an annual assessment is undertaken to ensure that no such properties need recognition at each balance sheet date.

#### **n. Inventories and Long-Term Contracts**

Inventories comprise such items as refuse and recycling bins, refuse sacks, unused postage and some canteen stocks. Inventories are included in the balance sheet at the lower of cost or net realisable value. Long-term contracts are accounted for on the basis of charging the relevant service in the comprehensive income and expenditure statement with the value of works and services received under the contract during the financial year.

#### **o. Leases**

Leases are classified as either finance leases or operating leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

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.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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.

#### **p. 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. 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.



These two categories are defined in the Service Reporting Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

#### **q. 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;
- investment property and assets held for sale
  - market value
- 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. Valuations are undertaken by a professionally qualified valuer and also carry out a material change review at year end to ensure revaluations are kept up to date. Revaluations also take place when there has been a significant change to the asset (e.g. major building works).

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.

The residual value of an item of property, plant and equipment and its useful life are reviewed at the end of each financial year and, if expectations differ from previous reviews or there has been a significant change in the consumption of economic benefits or service potential, the change is accounted for as a change in accounting estimate.

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.

## Componentisation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts are grouped together in determining the depreciation charge.

The Council has determined that dwellings and other property is subject to componentisation and are assessed against 2 components determined by the Council's valuer, namely land and buildings, components within buildings being assessed annually for materiality.

## 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 reversed out in the movement in reserves statement with the carrying amount transferred to the capital adjustment account and the receipts on disposal credited to the capital receipts reserve so that the net gain or loss is not met by council tax or rents.

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

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

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

**r. 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 which gives 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 which gives 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.

**s. 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. A detailed make up of specific reserves is given in the movement in reserves note.

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.

**t. 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 from the General Fund balance to the Capital adjustment account then reverses out the charge so that there is no impact on the council tax.

**u. 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**

The 2015-16 Local Authority Accounting Code of Practice includes a number of changes resulting from revisions to accounting standards, these are:

- IFRS 13 Fair value measurement
- Annual improvements to IFRSs 2011-13
- IFRIC12 Levies

Annual improvements to IFRSs 2011-13 and IFRIC 12 are not expected to have a material impact on the financial statements.

IFRS 13 will impact on the valuation basis used for surplus items of property, plant and equipment. However, this standard is being applied prospectively from 1 April 2015 so there will be no impact on the values as stated at 31 March 2015.

**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, this includes a degree of uncertainty about the levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to reduce levels of service provision or through changes to arrangements for service provision.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

#### Pensions Liability

The main item in the Council's balance sheet as at 31 March 2015 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:

	2014-15	2013-14
Change in assumption	Increase in liability (£ million)	Increase in liability (£ million)
0.5% decrease in real discount rate	14.81	11.86
1 year increase in member life expectancy	4.45	3.78
0.5% increase in salary increase rate	4.59	3.5
0.5% increase in pensions increase rate	9.92	8.21

#### 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 £490,455 for every year that useful lives had to be reduced.

#### Business Rates

Following the introduction of the business rates retention scheme which came into effect from 1 April 2013 the Authority, acting as agent on behalf of the major preceptors, central government and itself is required to make provision for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list, this includes amounts relating to non-domestic rates charged to businesses in 2014-15 and earlier financial years. The Council has estimated an amount, included in the collection fund which is considered to reflect the present obligation.

## 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.

	2014-15 £,000	2013-14 £,000
<b>General Fund</b>		
<b>Reversal of items included in the Comprehensive Income and Expenditure Account</b>		
Depreciation of non-current assets	(884)	(814)
Impairment of non-current assets	0	0
Capital Grants and contributions applied to capital financing	875	0
Reversal of impairment of non-current assets	840	566
Capital Grants and contributions applied to capital financing		0
Capital Grants and contributions unapplied	558	0
Revenue expenditure funded from capital under statute	(1,055)	(526)
Net gain/(loss) on sale of non-current assets	(1,275)	(16)
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(1,758)	(1,746)
Amount by which council tax and non domestic rating income in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulations	2,200	(2,918)
Amount by which officer remuneration on an accruals basis is different from remuneration chargeable by statute	(21)	4
<b>Insertion of items not included in the Comprehensive Income and Expenditure Account</b>		
Transfer from Capital Receipts Reserve to finance payment to the Government housing capital receipts pool	(430)	(396)
Capital expenditure charged against the General Fund	44	57
Statutory provision for financing of capital investment	201	136
<b>Total adjustments</b>	<b>(705)</b>	<b>(5,653)</b>
<b>Housing Revenue Account</b>		
<b>Reversal of items included in the Comprehensive Income and Expenditure Account</b>		
Reversal of Impairment of non-current assets (net)	18,694	7,874
Excess of depreciation over major repairs allowance element of housing subsidy	(5,162)	(4,830)
Capital Grants and contributions applied to capital financing	175	413
Net gain/(loss) on sale of non-current assets	2,066	1,354
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(435)	(438)
Amount by which officer remuneration on an accruals basis is different from remuneration chargeable by statute	(4)	(6)
<b>Insertion of items not included in the Comprehensive Income and Expenditure Account</b>		
Capital expenditure charged against the Housing Revenue Account	5,617	2,549
<b>Total adjustments</b>	<b>20,951</b>	<b>6,916</b>
<b>Capital Receipts Reserve</b>		
Transfer of sale proceeds credited to net gain/loss on disposal of non-current assets in the Comprehensive Income and Expenditure Statement	(5,743)	(5,576)
Use of Capital Receipts Reserve to finance new capital expenditure	2,517	4,365
Capital receipts transferred to reserves	0	(21)
Use of Capital Receipts Reserve to finance payment to the Government housing capital receipts pool	430	396
<b>Total adjustments</b>	<b>(2,796)</b>	<b>(836)</b>
<b>Total adjustments</b>	<b>17,450</b>	<b>427</b>

## Movement in other comprehensive income and expenditure

	Decrease / (Increase) 2014-15 £,000	Decrease / (Increase) 2013-14 £,000
Movement in Unusable Reserves		
Revaluation Reserve	(58,789)	4,998
Capital Adjustment Account	(18,658)	(5,673)
Pensions Reserve	13,604	2,846
Collection Fund Adjustment Account	(2,200)	2,918
Deferred Capital Receipts	3	(17)
Accumulating Compensated Absences Adjustment Account	25	2
	<u>(66,015)</u>	<u>5,074</u>
Adjustment between accounting basis and funding basis under regulations		
General Fund	(705)	(5,653)
Housing Revenue Account	20,951	6,916
Capital Receipts	(2,796)	(836)
Capital Grants Unapplied	151	6
	<u>17,601</u>	<u>433</u>
	<u><u>(48,414)</u></u>	<u><u>5,507</u></u>



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

This note sets out the amount set aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2013-14 and 2014-15.

	31 March 2013 £,000	Transfers out	Transfers in	31 March 2014 £,000	Transfers out	Transfers in	31 March 2015 £,000
<b>Capital</b>							
Preservation of Historic Buildings Fund	(55)	20	0	(35)	0	0	(35)
Arts Grants	(7)	1	0	(6)	1	0	(5)
Community Development	(316)	121	0	(195)	111	0	(84)
Sports Development	(175)	95	0	(80)	75		(5)
Environmental Services	0	0	(52)	(52)	0	(160)	(212)
Other	(166)	36	(33)	(163)	63	0	(100)
<b>Revenue</b>							
Conservation Reserves	(1)	0	0	(1)	0	0	(1)
Building Control Reserve	(118)	0	(28)	(146)	0	(57)	(203)
Arts Reserve	(5)	5	0	0	0	0	0
Planning Reserve	(486)	335	(179)	(330)	0	(695)	(1,025)
Community Safety & Grants Reserve	(14)	2	0	(12)	0	0	(12)
Sports Reserve	(2)	0	(5)	(7)	7	0	0
Travellers Reserve	(717)	21	(75)	(771)	271	0	(500)
Infrastructure	0	0	(849)	(849)	0	(1,398)	(2,247)
Additional Pension Reserve -Notes 21/42	(487)	0	(348)	(835)	0	(198)	(1,033)
Other	(490)	22	(198)	(666)	186	(204)	(684)
<b>Housing Revenue Account</b>							
Self-Insurance Reserve	(1,000)	0	0	(1,000)	75	0	(925)
Investment Repayment Reserve	(3,500)	0	(4,000)	(7,500)	0	(1,000)	(8,500)
	<b>(7,539)</b>	<b>658</b>	<b>(5,767)</b>	<b>(12,648)</b>	<b>789</b>	<b>(3,712)</b>	<b>(15,571)</b>
<b>Total - Capital (General Fund)</b>	(719)	273	(85)	(531)	250	(160)	(441)
<b>Revenue (General Fund)</b>	(2,320)	385	(1,682)	(3,617)	464	(2,552)	(5,705)
<b>Revenue (Housing Revenue)</b>	(4,500)	0	(4,000)	(8,500)	75	(1,000)	(9,425)
	<b>(7,539)</b>	<b>658</b>	<b>(5,767)</b>	<b>(12,648)</b>	<b>789</b>	<b>(3,712)</b>	<b>(15,571)</b>

## 7 Comprehensive Income and Expenditure Statement - Other Operating Expenditure

		2014-15 Net Expenditure	2013-14 Net Expenditure
Other operating expenditure	Note	£,000	£,000
Precepts of Local Precepting Authorities		4,406	4,234
Internal Drainage Boards		170	166
Payment to the Government for Housing Pooled Capital receipts		430	396
Loss (Gain) on disposal of non-current assets	5	(791)	(1,338)
		<b>4,215</b>	<b>3,458</b>

## 8 Comprehensive Income and Expenditure Statement - Financing and Investment Income and Expenditure

		2014-15 Net Expenditure	2013-14 Net Expenditure
Financing and investment income and expenditure	Note	£,000	£,000
Pensions interest cost and expected return on pension assets	21	2,073	2,043
Interest Payable		7,193	7,193
Interest and investment income		(423)	(439)
		<b>8,843</b>	<b>8,797</b>

## 9 Comprehensive Income and Expenditure Statement - Taxation

		2014-15 Net Expenditure	2013-14 Net Expenditure
Taxation and non-specific grant income and expenditure	Note	£,000	£,000
Income from Council Tax		(11,722)	(11,268)
Business rates income and expenditure		(3,145)	(1,833)
Non-ringfenced Government Grants	34	(5,883)	(6,671)
Capital Grants and contributions		(830)	(413)
		<b>(21,580)</b>	<b>(20,185)</b>

## 10 Material items of income and expenditure

There are no material items in the comprehensive income and expenditure statement in 2014-15 outside the normal course of business.

## 11 Usable Reserves

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

	Note	2014-15 £,000	2013-14 £,000
Usable Capital Receipts Reserve		(6,364)	(3,568)
Earmarked Reserve-General fund	6	(6,146)	(4,149)
Earmarked Reserve-Housing Revenue Account	6	(9,425)	(8,500)
Capital Grants Unapplied		(433)	(584)
General Fund		(10,253)	(11,187)
Housing Revenue Account		(3,178)	(2,493)
		<b>(35,799)</b>	<b>(30,481)</b>

### Usable Capital Receipts Reserve

	2014-15 £,000	2013-14 £,000
<b>Balance at 1 April</b>	(3,568)	(2,732)
Capital receipts received	(5,743)	(5,576)
Capital receipts applied	2,517	4,365
Payments to DCLG	430	396
Transfers to/ (from) reserves	0	(21)
<b>Balance at 31 March</b>	<b>(6,364)</b>	<b>(3,568)</b>

## Capital Grants Unapplied

	2014-15 £,000	2013-14 £,000
<b>Balance at 1 April</b>	(584)	(590)
Planning Delivery Grant	161	0
Other	(10)	6
<b>Balance at 31 March</b>	<b>(433)</b>	<b>(584)</b>

## 12 Unusable Reserves

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

	2014-15 £,000	2013-14 £,000
Revaluation Reserve	(71,499)	(12,710)
Capital Adjustment Account	(196,435)	(177,777)
Pensions Reserve	61,849	48,245
Collection Fund Adjustment Account	717	2,917
Deferred Capital Receipts	(87)	(90)
Accumulated Absences	246	221
<b>Balance at 31 March</b>	<b>(205,209)</b>	<b>(139,194)</b>

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.

	<b>2014-15</b>	<b>2013-14</b>
	<b>£,000</b>	<b>£,000</b>
<b>Balance at 1 April</b>	<b>(12,710)</b>	<b>(17,708)</b>
Revaluation gains	(81,935)	(13,633)
Reversal of impairment	21,779	10,858
Revaluation impairment	102	7,082
Release of revaluation gains on disposal	861	138
Depreciation adjustment	404	553
<b>Balance at 31 March</b>	<b>(71,499)</b>	<b>(12,710)</b>

### 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.

	<b>2014-15</b>	<b>2013-14</b>
	<b>£,000</b>	<b>£,000</b>
<b>Balance at 1 April</b>	<b>(177,777)</b>	<b>(172,104)</b>
Capital expenditure financed from;		
Capital Receipts and contributions	(2,517)	(4,365)
Revenue	(5,750)	(2,679)
Grants and Reserves	(1,641)	(783)
Major Repairs Allowance	(5,659)	(5,548)
Internal financing	(201)	(136)
Write out of revaluation gain on disposal	(861)	(139)
Disposal of assets	4,746	3,663
Depreciation, amortisation and impairment	13,949	13,835
Reversal of impairment on revaluation	(21,779)	(10,858)
Write out of revenue expenditure funded from capital under statute and loans repaid	1,055	1,337
<b>Balance at 31 March</b>	<b>(196,435)</b>	<b>(177,777)</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or, eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

		2014-15 £,000	2013-14 £,000
	Note		
<b>Balance at 1 April</b>		<b>48,245</b>	<b>45,399</b>
Remeasurements of the net defined benefit liability/(asset)		11,530	707
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account		5,084	4,705
Employers pensions contributions and direct payments to pensioners payable in the year		(3,010)	(2,566)
<b>Balance at 31 March</b>	<b>21</b>	<b>61,849</b>	<b>48,245</b>

### Collection Fund Adjustment Account

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

	2014-15 £,000	2013-14 £,000
<b>Balance at 1 April</b>	<b>2,917</b>	<b>(1)</b>
Amount by which business rate income credited to the Comprehensive Income and Expenditure Statement is different from business rate income calculated for the year in accordance with statutory requirements	(2,105)	3,019
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	(95)	(101)
<b>Balance at 31 March</b>	<b>717</b>	<b>2,917</b>

#### 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.

	2014-15 £,000	2013-14 £,000
<b>Balance at 1 April</b>	<b>221</b>	<b>219</b>
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	25	2
<b>Balance at 31 March</b>	<b>246</b>	<b>221</b>

### 13 Operating Activities

The cash flows for operating activities include the following items:

	2014-15		2013-14
	£,000		£,000
Housing Benefit grant	(27,531)		(26,522)
Cash received for goods and services	(8,959)		(7,981)
Housing rents	(28,160)		(27,310)
Council tax receipts - Council and Parish share	(11,505)		(11,147)
Business rates Council share	(4,313)		(4,871)
Other grants and contributions	(2,645)		(1,631)
Revenue Support Grant/New Homes Bonus	(5,809)		(6,092)
Interest received	(423)		(440)
Collection Fund -Council share	(142)	(89,487)	(65)
			(86,059)
Housing Benefit	14,748		14,552
Parish Precepts	4,406		4,233
Cash paid to and on behalf of employees	16,385		17,203
Other operating cash payments	25,602		22,070
Revenue funded from capital under statute	1,055		1,304
Payments to the Capital Receipts Pool	424		374
Collection Fund -Council share	2,231	64,851	0
			59,736
<b>Net cash flows from operating activities</b>	<b>(24,636)</b>		<b>(26,323)</b>

### 14 Investing Activities

The cash flows for investing activities include the following items:

	2014-15	2013-14
	£,000	£,000
Purchase of property, plant and equipment and intangible assets	14,649	11,897
Purchase of Short-term and long-term investments	254,857	256,081
Proceeds from short-term and long-term investments	(239,184)	(252,155)
Proceeds from the sale of property, plant and equipment	(5,743)	(5,576)
Other receipts from investing activities	0	(48)
	<b>24,579</b>	<b>10,199</b>



**15 Financing Activities**

	<b>2014-15</b>	<b>2013-14</b>
	<b>£,000</b>	<b>£,000</b>
Other receipts from financing activities	(5,363)	6,730
Other payments for financing activities	7,193	7,193
	<b>1,830</b>	<b>13,923</b>

The net debt, cash and cash equivalents, at 31 March 2015 is £158,965 comprising cash held in money market funds of £871,603 and net cash at bank overdrawn of £712,638, an increase in cash in the year of £1,772,956.

Payments for financing activities include annual interest of £7.193m relating to long term borrowing by the Housing Revenue Account, further details are provided in Note 37.

## 16 Amounts Reported for Resource Allocation 2014-15

### For the year ended 31st March 2015

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 (General Fund)	Housing (General Fund)	Housing Revenue A/c	Planning	Economic Development	Leader	Corporate and Customer Services	Strategic Planning & Transportation	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges and other service income	(416)	(2,234)	(728)	(29,926)	(2,113)	0	(27)	(575)	(639)	(36,658)
Government grants	(28,043)	(6)	(58)	0	0	0	(17)	(76)	(21)	(28,221)
<b>Total income</b>	<b>(28,459)</b>	<b>(2,240)</b>	<b>(786)</b>	<b>(29,926)</b>	<b>(2,113)</b>	<b>0</b>	<b>(44)</b>	<b>(651)</b>	<b>(660)</b>	<b>(64,879)</b>
Employee expenses	711	42	0	665	0	0	0	0	0	1,418
Other service expenses	27,405	5,360	875	5,459	360	79	283	1,020	643	41,484
Operational and support service recharges	2,443	2,456	1,017	3,966	3,206	88	217	1,275	1,227	15,895
Financing, depreciation, etc.	0	371	84	11,958	16	0	2	0	3	12,434
Interest payments	0	0	0	7,193	0	0	0	0	0	7,193
<b>Total expenditure</b>	<b>30,559</b>	<b>8,229</b>	<b>1,976</b>	<b>29,241</b>	<b>3,582</b>	<b>167</b>	<b>502</b>	<b>2,295</b>	<b>1,873</b>	<b>78,424</b>
<b>Net expenditure</b>	<b>2,100</b>	<b>5,989</b>	<b>1,190</b>	<b>(685)</b>	<b>1,469</b>	<b>167</b>	<b>458</b>	<b>1,644</b>	<b>1,213</b>	<b>13,545</b>

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

Cost of services on Segmental Reporting (Portfolio) basis	13,545
Additional segments not included in the Portfolio analysis	1,629
Amounts not included in reports to Portfolio Holders but included in the Comprehensive Income and Expenditure Statement net cost of services	(16,539)
Amounts included in reports to Portfolio Holders but not included in the Comprehensive Income and Expenditure Statement net cost of services	(13,032)
<b>Net cost of services</b>	<b>(14,397)</b>

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

	Portfolio analysis £,000	Services not in analysis £,000	Not reported to management £,000	Not included in Comp I & E £,000	Allocation of recharges £,000	Net cost of services £,000	Corporate amounts £,000	Total £,000
Fees, charges & other service income	(36,658)	0	0	49	(348)	(36,957)	0	(36,957)
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	(423)	(423)
Income from council tax	0	0	0	0	0	0	(11,722)	(11,722)
Business rates income and expenditure	0	0	0	0	0	0	(3,145)	(3,145)
Government grants and contributions	(28,221)	0	0	58	0	(28,163)	(6,712)	(34,875)
<b>Total Income</b>	<b>(64,879)</b>	<b>0</b>	<b>0</b>	<b>107</b>	<b>(348)</b>	<b>(65,120)</b>	<b>(22,002)</b>	<b>(87,122)</b>
Employee expenses	1,418	0	145	(198)	15,537	16,902	2,073	18,975
Other service expenses	41,484	1,629	(2,312)	(131)	194	40,864	0	40,864
Operational and support service recharges	15,895	0	0	0	(15,895)	0	0	0
Financing, depreciation, etc.	12,434	0	(14,372)	(5,617)	512	(7,043)	0	(7,043)
Interest payments	7,193	0	0	(7,193)	0	0	7,193	7,193
Precepts & levies	0	0	0	0	0	0	4,576	4,576
Payments to housing capital receipts pool	0	0	0	0	0	0	430	430
Gain or loss on disposal of non-current assets	0	0	0	0	0	0	(791)	(791)
<b>Total operating expenses</b>	<b>78,424</b>	<b>1,629</b>	<b>(16,539)</b>	<b>(13,139)</b>	<b>348</b>	<b>50,723</b>	<b>13,481</b>	<b>64,204</b>
<b>Surplus or deficit on the provision of services</b>	<b>13,545</b>	<b>1,629</b>	<b>(16,539)</b>	<b>(13,032)</b>	<b>0</b>	<b>(14,397)</b>	<b>(8,521)</b>	<b>(22,918)</b>

## Amounts Reported for Resource Allocation 2013-14

### For the year ended 31st March 2014

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 (General Fund)	Housing (General Fund)	Housing Revenue A/c	Planning	Economic Development	Leader	Corporate and Customer Services	Strategic Planning & Transportation	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges and other service income	(494)	(2,174)	(465)	(28,641)	(2,398)	0	(53)	(511)	(82)	(34,818)
Government grants	(27,679)	0	(55)	0	0	0	(21)	(17)	0	(27,772)
<b>Total income</b>	<b>(28,173)</b>	<b>(2,174)</b>	<b>(520)</b>	<b>(28,641)</b>	<b>(2,398)</b>	<b>0</b>	<b>(74)</b>	<b>(528)</b>	<b>(82)</b>	<b>(62,590)</b>
Employee expenses	325	54	0	731	0	0	0	0	0	1,110
Other service expenses	27,214	5,400	684	8,658	526	78	297	773	225	43,855
Operational and support service recharges	2,502	2,357	1,050	3,897	3,480	30	247	1,322	1,445	16,330
Financing, depreciation, etc.	0	283	74	8,097	16	0	4	0	0	8,474
Interest payments	0	0	0	7,193	0	0	0	0	0	7,193
<b>Total expenditure</b>	<b>30,041</b>	<b>8,094</b>	<b>1,808</b>	<b>28,576</b>	<b>4,022</b>	<b>108</b>	<b>548</b>	<b>2,095</b>	<b>1,670</b>	<b>76,962</b>
<b>Net expenditure</b>	<b>1,868</b>	<b>5,920</b>	<b>1,288</b>	<b>(65)</b>	<b>1,624</b>	<b>108</b>	<b>474</b>	<b>1,567</b>	<b>1,588</b>	<b>14,372</b>

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

Cost of services on Segmental Reporting (Portfolio) basis	14,372
Additional segments not included in the Portfolio analysis	1,127
Amounts not included in reports to Portfolio Holders but included in the Comprehensive Income and Expenditure Statement net cost of services	(4,360)
Amounts included in reports to Portfolio Holders but not included in the Comprehensive Income and Expenditure Statement net cost of services	(13,350)
<b>Net cost of services</b>	<b>(2,211)</b>

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

	Portfolio analysis £,000	Services not in analysis £,000	Not reported to management £,000	Not included in Comp I & E £,000	Allocation of recharges £,000	Net cost of services £,000	Corporate amounts £,000	Total £,000
Fees, charges & other service income	(34,818)	0	0	27	(328)	(35,119)	0	(35,119)
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	(439)	(439)
Income from council tax	0	0	0	0	0	0	(11,268)	(11,268)
Business rates income and expenditure	0	0	0	0	0	0	(1,833)	(1,833)
Government grants and contributions	(27,772)	0	0	55	0	(27,717)	(7,083)	(34,800)
<b>Total Income</b>	<b>(62,590)</b>	<b>0</b>	<b>0</b>	<b>82</b>	<b>(328)</b>	<b>(62,836)</b>	<b>(20,623)</b>	<b>(83,459)</b>
Employee expenses	1,110	0	143	(348)	16,085	16,990	2,043	19,033
Other service expenses	43,855	1,127	(893)	(3,342)	65	40,812	0	40,812
Operational and support service recharges	16,330	0	0	0	(16,331)	(1)	0	(1)
Financing, depreciation, etc.	8,474	0	(3,610)	(2,549)	509	2,824	0	2,824
Interest payments	7,193	0	0	(7,193)	0	0	7,193	7,193
Precepts & levies	0	0	0	0	0	0	4,400	4,400
Payments to housing capital receipts pool	0	0	0	0	0	0	396	396
Gain or loss on disposal of non-current assets	0	0	0	0	0	0	(1,338)	(1,338)
<b>Total operating expenses</b>	<b>76,962</b>	<b>1,127</b>	<b>(4,360)</b>	<b>(13,432)</b>	<b>328</b>	<b>60,625</b>	<b>12,694</b>	<b>73,319</b>
<b>Surplus or deficit on the provision of services</b>	<b>14,372</b>	<b>1,127</b>	<b>(4,360)</b>	<b>(13,350)</b>	<b>0</b>	<b>(2,211)</b>	<b>(7,929)</b>	<b>(10,140)</b>

## 17 Acquired and Discontinued Operations

There are no transactions to report under these headings in 2014-15 or in 2013-14.

## 18 Members Allowances

The total of Members' allowances paid in the year was £373,250 (£369,759 in 2013-14). 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.

## 19 Officers' Remuneration

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

<b>Remuneration band</b>	<b>2014-15 number of employees</b>	<b>2013-14 number of employees</b>
£50,000 - £54,999	4	6
£55,000 - £59,999	4	4
£60,000 - £64,999	1	1
£65,000 – £69,999	0	2

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 2014-15 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	
	2014-15	2013-14	2014-15	2013-14	2014-15 £,000	2013-14 £,000
£0 - £20,000	3	3	0	0	25	31
£20,001 - £40,000	0	1	0	1	0	50
£40,001- £60,000	1	3	0	0	45	154
£60,001 - £80,000	0	2	0	0	0	131
<b>Total</b>	<b>4</b>	<b>9</b>	<b>0</b>	<b>1</b>	<b>70</b>	<b>366</b>

## Senior Officer Remuneration

In 2014-15 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 £	Election Fees £	Benefits in Kind etc. £	Compensation for loss of office £	Total Remuneration excluding pension contributions £	Employers Pension contributions £	Total Remuneration including pension contributions £
<b>Chief Executive</b>	<b>2014-15</b>	122,412	16,261	0	0	0	138,673	27,709	166,382
	2013-14	121,200	12,398	0	0	0	133,598	26,300	159,898
<b>Executive Director (Corporate Services)</b>	<b>2014-15</b>	104,242	0	540	0	0	104,782	21,057	125,839
	2013-14	104,001	0	340	0	0	104,341	22,568	126,909
<b>Director of Health &amp; Environmental Services</b>	<b>2014-15</b>	80,095	0	0	0	0	80,095	16,179	96,274
	2013-14	76,640	0	0	0	0	76,640	16,631	93,271
<b>Director of Housing</b>	<b>2014-15</b>	80,095	0	0	0	0	80,095	0	80,095
	2013-14	76,640	0	0	0	0	76,640	0	76,640
<b>Director of New Communities &amp; Planning</b>	<b>2014-15</b>	80,095	0	0	0	0	80,095	16,179	96,274
	2013-14	76,640	0	0	0	0	76,640	16,631	93,271

## 20 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims and returns:

	<b>2014-15</b>	<b>2013-14</b>
	<b>£,000</b>	<b>£,000</b>
Auditing Fee	69	68
Certifying grant claims and returns	18	16
	<b>87</b>	<b>84</b>

In addition, during the year, rebates were received from the Audit Commission:

- £7,801 – auditing fee
- £5,858 – certifying grant claims and returns

## 21 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.

### Transactions Relating to Post-Employment Benefits:

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme £,000		Discretionary Benefits Arrangements £,000	
	2014-15	2013-14	2014-15	2013-14
<b>Cost of Services:</b>				
<b>Service cost comprising:</b>				
Current service cost	2,893	2,633	0	0
Past service cost	0	0	118	29
<b>Financing and Investment Income and Expenditure</b>				
Net interest expense	2,073	2,043	0	0
<b>Total Post-employment Benefits charged to the surplus or deficit on the Provision of Services</b>	<b>4,966</b>	<b>4,676</b>	<b>118</b>	<b>29</b>



	Local Government Pension Scheme £,000		Discretionary Benefits Arrangements £,000	
	2014-15	2013-14	2014-15	2013-14
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>				
Remeasurement of the net defined benefit liability comprising:				
Return on scheme assets (excluding the amount included in the net interest expense)	(5,858)	(2,659)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	(2,368)	0	0
Actuarial gains and losses arising on changes in financial assumptions	18,884	5,376	0	0
Other	(1,496)	358	0	0
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>11,530</b>	<b>707</b>	<b>0</b>	<b>0</b>

	Local Government Pension Scheme £,000		Discretionary Benefits Arrangements £,000	
	2014-15	2013-14	2014-15	2013-14
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the surplus or deficit on the Provision of Services for post-employment benefits in accordance with the Code	(4,966)	(4,676)	(118)	(29)
Actual amount charged against the General Fund Balance for pensions in the year:	2,807	2,399	84	122
<b>Employers' contributions payable to scheme Retirement benefits payable to pensioners</b>	<b>(2,159)</b>	<b>(2,277)</b>	<b>(34)</b>	<b>93</b>

## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

	Local Government Pension Scheme £,000		Discretionary Benefits Arrangements £,000	
	2014-15	2013-14	2014-15	2013-14
Present value of the defined benefit obligation	(146,612)	(123,835)	(1,734)	(2,022)
Fair value of scheme assets	86,499	77,615	0	0
Sub-total	(60,113)	(46,220)	(1,734)	(2,022)
<b>Other movements in the liability (asset):</b>				
Less capital contribution to early retirement included in scheme assets	(14)	(29)	0	0
Liability for cost of early retirement shown separately under creditors in the balance sheet	12	26	0	0
<b>Net liability arising from the defined benefit obligation</b>	<b>(60,115)</b>	<b>(46,223)</b>	<b>(1,734)</b>	<b>(2,022)</b>

## Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension Scheme £,000		Discretionary Benefits Arrangements £,000	
	2014-15	2013-14	2014-15	2013-14
<b>Opening fair value of scheme assets</b>	<b>77,615</b>	<b>72,408</b>	<b>0</b>	<b>0</b>
Interest income	3,329	3,241	0	0
Remeasurement gain/(loss):				
The return on scheme assets, excluding the amount included in the net interest expense	5,858	2,659	0	0
The effect of changes in foreign exchange rates				
Contributions from employer	2,925	2,428	0	0
Contributions from employees into the scheme	707	705	0	0
Benefits paid	(3,935)	(3,826)	(84)	(122)
Contributions in respect of unfunded benefits	0	0	84	122
<b>Closing fair value of scheme assets</b>	<b>86,499</b>	<b>77,615</b>	<b>0</b>	<b>0</b>

## Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	<b>Funded Liabilities: Local Government Pension Scheme £,000</b>		<b>Unfunded Liabilities: Discretionary Benefits £,000</b>	
	<b>2014-15</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2013-14</b>
<b>Opening balance at 1 April</b>	<b>(123,835)</b>	<b>(115,725)</b>	<b>(2,022)</b>	<b>(2,069)</b>
Current Service cost:	(2,893)	(2,633)	0	0
Interest cost	(5,402)	(5,284)	0	0
Contributions from scheme participants	(707)	(705)	0	0
Remeasurement (gains) and losses:				
Actuarial gains/losses arising from demographic assumptions	0	2,368	0	0
Actuarial gains/losses arising from changes in financial assumptions	(18,884)	(5,376)	0	0
Other	1,174	(306)	322	(46)
Past service cost:				
Losses/(gains) on curtailment	0	0	(118)	(29)
Benefits paid	3,935	3,826	84	122
<b>Closing balance at 31 March</b>	<b>(146,612)</b>	<b>(123,835)</b>	<b>(1,734)</b>	<b>(2,022)</b>

## Local Government Pension Scheme Assets comprised:

	<b>Fair value of scheme assets</b>	
	<b>2014-15</b>	<b>2013-14</b>
	<b>%</b>	<b>%</b>
Equity instruments		
Equity Securities	36%	40%
Private equity	7%	6%
Investment funds and Unit Trusts	54%	53%
Sub-total equity instruments	97%	99%
Cash and cash equivalents	3%	1%
	100%	100%

		Fair value of scheme assets	
		2014-15	2013-14
		£,000	£,000
1	Cash and cash equivalents	2,592.0	1,034.8
1 & 2	Equity securities (by industry type):		
	Consumer	8,567.1	6,777.0
	Manufacturing	5,302.9	6,405.2
	Energy and Utilities	2,437.0	2,750.5
	Financial Institutions	7,074.3	7,830.1
	Health and care	4,211.3	2,288.3
	Information Technology	3,910.9	4,641.2
	Other	0.0	215.5
	Sub-total equity	31,503.5	30,907.8
	Private equity:		
3	All (UK & Overseas)	6,132.6	4,617.0
	Sub-total private equity	6,132.6	4,617.0
3	Investment funds and Unit Trusts		
	Equities	26,646.8	24,956.5
	Bonds	13,188.7	11,830.9
	Other	6,435.4	4,268.2
	Sub-total other investment funds	46,270.9	41,055.6
<b>Total assets</b>		<b>86,499.0</b>	<b>77,615.2</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on the assumptions about mortality rates, salary levels etc.

Both the Local Government pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

**Local Government Pension Scheme  
assumptions**

**2014-15**

**2013-14**

Long-term expected rate of return on assets in the scheme:

**Mortality assumptions**

Longevity at 65 for current pensioners:

Men	22.5 years	22.5 years
Women	24.5 years	24.5 years

Longevity at 65 for future pensioners:

Men	24.4 years	24.4 years
Women	26.9 years	26.9 years

Rate of increase in salaries	4.3%	4.6%
Rate of increase in pensions	2.4%	2.8%
Rate for discounting scheme liabilities	3.2%	4.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumption in longevity, for example, assume that life expectancy increases (or decreases) for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

**Impact on the Defined Benefit Obligation in the Scheme  
at 31 March 2015:**

	<b>Increase in Assumption £,000</b>	<b>Increase in Employer Liability %</b>
Longevity (increase or decrease in year 1)	4,450	3%
Rate of increase in salaries (increase by 0.5%)	4,590	3%
Rate of increase in pensions (increase by 0.5%)	9,920	7%
Rate for discounting scheme liabilities (increase by 0.5%)	14,813	10%

### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. A strategy has been agreed with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public pensions Services Act 2013. Under the Act, the local Government pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The estimated contributions by the employer in 2015-16 are £3,055,000. In addition, the employer has contributed approximately £198,370 in 2014-15 to an internal reserve.

## 22 Events after the Balance Sheet Date

The un-audited Statement of Accounts were authorised for issue by the Executive Director – Corporate Services on 26 June 2015 and the audited accounts were authorised for issue on 25 September 2015. There are no post balance sheet events.

## 23 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 34 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 2014-15 is shown in Note 18.

In 2014-15, South Cambs Limited trading as Ermine Street Housing began trading. The company is wholly owned by the Council, transactions between this organisation and the Council are accounted within the Council's group accounts, beginning on page 91.

In 2014-15, there were no reported material related party transactions that are not disclosed elsewhere in the accounts.

## 24 Leases

There were no finance lease agreements during 2014-15.

The Council has no operating leases. Payments of £858,226 in respect of vehicle contract hire were made in 2014-15 (£1,015,548 in 2013-14).

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

	<b>2014-15</b>	<b>2013-14</b>
	<b>£,000</b>	<b>£,000</b>
Not later than one year	694	758
Later than one year and not later than five years	630	1,285
	<b>1,324</b>	<b>2,043</b>

## 25 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 £98,563 charged to revenue in 2014-15 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:

	<b>Intangible Assets 2014-15 £,000</b>	<b>Intangible Assets 2013-14 £,000</b>
<b>Balance at start of year</b>		
Gross carrying amount	650	574
accumulated amortisation	(366)	(266)
<b>Net carrying amount at start of year</b>	<b>284</b>	<b>308</b>
Additions		
Purchases	68	76
Amortisation for the period	(98)	(100)
<b>Net carrying amount at end of year</b>	<b>254</b>	<b>284</b>
Comprising:		
Gross carrying amounts	718	650
Accumulated depreciation	(464)	(366)
	<b>254</b>	<b>284</b>

## 26 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:



	<b>2014-15 £,000</b>	<b>2013-14 £,000</b>
Council dwellings		
Impairment	2,340	9,180
Charge to Revaluation Reserve	(392)	(6,958)
Reversal	(20,729)	(10,276)
Other Land and Buildings		
Impairment	309	122
Charge to Revaluation Reserve	(114)	(46)
Reversal	(709)	(562)
Infrastructure		
Impairment	102	120
Heritage Assets		
Impairment	0	625
Charge to Revaluation Reserve	0	(625)
Surplus assets held for sale		
Reversal	(322)	0
Surplus assets not held for sale		
Impairment	0	6
Charge to Revaluation Reserve	0	(6)
Reversal	(19)	(19)

## **27 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 – 15/51 years,

Buildings other than dwellings – 9/40 years,

Vehicles, plant and equipment – 3/14 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 2014-15**

	<b>Council dwellings £,000</b>	<b>Other land and buildings £,000</b>	<b>Vehicles, Plant and Equipment £,000</b>	<b>Infrastructure assets £,000</b>	<b>Surplus Assets held not for sale £,000</b>	<b>Total Property Plant and Equipment £,000</b>
<b>Cost or valuation</b>						
<b>At 1 April 2014</b>	<b>373,360</b>	<b>22,122</b>	<b>5,988</b>	<b>95</b>	<b>91</b>	<b>401,656</b>
Inter-asset transfer	(129)	129	0	0	0	0
Additions	11,330	347	879	913	388	13,857
Revaluation increases / (decreases) recognised in the Revaluation Reserve	67,285	1,682	0	0	40	69,007
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,948)	(195)	0	(102)	0	(2,245)
Derecognition-disposals	(2,297)	(72)	0	0	0	(2,369)
<b>At March 2015</b>	<b>447,601</b>	<b>24,013</b>	<b>6,867</b>	<b>906</b>	<b>519</b>	<b>479,906</b>
<b>Accumulated Depreciation and impairment</b>						
<b>At 1 April 2014</b>	<b>0</b>	<b>(407)</b>	<b>(3,532)</b>	<b>(79)</b>	<b>0</b>	<b>(4,018)</b>
Depreciation Charge	(10,789)	(333)	(476)	(7)	0	(11,605)
Depreciation written out to the Revaluation Reserve	171	8	0	0	0	179
Depreciation written out to the Surplus/Deficit on the Provision of Services	10,618	333	0	0	0	10,951
Derecognition-disposals	0	0	0	0	0	0
<b>At March 2015</b>	<b>0</b>	<b>(399)</b>	<b>(4,008)</b>	<b>(86)</b>	<b>0</b>	<b>(4,493)</b>
<b>Net Book Value</b>						
<b>At March 2014</b>	<b>373,360</b>	<b>21,715</b>	<b>2,456</b>	<b>16</b>	<b>91</b>	<b>397,638</b>
<b>At March 2015</b>	<b>447,601</b>	<b>23,614</b>	<b>2,859</b>	<b>820</b>	<b>519</b>	<b>475,413</b>

**Property, Plant and Equipment** for the financial year 2013-14

	<b>Council dwellings £,000</b>	<b>Other land and buildings £,000</b>	<b>Vehicles, Plant and Equipment £,000</b>	<b>Infrastructure assets £,000</b>	<b>Surplus Assets held not for sale £,000</b>	<b>Total Property Plant and Equipment £,000</b>
<b>Cost or valuation</b>						
<b>At 1 April 2013</b>	<b>372,528</b>	<b>21,364</b>	<b>5,431</b>	<b>95</b>	<b>60</b>	<b>399,478</b>
Inter-asset transfer	(57)	57	0	0	0	0
Additions	9,750	249	557	120	0	10,676
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(4,616)	578	0	0	31	(4,007)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,222)	(76)	0	(120)	0	(2,418)
Derecognition-disposals	(2,023)	(50)	0	0	0	(2,073)
<b>At March 2014</b>	<b>373,360</b>	<b>22,122</b>	<b>5,988</b>	<b>95</b>	<b>91</b>	<b>401,656</b>
<b>Accumulated Depreciation and impairment</b>						
<b>At 1 April 2013</b>	<b>0</b>	<b>(185)</b>	<b>(3,082)</b>	<b>(68)</b>	<b>0</b>	<b>(3,335)</b>
Depreciation Charge	(10,371)	(485)	(450)	(11)	0	(11,317)
Depreciation written out to the Revaluation Reserve	546	4	0	0	0	550
Depreciation written out to the Surplus/Deficit on the Provision of Services	9,825	259	0	0	0	10,084
Derecognition-disposals	0	0	0	0	0	0
<b>At March 2014</b>	<b>0</b>	<b>(407)</b>	<b>(3,532)</b>	<b>(79)</b>	<b>0</b>	<b>(4,018)</b>
<b>Net Book Value</b>						
<b>At March 2013</b>	<b>372,528</b>	<b>21,179</b>	<b>2,349</b>	<b>27</b>	<b>60</b>	<b>396,143</b>
<b>At March 2014</b>	<b>373,360</b>	<b>21,715</b>	<b>2,456</b>	<b>16</b>	<b>91</b>	<b>397,638</b>

**Surplus assets held for sale**

	<b>Assets held for sale 2014-15 £,000</b>	<b>Assets held for sale 2013-14 £,000</b>
<b>Cost or valuation</b>		
<b>At 1 April</b>	<b>807</b>	<b>1,255</b>
Inter-asset transfer	0	625
Additions	724	1,145
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,292	(628)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0
Derecognition-disposals	(2,378)	(1,590)
<b>At March</b>	<b>445</b>	<b>807</b>
<b>Accumulated impairment</b>		
<b>At 1 April</b>	<b>0</b>	<b>0</b>
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
<b>At March</b>	<b>0</b>	<b>0</b>
<b>Net Book Value</b>		
<b>Opening balance</b>	<b>807</b>	<b>1,255</b>
<b>Closing balance</b>	<b>445</b>	<b>807</b>

## 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, the property has been transferred to assets held for sale, 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 2014-15 £,000	Heritage Assets 2013-14 £,000	Heritage Assets 2012-13 £,000	Heritage Assets 2011-12 £,000	Heritage Assets 2010-11 £,000
<b>Valuation</b>					
<b>At 1 April</b>	<b>0</b>	<b>625</b>	<b>625</b>	<b>610</b>	<b>580</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	0	15	30
Transfer to surplus assets held for sale	0	(625)			
<b>At 31 March</b>	<b>0</b>	<b>0</b>	<b>625</b>	<b>625</b>	<b>610</b>
<b>Accumulated impairment</b>					
<b>At 1 April</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0
<b>At 31 March</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Book Value</b>					
<b>Opening balance</b>	<b>0</b>	<b>625</b>	<b>625</b>	<b>610</b>	<b>580</b>
<b>Closing balance</b>	<b>0</b>	<b>0</b>	<b>625</b>	<b>625</b>	<b>610</b>

## 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 2015 by Mr Paul Gedge, MRICS, District Valuer, East of England; and
- b) Other land and buildings and valued as at 31 March 2015 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 38.

An analysis of non-current assets is:

	<b>31 March 2015 (numbers)</b>	<b>31 March 2014 (numbers)</b>
Council dwellings (HRA & GF)	5,412	5,442
Offices/communal rooms	48	46
Depot and workshop (leased)	1	1
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	0
Land- various sites	30.23 acres	30.23 acres
- Swavesey	1.3 hectares	0

Capital commitments as at 31 March 2015 were £0.334 million on Housing and £0.257 million on General Fund, but these commitments are more than covered by usable housing capital receipts and from earmarked reserves in the General Fund.

## 28 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:

	2014-15 £,000	2013-14 £,000
<b>Opening capital financing requirement</b>	<b>209,060</b>	<b>208,826</b>
Expenditure		
Intangible assets	68	76
Non-current assets	14,581	11,821
Revenue funded from capital under statute (REFCUS)	1,055	1,304
Financing		
Capital Receipts and contributions	(2,517)	(4,397)
Revenue	(5,750)	(2,796)
Grant and Reserves	(1,641)	(784)
Major Repairs Allowance	(5,659)	(5,548)
Minimum Revenue Provision	<u>(201)</u>	<u>(136)</u>
	(64)	(460)
Internal financing from Housing capital receipts	0	694
<b>Closing capital financing requirement</b>	<b>208,996</b>	<b>209,060</b>
Increase/(decrease) in underlying need to borrow	(64)	235

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.

	2014-15 £,000	2013-14 £,000
<b>Balance as at 1 April</b>	<b>0</b>	<b>0</b>
Improvement Grants	743	775
Other	312	530
Written out	(1,055)	(1,305)
<b>Balance as at 31 March</b>	<b>0</b>	<b>0</b>

## 29 Inventories

The Council's inventories at 31 March 2015 were £53,139 (£47,069 in 2013-14) comprising primarily refuse and recycling bins and sacks, catering and postage.

## 30 Short Term Debtors

<b>Debtors</b>	<b>31 March 2015 £,000</b>	<b>31 March 2014 £,000</b>
Government Departments - other	665	675
Government Departments - Business Rates(net)	0	3,774
Council Tax	174	144
Business rates	200	500
Housing Rents	462	430
Cambridgeshire County Council	74	782
Cambridgeshire Fire Authority	0	75
Cambridge City Council	6	70
Sundry Debtors	4,939	1,521
	<b>6,520</b>	<b>7,971</b>
<b>Provision for Doubtful Debts</b>		
Council Tax -District Council share	(65)	(59)
Business Rates- District Council share	(321)	(320)
Housing	(369)	(377)
Sundry Debtors	(1,730)	(1,391)
	<b>(2,485)</b>	<b>(2,147)</b>
<b>Total Debtors</b>	<b>4,035</b>	<b>5,824</b>



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 35.

### 31 Short Term Creditors

	31 March 2015 £,000	31 March 2014 £,000
Government Departments - other	(883)	(657)
Government Departments - Business Rates	(1,283)	0
Council Tax	(118)	(110)
Business Rates	(446)	(472)
Housing Rents	(642)	(641)
Cambridgeshire County Council	(1,641)	(617)
Cambridgeshire Police Authority	(188)	(93)
Cambridgeshire Fire Authority	(92)	(33)
Cambridge City Council	(58)	(14)
Sundry Creditors	(5,649)	(4,322)
Developers Contributions	(2,714)	(2,156)
<b>Total Creditors</b>	<b>(13,714)</b>	<b>(9,115)</b>

#### 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 2014 £,000	Movement during year £,000	Balance at 31 March 2015 £,000
<b>Capital</b>			
Commuted Sums	(82)	0	(82)
Partnership works on Awarded Watercourses	(315)	64	(251)
Drainage	(20)	(1)	(21)
Affordable Housing S106	(1,522)	(455)	(1,977)
<b>Revenue</b>			
Sustainability S106 Orchard Park	(69)	15	(54)
Public Art S106 Orchard Park	(50)	0	(50)
Community Development S106	(11)	0	(11)
Electoral Arrangements	(16)	(55)	(71)
Waste Management	(71)	(126)	(197)
	<b>(2,156)</b>	<b>(558)</b>	<b>(2,714)</b>
<b>Capital</b>	(1,939)	(392)	(2,331)
<b>Revenue</b>	(217)	(166)	(383)
	<b>(2,156)</b>	<b>(558)</b>	<b>(2,714)</b>

### 32 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 £246,414 as shown in the Balance Sheet and Note 12.

New arrangements for the retention of business rates came into effect on 1 April 2013, at which time the Council assumed 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 of £1.6m has been recognised in the 2014-15 accounts, and the in-year movement is shown in Note 35.

The Council is a defendant in proceedings brought by a group of property search companies for refund of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of approximately £174,350 including interest and costs; a provision for this amount has been included in the service account.

### **33 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 295 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 72 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.
2. 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;
3. A group of property search companies have 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.

**34 Grant Income**

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2014-15.

	<b>2014-15 £,000</b>	<b>2013-14 £,000</b>
<b>Credited to services</b>		
Department for Work and Pensions Housing Benefit Administration, Discretionary and Fraud	(27,855)	(27,743)
Cabinet Office Electoral registration	(100)	(16)
Department for Environment, Food and Rural Affairs Section 31 Grant	(5)	(7)
Department of Communities and Local Government NNDR Cost of Collection Allowance	(220)	(219)
Council tax /Business Rates	(320)	(49)
Improvement Grant	(257)	(249)
Other grant	(645)	0
Cambridgeshire County Council Other contributions	(21)	(40)
Homes and Communities Agency Growth Agenda/ New Communities	(753)	0
Private Sector S106 contributions	(6)	(26)
Other	(243)	(20)
Contributions from other authorities	(1)	(426)
	<b>(30,426)</b>	<b>(28,795)</b>
<b>Credited to Taxation and Non-specific Grant Income</b>		
Department of Communities and Local Government Revenue Support Grant	(2,608)	(3,426)
New Homes Bonus	(3,201)	(2,666)
Other non-ringfenced Government Grant	(74)	(579)
	<b>(5,883)</b>	<b>(6,671)</b>

### 35 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, shares and long term mortgages

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 £324,542 as at 31 March 2015 (£324,542 in 2013-14).

#### Categories of Financial Instrument

The following categories of financial instrument are carried in the balance sheet:

	Long Term		Current	
	31 March 2015 £,000	31 March 2014 £,000	31 March 2015 £,000	31 March 2014 £,000
<b>Investments</b>				
Loans, shares and receivables	3,156	2,000	39,644	25,127
<b>Debtors</b>				
Loans and receivables	0	0	5,800	2,300
<b>Borrowings</b>				
Long term borrowing	(205,123)	(205,123)	0	0
<b>Creditors and receipts in advance</b>				
Financial liabilities at amortised cost	0	0	(7,368)	(4,988)
	<b>(201,967)</b>	<b>(203,123)</b>	<b>38,076</b>	<b>22,439</b>

### Income, Expense, Gains and Losses

The following items of income, expense, gain or loss are reflected in the comprehensive income and expenditure statement in respect of financial instruments.

	<b>2014-15</b>		<b>2013-14</b>	
	<b>Financial liabilities at amortised cost £,000</b>	<b>Financial Assets, loans &amp; receivables £,000</b>	<b>Financial liabilities at amortised cost £,000</b>	<b>Financial Assets, loans &amp; receivables £,000</b>
Interest expense	7,193	0	7,193	0
<b>Total expense in surplus or deficit on the provision of services</b>	<b>7,193</b>	<b>0</b>	<b>7,193</b>	<b>0</b>
Interest income		(423)	0	(439)
<b>Total income in surplus or deficit on the provision of services</b>	<b>0</b>	<b>(423)</b>	<b>0</b>	<b>(439)</b>

### Fair Value of Assets and Liabilities

Financial liabilities and assets are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the following assumptions.

For trade payables, bank deposits and trade receivables, being of short duration, and for long term mortgages, being at variable 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.

Estimated ranges of interest rates at 31 March 2015 of 2.41% to 2.34% (3.36% to 3.37% at 31 March 2014) for loans from the Public Works Loans Board based on premature repayment rates at that date.

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

The fair values are calculated as follows:

	31 March 2015		31 March 2014	
	Carrying amount £,000	Fair value £,000	Carrying amount £,000	Fair value £,000
<b>Financial liabilities at amortised cost</b>				
Creditors and receipts in advance	(7,368)	(7,368)	(4,988)	(4,988)
Long term borrowing	(205,123)	(266,777)	(205,123)	(209,804)
<b>Loans and receivables</b>				
Current debtors	5,800	5,800	2,300	2,300
Current investments	39,694	39,694	25,127	25,127
Long term investments	3,156	3,156	2,000	2,000

The fair value of the liabilities is greater than the carrying amount because the Council's loan portfolio includes fixed rate loans where the interest rate payable is greater than the prevailing rates at the balance sheet date.

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 £7.5 million of its surplus balances to any one institution.

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

Where sums are owed by the Council's customers and contractual debtors the Council makes provision for doubtful debt, detailed in Note 30, 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) Financial assets that are either past due or impaired

The following analysis summarises the Council's analysis of its potential maximum exposure to credit risk (impairment allowance) in relation to debtors:

<b>Provisions</b>	<b>Business Rates Appeals £,000</b>	<b>Customer Debt £,000</b>	<b>Other debtors £,000</b>	<b>Total £,000</b>
<b>Balance at 1 April</b>	<b>(1,600)</b>	<b>(1,391)</b>	<b>(756)</b>	<b>(3,747)</b>
Additional provisions in 2014-15	(1,343)	(340)	(166)	(1,849)
Amounts used in 2014-15	1,280	1	167	1,448
<b>Balance at 31 March</b>	<b>(1,663)</b>	<b>(1,730)</b>	<b>(755)</b>	<b>(4,148)</b>

The Council does not normally extend credit beyond 21 days. At 31 March 2015, of the total debtor balance of £6.8 million (£7.9 million at 31 March 2014), the past due amount was £0.49 million and can be analysed as follows:

	<b>31 March 2015 £,000</b>	<b>31 March 2014 £,000</b>
<b>Customer Debts</b>		
Less than 3 months	345	1,010
More than 3 months	150	117
<b>Balance at 31 March</b>	<b>495</b>	<b>1,127</b>

#### c) **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 as detailed in Note 37, interest being paid half yearly, a Repayment Reserve being used to manage the future repayment of principal.

#### d) **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.

### 36 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.

	<b>31 March 2015 £,000</b>	<b>31 March 2014 £,000</b>
Local Authorities	2,007	0
Ermine Street Housing	4,102	0
Clearing Banks	22,586	15,099
Banks, other	2,514	2,505
Money Market Funds	872	1,381
Building Societies with assets:		
greater than £10,000 million	11,541	9,522
between £1,500 million and £5,000 million	0	1,001
Equity Shares	50	0
Government Securities	0	0
	<b>43,672</b>	<b>29,508</b>
Less:		
Cash and cash equivalents	(872)	(2,381)
<b>Total</b>	<b>42,800</b>	<b>27,127</b>
<b>Principal Investments analysed by maturity</b>		
2014/15	0	27,000
2015/16	42,571	0
Government Securities and Equity Shares	50	0
	<b>42,621</b>	<b>27,000</b>
Accrued interest	179	127
	<b>42,800</b>	<b>27,127</b>

**37 Long Term Liabilities**

	<b>Note</b>	<b>2014-15 £,000</b>	<b>2013-14 £,000</b>
Liability related to defined benefit pension scheme	<b>21</b>	(61,849)	(48,245)
Deferred Liability -Pension		(11)	(11)
		<b>(61,860)</b>	<b>(48,256)</b>
Borrowing for HRA Self Financing		(205,123)	(205,123)
		<b>(266,983)</b>	<b>(253,379)</b>

**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, in 2012 the Council 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 amortised cost, administration charges where incurred are charged directly to the Housing Revenue Income and Expenditure Account. An analysis of the PWLB long term liability is provided below:

<b>Financial Instrument - PWLB loan</b>	<b>£,000</b>
Repayable within 25 years	35,000
Repayable within 30 years	50,000
Repayable within 35 years	50,000
Repayable within 40 years	50,000
Repayable within 45 years	20,123
<b>Total commitment</b>	<b>205,123</b>

## **Single Entity 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 for 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.

	2014-15	2013-14	
	£,000	£,000	
<b>INCOME</b>			
Dwelling Rents (Gross)	(27,977)	(26,703)	
Non-dwelling Rents (Gross)	(381)	(383)	
Charges for Services and Facilities	(1,402)	(1,401)	
<b>Contributions towards expenditure</b>			
General Fund	(138)	(150)	
Other Sources	(193)	(291)	
<b>Total Income</b>	<b>(30,091)</b>	<b>(28,928)</b>	
<b>EXPENDITURE</b>			
Repairs and Maintenance	4,065	3,861	
Supervision and Management			
General	1,891	1,868	
Repairs and Maintenance	1,116	989	
Special Services	2,186	2,124	
Rent, Rates and Other Charges	192	169	
Depreciation and impairment of Non-Current Assets	(7,874)	2,504	
Transfer of DLO deficit	0	0	
Treasury Management Costs	25	28	
Increased/(Decreased) Provision for Bad or Doubtful Debt	83	80	
<b>Total Expenditure</b>	<b>1,684</b>	<b>11,623</b>	
<b>Net Expenditure or Income of HRA Services as included in the whole authority</b>			
<b>Income and Expenditure Account</b>	<b>(28,407)</b>	<b>(17,305)</b>	
HRA services share of Corporate and Democratic Core	525	531	
Mortgage Interest	0	(1)	
<b>Net Expenditure or Income of HRA Services</b>	<b>(27,882)</b>	<b>(16,775)</b>	
Loss/(Gain) on sale of HRA non-current assets	Note 5	(2,066)	(1,354)
Interest payable on Self Financing Debt	Note 8	7,193	7,193
Interest and Investment Income		(49)	(26)
Pensions Interest Cost and Expected Return on			
Pension Assets		418	393
Capital grants and contributions	Note 5	(175)	(412)
<b>Deficit/(surplus) for the year on HRA services</b>	<b>(22,561)</b>	<b>(10,981)</b>	

## 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;

	Note	2014-15 £,000	2013-14 £,000
(Surplus)/deficit for the year on the HRA Income and Expenditure Account		(22,561)	(10,981)
Amount by which officer remuneration on an accruals basis is different from remuneration chargeable by statute		(4)	(6)
Impairment taken to Capital Adjustment Account		18,694	7,874
(Loss)/gain on sale of HRA non-current assets		2,066	1,354
HRA share of contributions to the Pensions Reserve		(435)	(438)
Transfer from Major Repairs Reserve/Capital Asset Accounting Adjustment		(5,162)	(4,830)
Capital expenditure funded by the Housing Revenue Account		5,617	2,549
Adjustments between accounting basis and funding basis under statute	5	175	412
<b>Net increase or decrease before transfers to or from reserves</b>		<b>(1,610)</b>	<b>(4,066)</b>
Transfer to/from reserves		925	4,000
<b>Decrease/(increase) in the Housing Revenue Account balance for the year</b>		<b>(685)</b>	<b>(66)</b>
Housing Revenue Account balance brought forward		(2,493)	(2,427)
<b>Housing Revenue Account balance carried forward</b>		<b>(3,178)</b>	<b>(2,493)</b>

## The Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

	<b>Business Rates 2014-15 £,000</b>	<b>Council Tax 2014-15 £,000</b>	<b>Total 2014-15 £,000</b>	<b>Business Rates 2013-14 £,000</b>	<b>Council Tax 2013-14 £,000</b>	<b>Total 2013-14 £,000</b>
<b>Income</b>						
Council Tax Receivable	0	(92,606)	(92,606)	0	(89,311)	(89,311)
Business Rates Receivable	(67,999)		(67,999)	(67,245)		(67,245)
	(67,999)	(92,606)	(160,605)	(67,245)	(89,311)	(156,556)
<b>Expenditure</b>						
<i>Apportionment of previous years surplus/ (deficit)</i>						
Central Government	(2,788)	0	(2,788)	0	0	0
Cambridgeshire County Council	(502)	369	(133)	0	(79)	(79)
Cambridgeshire & Peterborough Fire Authority	(56)	21	(35)	0	(4)	(4)
Cambridgeshire Police and Crime Commissioner	0	60	60	0	(13)	(13)
South Cambridgeshire District Council	(2,231)	65	(2,166)	0	(13)	(13)
	(5,577)	515	(5,062)	0	(109)	(109)
<i>Precepts, Demands and Shares</i>						
Central Government	33,827	0	33,827	35,061	0	35,061
Cambridgeshire County Council	6,089	65,345	71,434	6,311	63,320	69,631
Cambridgeshire & Peterborough Fire Authority	676	3,742	4,418	701	3,699	4,400
Cambridgeshire Police and Crime Commissioner	0	10,562	10,562	0	10,242	10,242
South Cambridgeshire District Council	27,062	7,156	34,218	28,049	6,947	34,996
Special Expenses- Parish Precepts	0	4,406	4,406	0	4,233	4,233
	67,654	91,211	158,865	70,122	88,441	158,563
<i>Charges to Collection Fund</i>						
Write offs of uncollectable amounts	358	77	435	395	136	531
Increase/ (Decrease) in bad debt provision	(78)	54	(24)	57	38	95
Increase/(Decrease) in Provision for Appeals	158	0	158	4,001	0	4,001
Cost of Collection	220	0	220	218	0	218
Disregarded Amounts	0	0	0	0	0	0
	658	131	789	4,671	174	4,845
<b>(Surplus)/ Deficit arising during the year</b>	<b>(5,264)</b>	<b>(749)</b>	<b>(6,013)</b>	<b>7,548</b>	<b>(805)</b>	<b>6,743</b>
(Surplus)/ Deficit at brought forward 1 April	7,548	(807)	6,741	0	(2)	(2)
<b>(Surplus)/ Deficit at carried forward 31 March</b>	<b>2,284</b>	<b>(1,556)</b>	<b>728</b>	<b>7,548</b>	<b>(807)</b>	<b>6,741</b>

**Collection Fund balance:**

Attribution of (surplus) / deficit carried forward:

	<b>Business Council</b>			<b>Business Council</b>		
	<b>Rates</b>	<b>Tax</b>	<b>Total</b>	<b>Rates</b>	<b>Tax</b>	<b>Total</b>
	<b>2014-15</b>	<b>2014-15</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2013-14</b>	<b>2013-14</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
<b>Proportional split</b>						
Central Government	1,142	0	1,142	3,774	0	3,774
Cambridgeshire County Council	206	(1,116)	(910)	679	(578)	101
Cambridgeshire Police and Crime Commissioner	0	(179)	(179)	0	(93)	(93)
Cambridgeshire and Peterborough Fire Authority	22	(64)	(42)	76	(34)	42
	1,370	(1,359)	11	4,529	(705)	3,824
District Council	914	(197)	717	3,019	(102)	2,917
<b>Deficit/(Surplus)</b>	<b>2,284</b>	<b>(1,556)</b>	<b>728</b>	<b>7,548</b>	<b>(807)</b>	<b>6,741</b>

The surplus relating to council tax transactions and deficit relating to business rates due to Central Government, Cambridgeshire County Council, Cambridgeshire Police and Crime Commissioner and Cambridgeshire and Peterborough Fire Authority on the Collection Fund as at 31 March 2015 is included as a creditor or debtor in the Council's Balance Sheet and will be distributed in subsequent financial years.

## **Notes to Single Entity Supplementary Statements**

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



## Notes to the Housing Revenue Account (HRA)

### 38 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 2014	Conversions/ transfers during year	Additions during year	Disposals/ adjustments during year	As at 31 March 2015
1 Bedroom	1,078	(1)	4	(4)	1,077
2 Bedroom	2,304	3	6	(6)	2,307
3 Bedroom	1,923	(8)	2	(21)	1,896
4 or more bedrooms	79	(1)	0	(1)	77
	<b>5,384</b>	<b>(7)</b>	<b>12</b>	<b>(32)</b>	<b>5,357</b>

#### Disposals

Right to Buy	29
Equity Share	0
Other	3
	<b>32</b>

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

	31 March 2015		31 March 2014	
	Asset value £,000	Depreciation £,000	Asset value £,000	Depreciation £,000
<b>Property, Plant and Equipment</b>				
Council Dwellings (HRA only)	447,601	10,789	373,360	10,371
Depreciation adjustment on revaluation		(10,789)		(10,371)
Other Land and Buildings	6,037	24	4,419	6
Depreciation adjustment on revaluation		(24)		(6)
Surplus assets held, not for sale	519		91	0
	<b>454,157</b>	<b>0</b>	<b>377,870</b>	<b>0</b>

In 2014-15, depreciation on buildings is based on the asset lives as assessed by the District Valuer. Land is not depreciated.

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 2015, based on vacant possession, was £1,147,694,151.

### 39 Capital expenditure, financing and receipts

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

	2014-15 £,000	2013-14 £,000
<b>Opening capital financing requirement</b>	<b>204,429</b>	<b>205,123</b>
Expenditure		
Acquisition of land	386	0
New build - dwellings	102	391
Acquisition of existing dwellings	2,296	2,189
Improvement of housing stock and other buildings	9,331	7,515
Financing		
Capital Receipts and contributions	(898)	(2,093)
* Revenue	(5,558)	(2,454)
Grant and reserves	0	0
Major Repairs Allowance	(5,659)	(5,548)
GF Internal Financing	0	(694)
	0	(694)
<b>Closing capital financing requirement</b>	<b>204,429</b>	<b>204,429</b>

\*In addition, £58,642 was spent relating to the HRA contribution to capital expenditure on IT and software.

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

	2014-15 £,000	2013-14 £,000
Sale of Land	437	114
Sale of dwellings		
Right to Buy	3,249	3,449
Other	732	0
	<b>4,418</b>	<b>3,563</b>

#### 40 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.

	2014-15 £,000	2013-14 £,000
<b>Operational assets</b>		
Impairment charged to Housing Revenue Income and Expenditure Account (net)	(18,675)	(7,874)
Impairment charged to Revaluation Reserve	481	7,004
<b>Non-operational assets</b>		
Impairment charged to Housing Revenue Income and Expenditure Account (net)	(19)	0
Impairment charged to Revaluation Reserve	0	0
	<b>(18,213)</b>	<b>(870)</b>

#### 41 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.

	2014-15 £,000	2013-14 £,000
<b>Balance at 1 April</b>	<b>0</b>	<b>0</b>
Transfer to Capital Adjustment Account	(10,813)	(10,377)
Amount transferred to Statement of Movement on the HRA balance	5,154	4,829
HRA Capital expenditure charged to Major Repairs Reserve	5,659	5,548
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

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

#### 43 Rent arrears on dwellings

	As at 31 March 2015 £	As at 31 March 2014 £
Arrears	£427,330	£429,733
Arrears as a percentage of gross rents collectable	1.47%	1.53%
Provision for uncollectable amounts	£300,000	£300,000

## Notes to the Collection Fund Account

### 44 General

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

### 45 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	3.8	5/9	2.1
A	Upto £40,000	2,426.5	6/9	1,617.7
B	£40,001 - £52,000	7,001.7	7/9	5,445.8
C	£52,001 - £68,000	18,969.2	8/9	16,861.5
D	£68,001 - £88,000	12,328.8	9/9	12,328.8
E	£88,001 - £120,000	8,607.5	11/9	10,520.3
F	£120,001 - £160,000	5,045.0	13/9	7,287.2
G	£160,001 - £320,000	2,497.2	15/9	4,162.0
H	More than £320,000	184.5	18/9	369.0
		<u>57,064.2</u>		<u>58,594.4</u>

Assumed rate of collection 99.6%

Tax base for tax setting purposes (number of Band D equivalent dwellings)	58,242.8
Tax rate for a Band D property	£1,566.05
Estimated income due	<u>£91,211,120</u>

Actual income due	
Net of write offs and provisions	£92,474,935
	<u>£92,474,935</u>
Difference in income due to variations in tax base and rate of collection	<u>£1,263,815</u>

#### **46 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 2015 was £175,468,813 and the standard uniform rate was 48.2 pence in the £, and the small business uniform rate 47.1 pence in the £.

# **Group Accounts**

**For South Cambridgeshire District Council  
and South Cambs Ltd**

## **Group Accounts for the year ended 31 March 2015**

### **Introduction**

In order to provide a full picture of the economic and financial activities of the Council and its exposure to risk, the accounting statements of material subsidiary companies are consolidated with those of the Council. The resulting Group Accounts are presented in addition to the Council's single entity accounts. They include the core accounting statements, similar in presentation and purpose to the Council's accounts, and any explanatory notes considered necessary to explain material movements from the single entity accounts. Where no notes are given, users of the accounts should refer to the notes in the single entity accounts.

Group accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, consolidating any material subsidiary, associate or joint venture entities over which the Council exercises control or influence. The basis for determining the Group Boundary is as set out in the Council's Accounting Policies on page 19.

South Cambs Limited, trading as Ermine Street Housing, began active trading on 1 April 2014; of which the Council owns 100% shares (cash consideration £1), and has been consolidated as a subsidiary.

As South Cambs Limited began trading in 2014-15 the Group Accounts do not include comparative figures for 2013-14.

### **Accounting Policies**

South Cambs Ltd, trading as Ermine Street Housing, has prepared 2014-15 accounts using accounting policies consistent with those applied by the Council, and no adjustments have been required to align accounting policies. Both entities have a financial year end of 31 March, with South Cambs Ltd producing full year accounts.

As a subsidiary, the accounts of South Cambs Ltd have been consolidated with those of the Council on a line by line basis, and any balances and transactions between parties have been eliminated in full. South Cambs Ltd expenditure and income, adjusted for transactions with the Council, is included on the relevant service lines in the Comprehensive Income and Expenditure Statement; and balance sheet values are similarly incorporated into the relevant heading of the Balance Sheet, removing balances owed between the two parties.



## Group Movement in Reserves Statement

### MOVEMENT IN RESERVES STATEMENT

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 reserves.

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 Account for council tax setting and dwellings rent setting purposes.

The net increase / decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

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		General Fund	Earmarked General Fund	Housing Revenue	Earmarked HRA	Capital Receipts	Capital Grants	South Cambs Ltd	South Cambs Ltd	Unusable Reserves	Total Authority Reserves
	Note	Balance £,000	Reserves £,000 (Note 6)	Account (HRA) £,000	Reserves £,000 (Note 6)	Reserve £,000 (Note 11)	Unapplied £,000 (Note 11)	Usable £,000	Total Usable Reserves £,000	Unusable £,000 (Note 12)	Total Authority Reserves £,000
Balance as at 31st March 2014		(11,187)	(4,149)	(2,492)	(8,500)	(3,569)	(584)	0	(30,481)	0	(169,674)
Movement in reserves during 2014-15											
Deficit / (Surplus) on provision of services (accounting basis)		(1,557)		(22,564)	0	0	0	96	(24,025)	0	(24,025)
Other comprehensive expenditure and income	5	0	0	0	0	0	0	0	0	(47,213)	(47,213)
<b>Total comprehensive income and expenditure</b>		(1,557)	0	(22,564)	0	0	0	96	(24,025)	0	(71,238)
Adjustments between accounting basis and funding basis under regulations	5	494	0	20,953	0	(2,795)	151	0	18,803	0	(18,803)
<b>Net (increase) / decrease before transfers to earmarked reserves</b>		(1,063)	0	(1,611)	0	(2,795)	151	96	(5,222)	0	(71,238)
Transfers (to) / from earmarked reserves	6	1,997	(1,997)	925	(925)	0	0	0	0	0	0
<b>Increase / Decrease in year</b>		934	(1,997)	(686)	(925)	(2,795)	151	96	(5,222)	0	(71,238)
<b>Balance as at 31st March 2015</b>		(10,253)	(6,146)	(3,178)	(9,425)	(6,364)	(433)	96	(35,703)	0	(240,912)

## Group 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.

	2014-15 Group Gross Expenditure £,000	2014-15 Group Gross Income £,000	2014-15 Group Net Expenditure £,000
<b>Expenditure on services</b>			
Corporate and Democratic Core	2,978	(92)	2,886
Central Services to the Public	2,137	(1,216)	921
Cultural, Environmental and Planning Services			
Cultural and Related Services	637	(29)	608
Environmental Services	7,656	(2,214)	5,442
Planning and Development Services	5,088	(2,540)	2,548
Highways, Roads and Transport Services	81	(19)	62
Non HRA Housing			
Personal Social Services	468	(39)	429
Housing Benefit and Administration	29,314	(29,106)	208
Private Sector Housing Renewal	980	(349)	631
Supporting People	26	0	26
Other Non HRA Housing Services Expenditure	722	(894)	(172)
Other Contributions to/from HRA	136	0	136
Non -distributed Costs	34	0	34
General Fund Services-Continuing operations	50,257	(36,498)	13,759
Housing Revenue Account Services	1,684	(30,091)	(28,407)
<b>Net cost of services</b>	<b>51,941</b>	<b>(66,589)</b>	<b>(14,648)</b>
Other operating expenditure	Note 7		2,924
Financing and investment income and expenditure	Note 8		8,843
Taxation and non-specific grant income	Note 9		(21,580)
<b>Surplus or deficit on the provision of services</b>			<b>(24,461)</b>
<b>(Surplus)/deficit on revaluation of non-current assets</b>			<b>(58,306)</b>
<b>Actuarial (gain)/loss on pension assets and liabilities</b>	Note 21		<b>11,530</b>
<b>Total comprehensive income and expenditure</b>			<b>(71,237)</b>

## Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the group. The net assets of the group (assets less liabilities) are matched by the reserves held by the group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the group 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 is those that the group 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'.

	<b>31 March 2015 £,000</b>
Property, Plant and Equipment	479,507
Intangible Assets	254
Long Term Investments	50
Long Term Debtors	455
<b>Long Term Assets</b>	<b>480,266</b>
Short Term Investments	38,678
Inventories	53
Short Term Debtors	4,037
Cash and Cash Equivalents	1,197
Assets held for sale	445
<b>Current Assets</b>	<b>44,410</b>
Cash and cash equivalents	(1,023)
Short Term Creditors	(13,816)
Provisions	(1,910)
<b>Current Liabilities</b>	<b>(16,749)</b>
Other Long Term Liabilities	(61,892)
Long Term Borrowing	(205,123)
<b>Long Term Liabilities</b>	<b>(267,015)</b>
<b>Net Assets</b>	<b>240,912</b>
Usable reserves	(35,703)
Unusable reserves	(205,209)
<b>Total Reserves</b>	<b>(240,912)</b>

## Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the group during the reporting period. The statement shows how the group 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 group 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 group'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 group.

	<b>Group Note</b>	<b>2014-15 £,000</b>
Cash Flows from operating activities		
Cash receipts		(89,674)
Cash payments		<u>65,000</u>
Net cash flows from Operating Activities	<b>4</b>	(24,674)
Investing Activities	<b>5</b>	24,601
Financing Activities		<u>1,830</u>
Net increase or decrease in cash and cash equivalents		1,758
Cash and cash equivalents at the beginning of the reporting period		(1,932)
<b>Cash and cash equivalents at the end of the reporting period</b>		<b><u>(174)</u></b>

## Notes to Group Accounts

### 1 Property, Plant and Equipment

Property, plant and equipment are 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, the group balance sheet includes properties which have been purchased by South Cambs Ltd for the purpose of rental.

### 2 Loans and Investments

The Council has undertaken fixed term investments of £4.07m with South Cambs Ltd a corresponding liability transaction has been shown on the balance sheet of South Cambs Ltd these transactions have been eliminated in the group accounts.

### 3 Debtors and Creditors

With the elimination of transactions between the Council and South Cambs Ltd as its subsidiary, the debtors and creditors between these parties are excluded.

### 4 Operating Activities

The cash flows for the Group operating activities include the following items:

	<b>2014-15</b>	
	<b>£,000</b>	
Housing Benefit Grant	(27,531)	
Cash received for goods and services	(9,146)	
Housing Rents	(28,160)	
Council tax receipts -Council and Parish share	(11,505)	
Business rates - Council share	(4,313)	
Other grants and contributions	(2,645)	
Revenue support grant/New Homes Bonus	(5,809)	
Interest received	(423)	
Collection Fund - Council share	(142)	
		(89,674)
Housing Benefit	14,748	
Parish Precepts	4,406	
Cash paid to and on behalf of employees	16,385	
Other operating cash payments	25,751	
Revenue funded from capital	1,055	
Payments to the Capital Receipts Pool	424	
Collection Fund - Council share	2,231	
		65,000
<b>Net cash flows from operating activities</b>		<b>(24,674)</b>

## 5 Investing Activities

The cash flows for Group investing activities include the following:

	<b>2014-15</b>
	<b>£,000</b>
Purchase of property, plant and equipment and intangible assets	18,743
Purchase of short term and long term investments	254,907
Proceeds from the sale of property, plant and equipment	(5,743)
Proceeds from short term and long term investments	(243,306)
Other receipts from investing activities	0
<b>Investing Activities</b>	<b>24,601</b>

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







## 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.

### Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising
- Selecting measurement bases for, and
- Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured, and where in the revenue account or balance sheet it is to be presented.

### Accounting Standards

A set of rules which explain how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Act of Parliament and in professional codes and statements of recommended practices. These make comparability, among other things, possible.

### 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.

### Actuarial gains and losses

For a defined benefit pension scheme; the changes in actuarial deficit or surplus that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses), or
- The actuarial assumption have changed

### Capital Charges

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

### Capital Expenditure

The 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.

#### Defined benefit scheme

A pension or other retirement benefit scheme other than a defined contributions scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

#### 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.

#### Minimum Revenue Provision

An amount that the Council is required to charge to the General Fund, to provide for the repayment of debt related to capital expenditure

#### 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.

#### Inventories

Stock held by the Council e.g. refuse or recycling bins

### Operating Lease

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

### Precepting Authorities

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

### Precepts

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

### Provisions

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

### Reserves

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

### Revenue Expenditure

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

### Revenue Expenditure funded from capital under statute

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

### Revenue Support Grant

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

## **Abbreviations used in the accounts**

**CAA**

Capital Adjustment Account

**CIPFA**

Chartered Institute of Public Finance and Accountancy

**The Code**

Code of Practice on Local Authority Accounting

**DLO**

Direct Labour Organisation

**DSO**

Direct Service Organisation

**HRA**

Housing Revenue Account

**IFRS**

International Financial Reporting Standards

**IAS**

International Accounting Standards

**MRA**

Major Repair Allowance

**NNDR**

National Non-Domestic Rates (Business Rates)

**RR**

Revaluation Reserve

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South Cambridgeshire Hall  
 Cambourne Business Park  
 Cambourne  
 Cambridge  
 CB23 6EA  
 t: 03450 450 500  
 f: (01954) 713 149  
[www.scambs.gov.uk](http://www.scambs.gov.uk)



**South  
 Cambridgeshire**  
 District Council

Mark Hodgson  
 Audit Director  
 Ernst & Young LLP  
 One Cambridge Business Park  
 Cowley Road, Cambridge  
 CB4 0WZ

25 September 2015

Dear Mr Hodgson

**Letter of Representation -South Cambridgeshire District Council – 2014/15 financial year**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers and members of South Cambridgeshire District Council, ("the Authority"); that the following representations given to you in connection with your audit of the consolidated and parent financial statements of the Authority for the year ended 31 March 2015 are correct. All representations cover the Authority's accounts included in the financial statements.

I recognise that obtaining representations from us enables you to form an opinion as to whether the consolidated and parent financial statements give a true and fair view of the financial position of the Authority as of 31 March 2015 and of its income and expenditure for the year then ended in accordance with, for the Group and Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

I understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent considered necessary in the circumstances, and is not designed to identify – nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

**Financial Statements and Financial Records**

I have fulfilled my responsibility under the relevant statutory authorities for the preparation of the Group and Council financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council and, are free of material

misstatements, including omissions. I confirm that I have approved the consolidated and council financial statements.

I confirm that I, as Responsible Financial Officer, have:

- reviewed the consolidated and council accounts, I have properly reflected and recorded in the financial statements all the transactions undertaken by the Group and Council
- reviewed all relevant written assurances relating to the consolidated and council financial statements, and
- made other enquiries as appropriate
- that the significant accounting policies adopted in the preparation of the consolidated and council financial statements are appropriately described in the financial statements

I believe that as members of management of the Group and Council, the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA Code that are free from material misstatement, whether due to fraud or error.

I believe that the effects of any unadjusted audit differences, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in aggregate, to the consolidated and council financial statements taken as a whole. The unadjusted difference of £170,000 is included in the accounts as a net creditor figure, treatment consistent with previous years. I have agreed that future accounts will be analysed in greater depth.

## **Fraud**

I acknowledge responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.

I have disclosed to you the results of our assessment of risk that the consolidated and council financial statements may be materially misstated as a result of fraud.

I confirm that I have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group or Council internal controls over financial reporting. In addition, I have no knowledge of any fraud or suspected fraud affecting the entity involving other employees in which the fraud could have a material effect on the consolidated and council financial statements. I have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by “whistleblowers”) which could result in a misstatement of the consolidated and council financial statements or otherwise affect the financial reporting of the Council.

## **Compliance with Laws and Regulations**

I confirm that I have disclosed all known or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.



**Information Provided and Completeness of Information and Transactions**

I have provided:

- Access to all information of which we are aware that is relevant to the preparation of the consolidated and council financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.

That all material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.

I have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 25 September 2015.

I can confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended 31 March 2015, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

I disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

**Liabilities and Contingencies**

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.

I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

I have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the consolidated and council financial statements all guarantees that have been given to third parties.

**Subsequent Events**

That other than described in the consolidated and council financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

**Accounting Estimates**

I believe that the significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

In respect of accounting estimates recognised or disclosed in the consolidated and council financial statements:

- I believe the measurement processes, including related assumptions and models, used in determining accounting estimates is appropriate and the application of these processes is consistent.
- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

### **Going Concern**

I confirm that I have made you aware of any issues that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

I believe there are no significant restrictions on our ability to distribute the retained profits of the group because of statutory, contractual, exchange control or other restrictions other than those indicated in the accounts.

I confirm that necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent, subsidiary undertakings and associated undertakings.

### **Segmental Reporting**

I have reviewed the operating segments reported internally to the Cabinet and I am satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8: Operating Segments, they are similar in each of the following respects:

- The nature of the products and services
- The nature of the production processes
- The type or class of customer for their products and services
- The methods used to distribute their products

### **Retirement Benefits**

That on the basis of established processes and having made appropriate enquiries I am satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with my knowledge of the Council and that all significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

**Use of management experts**

I agree with the findings of the experts engaged to evaluate the values of the Group and Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the consolidated and council financial statements and the underlying accounting records. That I did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that I am not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

I confirm that this letter has been discussed and agreed by the Corporate Governance Committee of South Cambridgeshire District Council on 25 September 2015.

Yours sincerely

**Alex Colyer**

Executive Director – Corporate Services

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# Agenda Item 8

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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<b>REPORT TO:</b>	Corporate Governance Committee	25 <sup>th</sup> September 2015
<b>AUTHOR/S:</b>	Executive Director (Corporate Services) / Legal & Democratic Services Manager	

---

### REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) ANNUAL REVIEW OF POLICY & UPDATE ON USE OF RIPA

#### Purpose

1. To update on the use of RIPA powers in the last quarter, note the use of RIPA powers over the last year and conduct an annual review of the Council's policy.

#### Recommendations

2. That Corporate Governance Committee:
  - (a) **AGREE** that no further changes the Council's RIPA policy are necessary at this time;
  - (b) **NOTE** the information contained in the report about the council's use of surveillance powers in the last quarter and the annual summary of RIPA usage.

#### Background

3. The Regulation of Investigatory Powers Act 2000 regulates covert investigations by a number of bodies, including local authorities. It was introduced to ensure that individuals' rights are protected while also ensuring that law enforcement and security agencies have the powers they need to do their job effectively.
4. Following a Home Office Review into counter-terrorism and security powers the Protection of Freedoms Act 2012 was passed on in May 2012 requiring all local authority surveillance authorised under RIPA to be approved by a Magistrate from November 2012. The council's policy and procedures were amended at that time to reflect these changes.
5. The Council comprehensively reviewed and updated its policy in September 2012 and made further minor amendments as part of an annual review in September 2013. The current policy is attached as an appendix.
6. The Annual Report 2014-2015 of the Chief Surveillance Commissioner was published on the 25<sup>th</sup> June 2015:- <https://osc.independent.gov.uk/wp-content/uploads/2015/06/OSC-Annual-Report-2014-15-web-accessible-version.pdf>
7. The Office of the Surveillance Commissioner is responsible for regulating surveillance conducted by public authorities. This is done through a programme of inspections, followed by a report of the inspection findings. The Council was inspected on 4<sup>th</sup> November 2014 by Mr Andrew Mackian who inspected policies and procedures and met the staff involved in implementing the policy.

8. His report stated that *"The RIPA Corporate Policy and Procedures is an excellent manual of instruction for both applicant and Authorising Officer"* and commended the inclusion of instructions relating to the use of social media sites for investigation purposes, which were added to the policy in September 2014 following a mention in the OSC Annual report which had just been published. He said *"This undertaking is considered to be an example of good practice for which the Council should be complimented"*.
9. The inspector also looked at the reports and minutes of the Corporate Governance Committee as part of his inspection and noted that *"regular reporting on RIPA policy and use of powers is made to the Council's Corporate Governance Committee in accord with the Codes of Practice."* The Inspector concluded that *"the engagement of all staff during the inspection day, in particular the Chief Executive, gave confidence that RIPA compliance will remain a clear priority for this authority"*.
10. The Chief Surveillance Commissioner, Sir Christopher Rose, wrote to the Chief Executive on 20th November 2014 (Appendix A) endorsing the inspection report and stating that the Council has *"an excellent corporate policy for using RIPA and effective oversight"*.

### **Considerations**

11. The recent Commissioners report noted that *"there has been no material change in OSC business in this reporting year"* and once again emphasised the shift from more traditional surveillance techniques to "virtual surveillance" and the importance of amending policies to reflect this, alongside officer training in this area.
12. As the council's policy was updated and amended to take into account surveillance using social media last year and comprehensive officer training took place in January 2015 which included this area it is considered that no further amendments to the council's policy are necessary at this stage.

### **The council's use of RIPA in Quarter 4 2015**

13. The information in the table below outlines the authorisations granted by the council during the fourth quarter of the year 2014/15 and once again there were no authorisations granted.

Quarter	Directed surveillance	CHIS	Total	Purpose
July - Sept 2015	0	0	0	n/a

### **Annual summary of the Council's use of RIPA (September 2014 – September 2015)**

14. The information in the table below summarises the authorisations granted by the council in the last year, from September 2014 to September 2015. As the Committee is aware from its quarterly update reports there have been no such authorisations.

Sept 2014- Sept 2015	Directed surveillance	CHIS	Total	Purpose

October 2014 – December 2014	0	0	0	n/a
January 2015 – March 2015	0	0	0	n/a
April 2015–June 2015	0	0	0	n/a
July 2015 – September 2015	0	0	0	n/a

### Implications

15.	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

16. None identified.

### Conclusions / Summary

17. This report proposed no further amendments at this time to the Council’s RIPA policy and updates the Committee on the Council’s use of RIPA powers in the last quarter, along with an overview of the last year.

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

Annual Report of the Chief Surveillance Commissioner for 2014 to 2015

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

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## **South Cambridgeshire District Council**

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

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

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# **1 Introduction**

- 1.1 The Regulation of Investigatory Powers Act 2000 (“RIPA”) is designed to ensure that public bodies respect the privacy of members of the public when carrying out investigations, and that privacy is only interfered with where the law permits and where there is a clear public interest justification.
- 1.2 The purpose of this policy is to explain the scope of RIPA and the circumstances where it applies to the Council. It provides guidance on the authorisation procedures to be followed in the event that surveillance is needed. This policy sets out the correct management of the process by the Council.
- 1.3 This policy also ensures that activities that should be subject to RIPA authorisation is recognised as such and that appropriate authorisation is sought. It also seeks to ensure that any activity which should be carefully monitored, but which is not subject to RIPA authorisation, is still given correct authority and scrutiny.
- 1.4 The Protection of Freedoms Act 2012 imposed new restrictions on the circumstances in which the Council is permitted to use directed surveillance and this policy has been updated to take into account these new restrictions. Separate guidance has been issued by the Home Office which specifies the procedure for the consideration and approval of applications by Magistrates and this policy must be read in conjunction with that procedure and documents issued by the Office of the Surveillance Commissioner.
- 1.5 The Executive Director (Corporate Services) is the Senior Responsible Officer for the RIPA process for the Council. All staff involved in the process must take their responsibilities seriously in order to assist with the integrity of the Council’s processes and procedures.
- 1.6 In preparing this policy the Council has followed the Revised Codes of Practice (April 2010) produced by the Home Office and considered guidance provided by the Office of Surveillance Commissioners.
- 1.7 In the case of any uncertainty advice should be sought from an Authorising Officer or the Legal and Democratic Services Manager, who is the Council’s RIPA Monitoring Officer.
- 1.8 Copies of the Codes of Practice can be found on the Council’s RIPA Intranet page and at the following links:

<https://www.gov.uk/government/collections/ripa-codes>

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

<https://osc.independent.gov.uk/>

## **2 Background**

- 2.1 The Human Rights Act 1998 brought into UK law many of the provisions of the 1950 European Convention on Human Rights and Fundamental Freedoms. Article 8 requires the Council to have respect for people's private and family lives, their homes, and their correspondence. These subjects can be referred to as "Article 8 rights".
- 2.2 The Human Rights Act makes it unlawful for any local authority to act in a way which is incompatible with the European Convention on Human Rights. However these are not absolute rights and are qualified by the ability of the Council to interfere with a person's Article 8 rights if :-
- such interference is in accordance with the law
  - is **necessary**; and
  - is **proportionate**
- 2.3 "*In accordance with the law*" means that any such interference is undertaken in accordance with the mechanism set down by RIPA and the Home Office Covert Surveillance Codes of Practice. The Codes of Practice deal with the use of Covert Surveillance and the use of persons such as informants and undercover officers who gather information in a covert capacity, known as a **Covert Human Intelligence Source or "CHIS"**. Any covert activity must also meet the test of necessity and proportionality and these are dealt with later in this policy.
- 2.4 A considerable amount of observations are carried out in an overt capacity by Council employees carrying out their normal functions. These activities are general and routine and do not involve the systematic surveillance of an individual. RIPA is not designed to prevent these activities or regulate them.
- 2.5 RIPA also applies to the **Accessing of Communications Data** under Part 1, Chapter 2 of the legislation. The Council has produced separate guidance dealing with the accessing of communications data under the Single Point of Contact ("SPOC") provisions.
- 2.6 The Council has numerous statutory duties and powers to investigate the activities of private individuals and organisations within its jurisdiction for the benefit and protection of the greater public. Some of these investigations may require surveillance or the use of a CHIS. These may include:
- environmental health
  - housing
  - planning
  - audit
  - revenues and benefits fraud
- 2.7 RIPA provides a framework to control and supervise covert activities such as surveillance and the use of a CHIS in these criminal investigations. It aims to balance the need to protect the privacy of individuals against the need to protect others by the Council in compliance with its enforcement functions. Covert Surveillance and CHIS are covered by separate Codes of Practice which can be found on the Council's Intranet RIPA page.

## **3 When RIPA applies**

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

For the “...**preventing or detecting conduct which constitutes one or more criminal offences or is or corresponds to, any conduct which, if it all took place in England and Wales, would constitute one or more criminal offences.**”

and

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

- 3.2 It should be noted that the provision relating to the prevention of disorder is no longer included.
- 3.3 Using the RIPA application process helps protect the Council from legal challenges and provides the lawful authority for officers to conduct covert surveillance and use CHIS in connection with the prevention and detection of crime or of preventing disorder. South Cambridgeshire District Council and its staff have a responsibility to adhere to the legislation and the Human Rights Act. Any contract staff employed by South Cambridgeshire District Council to undertake such activity are also covered by the codes.
- 3.4 The RIPA Codes of Practice state where there is an interference by a public authority with the right to respect for private and family life guaranteed under Article 8 of the European Convention on Human Rights, and where there is no other source of lawful authority, the consequence of not obtaining an authorisation under the 2000 Act may be that the action is unlawful by virtue of section 6 of the Human Rights Act 1998.
- 3.5 Public authorities are therefore strongly recommended to seek an authorisation under RIPA where the surveillance is likely to interfere with a person's Article 8 rights to privacy by obtaining private information about that person, whether or not that person is the subject of the investigation or operation. Obtaining an authorisation will ensure that the action is carried out in accordance with law and subject to stringent safeguards against abuse.
- 3.6 In some instances it is not possible to obtain RIPA authorisation for surveillance activities due to the limited grounds set in the legislation where authorisation can be granted. It may be, however, that covert surveillance is still necessary and proportionate. This is dealt with later in this Policy but, as per s.80 of RIPA and para 355 of the explanatory notes “... *nothing in [the] Act makes any actions unlawful unless that is explicitly stated. The availability of an authorisation or a warrant does not mean that it is unlawful not to seek or obtain one. In this respect, the Act must be read with section 6 of the Human Rights Act, which makes it unlawful to act in a way which is incompatible with a Convention right.*”

## **4 Surveillance Definitions**

### **4.1 Surveillance**

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

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

## 4.2 Covert Surveillance

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

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

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

4.2.3 RIPA regulates only two types of Covert Surveillance which are:

- Directed Surveillance
- Intrusive Surveillance

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

## 4.3 Directed surveillance

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

***it is covert, but not intrusive surveillance;***

***it is conducted for the purposes of a specific investigation or operation;***

***it is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation);***

***it is conducted otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under Part II of the 2000 Act to be sought.***

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

4.3.3 It is important that all activity that may constitute surveillance is recognised as such and correctly authorised, either as directed surveillance or, in some instances, as surveillance outside of RIPA as governed by this policy. Anything involving the use of concealed cameras or anything involving keeping covert observation on premises or people should be considered as potentially amounting to directed surveillance. In the case of uncertainty advice should be sought from the Legal and Democratic Services Manager.

#### **4.4 Private information**

- 4.5 Private information includes any information relating to a person's private or family life. Private information should be taken generally to include any aspect of a person's private or personal relationship with others, including family and professional or business relationships.
- 4.6 Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person's activities in public may still result in the obtaining of private information. This is likely to be the case where that person has a reasonable expectation of privacy even though acting in public and where a record is being made by a public authority of that person's activities for future consideration or analysis.
- 4.7 Private life considerations are particularly likely to arise if several records are to be analysed together in order to establish, for example, a pattern of behaviour, or if one or more pieces of information (whether or not available in the public domain) are covertly (or in some cases overtly) obtained for the purpose of making a permanent record about a person or for subsequent data processing to generate further information. In such circumstances, the totality of information gleaned may constitute private information even if individual records do not. Where such conduct includes surveillance, a directed surveillance authorisation may be considered appropriate.

### **5 Risks of not having correct RIPA Authorisation**

- 5.1 If Investigators undertake covert activity to which this legislation applies without the relevant authority being obtained and the case progressed to criminal proceedings the defence may challenge the validity of the way in which the evidence was obtained under Section 78 of the Police and Criminal Evidence Act 1984. Should the evidence then be disallowed by a court, the prosecution case may be lost with a financial cost to the Council.
- 5.2 The person who was the subject of surveillance may complain to the Ombudsman who may order the Council to pay compensation. The activity may also be challenged through the civil courts under the Human Rights Act 1998 for breach of privacy.
- 5.3 A properly obtained and implemented authorisation under RIPA will provide the Council with lawful authority to interfere with the rights of the individual. It is not simply enough that an authorisation for surveillance is obtained. It must be properly obtained, implemented, managed, reviewed and cancelled.

### **6 Surveillance Outside of RIPA**

- 6.1 There may be a necessity for the Council to undertake surveillance which does not meet the criteria to use the RIPA legislation such as in cases of serious disciplinary investigations. The Council still must meet its obligations under the Human Rights Act and therefore any surveillance outside of RIPA must still be necessary and proportionate having taken account of the intrusion issues. The decision making process and the management of such surveillance will mirror that of RIPA-authorised surveillance, except that the activity will not require approval from a Magistrate.
- 6.2 An application will be made using the normal RIPA application form but these forms will not make any reference to the Act.

- 6.3 The authorising officer will be required to give the application the same degree of consideration and copies of all forms will be passed to the RIPA Monitoring Officer, who will keep a record of all activity separately from the records of RIPA-authorised surveillance

## **7 Immediate Response to Events**

- 7.1 There may be occasions when officers come across events unfolding which were not pre-planned which then require them to carry out some form of observation. This will not amount to Directed Surveillance. However, as the Council is no longer able to grant urgent oral authority to conduct surveillance the officer must be prepared to explain their decisions in court should it be necessary. Therefore they should document their decisions, what took place, what evidence or information was obtained.

## **8 Recording of Telephone Conversations**

- 8.1 The recording of telephone conversations connected to criminal investigations outside of the Councils monitoring at work policy for its own equipment falls under RIPA and provides, where one party to the communication consents to the interception, it may be authorised in accordance with section 48(4) of the 2000 Act. In such cases, the interception is treated as directed surveillance.
- 8.2 There may be occasions where this is required such as a witness who has text or voicemail evidence on their mobile telephone and SCDC require to examine the phone.

## **9 Intrusive surveillance**

- 9.1 **South Cambridgeshire District Council has no authority in law to carry out Intrusive Surveillance or activity under the Police Act 1997.**
- 9.2 Intrusive surveillance is defined in section 26(3) of the 2000 Act as covert surveillance that:
- is carried out in relation to anything taking place on any residential premises or in any private vehicle; and**
- involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device.**
- 9.3 Where surveillance is carried out in relation to anything taking place on any residential premises or in any private vehicle by means of a device, without that device being present on the premises, or in the vehicle, it is not intrusive unless the device consistently provides information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the vehicle. Thus, an observation post outside premises, which provides a limited view and no sound of what is happening inside the premises, would not be considered as intrusive surveillance.
- 9.4 A risk assessment of the capability of equipment being used on residential premises and private vehicles should be carried out to ensure that it does not fall into Directed Surveillance.
- 9.5 Commercial premises and vehicles are excluded from the definition of intrusive surveillance. However they are dealt with under the heading of Property Interference contained within the Police Act 1997.



## **10 Covert Human Intelligence Source (CHIS)**

### **10.1 *Definition***

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

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

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

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

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

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

### **10.2 *Conduct and Use of a Source***

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

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

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

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

10.2.5 When completing applications for the use of a CHIS this will include who the CHIS is, what they can do and for which purpose

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

### **10.3 Management of Sources**

10.3.1 Within the provisions there has to be;

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

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

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

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

### **10.4 Tasking**

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

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

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

### **10.5 Security and Welfare**

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

welfare of the source, after the cancellation of the authorisation, should also be considered at the outset.

## **11 RIPA Application and Authorisation Process**

### **11.1 Application, Review, Renewal and Cancellation Forms**

- 11.1.1 No covert activity covered by RIPA should be undertaken at any time unless it has been authorised by an Authorised Officer and a Magistrate and the appropriate forms completed at the appropriate time.
- 11.1.2 All the relevant forms for authorisation through to cancellation must be in writing using the standard forms which are available on the Council's Intranet site but officers must ensure that the circumstances of each case are accurately recorded on the application form (see Application Process).
- 11.1.3 If it is intended to undertake both directed surveillance and the use of a CHIS on the same surveillance subject the respective applications forms and procedures should be followed and both activities should be considered separately on their own merits.
- 11.1.4 An application for an authorisation must include an assessment of the risk of any collateral intrusion or interference. The Authorising Officer will take this into account, particularly when considering the proportionality of the directed surveillance or the use of a CHIS.

### **11.2 Applications**

- 11.2.1 All the relevant sections on an application form must be completed with sufficient information for the Authorising Officer and then the Magistrate to consider Necessity, Proportionality and the Collateral Intrusion issues. Risk assessments should take place prior to the completion of the application form. Each application should be completed on its own merits of the case. *Cutting and pasting or using template entries should not take place as this would leave the process open to challenge.*
- 11.2.2 All applications will be submitted to the Authorising Officer via the Line Manager of the appropriate enforcement team in order that they are aware of the activities being undertaken by the staff. The Line Manager will perform an initial quality check of the application. However they should not be involved in the sanctioning of the authorisation. Completed application forms are to be initialled by Line Managers to show that the quality check has been completed.
- 11.2.3 Applications whether authorised or refused will be issued with a unique number by the Authorising Officer, taken from the next available number in the Central Record of Authorisations. To obtain this number contact the Legal Services team.
- 11.2.4 The procedure for submitting applications to Magistrates for consideration is set out in the procedure issued by the Home Office for this purpose.

### **11.3 Duration of Applications**

<b>Directed Surveillance</b>	3 Months
Renewal	3 Months
<b>Covert Human Intelligence Source</b>	12 Months
Juvenile Sources	1 Month

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

#### **11.4 Reviews**

- 11.4.1 Regular reviews of authorisations should be undertaken to assess the need for the surveillance to continue. The results of a review should be recorded on the central record of authorisations. Particular attention is drawn to the need to review authorisations frequently where the surveillance provides access to confidential information or involves collateral intrusion.
- 11.4.2 In each case the Authorising Officer should determine how often a review should take place. This should be as frequently as is considered necessary and practicable and they will record when they are to take place on the application form. This decision will be based on the circumstances of each application. However reviews will be conducted on a monthly or less basis to ensure that the activity is managed. It will be important for the Authorising Officer to be aware of when reviews are required following an authorisation to ensure that the applicants submit the review form on time.
- 11.4.3 Applicants should submit a review form by the review date set by the Authorising Officer. They should also use a review form for changes in circumstances to the original application so that the need to continue the activity can be reassessed. However if the circumstances or the objectives have changed considerably a new application form may be more appropriate. The applicant does not have to wait until the review date if it is being submitted for a change in circumstances.
- 11.4.4 Managers or Team Leaders of applicants should also make themselves aware of when the reviews are required to ensure that the relevant forms are completed on time.

#### **11.5 Renewal**

- 11.5.1 If at any time before an authorisation would cease to have effect, the Authorising Officer considers it necessary for the authorisation to continue for the purpose for which it was given, he may renew it in writing for a further period of three months. Like applications, all renewals must also be considered by a Magistrate
- 11.5.2 A renewal takes effect on the day on which the authorisation would have ceased.
- 11.5.3 An application for renewal should not be made until shortly before the authorisation period is drawing to an end but the applicant must consider the need to allow sufficient time for consideration by the authorising officer and any potential delay in getting the matter before a Magistrate for consideration.
- 11.5.4 Authorising Officers should examine the circumstances with regard to Necessity, Proportionality and the Collateral Intrusions issues before making a decision to renew the activity.
- 11.5.5 A CHIS application should not be renewed unless a thorough review has been carried out covering the use made of the source, the tasks given to them and information obtained.
- 11.5.6 The Authorising Officer must consider the results of the review when deciding whether to renew or not. The review and the consideration must be documented.

## **11.6 Cancellation**

- 11.6.1 The cancellation form is to be submitted by the applicant or another investigator in their absence. The Authorising Officer who granted or last renewed the authorisation must cancel it if they are satisfied that the directed surveillance no longer meets the criteria upon which it was authorised. Where the Authorising Officer is no longer available, this duty will fall on the person who has taken over the role of Authorising Officer or the person who is acting as Authorising Officer
- 11.6.2 As soon as the decision is taken that directed surveillance should be discontinued, the applicant or other investigating officer involved in the investigation should inform the Authorising Officer. The Authorising Officer will formally instruct the investigating officer to cease the surveillance, noting the time and date of their decision. This will be required for the cancellation form. The date and time when such an instruction was given should also be recorded in the central record of authorisations (see paragraphs 2.14 - 2.15 in the Codes of Practice).
- 11.6.3 **It will also be necessary to detail the amount of time spent on the surveillance as this is required to be retained by Central Register.**
- 11.6.4 The officer submitting the cancellation should complete in detail the relevant sections of the form and include the period of surveillance and what, if any, images were obtained and any images containing third parties. The Authorising Officer should then take this into account and issues instructions regarding the management and disposal of the images etc.
- 11.6.5 The cancellation process should also be used to evaluate whether the objectives have been achieved and whether the applicant carried out what they stated was necessary in the application form. This check will form part of the oversight function. Where issues are identified they will be brought to the attention of the line manager and the Senior Responsible Officer (SRO). This will assist with future audits and oversight.

## **11.7 Authorising Officers**

- 11.7.1 Officers who are designated "Authorising Officers" may authorise written applications for the use of directed surveillance or the use of a CHIS but, from the 1st November 2012, all applications now also require the authorisation of a Magistrate.
- 11.7.2 Please refer to Appendix 1 for the list of Authorising Officers, to show name, departmental details, contact number and levels of Authority.
- 11.7.3 The Chief Executive Officer or in her absence the Executive Director (Corporate Services) will authorise cases where confidential information is likely to be gathered or in the case of a juvenile or vulnerable CHIS.
- 11.7.4 The Legal and Democratic Services Manager should be informed of any changes to the list of Authorising Officers and will amend the policy accordingly. The intranet will also be updated appropriately.

## **11.8 Urgent Oral Authorisations**

- 11.8.1 The provision for urgent oral authorisations is no longer available to local authorities, with effect from the 1st November 2012 as all applications now have to be put before a Magistrate for consideration. .

## **11.9 Local Sensitivities**

- 11.9.1 Authorising Officers and Applicants should be aware of particular sensitivities in the local community where the directed surveillance is taking place, or of similar activities being undertaken by other public authorities which could impact on the deployment of surveillance. This should form part of the risk assessment.
- 11.9.2 It should be noted that although this is a requirement there is no provision made within the application form for this information. Therefore applicants should cover this area where they feel it is most appropriate such as when detailing the investigation or proportionality or within the separate risk assessment form. However it must be brought to the attention of the Authorising Officer when deciding whether to authorise the activity.

## **11.10 Authorising Officers Responsibility**

- 11.10.1 Authorising officers should not be responsible for authorising investigations or operations in which they are directly involved, although it is recognised that this may sometimes be unavoidable such as where it is necessary to act urgently. Where an Authorising Officer authorises such an investigation or operation the Central Record of Authorisations should highlight this and it should be brought to the attention of a Commissioner or Inspector during their next inspection.
- 11.10.2 Authorising Officers must treat each case individually on its merits and satisfy themselves that the authorisation is **necessary**, the surveillance is **proportionate** to what it seeks to achieve, taking into account the **collateral intrusion** issues, and that the level of the surveillance is appropriate to achieve the objectives. If any equipment such as covert cameras, video cameras are to be used the Authorising Officer should know the capability of the equipment before authorising its use. This will have an impact on collateral intrusion, necessity and proportionality. They should not rubber-stamp a request. It is important that they consider all the facts to justify their decision. They may be required to justify their actions in a court of law or some other tribunal.
- 11.10.3 Authorising Officers are responsible for determining when reviews of the activity are to take place.
- 11.10.4 Before authorising surveillance the Authorising Officer should also take into account the risk of intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation (collateral intrusion). Measures should be taken, wherever practicable, to avoid or minimise unnecessary intrusion into the lives of those not directly connected with the investigation or operation.
- 11.10.5 In the absence of a Line Manager or Head of Department the application should be submitted to another Authorising Officer for authorisation.

## **11.11 Necessity and Proportionality**

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

- 11.11.2 **If similar objectives could be achieved by methods other than covert surveillance, then those methods should be used unless it can be justified why they can not be used.**
- 11.11.3 Then, if the activities are **necessary**, the person granting the authorisation must believe that they are **proportionate** to what is sought to be achieved by carrying them out. This involves balancing the intrusiveness of the activity on the subject and others who might be affected by it against the need for the activity in operational terms. The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means. All such activity should be carefully managed to meet the objective in question and must not be arbitrary or unfair. The interference with the person's right should be no greater than that which is required to meet the aim and objectives.
- 11.11.4 The onus is on the Authorising Officer to ensure that the surveillance meets the tests of **necessity and proportionality**.
- 11.11.5 The codes provide guidance relating to proportionality which should be considered by both applicants and Authorising Officers :
- balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
  - explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
  - considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
  - evidencing, as far as reasonably practicable, what other methods had been considered and why they were not implemented.
- 11.11.6 It is important that the staff involved in the surveillance and the Line Manager manage the enquiry and operation and evaluate constantly the need for the activity to continue.

## **11.12 Collateral Intrusion**

- 11.12.1 Collateral intrusion is an integral part of the decision making process and should be assessed and considered very carefully by both applicants and Authorising Officers.
- 11.12.2 The Revised Codes state that Collateral Intrusion **is intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation such as neighbours or other members of the subject's family**. Where it is proposed to conduct surveillance activity specifically against individuals who are not suspected of direct or culpable involvement in the overall matter being investigated, interference with the privacy or property of such individuals should not be considered as collateral intrusion but rather as intended intrusion. Any such surveillance activity should be carefully considered against the necessity and proportionality criteria.
- 11.12.3 Intended intrusion could occur if it was necessary to follow a person not committing any offences but by following this person it would lead to the person who is committing the offences.

- 11.12.4 Where such collateral intrusion is unavoidable, the activities may still be authorised, provided this intrusion is considered proportionate to what is sought to be achieved. The same proportionality tests apply to the likelihood of collateral intrusion as to intrusion into the privacy of the intended subject of the surveillance.
- 11.12.5 Prior to and during any authorised RIPA activity, a risk assessment should take place to identify the likely intrusion into the subject and any collateral intrusion. Officers should take continuing precautions to minimise the intrusion where possible. The collateral intrusion, the reason why it is unavoidable and the precautions taken to minimise it will have to be detailed on any relevant application forms. This will be considered by the Authorising Officer.
- 11.12.6 Before authorising surveillance the Authorising Officer should take into account the risk of collateral intrusion detailed on the relevant application forms as it has a direct bearing on the decision regarding proportionality.
- 11.12.7 The possibility of Collateral Intrusion does not mean that the authorisation should not be granted, but the authorising officer must balance this with the importance of the activity to be carried out in operational terms.

### ***11.13 Unexpected Interference with Third Parties***

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

### ***11.14 Confidential Information***

- 11.14.1 Confidential information consists of matters subject to Legal Privilege, confidential personal information or confidential journalistic material and applications where there is a likelihood of acquiring such information can only be authorised by the Chief Executive or the Executive Director (Corporate Services).
- 11.14.2 **No authorisation should be given if there is any likelihood of obtaining legally privileged material without consulting the Legal and Democratic Services Manager.**
- 11.14.3 Confidential personal information is information held in confidence relating to the physical or mental health or spiritual counselling concerning an individual (whether living or dead) who can be identified from it. Such information, which can include both oral and written communications, is held in confidence if it is held subject to an express or implied undertaking to hold it in confidence or it is subject to a restriction on disclosure or an obligation of confidentiality contained in existing legislation. Examples might include consultations between a health professional and a patient, or information from a patient's medical records. Journalistic material is also mentioned in the codes however it is highly unlikely that this will be obtained. The definition should it be required can be obtained from the Codes of Practice at Chapter 4.
- 11.14.4 The following general principles apply to confidential material acquired under authorisations:



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

### **11.15 Documentation and Central Record**

- 11.15.1 Authorising Officers or Managers of relevant enforcement departments may keep whatever records they see fit to administer and manage the RIPA application process. However this will not replace the requirements under the Codes of Practice for the Council to hold a centrally held and retrievable record.
- 11.15.2 A centrally retrievable record of all authorisations will be held by the Legal and Democratic Services Manager and regularly updated whenever an authorisation is refused, granted, renewed or cancelled. The record will be made available to the relevant Commissioner or an Inspector from the Office of Surveillance Commissioners, upon request. These records should be retained for at least three years from the ending of the authorisation or for the period stipulated by the Council's document retention policy, whichever is greater, and should contain the following information:
- if refused, that the application was not authorised and a brief explanation of the reason why. The refused application should be retained as part of the Central Record of Authorisation.
  - if granted, the type of authorisation and the date the authorisation was given;
  - name and rank/grade of the authorising officer;
  - the unique reference number (URN) of the investigation or operation;
  - the title of the investigation or operation, including a brief description and names of subjects, if known;
  - whether the urgency provisions were used, and if so why.
  - frequency and the result of each review of the authorisation;
  - if the authorisation is renewed, when it was renewed and who authorised the renewal, including the name and rank/grade of the authorising officer;

- whether the investigation or operation is likely to result in obtaining confidential information as defined in this code of practice;
- the date the authorisation was cancelled.
- authorisations by an Authorising Officer in urgent cases where they are directly involved in the investigation or operation (see Authorising Officer Responsibility page 17.) If this has taken place it must be brought to the attention of a Commissioner or Inspector during their next RIPA inspection.
- the date and time when any instruction was given by the Authorising Officer.

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

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

11.15.4 **For CHIS applications the Codes state;**

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

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

- 11.15.5 The Legal and Democratic Services Manager will be responsible for maintaining the Central Record of Authorisations and will ensure that all records are held securely with no unauthorised access.
- 11.15.6 The only persons who will have access to these documents will be the Legal and Democratic Services Manager, the Senior Responsible Officer and Authorising Officers.
- 11.15.7 The records kept by public authorities should be maintained in such a way as to preserve the confidentiality of the source and the information provided by that source. There should, at all times, be a designated person within the relevant public authority who will have responsibility for maintaining a record of the use made of the source.

## **12 Use of CCTV**

- 12.1.1 The use of the CCTV systems operated by the Council do not normally fall under the RIPA regulations. However it does fall under the Data Protection Act 1998 and the Councils CCTV policy. However should there be a requirement for the CCTV cameras to be used for a specific purpose to conduct surveillance it is likely that the activity will fall under Directed Surveillance and therefore require an authorisation.
- 12.1.2 On the occasions when the CCTV cameras are to be used in a Directed Surveillance situation either by enforcement officers from relevant departments within the Council or outside law enforcement agencies such as the Police, either the CCTV staff are to have a copy of the application form in a redacted format, or a copy of the authorisation page. If it is an urgent oral authority a copy of the applicants notes are to be retained or at least some other document in writing which confirms the authorisation and exactly what has been authorised. It is important that the staff check the authority and only carry out what is authorised. A copy of the application or notes is also to be forwarded to the Information Management Team for filing. This will assist the Council to evaluate the authorisations and assist with oversight.
- 12.1.3 Operators of the Councils CCTV system need to be aware of the RIPA issues associated with using CCTV and that continued, prolonged systematic surveillance of an individual may require an authorisation.

## **13 Joint Agency Surveillance**

- 13.1.1 In cases where one agency is acting on behalf of another, it is usually for the tasking agency to obtain or provide the authorisation. For example, where surveillance is carried out by Council employees on behalf of the Police, authorisation would be sought by the police. If it is a joint operation involving both agencies the lead agency should seek authorisation.
- 13.1.2 Council staff involved with joint agency surveillance are to ensure that all parties taking part are authorised on the authorisation page of the application to carry out the activity. When staff are operating on another organisation's authorisation they are to ensure they see what activity they are authorised to carry out and make a written record. They should also Legal and Democratic Services Manager of the unique reference number, the agencies involved and the name of the officer in charge of the surveillance. This will assist with oversight of the use of Council staff carrying out these types of operations.

## **14 Activities Which May Constitute Surveillance or Require Authorisation Outside of RIPA**

### **14.1 Definition**

- 14.1.1 Some investigative activities may not be easily recognised as constituting surveillance which requires authorisation. Any action that is likely to reveal private information<sup>1</sup> may constitute surveillance if it includes:
- monitoring, observing, listening to persons, their movements, conversations, other activities or communications
  - recording anything monitored, observed or listened to in the course of surveillance
  - surveillance, by or with, assistance of a surveillance device<sup>2</sup>
- 14.1.2 This policy requires RIPA authorisation to be sought in cases where an authorisation can be sought (as per Part 3 of the Policy). Where RIPA authorisation cannot be sought, for instance where an investigation is not into a criminal offence or the offence threshold in Part 3 is not met the activity should still be authorised as per Part 6 of this policy.

### **14.2 Social Networks and the Internet**

- 14.2.1 The internet is a useful investigative tool, giving access to a large amount of information which could not otherwise be obtained. The techniques and websites used change frequently and so it is difficult for definitive guidance to be written by the OSC as, by the time it is published, it may be obsolete. There is also a lack of definitive case law in this area.
- 14.2.2 The Chief Surveillance Commissioner comments in his 2013-14 report:
- "The same considerations of privacy, and especially collateral intrusion against innocent parties, must be applied regardless of the technological advances"*
- 14.2.3 The report clarifies (quoting from the 2011-12 annual report) that the internet is a surveillance device as per s.48(1) of RIPA and that viewing material on the internet may constitute covert surveillance as just because something is put into the public domain by someone does not mean that they expect it to be read by a public authority as "[k]nowing that something is capable of happening is not the same as an awareness that it is or may be taking place."
- 14.2.4 For SCDC purposes it will not be necessary to seek RIPA or non-RIPA authorisation where the activity does not constitute monitoring of material on the internet. This means that viewing material which is publically available should not require surveillance authorisation. However if repeated checks are required, for example to establish a pattern of behaviour, then this is likely to require authorisation as it will constitute monitoring.

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<sup>1</sup> Private information is defined in the RIPA Codes of Practice for Covert Surveillance as: "2.4 The 2000 Act states that private information includes any information relating to a person's private or family life. Private information should be taken generally to include any aspect of a person's private or personal relationship with others, including family and professional or business relationships."

<sup>2</sup> Section 48(2) Regulation of Investigatory Powers Act 2000

- 14.2.5 Some material may be protected from view and require the subject's authorisation in order to view it, for example by sending them a "friend request". This is likely to constitute activity which will require CHIS authorisation.
- 14.2.6 It is advisable for officers to take steps to protect themselves from possible reprisals. Some social networking sites make users aware of who has viewed their profile, allowing them to visit those profiles. It is not acceptable to create user profiles in false names but a separate profile should be created for work purposes which is entirely unconnected to officer's personal life and accounts.
- 14.2.7 It is essential that detailed notes be made by any officer viewing material on the internet explaining what they were seeking, why it was necessary and proportionate to do so and why prior authorisation was not sought.
- 14.2.8 Where material is printed or saved consideration must be given to the management of collateral intrusion – there may be personal data of people not subject to the investigation and this must be managed appropriately.

### *14.3 Visits and Observing Properties and Vehicles*

- 14.3.1 Surveillance which is overt does not require authorisation. A visit to a property by an SCDC officer will not normally constitute surveillance if the intention is to speak to the occupier.
- 14.3.2 In some cases repeated visits may be made to a property in connection with an investigation and without the intention of speaking to the occupier, for example driving past the property to obtain details of vehicles or to look for signs of occupation. Such activity could become surveillance, as per 13.1 above and RIPA or non-RIPA authorisation should be sought if this is the case. This will be the case where the activity is intended to identify a pattern of behaviour, such as the presence of a vehicle at a particular location. A visit to obtain details of a vehicle is unlikely to constitute surveillance.
- 14.3.3 If an officer plans to conduct a visit (other than a routine visit to the occupier as per 13.3.1 above) detailed notes must be made explaining the purpose of the visit, why it is necessary and proportionate and why RIPA or non-RIPA authorisation has not been sought.

## **15 Annual Report to Office of Surveillance Commissioners**

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

## **16 Storage and Retention of Material**

- 16.1 All material obtained and associated with an application will be subject of the provisions of the Criminal Procedures Investigations Act 1996 (CPIA) Codes of Practice which state that relevant material in an investigation has to be recorded and retained and later disclosed to the prosecuting solicitor in certain circumstances. It is also likely that the material obtained as a result of a RIPA application will be classed as personal data for the purposes of the Data Protection Act. All officers involved within this process should make

themselves aware of the provisions within this legislation and how it impacts on the whole RIPA process. Material obtained together with relevant associated paperwork should be held securely. Extra care needs to be taken if the application and material relates to a CHIS.

- 16.2 Material is required to be retained under CPIA should be retained until a decision is taken whether to institute proceedings against a person for an offence or if proceedings have been instituted, at least until the accused is acquitted or convicted or the prosecutor decides not to proceed with the case.
- 16.3 Where the accused is convicted, all material which may be relevant must be retained at least until the convicted person is released from custody, or six months from the date of conviction, in all other cases.
- 16.4 If the court imposes a custodial sentence and the convicted person is released from custody earlier than six months from the date of conviction, all material which may be relevant must be retained at least until six months from the date of conviction.

## **17 Training**

- 17.1 There will be an ongoing training programme for Council Officers who will need to be aware of the impact and operating procedures with regards to this legislation. The Legal and Democratic Services Manager will be required to retain a list of all those officers who have received training and when the training was delivered.
- 17.2 Authorising Officers must have received formal RIPA training before being allowed to consider applications for surveillance and CHIS.

## **18 Oversight**

### ***18.1 Responsibilities***

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

### ***18.2 Reporting to Members***

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

### ***18.3 Scrutiny and Tribunal***

- 18.3.1 Scrutiny will be provided by the Office of the Surveillance Commissioner (OSC) The Surveillance Commissioner will periodically inspect the records and procedures of the Authority to ensure the appropriate authorisations have been given, reviewed, cancelled, and recorded properly.
- 18.3.2 It is the duty of any person who uses these powers to comply with any request made by a Commissioner to disclose or provide any information he requires for the purpose of enabling him to carry out his functions.

18.3.3 A tribunal has been established to consider and determine complaints made under RIPA if it is the appropriate forum. Persons aggrieved by conduct, e.g. directed surveillance, can make complaints. The forum hears application on a judicial review basis. Claims should be brought within one year unless it is just and equitable to extend that period.

18.3.4 Complaints can be addressed to the following address:

Investigatory Powers Tribunal  
PO Box 33220  
London  
SW1H9ZQ

## **Appendix 1: LIST OF AUTHORISING OFFICERS AND AUTHORISING LEVELS**

<b>Jean Hunter</b>	Chief Executive
<b>Alex Colyer</b>	Executive Director (Corporate Services)
<b>Mike Hill</b>	Director (Health and Environmental Services)
<b>Senior Responsible Officer:</b>	Alex Colyer, Executive Director, Corporate Services
<b>RIPA Monitoring Officer:</b>	Fiona McMillan, Legal & Democratic Services Manager



## **Appendix 2: RESOLUTION OF FULL COUNCIL**

On the Council considered the revised Policy for Regulation of Investigatory Powers Act 2000 and resolved as follows:-

To adopt the revised RIPA policy with effect from 22<sup>nd</sup> September 2011

To amend the Scheme of Delegation for Officers in the Council Constitution to incorporate the changes needed to implement the revised RIPA policy.

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# Agenda Item 9



**South  
Cambridgeshire  
District Council**

**Report To:** Corporate Governance Committee  
**Lead Officer:** Executive Director (Corporate Services)

25 September 2015

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## **Treasury Management Annual Report**

### **Purpose**

1. To report on the performance of the treasury management function for the period 1 April 2014 to 31 March 2015.
2. This is not a key decision but reporting to the Corporate Governance Committee is a requirement of the Council's Investment and Borrowing Strategy.

### **Recommendations**

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

### **Reasons for Recommendations**

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

### **Background**

5. The Borrowing and Investment Strategy approved by Council on 26 February 2015 requires an annual report to be presented to Corporate Governance Committee after the end of the financial year.

### **Considerations**

6. Investments of £43.49 million were held by the Council at 31 March 2015, and included £42.57 million in fixed rate investments. Investments included £4.07 million to South Cambs Limited due to mature in February 2016, at which time a loan to the Company will be provided for £7.0 million on a secured equity basis as agreed by Council (28 November 2013)

	<b>31 March 2014 £'000</b>	<b>31 March 2013 £'000</b>
Local Authorities	2,000	0
Ermine Street Housing	4,072	0
Clearing Banks	22,500	15,000
Banks, other	2,500	2,500
Money Market Funds	870	1,380
Building Societies with assets:		
greater than £10,000 million	11,500	9,500
between £1,500 million and £5,000 million	0	1,000
Equity Shares	50	0
Government Securities	0	0
	<b>43,492</b>	<b>29,380</b>

In July 2014, Cabinet agreed to the Council contributing an initial subscription to the Local Government Association's Municipal Bond Agency (Local Capital Finance Company), the first stage payment of £50,000 has been paid, representing a price of £1 per share.

7. Investments achieved an in-year return of £0.429 million, £0.040 million more than estimated due in part to the higher rate of interest charged on investments with South Cambs Limited.
8. The Council is a member of a benchmarking club on treasury management, which is organised by the Chartered Institute of Public Finance and Accountancy. The results of this benchmarking exercise for 2014-15 were issued in July and the key indicators are shown below.

	<b>Money Market Funds</b>	<b>Investments up to 1 month</b>	<b>Investments for 1 to 3 months</b>	<b>Investments for 3 months to 1 year</b>	<b>Investments between 1 year and 5 years</b>	<b>Combined Investments</b>
Average	0.43%	0.41%	0.46%	0.72%	1.52%	0.75%
Upper Quartile	0.45%	0.41%	0.48%	0.80%	1.41%	0.82%
SCDC	0.38%	0.41%	0.45%	0.80%	3.12%	0.87%
Lower Quartile	0.41%	0.36%	0.43%	0.60%	0.97%	0.59%

9. The results for 2014-15 show that South Cambridgeshire achieved a return of 0.87% on combined investments (less than and more than 365 days) compared to 0.78% for its comparator group and 0.75% for the overall group. South Cambridgeshire was fourth in the comparator group of 13 other organisations and eleventh highest in the overall group of 48 other organisations.
10. Money market funds fell into the lower quartile performance band during the financial period, this was addressed by the approval of an additional counterparty by the

Finance and Staffing Portfolio Holder at the meeting held 21 October 2014, the change is expected to produce an improvement in returns during 2015-16. Sums held in money market funds are essentially overnight deposits to facilitate short term cash flow requirements.

11. The performance target is a greater return than average over a five-year rolling period. For 2014/15, a better than average return was achieved compared to the comparator group and to the overall group. Over the five-year period the target has been met.
12. In March 2012, following the introduction of the Housing Revenue Account Self Financing regime, the Council acquired debt of £205 million. The full sum was borrowed from the Public Works Loans Board at an average fixed rate of 3.5% as 41 individual loans with maturity dates between 2037 and 2057.
13. The Council's Borrowing and Investment Strategy states that the effective management and control of risk are the prime objectives of its treasury management activities. The specific risks in treasury management are:
  - (a) **credit and counterparty risk**  
The risk of failure by a counterparty to meet its contractual obligations to pay interest and repay principal: the Council's range of counterparties is restricted to UK banks, financial institutions approved by the Council and large building societies (all of which must have a satisfactory credit rating) and to public sector bodies.
  - (b) **liquidity risk**  
The risk that cash will not be available when it is needed: the Council has cash flow forecasts which are updated weekly, an overdraft facility with its bank and, as a last resort, can borrow on the open market or from the Public Works Loan Board.
  - (c) **interest rate risk**  
The risk of loss through adverse movements in interest rates: the Council mainly invests in fixed interest rate deposits so it accepts the risk of an opportunity cost that money is invested at fixed rates and market rates subsequently rise.
  - (d) **exchange rate risk**  
The risk of loss through adverse movements in exchange rates: the Council's Investment strategy restricts all treasury management transactions to £ sterling.
  - (e) **refinancing risk**  
The risk that maturing investments cannot be reinvested at favourable rates: the Council's investments for less than a year are made to match liabilities and for more than one year have a spread of maturity dates.
  - (f) **legal and regulatory risk**  
The risk of loss due to the Council or its counterparties failing to act in accordance with their legal powers and regulatory requirements: the Council only deals in simple investments and only deals with well recognised and perceived to be reliable counterparties.

(g) **fraud, error and corruption**

The risk of loss through fraud, error and corruption; the Council has internal controls including segregation of duties, an internal audit function to evaluate those internal controls and fidelity guarantee insurance.

(h) **market risk**

The risk of adverse fluctuations in the value of investments: the Council only invests in non-negotiable investments which are held to maturity and realised at face value.

**Prudential Indicators**

14. The Prudential Code for Capital Finance in Local Authorities came into effect from 1 April 2004, the objective being to provide a framework for capital programmes to ensure that:

- Capital expenditure plans are affordable;
- All external borrowing and other long term liabilities are within prudent and sustainable levels; and
- Treasury management decisions are taken in accordance with professional good practice.

The indicators are primarily to show whether a local authority is entering into a long term commitment which it may not be able to afford in the future. The Council's main long term commitment is the £205 million debt resulting from the Government's Housing Revenue Account Self Financing Reforms and the affordability and sustainability of this debt are addressed in the Housing Revenue Account business plan.

15. A key prudential indicator is the capital financing requirement, which is capital expenditure which has not been fully financed from a local authority's own resources in the year but has been covered by raising external or internal debt, the position at 31 March 2015 is shown below:

	31/03/2015 Estimate £ million	31/03/2015 Actual £ million	31/03/2016 Estimate £ million
General Fund	11.737	4.567	12.023
Housing Revenue Account	205.123	204.429	204.429
Total	216.860	208.996	216.452

The General Fund capital financing requirement fluctuates due to financing internally refuse and street cleaning vehicles, part of the purchase of wheeled bins and cash overdrawn on equity share repurchases, but this financing is then partly repaid over a period.

16. The actual financing of General Fund expenditure in 2014-15 is lower than the estimate due to external borrowing for on-lend to South Cambs Limited being

deferred to 2015-16, initial funding requirements for the company in 2014-15 being covered from available Council cash balances.

17. One of the indicators of prudence is that net debt is not in excess of the capital financing requirement; this position is confirmed in the table below. External debt relates to the Housing Revenue Account Self Financing debt of £205 million, the Council set an external debt authorised limit for 2014/15 of £218.0 million.

	<b>2014 -15 Estimate £ million</b>	<b>2014-15 Actual £ million</b>	<b>2015-16 Estimate £ million</b>
Borrowing	216.9	208.9	216.5
Investments	-27	-43	-40
<b>Net debt</b>	<b>189.9</b>	<b>165.9</b>	<b>176.5</b>

### Options

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

### Implications

19. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered: -

#### **Financial**

20. The in-house treasury management function achieved an average rate of 0.87% on combined investments compared to an overall group average of 0.75%. The differential of 0.12% on the average amount invested of £49.4 million during the year amounts to higher interest of around £59,000.
21. The cost of the in-house investment function, excluding cash flow forecasting and planning and control, is estimated at £110 per million (£630 in 2013/14) invested

compared to an overall group average per million invested of £410 (£880 in 2013/14) for in-house costs and external fund managers. Accurate comparisons of costs on a true like for like basis can be complex and time-consuming and there may be questions raised over the validity of benchmarking data on costs.

22. The affordability of capital expenditure at 31 March 2015 has been affirmed by the prudential indicator for net debt which does not exceed the capital financing requirement.

### ***Risk Management***

23. As noted in this report.

### **Consultation responses (including from the Youth Council)**

24. The Youth Council were not consulted.

### **Effect on Strategic Aims**

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

### **Conclusion**

26. The in-house treasury management has achieved a good performance in 2014/15 at a minimal cost.

### **Background Papers**

Where [the Local Authorities \(Executive Arrangements\) \(Meetings and Access to Information\) \(England\) Regulations 2012](#) require documents to be open to inspection by members of the public, they must be available for inspection: -

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

CIPFA Treasury Management Benchmarking Club 2014 reports (confidential)

**Report Author:** Sally Smart – Principal Accountant  
Telephone: (01954) 713076



18 June 2015

*By email*

Ms Jean Hunter  
Chief Executive  
South Cambridgeshire District Council

Dear Ms Hunter

### **Annual Review Letter 2015**

I am writing with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2015. This year's statistics can be found in the table attached.

The data we have provided shows the complaints and enquiries we have recorded, along with the decisions we have made. We know that these numbers will not necessarily match the complaints data that your authority holds. For example, our numbers include people who we signpost back to the council but who may never contact you. I hope that this information, set alongside the data sets you hold about local complaints, will help you to assess your authority's performance.

We recognise that the total number of complaints will not, by itself, give a clear picture of how well those complaints are being responded to. Over the coming year we will be gathering more comprehensive information about the way complaints are being remedied so that in the future our annual letter focuses less on the total numbers and more on the outcomes of those complaints.

### **Supporting local scrutiny**

One of the purposes of the annual letter to councils is to help ensure that learning from complaints informs scrutiny at the local level. Supporting local scrutiny is one of our key business plan objectives for this year and we will continue to work with elected members in all councils to help them understand how they can contribute to the complaints process.

We have recently worked in partnership with the Local Government Association to produce a workbook for councillors which explains how they can support local people with their complaints and identifies opportunities for using complaints data as part of their scrutiny tool kit. This can be found [here](#) and I would be grateful if you could encourage your elected members to make use of this helpful resource.

Last year we established a new Councillors Forum. This group, which meets three times a year, brings together councillors from across the political spectrum and from all types of local authorities. The aims of the Forum are to help us to better understand the needs of councillors when scrutinising local services and for members to act as champions for learning from complaints in their scrutiny roles. I value this direct engagement with elected members and believe it will further ensure LGO investigations have wider public value.

## Encouraging effective local complaints handling

In November 2014, in partnership with the Parliamentary and Health Service Ombudsman and Healthwatch England, we published *'My Expectations'* a service standards framework document describing what good outcomes for people look like if complaints are handled well. Following extensive research with users of services, front line complaints handlers and other stakeholders, we have been able to articulate more clearly what people need and want when they raise a complaint.

This framework has been adopted by the Care Quality Commission and will be used as part of their inspection regime for both health and social care. Whilst they were written with those two sectors in mind, the principles of *'My Expectations'* are of relevance to all aspects of local authority complaints. We have shared them with link officers at a series of seminars earlier this year and would encourage chief executives and councillors to review their authority's approach to complaints against this user-led vision. A copy of the report can be found [here](#).

## Future developments at LGO

My recent annual letters have highlighted the significant levels of change we have experienced at LGO over the last few years. Following the recent general election I expect further change.

Most significantly, the government published a review of public sector ombudsmen in March of this year. A copy of that report can be found [here](#). That review, along with a related consultation document, has proposed that a single ombudsman scheme should be created for all public services in England mirroring the position in the other nations of the United Kingdom. We are supportive of this proposal on the basis that it would provide the public with clearer routes to redress in an increasingly complex public service landscape. We will advise that such a scheme should recognise the unique roles and accountabilities of local authorities and should maintain the expertise and understanding of local government that exists at LGO. We will continue to work with government as they bring forward further proposals and would encourage local government to take a keen and active interest in this important area of reform in support of strong local accountability.

The Government has also recently consulted on a proposal to extend the jurisdiction of the LGO to some town and parish councils. We currently await the outcome of the consultation but we are pleased that the Government has recognised that there are some aspects of local service delivery that do not currently offer the public access to an independent ombudsman. We hope that these proposals will be the start of a wider debate about how we can all work together to ensure clear access to redress in an increasingly varied and complex system of local service delivery.

Yours sincerely



Dr Jane Martin  
Local Government Ombudsman  
Chair, Commission for Local Administration in England

## Local authority report – South Cambridgeshire District Council

For the period ending – 31/03/2015

For further information on interpretation of statistics click on this link to go to <http://www.lgo.org.uk/publications/annual-report/note-interpretation-statistics/>

### Complaints and enquiries received

Local Authority	Adult Care Services	Benefits and tax	Corporate and other services	Education and children's services	Environmental services and public protection	Highways and transport	Housing	Planning and development	Total
South Cambs DC	0	4	1	1	3	1	4	10	24

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### Decisions made

Local Authority	<u>Detailed investigations carried out</u>		Advice given	Closed after initial enquiries	Incomplete/Invalid	Referred back for local resolution	Total
	Upheld	Not Upheld					
South Cambs DC	0	1	0	4	0	12	17

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