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South Cambridgeshire District Council

16 June 2016

To: Chairman – Councillor Andrew Fraser
Vice-Chairman – Councillor Nick Wright
Members of the Audit and Corporate Governance Committee – Councillors John Batchelor, Tom Bygott, Simon Crocker, Christopher Cross, Roger Hall, Douglas de Lacey, Ray Manning, David McCraith, Tony Orgee, Bridget Smith, John Williams, Simon Edwards and Peter Topping
Quorum: 3

Dear Councillor

You are invited to attend the next meeting of **AUDIT AND CORPORATE GOVERNANCE COMMITTEE**, which will be held in **MONKFIELD ROOM, FIRST FLOOR** at South Cambridgeshire Hall on **FRIDAY, 24 JUNE 2016** at **9.30 a.m.**

Members are respectfully reminded that when substituting on committees, subcommittees, and outside or joint bodies, Democratic Services must be advised of the substitution ***in advance of*** the meeting. It is not possible to accept a substitute once the meeting has started. Council Standing Order 4.3 refers.

Yours faithfully
JEAN HUNTER
Chief Executive

The Council is committed to improving, for all members of the community, access to its agendas and minutes. We try to take all circumstances into account but, if you have any specific needs, please let us know, and we will do what we can to help you.

AGENDA

		PAGES
1.	**Apologies for Absence** To receive Apologies for Absence from Committee members.	
2.	**Declarations of Interest**	
3.	**Minutes of Previous Meeting** To confirm the minutes of the meeting held on 18 March 2016 as a correct record.	**1 - 4**
	AUDIT REPORTS	
4.	**Annual Report of the Internal Audit Service 2015/16**	**5 - 20**

DECISION ITEMS

5.	**Risk Management Strategy**	**21 - 52**
6.	**Statement of Accounts**	**53 - 170**

INFORMATION ITEMS

7. Matters of Topical Interest

8. Date of Next Meeting

The next meeting will be held on Friday 23 September at 9:30am

Members are asked to bring their diaries and consider setting the meeting dates for the rest of the municipal year.

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

Notes to help those people visiting the South Cambridgeshire District Council offices

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Security

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- **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.
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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 Audit and Corporate Governance Committee held on Friday, 18 March 2016 at 9.00 a.m.

PRESENT: Councillor Tony Orgee – Chairman

Councillors:	Tom Bygott	Christopher Cross
	Andrew Fraser	David McCraith
	Bridget Smith	John Williams
Officers:	Patrick Adams	Senior Democratic Services Officer
	Alex Colyer	Executive Director, Corporate Services
	Caroline Ryba	Head of Finance
External:	Rachel Brittain	Ernst & Young
	Steve Crabtree	Shared Head of Internal Audit
	Tony Poynton	Ernst & Young

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Douglas de Lacey.

2. DECLARATIONS OF INTEREST

None.

3. ELECTION OF CHAIRMAN

Councillor Andrew Fraser proposed and Councillor Tom Bygott seconded Councillor Tony Orgee as Chairman of the Committee. There being no further nominations Councillor Tony Orgee was duly elected as Chairman.

4. APPOINTMENT OF VICE CHAIRMAN

It was agreed that it was unnecessary to appoint a Vice Chairman for the rest of the municipal year.

5. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 25 September 2015 were agreed as a correct record.

6. NAME OF COMMITTEE

The Committee agreed that:

- The governance work of the Committee should be recognised in its title.
- Including the word “audit” in the title would clarify its purpose to the public.

Chairman explained that Councillor Douglas de Lacey had stated that he saw no reason to change the Committee’s name. Notwithstanding this, the Committee recommended to Council that its name be amended to the: Audit and Corporate Governance Committee.

7. INTERNAL AUDIT PLAN 2016/17

Steve Crabtree introduced the Internal Audit Plan for 2016/17, which included the associated documents that have been established in accordance with best practice as laid down in the Public Sector Internal Audit Standards. It was noted that the Audit Plan provided a programme of review work to enable an informed audit opinion and to develop the organisation's Annual Governance Statement.

Planning
In response to questioning Steve Crabtree explained that the audit of planning would focus on the systems in place and would evaluate the suitability of the current performance indicators.

Ermine Street Housing
The Executive Director agreed that the audit of Ermine Street Housing was very important and he would liaise with Steve Crabtree to discuss how the wording of the scope of the audit could be amended to reflect this.

Provision of internal audit
The Executive Director explained that having a shared service for three councils for internal audit was a top priority.

The Executive Director explained that the number of internal audit hours were fixed as the Council employed a single Senior Internal Auditor and a fifth of the time of the Shared Head of Internal Audit.

The Committee **NOTED** the Audit Plan.

8. INTERNAL AUDIT PROGRESS REPORT

Steve Crabtree presented the Internal Audit Plan 2015/16 Progress Report, which informed the Committee on the progress made against the delivery of the 2015/16 Internal Audit Plan.

Trade Waste – accounts receivable: Steve Crabtree was pleased to report that problems relating to billing had been resolved in time for the yearly closing down of the accounts.

National Fraud Initiative: It was noted that work was ongoing and a report was expected at the next Committee meeting in June.

Project Management: It was noted that a limited assurance had been given because of a lack of consistency being applied with regard to compliance with existing policies and processes.

Human Resources: It was noted that whilst there was a clear policy and documented processes, a limited assurance had been given because of weakness in the level of compliance with these policies.

Allocation / Voids: It was noted that this review was split into three areas: Housing Voids, Choice Base Letting System and Housing Services Tenancy Fraud, which focused on the authority's housing and did not cover social housing.

The Committee **NOTED** this report.

9. EXTERNAL AUDIT PLAN 2015/16

The whole Committee noted with sadness the untimely death of external auditor Rob Murray. They paid tribute to him for his work for the Council and expressed condolences to his family, friends and colleagues.

Tony Poynton presented this report on the Audit Plan detailing the approach and scope for the 2015/16 audit.

The Committee **NOTED** the External Audit Plan 2015/16.

10. EXTERNAL AUDIT: CERTIFICATE OF CLAIMS AND RETURNS ANNUAL REPORT 2014/15

Rachel Brittain presented this report, which outlined the results of the external audit's 2014/15 certification work.

Housing benefits subsidy
It was noted that there were no systematic errors. Out of claims worth a total of £27,538,799 an amendment of £2,329 was made. The Executive Director explained that managers in Benefits monitored all anomalies and then amended the training pack accordingly and ensured that all supervisors were aware.

The Committee **NOTED** the certification of claims and returns annual report for 2014/15.

11. MATTERS OF TOPICAL INTEREST

Appointment of external auditors
It was noted that the Council would be required to appoint new external auditors following the completion of the 2017/18 audit. The Council would need to decide whether to appoint its own external auditors or to jointly appoint with a number of other authorities. It was noted that Ernst & Young had been appointed as external auditors for the entire eastern region.

12. DATE OF NEXT MEETING

The Committee agreed to meet half an hour later than originally scheduled and to hold its next meetings on:

- 24 June 2016 at 9:30am
- 23 September 2016 at 9:30am

The Meeting ended at 10.00 a.m.

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SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

24 JUNE 2016

ANNUAL REPORT OF THE INTERNAL AUDIT SERVICE 2015 / 2016

RECOMMENDATION:

Members of the Audit and Corporate Governance Committee are asked to consider, review, and provide challenge to the attached Head of Internal Audit Annual report for the year ended 31 March 2016.

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

ANNUAL REPORT

1. **INTRODUCTION**

1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Audit and Corporate Governance Committee and the Executive Director (Corporate Services), Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating the effectiveness in achieving the organisation's objectives.

1.2 This report is the culmination of the work during the course of the year and seeks to provide an opinion on the adequacy of the control environment and report the incidence of any significant control failings or weaknesses. The report also gives an overview of audit performance during the year.

2. **BACKGROUND**

2.1 The 2015 / 2016 audit plan was prepared in accordance with the requirements of the Public Sector Internal Audit Standards and the requirements of the Accounts and Audit Regulations 2015.

2.2 The Council is going through a period of significant change. The drivers for change are both organisational (e.g. public sector reform and developing new ways of working) and financial (e.g. national austerity programme and the Council's savings commitments). During a period of change it is important that any increased business risks are identified and managed in an effective manner. Our 2015 / 2016 audit plan reflected these changes by concentrating on those areas of highest risk.

3. **ASSURANCE**

3.1 The audit plan is prepared and delivered to enable me to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place (comprising risk management, corporate governance and financial control). My opinion will inform the Annual Governance Statement which the Council is legally required to produce.

3.2 As my opinion is based upon professional judgement, backed up by sample testing, I can only provide at best a reasonable rather than an absolute assurance that the systems of internal control are adequate and effective in managing risk and meeting the Council's objectives. If serious issues are identified in the course of our work that have, or could have, prevented objectives to be met, then my opinion may be qualified.

3.3 Our work is carried out to assist in improving control. **However management is responsible for developing and maintaining an internal control framework**. This framework is designed to ensure that:

- The Council's resources are utilised efficiently and effectively;
- Risks to meeting service objectives are identified and properly managed; and
- Corporate policies, rules and procedures are adequate, effective and are being complied with.

3.4 Assurance is received from a number of sources. These include the work of Internal Audit; assurance from the work of the External Auditor; the Annual Governance Statement and the risk management process. This enables a broader coverage of risks and ensures that the totality of the audit, inspection and control functions deployed across the organisation are properly considered in arriving at the overall opinion.

3.5 **Based on the above information, I am able to provide a reasonable assurance that the systems in place at South Cambridgeshire District Council are appropriate and meet with expectations**. As in any large organisation, our work did identify some issues that require action. All significant issues have been reported to the appropriate Director during the year and a summary of these is included as **ANNEX A**.

4. ADDED VALUE SERVICES

4.1 Although my primary responsibility is to give an annual assurance opinion I am also aware that for the Internal Audit service to be of value to the organisation it needs to do much more than that. There needs to be a firm focus on assisting the organisation to meet its aims and objectives and on working in an innovative and collaborative way with managers to help identify new ways of working that will bring about service improvements and deliver efficiencies. Examples of how we have done this during the year include providing advice / input to support a number of projects and key working groups.

5. QUALITY, PERFORMANCE AND CUSTOMER FEEDBACK

5.1 I am required to report through Audit and Corporate Governance Committee details of any quality and customer feedback issues. These are summarised below.

5.2 An annual self-assessment against the Public Sector Internal Audit Standards established that the service is compliant with these as well as meeting both professional and internal quality standards. As in previous years only a minor area of non-compliance was identified and actions have been taken to address these.

5.3 The internal audit plan for 2015 / 2016 contained 240 days. Less time was spent on non-chargeable activities than forecast e.g. training, sickness or annual leave, resulting in 250 days been delivered against the plan. I am satisfied that there were adequate staffing resources available to deliver the audit activities. The section is made up of a complement of 1.20 FTE and there were no staffing changes during the year. The Senior Auditor has continued with her professional studies and was due to sit her finals in June 2016.

5.4 The audit work that was completed for the year to 31 March 2016 is listed in **ANNEX B**, which summarises all the audits undertaken and their results in terms of the audit assurance levels provided and the number of actions agreed.

5.5 Our reporting protocols have remained constant throughout the year with the following assurance ratings used:

- Full
- Significant
- Limited
- No

It should be noted that this have been amended for 2016 / 2017, with the Full and Significant being replaced by Substantial and Reasonable. Members were notified of this via email on 18 April 2016. Should any audit report identify LIMITED or NO assurance, then as a matter of course those areas are followed up the following year.

5.6 Similarly, the agreed actions are categorised in the following types, based on their severity, and these have remained the same during the year:

- Critical
- High
- Medium
- Low

5.7 At the year-end a number of audits were in various stages of completion and audit opinions relating to these will be reported during 2016 / 2017.

5.8 During the year, it should be noted that:

- The continuation of shared management arrangements with Peterborough City and Cambridge City Councils. Discussions are currently in train as to how the service moves forward in conjunction with the creation of 3C shared services; and
- Sickness levels remain below corporate levels.

5.9 In order to gauge the level of satisfaction with the service(s) provided, I will be commissioning a survey during 2016, the results of which will be conveyed to members of this committee as well as to be used to formulate the service delivery arrangements going forward.

5.10 Following professional changes, there is no longer a requirement for the Committee to be provided with a report into the effectiveness of Internal Audit on an annual basis. However, this report is seen as going some to maintaining / providing that on-going assessment. A regular review will still be undertaken of the service and any issues identified will be referred through to Members.

6. COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

6.1 With effect from 1 April 2013, new Public Sector Internal Audit Standards were introduced as mandatory guidance that constitutes the principles of the fundamental requirements for the professional practice of internal auditing within the public sector. These standards replaced CIPFA's Code of Practice for Internal Audit in Local Government. The self-assessment identified the level of compliance with only minor changes necessary. The changes have all been actioned.

Steve Crabtree
Head of Internal Audit
June 2016

ANNEX A

ISSUES ARISING FROM THE DELIVERY OF THE INTERNAL AUDIT PLAN DURING 2015 / 2016

A Core Financial Systems

A risk based review of the authority's key financial systems is undertaken to provide evidence to support the Internal Audit opinion on the adequacy of the organisation's control environment. Audit coverage during the year has provided sufficient evidence across all areas to conclude that those key financial control systems evaluated are adequate, but a number of actions have been identified to rectify any system weaknesses identified.

Our reviews are conducted over a three year cycle so as to spread the coverage on the core systems as well as allowing suitable time to cover other departmental reviews.

For 2015 / 2016 we reviewed Housing Benefits, Creditors, Debtors and Housing Rents. Cambridge City Council, as service provider, have an audit of the Payroll service ongoing and Members of this Committee will be informed of any issues arising from that review that merit attention.

In general, controls were sufficient for Internal Audit to place reliance on them, however we were unable to verify all processes within the Debtors reminder stages as the systems upgrades prevented this at the time of the audit. As this meant limited assurance, we will be following up this in 2016 / 2017.

B Governance and Assurance Work

Annual Governance Statement (AGS):

In June 2007, CIPFA, in conjunction with the Society of Local Authority Chief Executives (SOLACE), published *Delivering Good Governance in Local Government: Framework*. The Department for Communities and Local Government had determined that this guidance represents proper practice. Consequently, Audit and Corporate Governance Committee should seek assurance that this guidance has been followed to compile the Annual Governance Statement (AGS). To help the Committee gain that assurance and to give some independent assurance that the AGS is free from material misstatement Internal Audit undertakes reviews of the key corporate governance systems.

As part of the Statement of Accounts for 2015 / 2016, Officers are currently collating information for the latest AGS and this will be included within the reports to this committee in September 2016. CIPFA have introduced a new governance framework for local government which was produced in April 2016. The new framework applies from 2016 / 2017 and will shape the local code of governance and underpin next year's AGS.

National Fraud Initiative:

The Council is required to participate in the National Fraud Initiative, a national data matching exercise organised by the Cabinet Office every 2 years. This matches data within and between audited bodies to prevent and detect fraud. This includes police, fire and rescue authorities, health provision as well as other Councils and Housing Associations. This is a wide ranging exercise and includes various datasets, including Housing Benefits, Payroll, Housing Rents, Insurance claims, Creditors, and Licences. While the majority of matches were found to be erroneous, as a result of the quality of the data held elsewhere, a number of notable cases were highlighted. Housing Benefit cases were referred through to the Department for Works and Pensions Single Fraud Investigation Service. One match identified as part of a payroll match identified an employee who did not have the right to work. Suitable arrangements were taken to terminate the employment.

Corporate Fraud Arrangements:

In 2014, CIPFA issued a new Code of Practice for Managing the Risk of Fraud and Corruption. The Code provides advice to organisations on how to ensure they have the right governance and operational arrangements in place to counter fraud and corruption effectively. The Code states that "*leaders of public service organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management*".

Internal Audit has reviewed the Council's compliance with the Code and provided the information to the Corporate Fraud Project (Working Group) who have been tasked with developing a corporate structure for overseeing fraud.

Project Management:

Our focus identified that while good policies have been established, compliance with them was not routinely followed. In particular, there was limited oversight of the key outcomes with a lack of data sharing and lessons learnt. Following reporting through to the Executive Management Team, increased awareness has been put in place across the Council and new practices implemented.

C. **<u>Corporate Cross Cutting</u>**

As part of our regular reviews of Human Resources policy compliance, our work focussed on recruitment and selection. Excellent policies in place were tempered by non-compliance in a number of departments. Changes made to the core function have placed additional resource at the centre which is now re-focusing departments to follow appropriate arrangements.

D. **<u>Department Specific</u>**

Allocations and Voids:

This overarching audit was split into three elements – Housing Services Tenancy Fraud; the Choice Based Lettings Scheme; and Housing Voids. We identified a number of gaps in the data information provided as well as potential weaknesses with regard to the security of keys following the return of void properties.

Insurance:

Coverage of this audit area established that while the claims are managed on the Councils behalf by Zurich Municipal the internal processes and procedures are not fully evidenced which is hindered by single person dependency.

ANNEX B

AUDIT PLAN COVERAGE

CARRIED FORWARD ACTIVITIES								
Accounts Receivable (Trade Waste)	Prior Review: **–**	New Assurance: **Not applicable**	Critical: **0**	High: **3**	Medium: **6**	Low: **1**	Total: **10**	NB: An assurance rating has not been provided due to this being separate to the original scope. However management should consider the recommendations within this report with a view to implementation prior to the 2015 / 2016 year end process. A number of anomalies were identified following the Waste Management system upgrade, personnel changes and the invoice process. Finally, the review of the year end processes identified a number of areas where improvements could be made to ensure appropriate controls exist.
Responsive Repairs	Prior Review: **RSM Tenon**	New Assurance: **NO**	Critical: **0**	High: **5**	Medium: **3**	Low: **0**	Total: **8**	The review focussed on the performance of the housing repairs Partnering Contract with Mears and the robustness of the monitoring arrangements. At the time of the audit it was identified that contract management 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.

CORE SYSTEM ASSURANCE WORK **Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s151 officer to make his statement included in the Annual Accounts on the reliability of the supporting financial systems.**								
Housing Benefits	Prior Review: **FULL** March 2015	**In progress**						
Accounts Payable (Creditors)	Prior Review: **SIGNIFICANT** March 2015	**Draft report issued**						
Accounts Receivable (Debtors)	Prior Review: **SIGNIFICANT** April 2015	New Assurance: **LIMITED**	Critical: **0**	High: **2**	Medium: **5**	Low: **0**	Total: **7**	Internal Audit were unable to verify the reminder process as a result of a system upgrade at the time of the audit.
Housing Rents	Prior Review: **SIGNIFICANT** February 2015	Assurance: **SIGNIFICANT**	Critical: **0**	High: **0**	Medium: **2**	Low: **0**	Total: **2**	Good controls are in place within the system. Improvements identified relate to appropriate policies / processes for salary deductions and removal of access to employees who change roles.

<table>
<tr><th colspan="10">ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK

Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details audit work that specifically relates to the production of the Annual Governance Statement</th></tr>
<tr><td>Annual Governance Statement</td><td colspan="9">COMPLETED.

The Annual Governance Statement was approved at Corporate Governance Committee in September 2015.

No material issues were identified for attention of management / members within the Statement.

Internal Audit has reviewed the methodology used to collect, collate and interpret the information and have identified no gaps.</td></tr>
<tr><td>Annual Audit Opinion</td><td colspan="9">COMPLETED.

The Annual Audit Opinion was submitted to Corporate Governance Committee in June 2015.</td></tr>
<tr><td>National Fraud Initiative</td><td colspan="9">COMPLETED.

See B above.</td></tr>
<tr><td>Corporate Fraud Arrangements</td><td colspan="9">COMPLETED.

See B above.</td></tr>
<tr><td>Risk Management</td><td>Prior Review:

SIGNIFICANT</td><td>Assurance:

SIGNIFICANT</td><td>Critical:

0</td><td>High:

1</td><td>Medium:

2</td><td>Low:

1</td><td>Total:

4</td><td colspan="2">The review established that while processes were generally sound, improvements could be made into raising the profile and awareness of risks across the organisation.</td></tr>
<tr><td>Project Management</td><td>Prior Review:

Not applicable</td><td>Assurance:

LIMITED</td><td>Critical:

0</td><td>High:

4</td><td>Medium:

4</td><td>Low:

2</td><td>Total:

10</td><td colspan="2">The audit focussed on the project management arrangements in place and the level of compliance with policies and processes.

Executive Management Team considered the report and appropriate actions have been taken to address across the Council.</td></tr>
</table>

CORPORATE / CROSS-CUTTING AUDITS								
Human Resources	Prior Review: Not applicable (different areas looked at each year)	Assurance: **LIMITED**	Critical: 0	High: 6	Medium: 4	Low: 1	Total: 11	The objectives of the audit were to provide assurance that management have implemented adequate and effective controls over Recruitment and Selection. Our audit found that whilst there is a clear policy and documented processes, there are weaknesses in the level of compliance across the Council and inconsistencies in the approach. Action has been taken to bolster the Human Resources team in order to provide a focal point for departments.
Service Preparation for Growth	**In progress**							
Corporate Governance	Prior Review: Not applicable (different areas looked at each year)	**Draft report has been issued.** Focus of the audit has been the application of and compliance with the Gifts and Hospitality processes across members and officers.						

DEPARTMENT SPECIFIC								
Allocations / Voids (Housing Services Tenancy Fraud)	Prior Review: –	Assurance: **SIGNIFICANT**	Critical: 0	High: 0	Medium: 1	Low: 0	Total: 1	As this service area develops, there is a need for the processes to be documented.
Allocations / Voids (Choice Based Lettings System)	Prior Review: –	Assurance: **SIGNIFICANT**	Critical: 0	High: 1	Medium: 1	Low: 0	Total: 2	Our review of the system verified that appropriate steps had been taken to ensure that upgrade/replacement had been managed appropriately.
Allocations / Voids (Housing Voids)	Prior Review: S**IGNIFICANT** February 2014	Assurance: **LIMITED**	Critical: 0	High: 2	Medium: 7	Low: 3	Total: 12	Our review of the voids process identified a number of anomalies with the service data provided as well as potential security weaknesses following the return of keys. This will be followed up in 2016 / 2017.
HRA Business Plan	**COMPLETED** Initial review of draft proposals as part of the development of the Councils financial strategy							
Insurance	Prior Review: –	Assurance: **LIMITED**	Critical: 0	High: 2	Medium: 2	Low: 4	Total: 8	There is a lack of policies and procedures maintained.
Freedom of Information	Prior Review: –	Assurance: **SIGNIFICANT**	Critical: 0	High: 0	Medium: 1	Low: 3	Total: 4	Good arrangements are in place for the delivery of FoI. Improvements were identified to enhance management information and its reporting
Member Allowances	Prior Review: RSM Tenon	Assurance: **SIGNIFICANT**	Critical: 0	High: 0	Medium: 5	Low: 1	Total: 6	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	Assurance: **SIGNIFICANT**	Critical: 0	High: 0	Medium: 1	Low: 3	Total: 4	Community asset applications since April 2014 were reviewed to ensure the correct procedures 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.
RECAP	New audit area	**DEFERRED**: This audit is now included on other Councils audit plans who will provide assurance to South Cambridgeshire. The allocated days for this audit have been reassigned to cover the National Fraud Initiative.						
Urban Design and Conservation	Incorporated into 2016 / 2017 audit plan							

UNPLANNED ACTIVIITES: PROJECT MANAGEMENT / GENERAL ADVICE
Various ad-hoc advice and support has been provided to management during the year across the organisation. These include: • Document retention policies • Providing details of the internal control environment to assist in Insurance policy requests; • The publication of expenses information; and • The scheme of delegation Members of the Internal Audit team also participate in the following internal working groups: • Corporate Fraud Project

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Agenda Item 5

South Cambridgeshire District Council

REPORT TO: Executive Management Team (EMT) 15 June 2016

LEAD OFFICER: Executive Director (Corporate Services)

ANNUAL REVIEW OF RISK MANAGEMENT STRATEGY AND PROCESS

Purpose

1. The purpose of this report is for Executive Management Team (EMT) to conduct the annual review of the Council's Risk Management Strategy and process and agree any changes considered necessary for recommendation to Corporate Governance Committee.

2. This is not a key decision but it has been brought because:
   (a) it enables EMT to exercise its governance responsibility for risk management;
   (b) annual review of the Risk Management Strategy and process is good practice to ensure that these remain relevant, adequate and effective.

Recommendations

3. That EMT recommends to Corporate Governance Committee that the committee approves the proposed revised Risk Management Strategy, as set out at Appendix B to this report.

Reasons for Recommendations

4. The proposed revised Risk Management Strategy has been updated to:
   - address recommendations resulting from Internal Audit's risk management review;
   - and reflect the updated Corporate Plan adopted by Council on 25 February 2016.

   It therefore represents appropriate application of risk management best practice to the Council's strategy and process.

5. The Strategic Risk Register, the risks included, assessments of their impact and/or likelihood, and associated control measures / sources of assurance, have been considered at the meetings of Cabinet on 9 July, 10 September and 12 November 2015, and 11 February 2016.

6. A review of strategic risks over the past 12 months gives Corporate Governance Committee assurance that the Council's Risk Management Strategy and process remain effective.

Background

7. The Council's Risk Management Strategy was first adopted in January 2004 and has been updated several times since. It was last updated in March 2015, to reflect that the Strategic Risk Register now goes to Cabinet as part of the Position Statement report on Finance, Performance and Risk, rather than to Corporate & Customer Services Portfolio Holder meetings, that the date risks are first included on the

Strategic Risk Register is now recorded, the Council's Corporate Plan for 2015 to 2020 and a change of job title.

Considerations

8. Corporate Governance Committee monitors the responsible portfolio holder's review and approval of the Council's Strategic Risk Register on an annual basis. Cabinet's reviews of the Strategic Risk Register during 2015-16, led by the Corporate and Customer Services Portfolio Holder, are summarised below:

   (a) Cabinet has reviewed the Strategic Risk Register throughout the year, considering the risks included, the assessments of their impact and/or likelihood and associated control measures / sources of assurance. Examples include:

      (i) In July 2015, Cabinet agreed that the ***Increase in numbers in Bed & Breakfast accommodation*** likelihood score be reduced from 3 (Possible) to 2 (Unlikely), because the Council had achieved considerable progress in reducing the number of people in bed & breakfast accommodation and a new hostel had opened in April 2015 with increased capacity; however,

      (ii) In September 2015, Cabinet agreed that the ***Increase in numbers in Bed & Breakfast accommodation*** impact score be increased from 3 (Medium) to 4 (High) and the likelihood score be increased from 2 (Unlikely) to 4 (Likely), because of the combined impacts of welfare benefit changes announced in the July 2015 Budget;

      (iii) Also in September 2015, Cabinet agreed:
      - that the ***HRA Business Plan*** likelihood score be increased from 2 (Unlikely) to 4 (Likely), because the 1% rent cut announced in the July 2015 Budget would effectively take £134m out of the HRA Business Plan and have a significant impact on the Council's build programme;
      - that the ***Illegal Traveller encampments or developments*** impact score be reduced from 4 (High) to 3 (Medium), because additional planning consents had been granted, addressing the identified need from the Gypsy & Traveller Area Needs Assessment;
      - to include a new risk to reflect that difficulties in ***recruitment and retention***, especially in some professional areas, had led to reduced staffing capacity, with associated potential corporate issues;

      (iv) In February 2016, Cabinet agreed that the ***Increase in cost of managing Homelessness*** (title changed from Increase in numbers in Bed & Breakfast accommodation) likelihood score be increased from 4 (Likely) to 5 (Almost certain), because none of the potential causes of the risk seemed to be going away, but nearly all of the Council's mitigation factors were being undermined.

   (b) As a result of these reviews:

      (i) one new risk has been included, relating to recruitment and retention;

      (ii) the impact assessment of one risk (Illegal Traveller encampments or developments) has been reduced and the impact and/or likelihood scores of two other risks (Increase in cost of managing Homelessness, and HRA Business Plan) have been increased.

   (c) This demonstrates that Cabinet, led by the Corporate and Customer Services Portfolio Holder, has exercised its executive responsibility for risk management and that the Council's risk management process is effective.

9. ***Appendix A*** attached sets out all the recommendations resulting from internal audit's risk management review, together with management responses, actions taken and proposed updates to the Risk Management Strategy.

10. The proposed revised Risk Management Strategy is attached at ***Appendix B***; suggested updates are shown as highlighted text.

Options

11. EMT could recommend approval of the changes proposed to address the internal audit recommendations and the Council's Corporate Plan for 2016 to 2021, and the resulting proposed revised Risk Management Strategy. (***This is the recommended option.***)

12. Alternatively, EMT could suggest other improvements or enhancements to the Risk Management Strategy, risk management process or document formats.

Implications

13. 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:

Risk Management

14. The updated Risk Management Strategy will continue to ensure the authority has an effective risk management process, reflecting the authority's political arrangements and management structure and the Council's Aims and Objectives, and providing appropriate ownership and assurance.

Consultation responses (including from the Youth Council)

15. The review of the Risk Management Strategy has taken into account recommendations from Internal Audit's risk management review.

Effect on Strategic Objectives

An Innovative and Dynamic Organisation – adopting a more commercial and business-like approach to ensure we can continue to deliver the best possible services at the lowest possible cost.

16. The annual review of the Council's Risk Management Strategy contributes to the Council's corporate governance responsibilities and ensures that risks involved in the delivery of the Council's Corporate Plan and in meeting its strategic Objectives are identified and managed adequately and effectively.

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.

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Appendix A

Recommendations regarding the Risk Management Strategy resulting from Internal Audit's review of Risk Management

Ref	***Recommendation*** [Categorisation]	***Management agreed actions***	***Update to Risk Management Strategy***
1	Risks are assessed on both an inherent and a residual basis. [High] Internal Audit could not verify that some control measures / sources of assurance in place were appropriate or implemented, therefore the risk score (for those risks) does not reflect the current actual risk.	It is not considered appropriate to assess risks on both an inherent and a residual basis, for the same reasons given to and accepted by Members in both January 2004 and February 2010. The issues identified will be addressed as part of the next periodic reviews of risk registers and will also be covered in the training for staff mentioned under 2 below.	Clarification has been added as a final bullet point under paragraph 8.1.2.
2	Risk management training should be delivered to staff. [Medium]	Risk management training for Members, facilitated by Zurich Risk Management, was held on 25 September 2015. Risk management training for staff will be arranged.	Paragraph 9.2.1 already refers to learning and training – no update required.
3	Management of risks is strengthened within the Management Competency Framework. [Medium]		Annex H already refers to the management competency framework incorporating risk management – no update required.
4	A corporate fraud risk register is established in line with the CIPFA Code of Practice on Fraud and Corruption. [Medium]		The Risk Management Strategy does not specifically mention a fraud risk register, but fraud (/corruption) is included in Annex A, The scope of risk; areas to consider – no update required.

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Appendix B

South Cambridgeshire District Council

Draft

Risk Management Strategy

To be approved by Corporate Governance Committee, 24 June 2016

Contents

1. Purpose

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

1.2 Supporting the Vision is a Corporate Plan with four strategic Objectives, which have associated actions:

(a) Living Well - Support our Communities to remain in good health whilst continuing the protect the natural and built environment;

(b) Homes for our future - Secure the delivery of a wide range of housing to meet the needs of existing and future communities;

(c) Connected Communities – Ensure new transport and digital infrastructure supports and strengthens communities and that our approach to growth sustains prosperity;

(d) An Innovative and Dynamic Organisation – adopting a more commercial and business-like approach to ensure we can continue to deliver the best possible services at the lowest possible cost.

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

2. Objectives

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

2.2 The objectives of the strategy are to:

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

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

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

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

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

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

3. Guiding principles

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

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

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

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

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

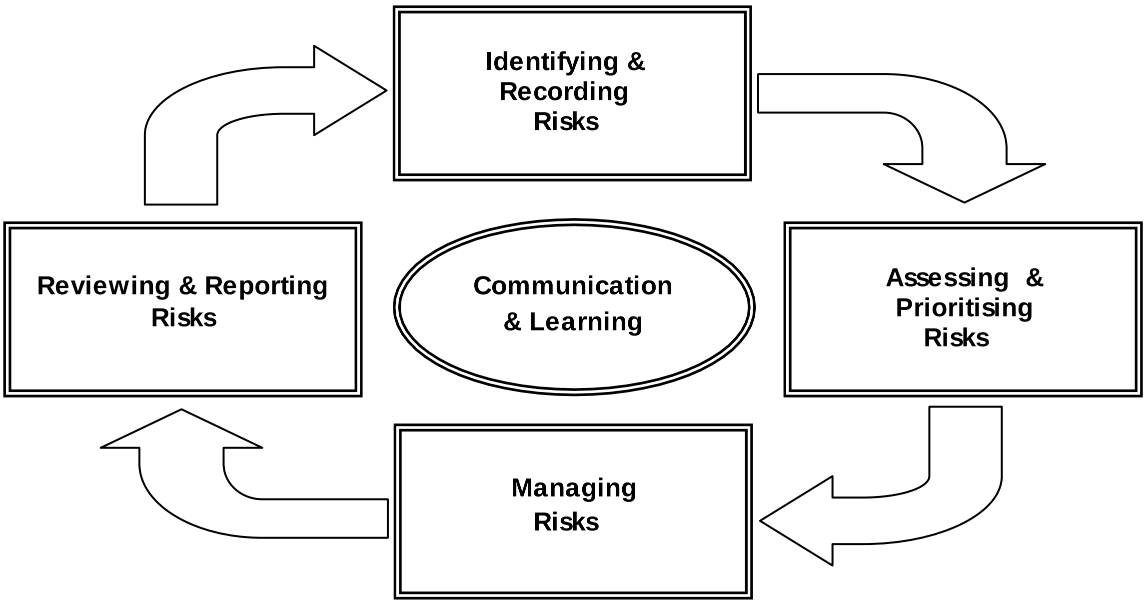
(e) Ensure that effective processes are in place to facilitate prompt remedial action on adverse events and their identification and reporting and to enable near misses to inform future action.

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

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

4. Approach to risk management

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



4.2 These steps are outlined in the sections below.

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

5. Identifying and recording risks

5.1 *Identifying risks*

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

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

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

5.2 *Recording risks*

5.2.1 Identified risks shall be recorded in the relevant strategic or service area risk register, project, partnership or shared service risk register, as set out in paragraphs 5.2.2 to 5.2.10 below, with risks described in terms of: the risk event (i.e. what could happen), the consequence that it might lead to for service(s)/ Objective(s)/ Action(s), and the possible outcome(s) that could result.

<u>Strategic Risk Register</u>

5.2.2 The strategic risk register report template is attached at **Annex C**. The Principal Accountant (General Fund and Projects) ("PA(GF&P)"), on behalf of the Executive Director (Corporate Services), shall record in the strategic risk register the top risks facing the Council from a corporate perspective, noting for each risk:

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

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

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

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

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

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

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

Service area risk registers

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

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

Project risk registers

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

Partnership risk registers

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

<u>Shared Service risk registers</u>

5.2.10 The Council shall encourage shared service projects to use the same format as the service area risk register template, both while the project is being developed and when it becomes operational; however, the Council acknowledges that a shared service project/arrangement may choose to use another format. If a shared service project/arrangement chooses not to use the same format, the Council's lead officer for that project shall liaise with the PA(GF&P) for guidance on how to structure the risk register/log. Guidance is also available in the Project Management and Partnership Toolkits.

6. Assessing and prioritising risks

6.1 *Assessing risks*

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

6.2 *Prioritising risks*

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

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

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

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

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

7. Managing risks

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

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

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

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

7.4 Project managers and partnership lead officers shall manage project and partnership risks in accordance with their project/partnership governance arrangements. Shared service project managers / lead officers shall manage shared service project/ arrangement risks in accordance with the governance arrangements.

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

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

8. Reviewing and reporting risks

8.1 *Reviewing risks*

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

8.1.2 Risks are reviewed at service planning, departmental management teams, Executive Management Team (EMT), Cabinet, project management, partnership and shared service meetings, as appropriate:

- EMT shall review the strategic risk register quarterly, including consideration of the impact and likelihood assessments and the control measures / sources of assurance in place to address risks, recommending its approval to Cabinet.
- Cabinet, led by the Corporate & Customer Services Portfolio Holder, shall similarly review and approve the strategic risk register quarterly.
- Directors shall review and approve their service areas' risk registers, collated to give a comprehensive set of risks coming under their responsibility and to enable moderation of impact and likelihood assessments, as part of the annual preparation of service plans. Service area risk registers shall be on departmental management team meeting agendas for review at least quarterly. The Executive Director (Corporate Services) shall similarly review and approve the collated risk registers for service areas reporting direct to him.
- Project managers, partnership lead officers and shared service project managers / lead officers shall facilitate the review and approval of the risk logs/registers for which they are responsible, at frequencies set out in their project, partnership plans or shared service arrangements.
- For each of these risk registers/logs, the review of control measures / sources of assurance shall include ensuring that they are appropriate, implemented and operating effectively.

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

8.2 *Project risks*

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

8.3 *Partnership risks*

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

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

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

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

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

8.3.4 Partnership lead officers shall review partnership risk registers in accordance with the partnerships' governance arrangements. Similarly, shared service lead officers shall review shared service arrangements risk registers in accordance with the shared services' governance arrangements.

8.4 ***Links***

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

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

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

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

8.5 ***Reporting risks***

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

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

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

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

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

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

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

- strategic: a report to the next meeting of EMT by the risk owner, in conjunction with the PA(GF&P), outlining the event that occurred, the consequence for the service, objective or priority and the outcome that resulted, together with recommendations for the application of any lessons to be learnt;
- service area: a similar report to the service manager by the risk owner;
- EMT or the service manager, as appropriate, shall decide how to implement any recommendations regarding lessons to be learnt;
- project, partnership or shared service: a similar report by the project manager partnership lead officer or shared service project manager / lead officer; decisions about implementing any recommendations regarding lessons to be learnt shall be taken in accordance with the project management partnership or shared service governance arrangements.

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

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

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

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

9. Communication and learning

9.1 *Communication*

9.1.1 The PA(GF&P) shall give relevant staff and Members timely guidance and advice relating to their risk management responsibilities, including particular aspects such as review of risk registers.

9.1.2 The PA(GF&P) shall also keep staff and Members informed through a risk management page on In-Site, the Council's intranet, which shall include the following:

- the risk management strategy,
- the latest version of the strategic risk register,
- the latest versions of service area risk registers;
- guidance and advice concerning risk management, including assessment criteria for the potential impact and likelihood of risks occurring;
- risk management templates.

9.2 *Learning*

9.2.1 The Council shall keep its risk management strategy and processes up to date by learning from a variety of sources:

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

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

10. Organisational arrangements

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

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

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

Annex A

The scope of risk; areas to consider

Political / Reputation

Partnership

Governance

Economic

Social

Technological

Legislative / Regulatory

Environmental

Competitive

Customer / Citizen

Managerial / Professional

Fraud / Corruption

Financial

Legal / Contractual

Physical

Health & Safety

Performance

Annex B

Some of the risks to consider when making strategic decisions

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

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

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

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

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

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

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

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

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

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

- Inadequate response to new legislation

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

Strategic environmental risks - relating to the environmental consequences of progressing the Council's corporate objectives or service priorities (e.g. in terms of energy, efficiency, pollution, recycling, landfill requirements, emissions etc). Includes things such as:
- Noise, contamination and pollution
- Impact of planning and transport policies
- Climate change
- Flood defences

Strategic competitive risks - affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value. Includes things such as:
- Takeover of services by government/agencies
- Failure to show best value and/or value for money
- Failure of bids for government funds
- Inadequate expertise to write tight tender documents and contracts

Strategic customer/citizen risks - associated with failure to meet the current and changing needs and expectations of customers and citizens. Includes things such as:
- Lack of appropriate consultation
- Bad public and media relations
- Breach of confidentiality

Annex C **Strategic Risk Register report template**

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

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

South Cambridgeshire District Council

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

Corporate Plan Objectives

Risks are cross referenced to the relevant Corporate Plan Objectives and Actions adopted by Council on 25 February 2016 with effect from 1 April 2016, e.g. A v, B ii etc. Where risks relate to previous objectives since embedded, the cross-referencing is to the relevant 2016/17 Corporate Plan Objective

Impact

5 Extreme
4 High
3 Medium
2 Low
1 Insignificant

Likelihood

5 Almost certain
4 Likely
3 Possible
2 Unlikely
1 Rare

Notes

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

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

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

Annex D **Service Area Risk Register template**

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

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

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

Notes
1. The "Ref." is a unique risk reference, retained by the risk throughout the period of its inclusion in the risk register.
2. Risks are cross referenced to the relevant Corporate Plan Objectives and Actions adopted by Council on 25 February 2016 with effect from 1 April 2016, e.g. A v, B ii etc. Where risks relate to previous objectives since embedded, the cross-referencing is to the relevant 2016/17 Corporate Plan Objective.
3. Criteria and guidelines for assessing Impact and Likelihood are available on In-Site.
4. The "Total" risk score is obtained by multiplying the Impact score by the Likelihood score.
5. The "Adjusted risk score" would result from re-evaluation of the Impact and Likelihood taking the additional control measures / sources of assurance into account.
6. The dotted line (- - - - - - -) shows the Council's risk tolerance line.
7. The "Timescale to progress" is the date (usually Month Year) by which it is planned to mitigate the risk to below the line.

Impact
5 Extreme
4 High
3 Medium
2 Low
1 Insignificant

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

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

Annex E Likelihood assessment guidelines

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

Annex F Impact assessment guidelines

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

Annex G Prioritisation Matrix template

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

Risk Tolerance Line

Managing the risk

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

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

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

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

Corporate Governance Committee

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

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

With regard to risk management, the Committee:

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

Executive

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

Notes:

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

Executive Management Team (EMT)

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

"Risk owners"

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

At the strategic level:

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

At the service area level:

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

Service managers

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

Project managers

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

Partnership lead officers

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

Shared service project managers / lead officers

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

Principal Accountant (General Fund and Projects) ("PA(GF&P)")

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

Notes:

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

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Agenda Item 6

South Cambridgeshire District Council

Report To:	Audit and Corporate Governance Committee	24 June 2016
Lead Officer:	Executive Director (Corporate Services)	

Narrative Report and Statement of Accounts 2015-16 (subject to audit)

Purpose

1. To endorse the Statement of Accounts 2015-16; distributed as a separate document.

Recommendations

2. The Audit and Corporate Governance Committee is recommended to endorse the Statement of Accounts 2015-16.

Background

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

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

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

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

Considerations

7. I am pleased to report that the Statement of Accounts 2015-16 has been produced, subject to audit. The production of the accounts under international financial reporting standards is complex and involved and requires a significant and concentrated staff commitment to meet statutory deadlines.

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

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

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

   III. A balance sheet which again reflects the distinction between usable and unusable reserves: and

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

9. The Narrative Report (formerly the Explanatory Foreword) is intended to explain in overall terms and in an easily understandable manner the Council's financial position including a comparison of actual expenditure with original estimate. A more detailed report on actual expenditure compared to original estimate will be submitted to the Cabinet meeting on 14 July.

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

11. The Statement of Accounts is issued subject to audit. The audit is due to take place in July/August. The accounts and other related documents will be available for inspection by the public from 24 June to the 4 August 2016 and during the same period electors or their representatives may question the auditor about or make objections to the accounts for the year ended 31 March 2016.

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

Options

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

Implications

14. 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

15. The actual working balances will be incorporated in the next review of the Medium Term Financial Strategy.

Legal

16. The Code constitutes a proper accounting practice under the Local Government Act 2003 and local authorities are legally required to comply with the Code.

Staffing

17. There is a risk that the accounts may not be closed in accordance with the statutory deadlines if vacancies and/or sickness occur at critical times. This is a reputational risk –there are no financial penalties for not complying with the deadline.

Risk Management

18. The short deadlines and increasing complexity allow less time for preparation, checking and reviewing and there is, therefore, also the risk that errors may occur in the Statement of Accounts.

Consultation (including the Youth Council)

19. None

Effect on Strategic Aims

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

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.

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

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Narrative Report

and

Statement of Accounts
for the year ended 31 March 2016

Narrative Report

INTRODUCTION

This report has been compiled to provide a summary of the development and performance of the Council over the financial year, outline planned future developments in service delivery including revenue and capital investment plans and to provide assistance in understanding the financial statements and the Council's financial position.

KEY FACTS ABOUT SOUTH CAMBRIDGESHIRE

South Cambridgeshire is the second largest district in Cambridgeshire, with a population of 153,300 covering approximately 350 square miles of countryside. It is also the second most populated district after Huntingdonshire and the district completely surrounds Cambridge City. It shares its boundaries with Huntingdonshire, Fenland and East Cambridgeshire to the north. In the south the district has boundaries with North Hertfordshire, Central Bedfordshire, Uttlesford and St. Edmundsbury.

South Cambridgeshire is an attractive and prosperous area, home to world-leading centres of hi-tech industry and scientific research; however, these advantages bring with them key challenges around maintaining a strong economy whilst meeting demand for housing and infrastructure for all those wishing to live, work and study here.

South Cambridgeshire is relatively rural with most of the population living in villages or rural areas – there are currently no towns in South Cambridgeshire. Cambourne is currently the largest village in the district with approximately 8,820 people, Sawston is the second largest village with approximately 7,160 people and Cottenham is the third largest village with approximately 6,100 people. Cambourne, Sawston and Cottenham are currently ranked 13th, 15th and 18th respectively of the largest settlements in Cambridgeshire. However, future development will be focussed around the fringes of Cambridge and in a new town (Northstowe).

KEY STATISTICS

24.1% of population aged 60+. 18.5 14 and under.	Average house price £398,390 (Dec 2015)	495 (0.5%) Working Age Residents claiming job seekers' allowance (national average 1.9%)
Avg. Gross Weekly (Full-time) earnings £619.50 (£529.60 national average)	84.8% economically active (77.4% nationally)	Ninth best district to live in England (Halifax Quality of Life Survey 2015)

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL CORPORATE PLAN 2016-2021

The Corporate Plan 2016-2021 is the document that sets out the Council's vision and strategic objectives, providing the context for the agreement of financial strategies and subsequent departmental budgets to deliver them. The Plan contains:

- Our Vision for the district;
- Four Strategic Objectives setting out how the Vision will be achieved, delivered through 21 key Actions;
- What we will do to achieve each objective, and what success will look like;
- Key performance measures.

Our Strategic Objectives are as follows:

Living Well - Support our communities to remain in good health whilst continuing to protect the natural and built environment.

Homes For Our Future - Secure the delivery of a wide range of housing to meet the needs of existing and future communities.

Connected Communities - Work with partners to ensure new transport and digital infrastructure supports and strengthens communities and that our approach to growth sustains prosperity.

An Innovative and Dynamic Organisation - Adopt a more commercial and business-like approach to ensure we can continue to deliver the best possible services at the lowest possible cost.

The Plan runs for a rolling five-year period and is refreshed annually. Performance against 2015-2020 Plan objectives is available here *(from 27 June 2016).*

POLITICAL AND MANAGEMENT STRUCTURE

South Cambridgeshire District Council is split into 34 Wards, represented by a total of 57 Councillors, currently elected in thirds to serve four-year terms of office. During 2015/16, the breakdown of councillors by political group was as follows:

Conservative	38
Liberal Democrat	11
Independent Group	6
Independent (Non-Group)	1
Labour	1

The Local Elections in May 2016 changed this political balance as follows:

Conservative	36
Liberal Democrat	14
Independent Group	5
Independent (Non-Group)	1
Labour	1

The Council operates a Leader and Cabinet model of governance under which the Leader of the Council, elected by the whole Council to serve a four-year term of office, appoints a Cabinet of up to ten councillors, each of which are given a Portfolio to reflect a corporate priority. The Cabinet implements the strategic policy and budgetary framework agreed by all Councillors each February. It is held to account by our two scrutiny committees:

- the Scrutiny and Overview Committee (which focusses on the Council's service delivery, performance and budget from an internal perspective) and
- the Partnerships Review Committee (which focuses on how effective the Council works with other bodies and organisations within the District).

Both bodies consist of 9 Members and meet a minimum of four times a year.

The Council's Executive Management Team is responsible for ensuring that the plans agreed by Council and Cabinet are delivered. During the 2015/2016, the Team consisted of the Chief Executive and Head of Paid Service (Jean Hunter), supported by:

Executive Director (Corporate Services) and Chief Financial Officer – Alex Colyer
Affordable Homes Director – Stephen Hills
Health and Environmental Services Director – Mike Hill
Planning and New Communities Director – Jo Mills
Head of Human Resources – Susan Gardner Craig
Head of Legal and Democratic Services and Monitoring Officer – Fiona McMillan (following the launch of a shared Legal Practice in October 2015, the Monitoring Officer role is now carried out by Shirley Tracy)

Further details about these arrangements, and how they operated during 2015/2016, are set out in the Annual Governance Statement *(link available from 16 June 2016)* accompanying these Accounts.

AN EXPLANATION OF THE FINANCIAL STATEMENTS

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:

Core financial statements: Pages

This statement shows the responsibilities of the Council and the Chief Financial Officer.

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves i.e. those that can be applied to fund expenditure or reduce local taxation, and other unusable reserves which are set reserves;

This records all the Council's income and expenditure for the year. The statement analyses income and expenditure by service area as well as non-service specific or corporate transactions and funding. The format followed is provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) so that comparisons of local authority accounts can be undertaken.

SUMMARY OF FINANCIAL PERFORMANCE

The financial year began with the setting of the budget on 26 February 2015, when a balanced budget was set that included savings of £0.67m. The following sections describe the actual performance against this budget. The Council incurs both revenue and capital expenditure, the revenue account, known as the General Fund, bears the cost of providing day to day services. The capital account shows the net cost of transactions to buy or sell land, property or other assets, build new property, make improvements and provide grants or loans to other bodies to undertake this type of activity.
The tables below show the outturn position and variances for 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 shown below.

When the council tax for the financial year ending 31 March 2016 was set in February 2015, the surplus was estimated at £473,110. The variance of £807,454 is attributable to the following:

Portfolio	Budget 2015/16 £`000	Outturn 2015/16 £`000	Variance £ £`000	Variance %	
Leader	426	378	(48)	-11.27%	Increase in grants given, offset by reduction in recharges
Finance and Staffing	2,474	3,105	631	25.51%	Payment of pension deficit, reduction in staffing cost allocations
Corporate and Customer Services	1,911	2,040	129	6.75%	Reduction in staffing cost allocation
Economic Development	183	144	(39)	-21.31%	Lower service cost and recharges
Environmental Services	6,180	5,516	(664)	-10.74%	Increased Refuse internal service contractor costs, offset by increased income. Reduced street cleansing costs and increased income
Housing (General Fund)	1,306	1,102	(204)	-15.62%	Reduced service costs and recharges for Homelessness & lower recharges from the HRA
Planning	2,875	1,389	(1,486)	-51.69%	Lower planning & consultancy service costs & an increase in planning fee receipts
Strategic Planning and Transportation	673	729	56	8.32%	Increased consultancy on the Growth Agenda
Sub-total for Portfolios	**16,028**	**14,403**	**(1,625)**		
Transfer to Provisions/Reserves in year	2,019	2,519	500	24.76%	Increase in business rate income relating to renewable energy
Expenditure/income not included in Portfolio estimates	(995)	(106)	889	-89.35%	Now allocated to services
Levies and Contributions	175	190	15	8.57%	Increase as per levies requested
Interest on Balances	(591)	(620)	(29)	4.91%	Higher interest received on specific investments
Capital Asset Management	(537)	(504)	33	-6.15%	Depreciation charge change
Net Revenue Expenditure	**16,099**	**15,882**	**(217)**		
Funded By:					
Addition To/(Draw From) Balances	(473)	334	807	-170.61%	Increase in transfer to reserves, reflecting additional income received
Council Tax	(7,479)	(7,479)	0	0.00%	
Non-Specific Government Grants & Other Funding	(5,984)	(6,017)	(33)	0.55%	Additional grant and contributions received
Retained Business Rates	(3,463)	(4,020)	(557)	16.08%	Section 31 grant received
(Surplus)/Deficit on Collection Fund re Council Tax	(142)	(142)	0	0.00%	
(Surplus)/Deficit on Collection Fund re Business Rates	1,442	1,442	0	0.00%	
Total Funding	**(16,099)**	**(15,882)**	**217**		
(Surplus)/Deficit	**0**	**0**	**0**		

Housing Revenue Account

The Housing Revenue Account (HRA) summaries the transactions relating to the provision, management and maintenance of Council houses and flats. Although this account is also included within the core financial statements it represents such a significant proportion of the services provided by the Council that it is a requirement that it has a separate account. The account has to be self-financing and there is a prohibition on cross subsidising to or from the council tax payer. The HRA statement and notes are included on pages 86 to 94.

Housing Revenue Account	**Budget 2015/16 £'000**	**Outturn 2015/16 £'000**	**Variance Under/ (Over) spend**
Dwelling Rents	(28,600)	(28,574)	(26)
Rent income from garages	(370)	(354)	(16)
Total Rental Income	**(28,970)**	**(28,928)**	
Other	0	(38)	38
Interest	(54)	(120)	66
Total Income	**(29,024)**	**(29,086)**	
Repairs and maintenance	4,246	3,522	724
Management and services	5,052	4,790	262
Depreciation of fixed assets	5,784	6,260	(476)
Transfer (from)/ to reserves	(1,000)	75	(1,075)
Interest payable	7,193	7,193	0
Capital expenditure met from revenue	8,004	2,351	5,653
Total Expenditure	**29,279**	**24,191**	
Deficit/(Surplus) for the year	**255**	**(4,895)**	

When rents for the financial year ending 31 March 2016 were set in February 2015, the estimated rent increase was set in line with government guidance and the deficit was estimated at £254,880. The variance of £5,149,964 is attributable to a reduction financing of capital expenditure from revenue, financing instead being provided from capital receipts. Other large variances include no transfer from reserves, an increase in the depreciation charge on properties due to a higher valuation and adjustment on the asset life applied and a reduction in repair, maintenance and management costs.

Capital

Capital expenditure produces assets capable of providing benefits to the community for several years to come. Total expenditure for the year amounted to £14.6 million. The major part of the programme involved the provision of housing; with £9.7 million being invested in the Council's own housing stock and new build initiatives.

Treasury Management

At the 31 March 2016, investments (excluding accrued interest) totalled £49.3 million, an increase of £6.7 million over the previous year-end. These investments produced interest of over £0.74 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 £10.58 million and £8.07 million respectively as at 31 March 2016 - 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 £8.9 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 £17.9 million in 2020-21.

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 £53.4 million as at 31 March 2016 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 2015-16 was 17.5%. 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.

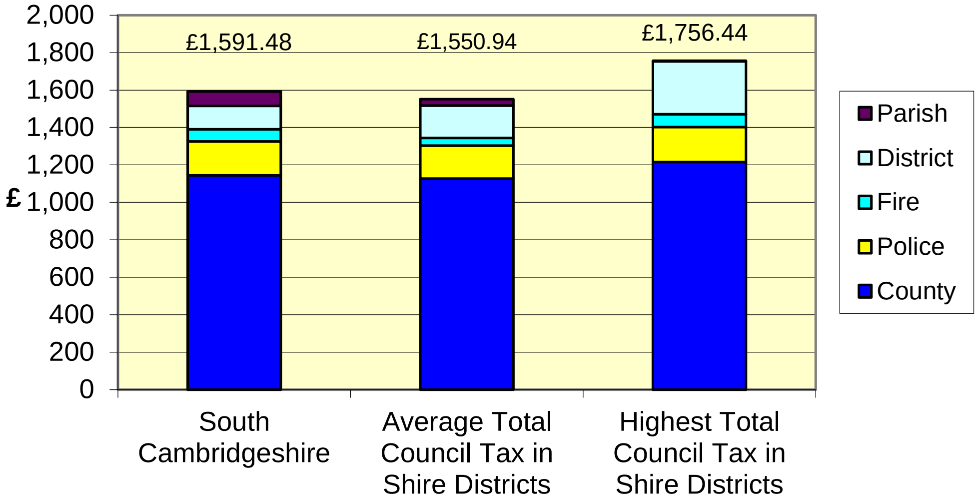
The triennial valuation discounts future liabilities at a rate based on the expected return from the pension fund's investments which are mainly stocks and shares. A valuation using a risk free discount rate, that is, based on Government Bonds, would give a much lower funding level and the employer's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

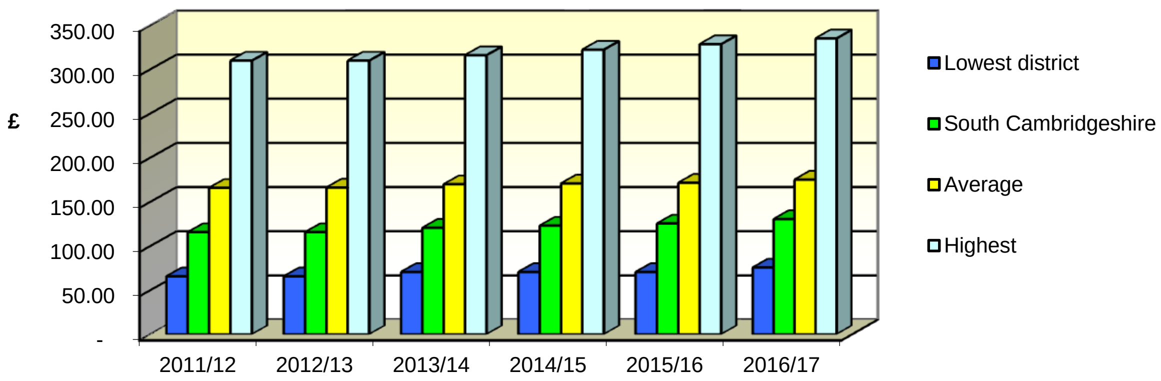
Council Tax

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 2015-16 was £1,591.48. 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:

Total council tax bill



However, looking only at the district element of the overall tax bill, South Cambridgeshire is the 20th lowest in 2015-16 at £125.31 in a range of £70.46 to £328.32, with the average being £171.42.



The ranking is:

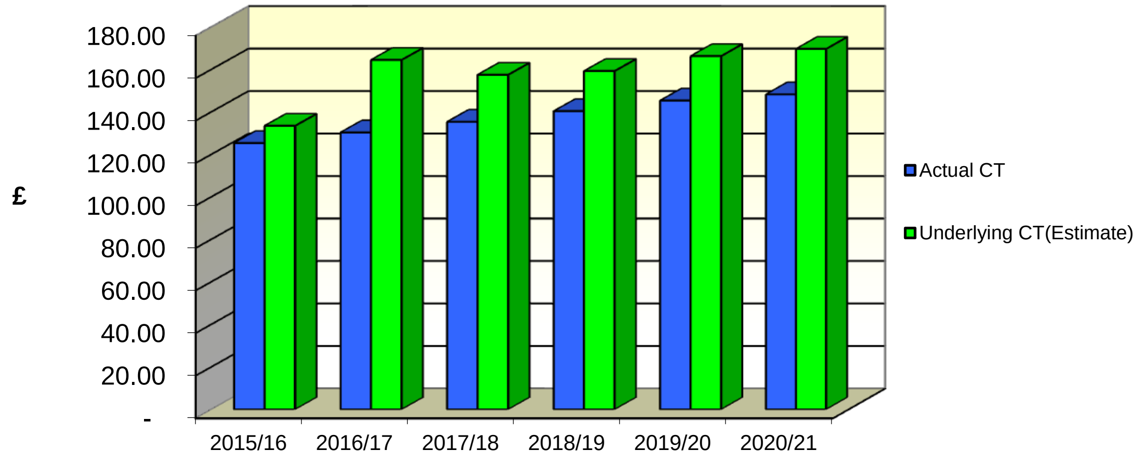
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
South Cambridgeshire	13th lowest	13th lowest	15th lowest	17th lowest	20th lowest	22nd lowest
Total number of shire districts	201	201	201	201	201	201

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.

The Council is part of a pilot scheme which would allow the participant local authorities to retain 100% of additional growth in business rates in their area. Where additional growth is realised this will be initially held in a reserve for future use. In 2015-16 application of the proposed growth formula showed the Council had achieved additional growth; this has been accrued in the accounts.

Reporting Cycle

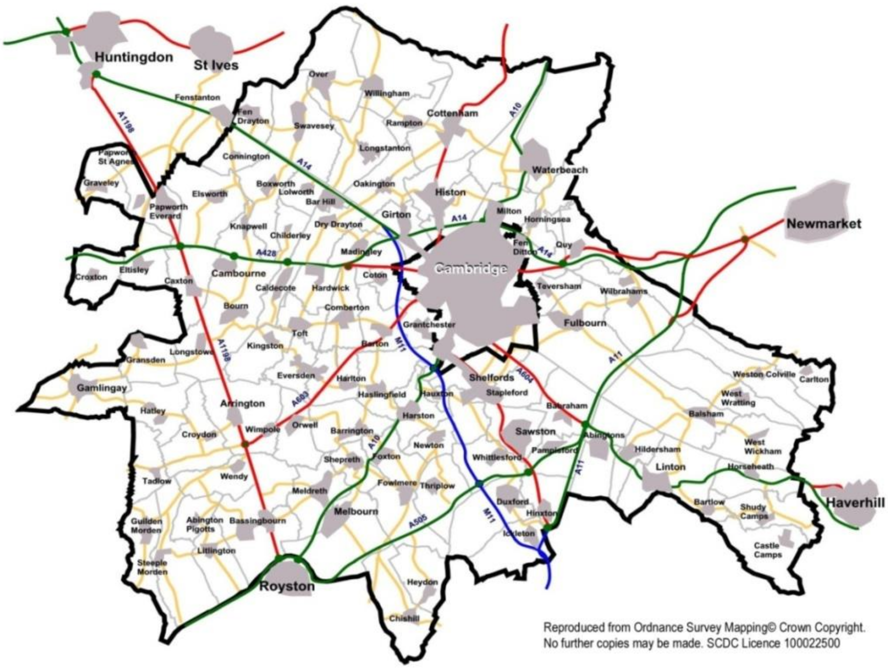
The General Fund and Housing Revenue Account estimates are presented to Cabinet and Council for approval every year, in February, and are published on the Council website at: http://moderngov/ieListDocuments.aspx?CId=293&MId=6504&Ver=4

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

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

Population growth

The District population of 153,300 people (source: 2014 ONS Mid-Year Population Estimates) is projected to increase to 194,500 by 2031 (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.

There are no other items on the Council's strategic risk register above the tolerance line and thereby requiring active management.

Sale of Higher Value Vacant Council Homes

On 13 October 2015 the Government published the Housing and Planning Bill 2015-16. This Bill sets out a number of proposed changes to housing legislation which will impact on the current delivery of services to tenants and the resources required to do so. One of these proposed changes relates to the sale of higher value vacant council homes. The Bill will enable the Government to set out a definition of 'higher value' homes and will create a duty on local authorities to consider selling homes that meet this definition when they become vacant. The Government intends to use the receipts from these sales to fund the extension of the right to buy scheme to housing association tenants and to create a Brownfield Development Fund. The Bill will also allow the Government to estimate the amount of money it would expect each individual authority to receive, in each financial year, from sales of higher value homes. Authorities will then be required to pay this amount to the Government. Once full details are published the impact on the HRA Business Plan will be assessed, both in the potential number of homes that will be required to be sold and the amount due to be paid to Government under the annual calculation.

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. In 2015-16 construction was completed on 20 properties in Swavesey, the programme continues in 2016-17 on a number of other sites in the district

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 is establishing a growing portfolio of properties, 96 in 2015-16 both owned and managed on behalf of other landlords, and with the lease of a further 101 Ministry of Defence properties acquired for rental at Brampton, Cambridgeshire in March 2016. Further additions are planned over the next four years. A full business case was reported to 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

The Greater Cambridge City Deal is an agreement between Central Government and a partnership of local councils, including South Cambridgeshire, business and academia. The Deal constitutes a 15-year plan to improve the infrastructure of the area, supporting economic growth and securing long-term prosperity and quality of life for the people of Cambridge and South Cambridgeshire. The other partners to the deal are Cambridge City Council, Cambridgeshire County Council, the GCGP Local Enterprise Partnership and Cambridge University.
A thriving and vibrant city region, Greater Cambridge has achieved rapid growth and economic success through world-leading innovation and collaboration between entrepreneurs and academics. It has the highest cluster of technology firms in the UK and competes on a global stage as a gateway for high-tech investment into the UK. However, this success and the area's appeal as an attractive place to live and work, has resulted in significant transport congestion, a shortage of housing and access to relevant skills. These issues have to be addressed to secure future economic growth and quality of life. Through the deal, the partnership has secured powers and funding from Central Government to make vital improvements to secure future economic growth and quality of life in the city region. The Greater Cambridge City Deal aims to deliver over £1 billion of investment, thousands of new homes and jobs, and improved transport links. The 15-year plan focuses on four key issues: Transport, Housing, Skills and Innovation.

Auditor's Opinion

The Statement of Accounts has been issued subject to audit, once audited the Auditor's opinion will be shown on page 108.

Alex Colyer
Executive Director and Chief Finance Officer

Dated: 24 June 2016

Statement of Accounts for year ended 31 March 2016

Contents	**Page Number**

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

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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 2016 and its income and expenditure for the year then ended.

Alex Colyer
Executive Director (Corporate Services) as Chief Financial Officer
Dated: 24 June 2016

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 23 September 2016.

Chairman of the Corporate Governance Committee

Single Entity Statements
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
Balance as at 31st March 2014		**(11,187)**	**(4,149)**	**(2,492)**	**(8,500)**	**(3,569)**	**(584)**	**(30,481)**	**(139,193)**	**(169,674)**
Movement in reserves during 2014-15										
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)
Total comprehensive income and expenditure		(1,557)	0	(22,564)	0	0	0	(24,121)	(47,213)	(71,334)
Adjustments between accounting basis and funding basis under regulations*	5	494	0	20,953	0	(2,795)	151	18,803	(18,803)	0
Net (increase) / decrease before transfers to earmarked reserves		(1,063)	0	(1,611)	0	(2,795)	151	(5,318)	(66,016)	(71,334)
Transfers (to) / from earmarked reserves	6	1,997	(1,997)	925	(925)	0	0	0	0	0
(Increase) / Decrease in year		934	(1,997)	(686)	(925)	(2,795)	151	(5,318)	(66,016)	(71,334)
Balance as at 31st March 2015		(10,253)	(6,146)	(3,178)	(9,425)	(6,364)	(433)	(35,799)	(205,209)	(241,008)
Movement in reserves during 2015-16										
Deficit / (Surplus) on provision of services (accounting basis)		(3,674)		(5,864)	0	0	0	(9,538)	0	(9,538)
Other comprehensive expenditure and income	5	0	0	0	0	0	0	0	(47,131)	(47,131)
Total comprehensive income and expenditure		(3,674)	0	(5,864)	0	0	0	(9,538)	(47,131)	(56,669)
Adjustments between accounting basis and funding basis under regulations	5	(1,433)	0	894	0	(2,126)	0	(2,665)	2,665	0
Net (increase) / decrease before transfers to earmarked reserves		(5,107)	0	(4,970)	0	(2,126)	0	(12,203)	(44,466)	(56,669)
Transfers (to) / from earmarked reserves	6	4,773	(4,773)	75	(75)	0	0	0	0	0
Increase / Decrease in year		(334)	(4,773)	(4,895)	(75)	(2,126)	0	(12,203)	(44,466)	(56,669)
Balance as at 31st March 2016		**(10,587)**	**(10,919)**	**(8,073)**	**(9,500)**	**(8,490)**	**(433)**	**(48,002)**	**(249,675)**	**(297,677)**

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 Gross Expenditure £,000	2014-15 Gross Income £,000	2014-15 Net Expenditure £,000		2015-16 Gross Expenditure £,000	2015-16 Gross Income £,000	2015-16 Net Expenditure £,000
			Expenditure on services			
2,978	(92)	2,886	Corporate and Democratic Core	3,861	(114)	3,747
2,137	(1,216)	921	Central Services to the Public	2,807	(1,060)	1,747
			Cultural, Environmental and Planning Services			
637	(29)	608	Cultural and Related Services	864	(227)	637
7,656	(2,214)	5,442	Environmental Services	7,285	(2,465)	4,820
5,088	(2,540)	2,548	Planning and Development Services	5,037	(2,317)	2,720
81	(19)	62	Highways, Roads and Transport Services	80	(8)	72
			Non HRA Housing			
468	(39)	429	Personal Social Services	405	(73)	332
29,314	(29,106)	208	Housing Benefit and Administration	30,191	(29,858)	333
980	0	980	Private Sector Housing Renewal	944	(369)	575
26	0	26	Supporting People	24	(21)	3
439	(708)	(269)	Other Non HRA Housing Services Expenditure	998	(455)	543
136	0	136	Other Contributions to/from HRA	94	0	94
34	0	34	Non -distributed Costs	(103)	0	(103)
49,974	(35,963)	14,011	General Fund Services-Continuing operations	52,487	(36,967)	15,520
1,684	(30,091)	(28,407)	Housing Revenue Account Services	17,425	(30,474)	(13,049)
51,658	(66,054)	(14,396)	**Net cost of services**	69,912	(67,441)	2,471
		4,215	Other operating expenditure		Note 7	4,265
		8,843	Financing and investment income and expenditure		Note 8	8,439
		(21,580)	Taxation and non-specific grant income		Note 9	(24,740)
		(22,918)	**Surplus or deficit on the provision of services**			**(9,565)**
		(59,945)	**(Surplus)/deficit on revaluation of non-current assets**			(36,234)
		11,530	**Actuarial (gain)/loss on pension assets and liabilities**		Note 21	(10,871)
		(71,333)	**Total comprehensive income and expenditure**			**(56,670)**

Balance Sheet

	Notes	31 March 2016 £,000	31 March 2015 £,000
Property, Plant and Equipment	27	507,906	475,413
Intangible Assets	25	233	254
Assets under Construction	27	3,457	0
Long Term Investments	35/36	2,599	50
Long Term Debtors		972	455
Long Term Assets		**515,166**	**476,172**
Short Term Investments	35/36	46,931	42,750
Inventories	29	72	53
Short Term Debtors	30	7,708	4,036
Cash and Cash Equivalents		5,756	1,182
Assets held for sale	27	944	445
Current Assets		**61,411**	**48,466**
Cash and cash equivalents		(961)	(1,023)
Short Term Creditors	31	(16,538)	(13,714)
Provisions	32	(2,921)	(1,910)
Current Liabilities		**(20,420)**	**(16,647)**
Other Long Term Liabilities	21/37	(53,356)	(61,860)
Long Term Borrowing	37	(205,123)	(205,123)
Long Term Liabilities		**(258,479)**	**(266,983)**
Net Assets		**297,677**	**241,008**
Usable reserves	11	(48,002)	(35,799)
Unusable reserves	12	(249,675)	(205,209)
Total Reserves		**(297,677)**	**(241,008)**

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 accounts were issued subject to audit on 24 June 2016.

Signed:

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

Dated: 24 June 2016

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	2015-16 £,000	2014-15 £,000
Cash Flows from operating activities			
Cash receipts		(86,600)	(89,487)
Cash payments		59,040	64,851
Net cash flows from Operating Activities	**13**	(27,560)	(24,636)
Investing Activities	**14**	15,045	24,579
Financing Activities	**15**	7,879	1,830
Net increase or decrease in cash and cash equivalents		(4,636)	1,773
Cash and cash equivalents at the beginning of the reporting period		(159)	(1,932)
Cash and cash equivalents at the end of the reporting period	**16**	**(4,795)**	**(159)**

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 2015-16 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.

l. 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; the cost of investment includes its purchase price, transaction costs and directly attributable expenditure. Where an investment property is acquired through a non-exchange transaction its costs shall be measured at fair value as at the date of acquisition.

After initial recognition, an investment property is accounted for under the fair value model; that is the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

An Investment property shall be recognised on disposal or when permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the retirement or disposal of Investment property shall be recognised in the Surplus or Deficit on the Provision for Services for the period of the retirement or disposal.

Compensation from third parties for Investment property that becomes impaired, lost or is given up is recognised in the Surplus or Deficit on the Provision for Services when it becomes receivable.

n. Inventories and Long-Term Contracts

Inventories comprise such items as refuse and recycling bins, refuse sacks, unused postage and some canteen stocks. In addition, the Council's subsidiary company hold properties for refurbishment and resale which are also classified as Inventory assets. Inventories are included in the balance sheet at the lower of cost or net realisable value, being the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.
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.

Where Inventories are damaged or become wholly or partially obsolete or if their selling prices have declined, their cost shall be written down to net realisable value or current replacement cost.

Where the circumstances which previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value or current replacement cost because of a change in economic circumstances, the amount of the write down shall be reversed so the new carrying amount is the lower of cost and the revised current replacement cost.

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
    - historical cost;

- assets under construction
  - historical cost;

- dwellings
  - fair value, determined using the basis of existing use value for social housing;

- investment property
  - fair value

- assets held for sale
  - current value
- non commercial assets held for sale
  - lower of carrying amount and fair value less costs to sell

- 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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets included in the balance sheet at fair value and market 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 is reversed out in the movement in reserves statement with the carrying amount transferred to the capital adjustment account and the receipts on disposal credited to the capital receipts reserve so that the net gain or loss is not met by council tax or rents.

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

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

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

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 2016-17 Local Authority Accounting Code of Practice includes a number of changes resulting from revisions to accounting standards, these are:

- IAS 19 Employment Benefits (Defined Benefit Plans: Employee Contributions)
- Annual improvements to IFRSs 2010-12 cycle

- Annual improvements to IFRSs 2012-14 cycle
- IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (clarification of Acceptable Methods of Depreciation and Amortisation)
- IAS 1 Presentation of Financial Statements (Disclosure Initiative)

Annual improvements to IFRSs 2010-14 and IFRS 11 are not expected to have a material impact on the financial statements.

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 2016 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:

	2015-16	2014-15
Change in assumption	Increase in liability (£ million)	Increase in liability (£ million)
0.5% decrease in real discount rate	14.09	14.81
1 year increase in member life expectancy	4.13	4.45
0.5% increase in salary increase rate	3.92	4.59
0.5% increase in pensions increase rate	9.96	9.92

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 £618,182 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.
NHS Trusts in the District have indicated their intention to lodge an application for mandatory business relief if successful this will impact the business rate income received by the Council, the associated risk has been recognised as a contingent liability.

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.

	2015-16 £,000	2014-15 £,000
General Fund		
Reversal of items included in the Comprehensive Income and Expenditure Account		
Depreciation of non-current assets	(1,011)	(884)
Impairment of non-current assets	0	0
Reversal of impairment of non-current assets	44	840
Capital Grants and contributions applied to capital financing	1,606	875
Capital Grants and contributions unapplied	0	558
Revenue expenditure funded from capital under statute	(423)	(1,055)
Net gain/(loss) on sale of non-current assets	68	(1,275)
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(1,894)	(1,758)
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	154	2,200
Amount by which officer remuneration on an accruals basis is different from remuneration chargeable by statute	0	(21)
Insertion of items not included in the Comprehensive Income and Expenditure Account		
Transfer from Capital Receipts Reserve to finance payment to the Government housing capital receipts pool	(484)	(430)
Capital expenditure charged against the General Fund	190	44
Statutory provision for financing of capital investment	317	201
Total adjustments	**(1,433)**	**(705)**
Housing Revenue Account		
Reversal of items included in the Comprehensive Income and Expenditure Account		
Reversal of Impairment of non-current assets (net)	5,537	18,694
Excess of depreciation over major repairs allowance element of housing subsidy	(7,405)	(5,162)
Capital Grants and contributions applied to capital financing	0	175
Capital Grants and contributions unapplied		
Net gain/(loss) on sale of non-current assets	895	2,066
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(487)	(435)
Amount by which officer remuneration on an accruals basis is different from remuneration chargeable by statutue	3	(4)
Insertion of items not included in the Comprehensive Income and Expenditure Account		
Capital expenditure charged against the Housing Revenue Account	2,351	5,617
Total adjustments	**894**	**20,951**
Capital Receipts Reserve		
Transfer of sale proceeds credited to net gain/loss on disposal of non-current assets in the Comprehensive Income and Expenditure Statement	(4,791)	(5,743)
Use of Capital Receipts Reserve to finance new capital expenditure	2,182	2,517
Capital receipts transferred to reserves	0	0
Use of Capital Receipts Reserve to finance payment to the Government housing capital receipts pool	484	430
Total adjustments	**(2,125)**	**(2,796)**
Total adjustments	**(2,664)**	**17,450**

Movement in other comprehensive income and expenditure

	Decrease / (Increase) 2015-16 £,000	Decrease / (Increase) 2014-15 £,000
Movement in Unusable Reserves		
Revaluation Reserve	(33,081)	(58,789)
Capital Adjustment Account	(2,738)	(18,658)
Pensions Reserve	(8,492)	13,604
Collection Fund Adjustment Account	(154)	(2,200)
Deferred Capital Receipts	2	3
Accumulating Compensated Absences Adjustment Account	(3)	25
	(44,466)	(66,015)
Adjustment between accounting basis and funding basis under regulations		
General Fund	(1,433)	(705)
Housing Revenue Account	894	20,951
Capital Receipts	(2,125)	(2,796)
Capital Grants Unapplied	0	151
	(2,664)	17,601
	(47,130)	(48,414)

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 2014-15 and 2015-16.

	31 March 2014 £,000	Transfers out	Transfers in	31 March 2015 £,000	Transfers out	Transfers in	31 March 2016 £,000
Capital							
Preservation of Historic Buildings Fund	(35)	0	0	(35)	0	0	(35)
Arts Grants	(6)	1	0	(5)	5	0	0
Community Development	(195)	111	0	(84)	161	(110)	(33)
Sports Development	(80)	75		(5)	5	(5)	(5)
Environmental Services	(52)	0	(160)	(212)	0	(329)	(541)
Other	(163)	63	0	(100)	0	0	(100)
Revenue							
Conservation Reserves	(1)	0	0	(1)	0	0	(1)
Building Control Reserve	(146)	0	(57)	(203)	203		0
Health & Environmental Services	0	0	0	0	0	(24)	(24)
Arts Reserve	0	0	0	0	0	0	0
Planning Reserve	(330)	0	(695)	(1,025)	181	(130)	(974)
Community Safety & Grants Reserve	(12)	0	0	(12)	0	0	(12)
Sports Reserve	(7)	7	0	0	0	0	0
Travellers Reserve	(771)	271	0	(500)	0	0	(500)
Infrastructure	(849)	0	(1,398)	(2,247)	0	(2,255)	(4,502)
Growth and Renewables Reserve	0	0	0	0	0	(2,181)	(2,181)
Additional Pension Reserve -Notes 21/42	(835)	0	(198)	(1,033)	878	(894)	(1,049)
Other	(666)	186	(204)	(684)	224	(502)	(962)
Housing Revenue Account							
Self-Insurance Reserve	(1,000)	75	0	(925)	0	(75)	(1,000)
Investment Repayment Reserve	(7,500)	0	(1,000)	(8,500)	0	0	(8,500)
	(12,648)	**789**	**(3,712)**	**(15,571)**	**1,657**	**(6,505)**	**(20,419)**
Total - Capital (General Fund)	(531)	250	(160)	(441)	171	(444)	(714)
Revenue (General Fund)	(3,617)	464	(2,552)	(5,705)	1,486	(5,986)	(10,205)
Revenue (Housing Revenue)	(8,500)	75	(1,000)	(9,425)	0	(75)	(9,500)
	(12,648)	**789**	**(3,712)**	**(15,571)**	**1,657**	**(6,505)**	**(20,419)**

7 Comprehensive Income and Expenditure Statement - Other Operating Expenditure

Other operating expenditure	Note	2015-16 Net Expenditure £,000	2014-15 Net Expenditure £,000
Precepts of Local Precepting Authorities		4,554	4,406
Internal Drainage Boards		190	170
Payment to the Government for Housing Pooled Capital receipts		484	430
Loss (Gain) on disposal of non-current assets	5	(963)	(791)
		4,265	**4,215**

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

Financing and investment income and expenditure	Note	2015-16 Net Expenditure £,000	2014-15 Net Expenditure £,000
Pensions interest cost and expected return on pension assets	23	1,986	2,073
Interest Payable		7,193	7,193
Interest and investment income		(740)	(423)
		8,439	**8,843**

9 Comprehensive Income and Expenditure Statement - Taxation

Taxation and non-specific grant income and expenditure	Note	2015-16 Net Expenditure £,000	2014-15 Net Expenditure £,000
Income from Council Tax		(12,057)	(11,722)
Business rates income and expenditure		(2,059)	(3,145)
Non-ringfenced Government Grants	34	(9,018)	(5,883)
Capital Grants and contributions		(1,606)	(830)
		(24,740)	**(21,580)**

10 Material items of income and expenditure

There are no material items in the comprehensive income and expenditure statement in 2015-16 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	2015-16 £,000	2014-15 £,000
Usable Capital Receipts Reserve		(8,490)	(6,364)
Earmarked Reserve-General fund	**6**	(10,919)	(6,146)
Earmarked Reserve-Housing Revenue Account	**6**	(9,500)	(9,425)
Capital Grants Unapplied		(433)	(433)
General Fund		(10,587)	(10,253)
Housing Revenue Account		(8,073)	(3,178)
		(48,002)	**(35,799)**

Usable Capital Receipts Reserve

	2015-16 £,000	2014-15 £,000
Balance at 1 April	(6,364)	(3,568)
Capital receipts received	(4,791)	(5,743)
Capital receipts applied	2,182	2,517
Payments to DCLG	484	430
Transfers to/ (from) reserves	0	0
Balance at 31 March	**(8,489)**	**(6,364)**

Capital Grants Unapplied

	2015-16 £,000	2014-15 £,000
Balance at 1 April	(433)	(584)
Planning Delivery Grant	0	161
Other	0	(10)
Balance at 31 March	**(433)**	**(433)**

12 Unusable Reserves

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

	2015-16 £,000	2014-15 £,000
Revaluation Reserve	(104,580)	(71,499)
Capital Adjustment Account	(199,173)	(196,435)
Pensions Reserve	53,357	61,849
Collection Fund Adjustment Account	563	717
Deferred Capital Receipts	(85)	(87)
Accumulated Absences	243	246
Balance at 31 March	**(249,675)**	**(205,209)**

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.

	2015-16 £,000	2014-15 £,000
Balance at 1 April	**(71,500)**	**(12,710)**
Revaluation gains	(41,377)	(81,936)
Reversal of impairment	5,581	21,779
Revaluation impairment	(97)	102
Release of revaluation gains on disposal	425	861
Depreciation adjustment	2,388	404
Balance at 31 March	**(104,580)**	**(71,500)**

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.

	2015-16 £,000	2014-15 £,000
Balance at 1 April	**(196,435)**	**(177,777)**
Capital expenditure financed from;		
Capital Receipts and contributions	(3,171)	(2,517)
Revenue	(2,541)	(5,750)
Grants and Reserves	(1,707)	(1,641)
Major Repairs Allowance	(6,260)	(5,659)
Internal financing	(317)	(201)
Write out of revaluation gain on disposal	(425)	(861)
Disposal of assets	3,512	4,746
Depreciation, amortisation and impairment	12,727	13,949
Reversal of impairment on revaluation	(5,581)	(21,779)
Write out of revenue expenditure funded from capital under statute and loans repaid	1,025	1,055
Balance at 31 March	**(199,173)**	**(196,435)**

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.

	Note	2015-16 £,000	2014-15 £,000
Balance at 1 April		**61,849**	**48,245**
Re-measurements of the net defined benefit liability/(asset)		(10,871)	11,530
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		5,284	5,084
Employers pensions contributions and direct payments to pensioners payable in the year		(2,905)	(3,010)
Balance at 31 March	**23**	**53,357**	**61,849**

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.

	2015-16	2014-15
	£,000	**£,000**
Balance at 1 April	**717**	**2,917**
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	(272)	(2,105)
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	118	(95)
Balance at 31 March	**563**	**717**

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.

	2015-16	2014-15
	£,000	**£,000**
Balance at 1 April	**246**	**221**
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	(3)	25
Balance at 31 March	**243**	**246**

13 Operating Activities

The cash flows for operating activities include the following items:

	2015-16 £,000	2015-16 £,000	2014-15 £,000	2014-15 £,000
Housing Benefit grant	(27,890)		(27,531)	
Cash received for goods and services	(4,305)		(8,767)	
Housing rents	(28,482)		(28,160)	
Council tax receipts - Council and Parish share	(12,032)		(11,505)	
Business rates Council share	(3,933)		(4,313)	
Other grants and contributions	(3,029)		(2,645)	
Revenue Support Grant/New Homes Bonus	(6,046)		(5,809)	
Interest received	(740)		(423)	
Collection Fund -Council share	(142)	(86,599)	(142)	(89,295)
Housing Benefit	15,156		14,748	
Parish Precepts	4,554		4,406	
Cash paid to and on behalf of employees	14,553		16,385	
Other operating cash payments	21,708		25,410	
Revenue funded from capital under statute	1,029		1,055	
Payments to the Capital Receipts Pool	597		424	
Collection Fund -Council share	1,442	59,039	2,231	64,659
Net cash flows from operating activities		**(27,560)**		**(24,636)**

14 Investing Activities

The cash flows for investing activities include the following items:

	2015-16 £,000	2014-15 £,000
Purchase of property, plant and equipment and intangible assets	13,580	14,649
Purchase of Short-term and long-term investments	274,160	254,857
Proceeds from short-term and long-term investments	(267,430)	(239,184)
Proceeds from the sale of property, plant and equipment	(5,261)	(5,743)
Other receipts from investing activities	(5)	0
	15,044	**24,579**

15 Financing Activities

	2015-16	2014-15
	£	**£**
Other receipts from financing activities	0	(5,363)
Other payments for financing activities	7,879	7,193
	7,879	**1,830**

The net debt, cash and cash equivalents, at 31 March 2016 is £4,795,417 comprising cash held in money market funds of £3,651,658 and net cash at bank overdrawn of £1,143,759, an decrease in cash in the year of £4,636,450.
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 2015-16

For the year ended 31st March 2016

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

Portfolio:	Finance and Staffing	Environmental Services	Housing (General Fund)	Housing Revenue A/c	Planning	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	(206)	(2,602)	(483)	(30,399)	(2,272)	(7)	(79)	(533)	(204)	(36,785)
Government grants	(28,322)	0	(32)		0	0	(16)	(167)	0	(28,537)
Total income	(28,528)	(2,602)	(515)	(30,399)	(2,272)	(7)	(95)	(700)	(204)	(65,322)
Employee expenses	1,024	24	0	294	0	0	0	0	0	1,342
Other service expenses	27,560	5,683	560	4,975	576	64	305	1,038	142	40,903
Operational and support service recharges	3,049	2,054	942	4,385	3,076	87	167	1,702	791	16,253
Financing, depreciation, etc.	0	357	538	8,657	9	0	1	0	0	9,562
Interest payments	0	0	0	7,193	0	0	0	0		7,193
Total expenditure	31,633	8,118	2,040	25,504	3,661	151	473	2,740	933	75,253
Net expenditure	3,105	5,516	1,525	(4,895)	1,389	144	378	2,040	729	9,931

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

Cost of services on Segmental Reporting (Portfolio) basis	9,931
Additional segments not included in the Portfolio analysis	4,594
Amounts not included in reports to Portfolio Holders but included in the Comprehensive Income and Expenditure Statement net cost of services	(3,235)
Amounts included in reports to Portfolio Holders but not included in the Comprehensive Income and Expenditure Statement net cost of services	(8,818)
Net cost of services	2,472

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

	Portfolio analysis	Services not in analysis	Not reported to management	Not included in Comp I & E	Allocation of recharges	Net cost of services	Corporate amounts	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges & other service income	(36,785)	0	0	120	(609)	(37,274)	0	(37,274)
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	(740)	(740)
Income from council tax	0	0	0	0	0	0	(12,057)	(12,057)
Business rates income and expenditure	0	0	0	0	0	0	(5,032)	(5,032)
Government grants and contributions	(28,537)	0	0	28	0	(28,509)	(7,652)	(36,161)
Total Income	(65,322)	0	0	148	(609)	(65,783)	(25,481)	(91,264)
Employee expenses	1,342	0	(92)	(15)	15,078	16,313	1,986	18,299
Other service expenses	40,903	4,594	(5,452)	593	816	41,454	0	41,454
Operational and support service recharges	16,253	0	0	0	(15,806)	447	0	447
Financing, depreciation, etc.	9,562	0	2,309	(2,351)	521	10,041	0	10,041
Interest payments	7,193	0	0	(7,193)	0	0	7,193	7,193
Precepts & levies	0	0	0	0	0	0	4,744	4,744
Payments to housing capital receipts pool	0	0	0	0	0	0	484	484
Gain or loss on disposal of non-current assets	0	0	0	0	0	0	(963)	(963)
Total operating expenses	75,253	4,594	(3,235)	(8,966)	609	68,255	13,444	81,699
Surplus or deficit on the provision of services	9,931	4,594	(3,235)	(8,818)	0	2,472	(12,037)	(9,565)

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	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)	(2,301)	0	(27)	(575)	(451)	(36,658)
Government grants	(28,043)	(6)	(58)	0	0	0	(17)	(76)	(21)	(28,221)
Total income	(28,459)	(2,240)	(786)	(29,926)	(2,301)	0	(44)	(651)	(472)	(64,879)
Employee expenses	711	42	0	665	0	0	0	0	0	1,418
Other service expenses	27,405	5,360	875	5,459	594	79	283	1,020	409	41,484
Operational and support service recharges	2,443	2,456	1,017	3,966	3,747	88	217	1,275	686	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
Total expenditure	30,559	8,229	1,976	29,241	4,357	167	502	2,295	1,098	78,424
Net expenditure	2,100	5,989	1,190	(685)	2,056	167	458	1,644	626	13,545

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)
Net cost of services	(14,397)

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

	Portfolio analysis	Services not in analysis	Not reported to management	Not included in Comp I & E	Allocation of recharges	Net cost of services	Corporate amounts	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,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)
Total Income	(64,879)	0	0	107	(348)	(65,120)	(22,002)	(87,122)
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)
Total operating expenses	78,424	1,629	(16,539)	(13,139)	348	50,723	13,481	64,204
Surplus or deficit on the provision of services	13,545	1,629	(16,539)	(13,032)	0	(14,397)	(8,521)	(22,918)

17 Acquired and Discontinued Operations

There are no transactions to report under these headings in 2015-16 or in 2014-15.

18 Members Allowances

The total of Members' allowances paid in the year was £381,354 (£373,250 in 2014-15). 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:

Remuneration band	**2015-16 number of employees**	**2014-15 number of employees**
£50,000 - £54,999	3	4
£55,000 - £59,999	2	4
£60,000 - £64,999	1	1
£65,000 – £69,999	0	0

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

Exit Packages

Exit packages are those that have been agreed by the Authority, i.e. those packages for which the Authority is demonstrably committed and, have been paid in 2015-16 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	
	2015-16	2014-15	2015-16	2014-15	2015-16 £,000	2014-15 £,000
£0 - £20,000	1	3	1	0	13	25
£20,001 - £40,000	0	0	0	0	0	0
£40,001- £60,000	0	1	0	0	0	45
£60,001 - £80,000	0	0	0	0	0	0
Total	**1**	**4**	**1**	**0**	**13**	**70**

Senior Officer Remuneration

In 2015-16 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 £
Chief Executive	**2015-16**	123,636	13,115	0	0	0	136,751	23,931	160,683
	2014-15	122,412	16,261	0	0	0	138,673	27,709	166,382
Executive Director	**2015-16**	102,860	0	525	0	0	103,385	18,000	121,385
(Corporate Services)	2014-15	104,242	0	540	0	0	104,782	21,057	125,839
Director of Health &	**2015-16**	83,615	0	300	0	0	83,915	14,633	98,548
Environmental Services	2014-15	80,095	0	0	0	0	80,095	16,179	96,274
Director of Housing	**2015-16**	83,615	0	0	0	0	83,615	0	83,615
	2014-15	80,095	0	0	0	0	80,095	0	80,095
Director of New Communities &	**2015-16**	83,615	0	0	0	0	83,615	14,633	98,248
Planning	2014-15	80,095	0	0	0	0	80,095	16,179	96,274

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:

	2015-16 £,000	2014-15 £,000
Auditing Fee	52	69
Certifying grant claims and returns	9	18
	61	**87**

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**	
	2015-16	**2014-15**	**2015-16**	**2014-15**
Cost of Services:				
Service cost comprising:				
Current service cost	3,298	2,893	0	0
Past service cost	0	0	0	118
Financing and Investment Income and Expenditure				
Net interest expense	1,986	2,073	0	0
Total Post-employment Benefits charged to the surplus or deficit on the Provision of Services	**5,284**	**4,966**	**0**	**118**

Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**Local Government Pension Scheme £,000**		**Discretionary Benefits Arrangements £,000**	
	2015-16	**2014-15**	**2015-16**	**2014-15**
Remeasurement of the net defined benefit liability comprising:				
Return on scheme assets (excluding the amount included in the net interest expense)	4,127	(5,858)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	(13,311)	18,884	0	0
Other	(1,687)	(1,496)	0	0
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(10,871)**	**11,530**	**0**	**0**

	Local Government Pension Scheme £,000		**Discretionary Benefits Arrangements £,000**	
Movement in Reserves Statement	**2015-16**	**2014-15**	**2015-16**	**2014-15**
Reversal of net charges made to the surplus or deficit on the Provision of Services for post-employment benefits in accordance with the Code	(5,284)	(4,966)	0	(118)
Actual amount charged against the General Fund Balance for pensions in the year:	2,800	2,807	103	84
Employers' contributions payable to scheme	**(2,484)**	**(2,159)**		
Retirement benefits payable to pensioners			**103**	**(34)**

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	
	2015-16	2014-15	2015-16	2014-15
Present value of the defined benefit obligation	(135,919)	(146,612)	(1,756)	(1,734)
Fair value of scheme assets	84,318	86,499	0	0
Sub-total	(51,601)	(60,113)	(1,756)	(1,734)
Other movements in the liability (asset):				
Less capital contribution to early retirement included in scheme assets	0	(14)	0	0
Liability for cost of early retirement shown separately under creditors in the balance sheet	0	12	0	0
Net liability arising from the defined benefit obligation	**(51,601)**	**(60,115)**	**(1,756)**	**(1,734)**

Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension Scheme £,000		Discretionary Benefits Arrangements £,000	
	2015-16	2014-15	2015-16	2014-15
Opening fair value of scheme assets	**86,499**	**77,615**	**0**	**0**
Interest income	2,755	3,329	0	0
Remeasurement gain/(loss):				
The return on scheme assets, excluding the amount included in the net interest expense	(4,127)	5,858	0	0
The effect of changes in foreign exchange rates				
Contributions from employer	2,800	2,925	0	0
Contributions from employees into the scheme	708	707	0	0
Benefits paid	(4,317)	(3,935)	(103)	(84)
Contributions in respect of unfunded benefits	0	0	103	84
Closing fair value of scheme assets	**84,318**	**86,499**	**0**	**0**

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

	Funded Liabilities: Local Government Pension Scheme £,000		Unfunded Liabilities: Discretionary Benefits £,000	
	2015-16	**2014-15**	**2015-16**	**2014-15**
Opening balance at 1 April	**(146,612)**	**(123,835)**	**(1,734)**	**(2,022)**
Current Service cost:	(3,298)	(2,893)	0	0
Interest cost	(4,741)	(5,402)	0	0
Contributions from scheme participants	(708)	(707)	0	0
Remeasurement (gains) and losses:				
Actuarial gains/losses arising from demographic assumptions	0	0	0	0
Actuarial gains/losses arising from changes in financial assumptions	13,311	(18,884)	0	0
Other	1,812	1,174	(125)	322
Past service cost:				
Losses/(gains) on curtailment	0	0	0	(118)
Benefits paid	4,317	3,935	103	84
Closing balance at 31 March	**(135,919)**	**(146,612)**	**(1,756)**	**(1,734)**

Local Government Pension Scheme Assets comprised:

		Fair value of scheme assets 2015-16 £,000	2014-15 £,000
1	Cash and cash equivalents	1,727.1	2,592.0
1 & 2	Equity securities (by industry type):		
	Consumer	1,969.4	8,567.1
	Manufacturing	1,647.6	5,302.9
	Energy and Utilities	1,437.8	2,437.0
	Financial Institutions	3,121.2	7,074.3
	Health and care	1,343.5	4,211.3
	Information Technology	676.9	3,910.9
	Other	0.0	0.0
	Sub-total equity	10,196.4	31,503.5
	Private equity:		
3	All (UK & Overseas)	6,555.3	6,132.6
	Sub-total private equity	6,555.3	6,132.6
3	Investment funds and Unit Trusts		
	Equities	45,822.3	26,646.8
	Bonds	12,758.8	13,188.7
	Other	7,258.1	6,435.4
	Sub-total other investment funds	65,839.2	46,270.9
	Total assets	**84,318.0**	**86,499.0**

1 *All scheme assets have quoted prices in active markets*
2 *The risk relating to assets in the scheme are also analysed percentage of total assets below:*
3 *Quoted prices not in active markets*

	Fair value of scheme assets 2015-16 %	2014-15 %
Equity instruments		
Equity Securities	12%	36%
Private equity	8%	7%
Investment funds and Unit Trusts	78%	54%
Sub-total equity instruments	98%	97%
Cash and cash equivalents	2%	3%
	100%	100%

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	
	2015-16	**2014-15**
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	4.2%	4.3%
Rate of increase in pensions	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	3.2%

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 2016:	
	Increase in Assumption £,000	Increase in Employer Liability %
Longevity (increase or decrease in year 1)	4,130	3%
Rate of increase in salaries (increase by 0.5%)	3,918	3%
Rate of increase in pensions (increase by 0.5%)	9,959	7%
Rate for discounting scheme liabilities (increase by 0.5%)	14,085	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 was 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 2016-17 are £3,023,000. In addition, the employer has contributed approximately £878,584 in 2015-16 to the past service pension deficit.

22 Events after the Balance Sheet Date

The un-audited Statement of Accounts were authorised for issue by the Executive Director – Corporate Services on 24 June 2016. This is the date up to which events after the balance sheet have been considered.

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 2015-16 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 Councils group accounts, beginning on page 97.

In 2015-16, 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 2015-16.

The Council has no operating leases. Payments of £739,343 in respect of vehicle contract hire were made in 2015-16 (£858,226 in 2014-15).

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

	2015-16	**2014-15**
	£,000	**£,000**
Not later than one year	590	694
Later than one year and not later than five years	40	630
	630	**1,324**

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 £102,547 charged to revenue in 2015-16 was charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the net expenditure of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	Intangible Assets 2015-16 £,000	**Intangible Assets 2014-15 £,000**
Balance at start of year		
Gross carrying amount	718	650
accumulated amortisation	(464)	(366)
Net carrying amount at start of year	**254**	**284**
Additions		
Purchases	102	68
Amortisation for the period	(123)	(98)
Net carrying amount at end of year	**233**	**254**
Comprising:		
Gross carrying amounts	820	718
Accumulated depreciation	(587)	(464)
	233	**254**

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:

	2015-16 £,000	2014-15 £,000
Council dwellings		
Impairment	124	2,340
Charge to Revaluation Reserve	(2,069)	(392)
Reversal	(5,498)	(20,729)
Other Land and Buildings		
Impairment	173	309
Charge to Revaluation Reserve	(58)	(114)
Reversal	(192)	(709)
Infrastructure		
Impairment	0	102
Surplus assets held for sale		
Impairment	31	
Charge to Revaluation Reserve	(153)	
Reversal	124	(322)
Surplus assets not held for sale		
Impairment	12	0
Charge to Revaluation Reserve	(12)	0
Reversal	(15)	(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 – 13/54 years,
Buildings other than dwellings – 8/40 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 2015-16

	Council dwellings £,000	Other land and buildings £,000	Vehicles, Plant and Equipment £,000	Infrastructure assets £,000	Surplus Assets held not for sale £,000	Total Property Plant and Equipment £,000
Cost or valuation						
At 1 April 2015	**447,601**	**24,013**	**6,867**	**906**	**519**	**479,906**
adjustment	2	1			(1)	**2**
Inter-asset transfer	0	(354)	0	0	(386)	**(740)**
Additions	6,299	1,998	566	589	0	**9,452**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	23,807	912	0	0	19	**24,738**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	1,944	(115)	0	0	0	**1,829**
Derecognition-disposals	(3,031)	(51)	0	0	0	**(3,082)**
At March 2016	**476,622**	**26,404**	**7,433**	**1,495**	**151**	**512,105**
Accumulated Depreciation and impairment						
At 1 April 2015	**0**	**(399)**	**(4,008)**	**(86)**	**0**	**(4,493)**
Depreciation Charge	(13,601)	(404)	(520)	(28)	0	**(14,553)**
Depreciation written out to the Revaluation Reserve	2,349	35	0	0	0	**2,384**
Depreciation written out to the Surplus/Deficit on the Provision of Services	11,252	404	0	0	0	**11,656**
Derecognition-disposals	0	0	0	0	0	**0**
At March 2016	**0**	**(364)**	**(4,528)**	**(114)**	**0**	**(5,006)**
Net Book Value						
At March 2015	**447,601**	**23,614**	**2,859**	**820**	**519**	**475,413**
At March 2016	**476,622**	**26,040**	**2,905**	**1,381**	**151**	**507,099**

Property, Plant and Equipment for the financial year 2014-15

	Council dwellings £,000	Other land and buildings £,000	Vehicles, Plant and Equipment £,000	Infrastructure assets £,000	Surplus Assets held not for sale £,000	Total Property Plant and Equipment £,000
Cost or valuation						
At 1 April 2014	**373,360**	**22,122**	**5,988**	**95**	**91**	**401,656**
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)**
At March 2015	**447,601**	**24,013**	**6,867**	**906**	**519**	**479,906**
Accumulated Depreciation and impairment						
At 1 April 2014	**0**	**(407)**	**(3,532)**	**(79)**	**0**	**(4,018)**
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**
At March 2015	**0**	**(399)**	**(4,008)**	**(86)**	**0**	**(4,493)**
Net Book Value						
At March 2014	**373,360**	**21,715**	**2,456**	**16**	**91**	**397,638**
At March 2015	**447,601**	**23,614**	**2,859**	**820**	**519**	**475,413**

Surplus assets held for sale

	Assets held for sale 2015-16 £,000	Assets held for sale 2014-15 £,000
Cost or valuation		
At 1 April	**445**	**807**
Inter-asset transfer	354	0
Additions	983	724
Revaluation increases / (decreases) recognised in the Revaluation Reserve	277	1,292
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	122	0
Derecognition-disposals	(430)	(2,378)
At March	**1,751**	**445**
Accumulated impairment		
At 1 April	**0**	**0**
Impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0
Impairment losses/ (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0
At March	**0**	**0**
Net Book Value		
Opening balance	**445**	**807**
Closing balance	**1,751**	**445**

Assets under Construction

	Assets under Construction 2015-16 £,000	Assets under Construction 2014-15 £,000
Cost or valuation		
At 1 April	**0**	**0**
Inter-asset transfer	386	0
Additions	3,040	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	31	0
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0
Derecognition-disposals	0	0
At March	**3,457**	**0**
Accumulated impairment		
At 1 April	**0**	**0**
Impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0
Impairment losses/ (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0
At March	**0**	**0**
Net Book Value		
Opening balance	**0**	**0**
Closing balance	**3,457**	**0**

Heritage Assets

Heritage assets are those assets that are intended to be held in trust for future generations because of their cultural, environmental or historical associations and include historical buildings, civic regalia and works of art.
Heritage assets held include St Denys' Church, East Hatley which is owned and maintained by the Council and is included in the Council's accounts at insurance valuation, 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.

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 reviewed by him as at 31 March 2016 and

b) Other land and buildings and valued as at 31 March 2015 by Mr Paul Gedge, MRICS, District Valuer, East of England, and reviewed by him as at 31 March 2016.

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:

	31 March 2016 (numbers)	**31 March 2015 (numbers)**
Council dwellings (HRA & GF)	5,380	5,412
Offices/communal rooms	48	48
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	12 hectares	12 hectares
- Foxton	4.405 sq.m	
- Swavesey	1.3 hectares	1.3 hectares

Capital commitments as at 31 March 2016 were £2.496 million on Housing and £0.487 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:

	2015-16 £,000		2014-15 £,000	
Opening capital financing requirement		**208,996**		**209,060**
Expenditure				
Intangible assets	102		68	
Non-current assets	13,478		14,581	
Revenue funded from capital under statute (REFCUS)	1,030		1,055	
Financing				
Capital Receipts and contributions	(3,171)		(2,517)	
Revenue	(2,541)		(5,750)	
Grant and Reserves	(1,707)		(1,641)	
Major Repairs Allowance	(6,260)		(5,659)	
Minimum Revenue Provision	(317)		(201)	
		614		(64)
Internal financing from Housing capital receipts		0		0
Closing capital financing requirement		**209,610**		**208,996**
Increase/(decrease) in underlying need to borrow		614		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.

	2015-16 £,000	2014-15 £,000
Balance as at 1 April	**0**	**0**
Improvement Grants	785	743
Other	245	312
Written out	(1,030)	(1,055)
Balance as at 31 March	**0**	**0**

29 Inventories

The Council's inventories at 31 March 2016 were £71,514 (£53,139 in 2014-15) comprising primarily refuse and recycling bins and sacks, catering and postage.

30 Short Term Debtors

	31 March 2016 £,000	31 March 2015 £,000
Government Departments - other	1,054	665
Government Departments - Business Rates(net)	1,089	0
Council Tax	159	174
Business rates	230	200
Housing Rents	448	462
Cambridgeshire County Council	1,258	74
Cambridgeshire Police & Crime Commissioner	139	0
Cambridgeshire Fire Authority	71	0
Cambridge City Council	0	6
Sundry Debtors	5,993	4,939
	10,441	6,520
Provision for Doubtful Debts		
Council Tax -District Council share	(62)	(65)
Business Rates- District Council share	(362)	(321)
Housing	(369)	(369)
Sundry Debtors	(1,940)	(1,730)
	(2,733)	(2,485)
Total Debtors	**7,708**	**4,035**

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 2016 £,000	31 March 2015 £,000
Government Departments - other	(1,191)	(883)
Government Departments - Business Rates(net)	(3,725)	(1,283)
Council Tax	(114)	(118)
Business rates	(255)	(446)
Housing Rents	(293)	(642)
Cambridgeshire County Council	(2,495)	(1,641)
Cambridgeshire Police & Crime Commissioner	(224)	(188)
Cambridgeshire Fire Authority	(154)	(92)
Cambridge City Council	(510)	(58)
Huntingdonshire District Council	(469)	0
Sundry Creditors	(4,165)	(5,649)
Developers Contributions	(2,943)	(2,714)
Total Debtors	**(16,538)**	**(13,714)**

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 2015 £,000	Movement during year £,000	Balance at 31 March 2016 £,000
Capital			
Commuted Sums	(82)	0	(82)
Partnership works on Awarded Watercourses	(251)	(1)	(252)
Drainage	(21)	(6)	(27)
Affordable Housing S106	(1,977)	(244)	(2,221)
Revenue			
Sustainability S106 Orchard Park	(54)	0	(54)
Public Art S106 Orchard Park	(50)	0	(50)
Community Development S106	(11)	0	(11)
Electoral Arrangements	(71)	(19)	(90)
Waste Management	(197)	41	(156)
	(2,714)	**(229)**	**(2,943)**
Capital	(2,331)	(251)	(2,582)
Revenue	(383)	22	(361)
	(2,714)	**(229)**	**(2,943)**

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 £243,041 as shown in the Balance Sheet and Note12.

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 £2.7m has been recognised in the 2015-16 accounts, and the in-year movement is shown in Note 35.

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 294 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 95 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 sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the property search companies legal costs to be subject to detailed assessment by way of costs only proceedings if not agreed. The Council is in discussions with the claimants about the costs aspect of the claim. At present it is not possible to put a final value on these potential liabilities and so the Council has instead recognised a contingent liability of £181,927, a provision for this amount has been included in the service account.

4. NHS Trusts in the District have indicated their intention to lodge an application for mandatory business relief, if successful this will impact the business rate income received by the Council, the associated risk has been recognised as a contingent liability but, at this time is not quantifiable as the detail of the application is not yet known.

34 Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015-16.

	2015-16 £,000	2014-15 £,000
Credited to services		
Department for Work and Pensions		
Housing Benefit Administration, Discretionary and Fraud	(27,953)	(27,855)
Cabinet Office		
Electoral registration	(40)	(100)
Department for Environment, Food and Rural Affairs		
Section 31 Grant	0	(5)
Department of Communities and Local Government		
NNDR Cost of Collection Allowance	(221)	(220)
Council tax /Business Rates	(38)	(320)
Improvement Grant	(312)	(257)
Other grant	(342)	(645)
Cambridgeshire County Council		
Other contributions	0	(21)
Homes and Communities Agency		
Growth Agenda/ New Communities	(1,104)	(753)
Private Sector		
S106 contributions	(29)	(6)
Other	(190)	(243)
Contributions from other authorities	0	(1)
	(30,229)	**(30,426)**
Credited to Taxation and Non-specific Grant Income		
Department of Communities and Local Government		
Revenue Support Grant	(1,830)	(2,608)
New Homes Bonus	(4,216)	(3,201)
Other non-ringfenced Government Grant	(2,972)	(74)
	(9,018)	**(5,883)**

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 £328,752 as at 31 March 2016 (£328,752 in 2014-15).

Categories of Financial Instrument

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

	Long Term		Current	
	31 March 2016 £,000	**31 March 2015 £,000**	**31 March 2016 £,000**	**31 March 2015 £,000**
Investments				
Loans, shares and receivables	2,599	50	46,931	38,678
Debtors				
Loans and receivables	972	455	7,909	5,800
Borrowings				
Long term borrowing	(205,123)	(205,123)	0	0
Creditors and receipts in advance				
Financial liabilities at amortised cost	0	0	(8,072)	(7,368)
	(201,552)	**(204,618)**	**46,768**	**37,110**

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.

	2015-16		2014-15	
	Financial liabilities at amortised cost £,000	**Financial Assets, loans & receivables £,000**	**Financial liabilities at amortised cost £,000**	**Financial Assets, loans & receivables £,000**
Interest expense	7,193	0	7,193	0
Total expense in surplus or deficit on the provision of services	**7,193**	**0**	**7,193**	**0**
Interest income		(740)	0	(423)
Total income in surplus or deficit on the provision of services	**0**	**(740)**	**0**	**(423)**

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 2.21% to 1.99% (2.41% to 2.34% at 31 March 2015) 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 2016		31 March 2015	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£,000	**£,000**	**£,000**	**£,000**
Financial liabilities at amortised cost				
Creditors and receipts in advance	(8,072)	(8,072)	(7,368)	(7,368)
Long term borrowing	(205,123)	(269,019)	(205,123)	(266,777)
Loans and receivables				
Current debtors	7,909	7,909	5,800	5,800
Current investments	46,931	46,931	38,678	38,678
Long term investments	2,599	2,599	50	50

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 £10.0 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:

Provisions	**Business Rates Appeals £,000**	**Customer Debt £,000**	**Other Debtors £,000**	**Total £,000**
Balance at 1 April	**(1,663)**	**(1,730)**	**(755)**	**(4,148)**
Additional provisions	(2,575)	(214)	(78)	(1,849)
Amounts used	1,560	4	40	1,448
Balance at 31 March	**(2,678)**	**(1,940)**	**(793)**	**(4,549)**

The Council does not normally extend credit beyond 21 days. At 31 March 2016, of the total debtor balance of £10.4 million (£6.8 million at 31 March 2015), the past due amount was £0.92 million and can be analysed as follows:

Customer Debts	**31 March 2016 £,000**	**31 March 2015 £,000**
Less than 3 months	820	345
More than 3 months	99	150
Balance at 31 March	**919**	**495**

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.

	31 March 2016 £`000	**31 March 2015 £`000**
Local Authorities	0	2,007
Ermine Street Housing	11,297	4,102
Clearing Banks	20,587	22,586
Subsidiaries of Clearing Banks	0	0
Banks, other	2,511	2,514
Money Market Funds	2,652	872
Building Societies with assets:		
greater than £10,000 million	16,085	11,541
Government Securities and Equity Shares	50	50
	53,182	43,672
Less:		
Cash and cash equivalents	(3,652)	(872)
Total	49,530	42,800
Principal Investments analysed by maturity		
2015/16	0	42,571
2016/17	46,713	0
2020/21	2,542	0
Government Securities and Equity Shares	50	50
	49,305	42,621
Accrued interest	225	179
	49,530	42,800

37 Long Term Liabilities

	Note	2015-16 £,000	2014-15 £,000
Liability related to defined benefit pension scheme	**21**	(53,357)	(61,849)
Deferred Liability -Pension		0	(11)
		(53,357)	**(61,860)**
Borrowing for HRA Self Financing		(205,123)	(205,123)
		(258,480)	**(266,983)**

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:

Financial Instrument - PWLB loan	**£,000**
Repayable within 25 years	45,000
Repayable within 30 years	50,000
Repayable within 35 years	50,000
Repayable within 40 years	50,000
Repayable within 45 years	10,123
Total commitment	**205,123**

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.

		2015-16	**2014-15**
INCOME		**£,000**	**£,000**
Dwelling Rents (Gross)		(28,575)	(27,977)
Non-dwelling Rents (Gross)		(387)	(381)
Charges for Services and Facilities		(1,409)	(1,402)
Contributions towards expenditure			
General Fund		(94)	(138)
Other Sources		(9)	(193)
Total Income		(30,474)	(30,091)
EXPENDITURE			
Repairs and Maintenance		3,864	4,065
Supervision and Management			
General		1,908	1,891
Repairs and Maintenance		1,083	1,116
Special Services		2,136	2,186
Rent, Rates and Other Charges		202	192
Depreciation and impairment of Non-Current Assets	Notes 42 & 43	8,128	(7,874)
Treasury Management Costs		34	25
Increased/(Decreased) Provision for Bad or Doubtful Debt		70	83
Total Expenditure		17,425	1,684
Net Expenditure or Income of HRA Services as included in the whole authority			
Income and Expenditure Account		**(13,049)**	**(28,407)**
HRA services share of Corporate and Democratic Core		618	525
Mortgage Interest		0	0
Net Expenditure or Income of HRA Services		**(12,431)**	**(27,882)**
Loss/(Gain) on sale of HRA non-current assets	Note 5	(895)	(2,066)
Interest payable on Self Financing Debt	Note 8	7,193	7,193
Interest and Investment Income		(120)	(49)
Pensions Interest Cost and Expected Return on Pension Assets		389	418
Capital grants and contributions	Note 5	0	(175)
Deficit/(surplus) for the year on HRA services		**(5,864)**	**(22,561)**

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	2015-16 £,000	2014-15 £,000
(Surplus)/deficit for the year on the HRA Income and Expenditure Account		(5,864)	(22,561)
Amount by which officer remuneration on an accruals basis is different from remuneration chargeable by statute		3	(4)
Impairment taken to Capital Adjustment Account		5,537	18,694
(Loss)/gain on sale of HRA non-current assets		895	2,066
HRA share of contributions to the Pensions Reserve		(487)	(435)
Transfer from Major Repairs Reserve/Capital Asset Accounting Adjustment		(7,405)	(5,162)
Capital expenditure funded by the Housing Revenue Account		2,351	5,617
Adjustments between accounting basis and funding basis under statute	**5**	0	175
Net increase or decrease before transfers to or from reserves		(4,970)	(1,610)
Transfer to reserves		75	925
Decrease/(increase) in the Housing Revenue Account balance for the year		(4,895)	(685)
Housing Revenue Account balance brought forward		(3,178)	(2,493)
Housing Revenue Account balance carried forward		**(8,073)**	**(3,178)**

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.

	Business Rates 2015-16 £,000	Council Tax 2015-16 £,000	Total 2015-16 £,000	Business Rates 2014-15 £,000	Council Tax 2014-15 £,000	Total 2014-15 £,000
Income						
Council Tax Receivable	0	(95,222)	(95,222)	0	(92,606)	(92,606)
Business Rates Receivable	(70,560)		(70,560)	(67,999)		(67,999)
	(70,560)	(95,222)	(165,782)	(67,999)	(92,606)	(160,605)
Expenditure						
Apportionment of previous years surplus/ (deficit)						
Central Government	(1,803)	0	(1,803)	(2,788)	0	(2,788)
Cambridgeshire County Council	(324)	805	481	(502)	369	(133)
Cambridgeshire & Peterborough Fire Authority	(36)	46	10	(56)	21	(35)
Cambridgeshire Police and Crime Commissioner	0	130	130	0	60	60
South Cambridgeshire District Council	(1,442)	143	(1,299)	(2,231)	65	(2,166)
	(3,605)	1,124	(2,481)	(5,577)	515	(5,062)
Precepts, Demands and Shares						
Central Government	34,979	0	34,979	33,827	0	33,827
Cambridgeshire County Council	6,296	68,289	74,585	6,089	65,345	71,434
Cambridgeshire & Peterborough Fire Authority	700	3,835	4,535	676	3,742	4,418
Cambridgeshire Police and Crime Commissioner	0	10,823	10,823	0	10,562	10,562
South Cambridgeshire District Council	27,984	7,479	35,463	27,062	7,156	34,218
Special Expenses- Parish Precepts	0	4,554	4,554	0	4,406	4,406
	69,959	94,980	164,939	67,654	91,211	158,865
Charges to Collection Fund						
Write offs of uncollectable amounts	28	87	115	358	77	435
Increase/ (Decrease) in bad debt provision	66	(33)	33	(78)	54	(24)
Increase/(Decrease) in Provision for Appeals	2,536	0	2,536	158	0	158
Cost of Collection	221	0	221	220	0	220
Disregarded Amounts	675	0	675	0	0	0
	3,526	54	3,580	658	131	789
(Surplus)/ Deficit arising during the year	**(680)**	**936**	**256**	**(5,264)**	**(749)**	**(6,013)**
(Surplus)/ Deficit at brought forward 1 April	2,284	(1,556)	728	7,548	(807)	6,741
(Surplus)/ Deficit at carried forward 31 March	**1,604**	**(620)**	**984**	**2,284**	**(1,556)**	**728**

Collection Fund balance:

Attribution of (surplus) / deficit carried forward:

	Business Rates 2015-16 £,000	Council Tax 2015-16 £,000	Total 2015-16 £,000	Business Rates 2014-15 £,000	Council Tax 2014-15 £,000	Total 2014-15 £,000
Proportional split						
Central Government	802	0	802	1,142	0	1,142
Cambridgeshire County Council	144	(446)	(302)	206	(1,116)	(910)
Cambridgeshire Police and Crime Commissioner	0	(70)	(70)	0	(179)	(179)
Cambridgeshire and Peterborough Fire Authority	16	(25)	(9)	22	(64)	(42)
	962	(541)	421	1,370	(1,359)	11
District Council	642	(79)	563	914	(197)	717
Deficit/(Surplus)	**1,604**	**(620)**	**984**	**2,284**	**(1,556)**	**728**

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 2016 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 2015	Conversions/ transfers during year	Additions during year	Disposals/ adjustments during year	As at 31 March 2016
1 Bedroom	1,077	(10)	0	(3)	1,064
2 Bedroom	2,307	(1)	2	(6)	2,302
3 Bedroom	1,896	(1)	0	(16)	1,879
4 or more bedrooms	77	(2)	0	(2)	73
	5,357	**(14)**	**2**	**(27)**	**5,318**

Disposals	
Right to Buy	23
Equity Share	1
Other	3
	27

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

	31 March 2016 Asset value £,000	31 March 2016 Depreciation £,000	31 March 2015 Asset value £,000	31 March 2015 Depreciation £,000
Property, Plant and Equipment				
Council Dwellings (HRA only)	476,622	(13,601)	447,601	(10,789)
Depreciation adjustment on revaluation		13,601		10,789
Other Land and Buildings	5,880	(64)	6,037	(24)
Depreciation adjustment on revaluation		64		24
Surplus assets held, not for sale	151	0	519	0
Infrastructure	100	0	0	0
	482,753	0	454,157	0

In 2015-16, 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 2016, based on vacant possession, was £1,222,107,481.

39 Capital expenditure, financing and receipts

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

	2015-16 £		2014-15 £,000	
Opening capital financing requirement		**204,429**		**204,429**
Expenditure				
Acquisition of land	183		386	
New build - dwellings	2,889		102	
Acquisition of existing dwellings	7		2,296	
Improvement of housing stock and other buildings	6,621		9,331	
Financing				
Capital Receipts and contributions	(1,143)		(898)	
* Revenue	(2,297)		(5,558)	
Grant and Reserves	0		0	
Major Repairs Allowance	(6,260)		(5,659)	
GF Internal Financing	0		0	
		0		0
Closing capital financing requirement		**204,429**		**204,429**

*In addition, £54,388 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:

	2015-16 £,000	2014-15 £,000
Sale of Land	0	437
Sale of dwellings		
Right to Buy	3,179	3,249
Other	641	732
	3,820	**4,418**

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.

Operational assets	**2015-16** **£,000**	**2014-15** **£,000**
Impairment charged to Housing Revenue Income and Expenditure Account (net)	(7,329)	(18,675)
Impairment charged to Revaluation Reserve	2,115	481
Non operational assets		
Impairment charged to Housing Revenue Income and Expenditure Account (net)	(13)	(19)
Impairment charged to Revaluation Reserve	12	0
	(5,215)	**(18,213)**

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.

	2015-16 £,000	2014-15 £,000
Balance at 1 April	**0**	**0**
Transfer to Capital Adjustment Account	(13,665)	(10,813)
Amount transferred to Statement of Movement on the HRA balance	7,405	5,154
HRA Capital expenditure charged to Major Repairs Reserve	6,260	5,659
Balance at 31 March	**0**	**0**

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 2016 £`000	As at 31 March 2015 £`000
Arrears	£448	£427
Arrears as a percentage of gross rents collectable	1.49%	1.47%
Provision for uncollectable amounts	£300	£300

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	181.0	5/9	100.6
A	Upto £40,000	1,397.7	6/9	931.8
B	£40,001 - £52,000	4,946.6	7/9	3,847.4
C	£52,001 - £68,000	15,851.2	8/9	14,090.0
D	£68,001 - £88,000	11,703.8	9/9	11,703.8
E	£88,001 - £120,000	9,954.8	11/9	12,167.0
F	£120,001 - £160,000	6,886.7	13/9	9,947.5
G	£160,001 - £320,000	3,931.9	15/9	6,553.2
H	More than £320,000	349.8	18/9	699.6
		55,203.5		60,040.7

Assumed rate of collection	99.6%		
Tax base for tax setting purposes (number of Band D equivalent dwellings)			59,680.4
Tax rate for a Band D property			£1,591.48
Estimated income due			£94,980,231
Actual income due			
Net of write offs and provisions		£95,168,281	
			£95,168,281
Difference in income due to variations in tax base and rate of collection			£188,050

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 2016 was £183,099,494 and the standard uniform rate was 49.3 pence in the £, and the small business uniform rate 48.0 pence in the £.

Group Accounts

For South Cambridgeshire District Council and South Cambs Limited

Group Accounts for the year ended 31 March 2016

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 24.

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.

Accounting Policies

South Cambs Ltd, trading as Ermine Street Housing, has prepared 2015-16 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

This statement shows the movement in the year on the different reserves held by the authority and South Cambs Ltd, 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 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 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.

	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)	South Cambs Ltd Usable £,000	**Total Usable Reserves £,000** (Note 11)	South Cambs Ltd Unusable £,000	Unusable Reserves £,000 (Note 12)	**Total Unusable Reserves £,000**	**Total Authority Reserves £,000**
Balance as at 31st March 2015	**(10,253)**	**(6,146)**	**(3,178)**	**(9,425)**	**(6,364)**	**(433)**	**96**	**(35,703)**	**0**	**(205,209)**	**(205,209)**	**(240,912)**
Movement in reserves during 2015-16												
Deficit / (Surplus) on provision of services (accounting basis)	(3,674)		(5,864)	0	0	0	(617)	**(10,155)**	0	0	**0**	**(10,155)**
Other comprehensive expenditure and income	0	0	0	0	0	0	0	**0**	0	(47,131)	**(47,131)**	**(47,131)**
Total comprehensive income and expenditure	(3,674)	0	(5,864)	0	0	0	(617)	**(10,155)**	0	(47,131)	**(47,131)**	**(57,286)**
Adjustments between accounting basis and funding basis under regulations	(1,433)	0	894	0	(2,126)	0	0	**(2,665)**	0	2,665	**2,665**	**0**
Net (increase) / decrease before transfers to earmarked reserves	(5,107)	0	(4,970)	0	(2,126)	0	(617)	**(12,820)**	0	(44,466)	**(44,466)**	**(57,286)**
Transfers (to) / from earmarked reserves	4,773	(4,773)	75	(75)	0	0	0	**0**	0	0	**0**	**0**
Increase / Decrease in year	(334)	(4,773)	(4,895)	(75)	(2,126)	0	(617)	**(12,820)**	0	(44,466)	**(44,466)**	**(57,286)**
Balance as at 31st March 2016	**(10,587)**	**(10,919)**	**(8,073)**	**(9,500)**	**(8,490)**	**(433)**	**(521)**	**(48,523)**	**0**	**(249,675)**	**(249,675)**	**(298,198)**

This statement shows the movement in the year on the different reserves held by the authority and South Cambs Ltd, 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 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 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.

	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)	South Cambs Ltd Usable £,000	**Total Usable Reserves** £,000 (Note 11)	South Cambs Ltd Unusable £,000	Unusable Reserves £,000 (Note 12)	**Total Unusable Reserves £,000**	**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**	**(139,193)**	**(139,193)**	**(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	0	**0**	**(24,025)**
Other comprehensive expenditure and income*	0	0	0	0	0	0	0	**0**	0	(47,213)	**(47,213)**	**(47,213)**
Total comprehensive income and expenditure	(1,557)	0	(22,564)	0	0	0	96	**(24,025)**	0	(47,213)	**(47,213)**	**(71,238)**
Adjustments between accounting basis and funding basis under regulations*	494	0	20,953	0	(2,795)	151	0	**18,803**	0	(18,803)	**(18,803)**	**0**
Net (increase) / decrease before transfers to earmarked reserves	(1,063)	0	(1,611)	0	(2,795)	151	96	**(5,222)**	0	(66,016)	**(66,016)**	**(71,238)**
Transfers (to) / from earmarked reserves	1,997	(1,997)	925	(925)	0	0	0	**0**	0	0	**0**	**0**
(Increase) / Decrease in year	934	(1,997)	(686)	(925)	(2,795)	151	96	**(5,222)**	0	(66,016)	**(66,016)**	**(71,238)**
Balance as at 31st March 2015	(10,253)	(6,146)	(3,178)	(9,425)	(6,364)	(433)	96	**(35,703)**	0	(205,209)	**(205,209)**	**(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 Gross Expenditure £,000	2014-15 Gross Income £,000	2014-15 Net Expenditure £,000		2015-16 Gross Expenditure £,000	2015-16 Gross Income £,000	2015-16 Net Expenditure £,000
			Expenditure on services			
2,978	(92)	2,886	Corporate and Democratic Core	3,861	(114)	3,747
2,137	(1,216)	921	Central Services to the Public	2,807	(1,060)	1,747
			Cultural, Environmental and Planning Services			
637	(29)	608	Cultural and Related Services	864	(227)	637
7,656	(2,214)	5,442	Environmental Services	7,285	(2,465)	4,820
5,088	(2,540)	2,548	Planning and Development Services	5,037	(2,317)	2,720
81	(19)	62	Highways, Roads and Transport Services	80	(8)	72
			Non HRA Housing			
468	(39)	429	Personal Social Services	405	(73)	332
29,314	(29,106)	208	Housing Benefit and Administration	30,191	(29,858)	333
980	(349)	631	Private Sector Housing Renewal	944	(369)	575
26	0	26	Supporting People	24	(21)	3
722	(894)	(172)	Other Non HRA Housing Services Expenditure	1,585	(1,065)	520
136	0	136	Other Contributions to/from HRA	94	0	94
34	0	34	Non -distributed Costs	(103)	0	(103)
50,257	(36,498)	13,759	General Fund Services-Continuing operations	53,074	(37,577)	15,497
1,684	(30,091)	(28,407)	Housing Revenue Account Services	17,425	(30,474)	(13,049)
51,941	(66,589)	(14,648)	**Net cost of services**	70,499	(68,051)	2,448
		2,924	Other operating expenditure			3,672
		8,843	Financing and investment income and expenditure			8,439
		(21,580)	Taxation and non-specific grant income			(24,740)
		(24,461)	**Surplus or deficit on the provision of services**			**(10,181)**
		(58,306)	**(Surplus)/deficit on revaluation of non-current assets**			(36,234)
		11,530	**Actuarial (gain)/loss on pension assets and liabilities**		Note 21	(10,871)
		(71,237)	**Total comprehensive income and expenditure**			**(57,286)**

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’.

	31 March 2016 £,000	**31 March 2015 £,000**
Property, Plant and Equipment	507,906	475,413
Intangible Assets	233	254
Assets under Construction	3,457	0
Investment Properties	10,141	3,340
Long Term Investments	50	50
Long Term Debtors	972	455
Long Term Assets	**522,759**	**479,512**
Short Term Investments	38,222	38,678
Inventories	515	807
Short Term Debtors	8,700	4,037
Cash and Cash Equivalents	6,039	1,197
Assets held for sale	944	445
Current Assets	**54,421**	**45,164**
Cash and cash equivalents	(983)	(1,023)
Short Term Creditors	(16,543)	(13,816)
Provisions	(2,921)	(1,910)
Tax	(56)	0
Current Liabilities	**(20,503)**	**(16,749)**
Other Long Term Liabilities	(53,356)	(61,892)
Long Term Borrowing	(205,123)	(205,123)
Long Term Liabilities	**(258,479)**	**(267,015)**
Net Assets	**298,198**	**240,912**
Usable reserves	(48,524)	(35,703)
Unusable reserves	(249,674)	(205,209)
Total Reserves	**(298,198)**	**(240,912)**

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.

	Note	2015-16 £,000	2014-15 £,000
Cash Flows from operating activities			
Cash receipts		(86,274)	(89,674)
Cash payments		59,606	65,754
Net cash flows from Operating Activities	6	(26,668)	(23,920)
Investing Activities	7	13,906	23,847
Financing Activities		7,879	1,830
Net increase or decrease in cash and cash equivalents		(4,883)	1,757
Cash and cash equivalents at the beginning of the reporting period		(174)	(1,931)
Cash and cash equivalents at the end of the reporting period		**(5,057)**	**(174)**

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.

2 Investment Properties

The group balance sheet includes properties which have been purchased by South Cambs Ltd for the purpose of earning rentals or for capital appreciation or both, properties for refurbishment, improvement and resale are classified as stock in hand and are included within Inventories.

The Council carries out a programme that ensures that all Investment Property, 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:

Investment Property assets relating to South Cambs Limited as at 31 March 2016 by Mr Paul Gedge, MRICS, District Valuer, East of England

Rental income of £0.60m has been received in respect of Investment Properties and has been recognised in the company Income and Expenditure Account.

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.

	2015-16	2014-15
Investment Properties	**£`000**	**£`000**
At 1 April	**3,340**	**0**
Additions	6,261	3,340
Revaluation increases / (decreases) recognised in the Income & Expenditure Account	540	0
De recognition-disposals	0	0
Other movements in cost or valuation and inter-asset transfer	0	0
At 31 March	**10,141**	**3,340**
Net Realisable Value		
At 1 April	**3,340**	**0**
At 31 March	**10,141**	**3,340**

3 Loans and Investments

The Council has undertaken fixed term investments of £11.26m 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.

	31 March 2016 £`000	31 March 2015 £`000
Local Authorities	0	2,006
Clearing Banks	20,587	22,586
Banks, other	2,511	2,514
Money Market Funds	2,652	872
Building Societies with assets:		
greater than £10,000 million	16,085	11,540
Shares	50	
Government Securities	0	0
	41,885	39,518
Less:		
Cash and cash equivalents	(3,652)	(872)
Total	**38,233**	**38,646**
Principal Investments analysed by maturity		
2015/16	0	38,469
2016/17	37,998	0
Shares	50	50
Government Securities	0	0
	38,048	38,519
Accrued interest	185	179
	38,233	**38,698**

4 Inventories

South Cambs Limited has purchased properties for refurbishment and improvement prior to resale; these properties are recognised in the accounts at the lower of cost and net realisable value. Write down to the net realisable value is recognised as an expense in the period in which it occurs and, any reversal is recognised in the income statement in the period in which the reversal occurs. The company inventory is shown below.

Stock in hand	**2015-16** **£`000**	**2014-15** **£`000**
At 1 April	**754**	**0**
Additions	194	754
Write down recognised in the Income Account	0	0
Write down reversal recognised in the Income Account	0	0
De recognition-disposals	(504)	0
Other movements in cost or valuation and inter-asset transfer	0	0
At 31 March	**444**	**754**
Net Realisable Value		
At 1 April	**754**	**0**
At 31 March	**444**	**754**

The Council's inventories at 31 March 2016 were £71,514 (£53,139 in 2014-15) comprising primarily refuse and recycling bins and sacks, catering and postage.

5 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.

6 Operating Activities

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

	2015-16 £,000	2015-16 £,000	2014-15 £,000	2014-15 £,000
Housing Benefit grant	(27,891)		(27,531)	
Cash received for goods and services	(3,378)		(9,146)	
Housing rents	(29,083)		(28,160)	
Council tax receipts - Council and Parish share	(12,032)		(11,505)	
Business rates Council share	(3,933)		(4,313)	
Other grants and contributions	(3,029)		(2,645)	
Revenue Support Grant/New Homes Bonus	(6,046)		(5,809)	
Interest received	(740)		(423)	
Collection Fund -Council share	(142)	(86,274)	(142)	(89,674)
Housing Benefit	15,156		14,748	
Parish Precepts	4,554		4,406	
Cash paid to and on behalf of employees	14,553		16,385	
Other operating cash payments	22,274		26,505	
Revenue funded from capital under statute	1,030		1,055	
Payments to the Capital Receipts Pool	597		424	
Collection Fund -Council share	1,442	59,606	2,231	65,754
Net cash flows from operating activities		**(26,668)**		**(23,920)**

7 Investing Activities

The cash flows for Group investing activities include the following:

	2015-16 £,000	2014-15 £,000
Purchase of property, plant and equipment and intangible assets	19,626	17,989
Purchase of short term and long term investments	271,611	254,907
Proceeds from short term and long term investments	(272,066)	(243,306)
Proceeds from the sale of property, plant and equipment	(5,261)	(5,743)
Other receipts from investing activities	(4)	0
Investing Activities	**13,906**	**23,847**

Auditor's Opinion

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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