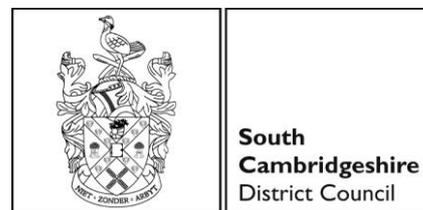


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1 July 2020

To: Chair – Councillor Tony Mason
Vice-Chair – Councillor Nick Sample
Members of the Audit and Corporate Governance Committee – Councillors
John Batchelor, Mark Howell, Brian Milnes, Heather Williams and Eileen Wilson

Quorum: 3

Substitutes: Councillors Nick Wright, Bunty Waters, Tom Bygott, Grenville Chamberlain,
Graham Cone, Clare Delderfield and Dawn Percival

Dear Councillor

You are invited to attend the next meeting of **AUDIT AND CORPORATE GOVERNANCE COMMITTEE**, which will be held in **VIRTUAL MEETING - ONLINE** at South Cambridgeshire Hall on **THURSDAY, 9 JULY 2020 at 3.00 p.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
Liz Watts
Chief Executive

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

AGENDA		PAGES
1. Apologies for Absence To receive Apologies for Absence from Committee members.		
2. Declarations of Interest		
3. Minutes of Previous Meeting To confirm the minutes of the meeting held on 19 December 2019 as a correct record.		1 - 4
AUDIT REPORTS		
4. Internal Audit Plan 2020-21		5 - 40

5. **External Audit Results Report 2017-18 - Addendum Update** 41 - 58

DECISION ITEMS

6. **Completion of the 2017/18 Audit of the Accounts** 59 - 132

7. **Regulation of Investigatory Powers Act 2000 (RIPA) Amendments to Policy & Update on use of RIPA** 133 - 194

INFORMATION ITEMS

8. **Matters of Topical Interest**

9. **Date of Next Meeting**

To note that the next meeting will be held on Tuesday 28 July at 9:30am.

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

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

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Banners, Placards and similar items

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

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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.

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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
Thursday, 19 December 2019 at 9.30 a.m.

PRESENT:	Councillor Tony Mason – Chairman Councillor Nick Sample – Vice-Chairman	
Councillors:	John Batchelor Brian Milnes	Mark Howell Eileen Wilson
Officers:	Patrick Adams Tracey Flack Daniel Hasler Peter Maddock	Senior Democratic Services Officer Principal Accountant Accountancy Assistant Head of Finance
Auditors:	Suresh Patel Mark Russell Jonathan Tully	Ernst & Young Ernst & Young Head of Shared Internal Audit

Councillors Bridget Smith and John Williams were in attendance, by invitation.

1. APOLOGIES FOR ABSENCE

Apologies for Absence were received from Councillor Peter Topping and Heather Williams. Councillor Mark Howell substituted for Councillor Peter Topping.

2. DECLARATIONS OF INTEREST

Councillor John Batchelor declared a non pecuniary interest as an unpaid Director of Ermine Street Housing.

3. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 24 September 2019 were agreed as a correct record.

Housing re-evaluation

Peter Maddock agreed to ascertain when the next housing re-evaluation would be taking place.

4. TREASURY MANAGEMENT - ANNUAL REPORT 2018/19

The Head of Finance introduced this report, which outlined the Treasury Management activities in the financial year 2018/19.

Short-term borrowing

It was noted that the £3m borrowed from other local authorities was a short-term loan and had been repaid. It was understood that the Council also transferred funds internally to use for capital expenditure. This was referred to as “internal borrowing” and was temporary. The rates from other local authorities were competitive and far better than the Public Works Loan Board (PWLB).

The Head of Finance explained that all external borrowing had been agreed on a fixed rate for 2018/19, as these rates had been and remained competitive.

Benchmarking

The Head of Finance reported that the Council's return on investments was better than the client average, but the level of risk was higher. The Head of Finance assured the Committee there was a balancing act between gaining the best returns from investing in the short-term funding and long-term, but currently the difference in rates was minimal.

The Committee **APPROVED** the Treasury Management Annual report.

5. MID-YEAR 2019/2020 TREASURY MANAGEMENT REPORT

The Head of Finance presented this agenda item on the mid-year treasury management report to 30 September 2019. It was noted that the Treasury Management Policy and Treasury Management Strategy Statement had been found to be appropriate and no changes were required.

Ice rink

It was noted that the Council had made a long-term investment in the Ice Rink at Milton. In response to a query from the Committee regarding the monitoring of the Ice Rink's performance, Councillor John Williams explained that the Council would receive a review after six months of the rink opening, which equated to approximately three months from the date of the meeting.

Public Loan Work Board (PLWB)

It was noted that the PLWB's rate for loans had increased from 1.3% to 2.3%, but a discount of 0.2% could be claimed by the Council, providing it notified the Government in advance. The Council had applied to borrow at this rate until November 2020.

Income

It was noted that the Council expected to receive £842,000 in rental income for 2019/20 and receive £1.5m more in income than predicted.

Duration of investments

The Accounts Assistant explained that the advice on the length of the investment period had changed to six months or 100 days, but this was not compulsory. This explained why investments had been made that exceeded this period.

It was noted that the Council was reprofiling its investments away from 1 year deposits to shorter periods and increase its investments in instant access money market funds. This will allow the Council to cover investment strategy purchases while minimising our borrowing. The Committee supported an increase in liquidity, on the understanding that this would decrease the need for borrowing.

The Committee **NOTED** the report.

6. FINAL ACCOUNTS UPDATE 2017/18 - ERNST & YOUNG'S REPORT (REPORT TO FOLLOW)

Suresh Patel presented this report, which summarised external audit's preliminary audit conclusion in relation to the audit of the Council for 2017/18. He introduced Mark Russell, who had been a manager for EY since 2019 and was helping to complete the audit.

Executive summary

Suresh Patel reported that the external auditors had issued a qualified conclusion on finance reporting and for the third consecutive year the Council had been unable to

publish its accounts according to its timetable. There was no evidence of any deliberate errors, but one mistake in relation to NNDR income totalled approximately £3.5m. The report included recommendations for improvements and the Head of Finance explained that he would liaise with the external auditors on how to improve the whole process. Mark Russell added that a planning meeting would take place to discuss how the 2018/19 accounts would be audited.

Audit fee

Suresh Patel stated that the external auditors would be charging an extra £140,000 for the additional work carried out on this audit and this claim would be supported with detailed evidence. Members of the Committee and the Lead Cabinet Member for Finance were opposed to this level of increase, as the external auditors had been partly responsible for the delays and the extra work this incurred. Suresh Patel explained that these accounts were the most difficult he had encountered in 25 years and the charge was a fair reflection of the additional work involved. The Head of Finance explained that the Council's contract was with the Public Sector Audit Appointments (PSAA) and any dispute regarding fees would have to be resolved by them.

It was noted that the annual fee of £52,000 would be reduced by 20% for the 2018/19 accounts.

Letter of representation

The Head of Finance agreed to get legal advice on possible amendments to the letter of representation.

Future accounts

Suresh Patel agreed to amend his comments on the risk relating to the signing off of the 2019/20 accounts, which related to timings and not processes. It was noted that the 2018/19 accounts would have to be signed off in the new year before the 2019/20 accounts could be finalised.

Final testing

Suresh Patel explained that the final testing was being carried out that morning. An error had been discovered on the creditors account, but this was not material. He predicted that the external auditors would be able to sign off the accounts in early January, following a thorough check.

It was suggested that this report should come back to the Committee, after external audit had approved the Accounts. However, this was countered with the view that providing there were no significant changes, the Committee should give delegated authority to the Chairman to sign-off the accounts. The Head of Finance explained that any adjustment to the 2017/18 accounts at this stage was historic and he recommended that the Committee agree the accounts. He added that for understandable reasons these accounts were being more thoroughly audited than any other accounts he had known.

A vote was taken and with 5 votes in favour and 1 against, the Committee

AGREED to instruct the Chairman to sign-off the approved accounts, providing no material changes were necessary.

Councillor Mark Howell asked that his vote against be recorded.

7. FINAL ACCOUNT 2017/18 UPDATE - COUNCIL'S REPORT

The Head of Finance explained that the Committee were required to approve the accounts

and the Annual Governance Statement. It was noted that the Annual Governance Statement had already been approved by the Committee, but the correct procedure was for them to be formally agreed again.

The Head of Finance explained that a temporary member of staff who had suitable experience had been hired to assist in the process of closing the 2018/19 accounts. It was hoped that the 2018/19 accounts would be agreed by the end of January and then audited by the end of March. The aim was to then have the 2019/20 accounts agreed by the end of May. In response to questioning, the Head of Finance reiterated that it was preferable to delay the finalising of the accounts, than to submit accounts that he had no faith in. It was agreed that a Task and Finish Group should be held in February to review the progress being made on the 2018/19 accounts.

The Leader, the Lead Cabinet Member for Finance and the Chairman of the Committee all thanked the Head of Finance and his team for their efforts in preparing the accounts, which had required the correction of the problems of the past.

The Committee

AGREED

- A) To approve the Annual Governance Statement.
- B) To approve the 2017/18 Statement of Accounts, subject to the final audit procedure.
- C) To note the proposed timetable for the completion and audit of the 2018/19 Statement of Accounts.

8. MATTERS OF TOPICAL INTEREST

Training

It was noted that external audit had agreed to provide the Committee with an Audit Toolkit. The Head of Finance agreed to contact the Chartered Institute of Public Finance and Accountancy (CIPFA) to arrange suitable training for the Committee.

9. DATE OF NEXT MEETING

It was noted that the next meeting was scheduled for Tuesday 24 March at 9:30am in the Swansley Room.

The Meeting ended at 11.15 a.m.



REPORT TO: Audit and Corporate Governance Committee

9th July 2020

LEAD OFFICER: Head of Shared Internal Audit

Internal Audit Plan

Purpose

1. This report introduces the draft Internal Audit Annual Plan and Strategy, for 2020/21, for consideration by the Audit and Corporate Governance Committee.
2. This is not a key decision because the risk based Internal Audit Plan is being presented to the Audit and Corporate Governance Committee in accordance with their terms of reference.

Recommendations

3. The Audit and Corporate Governance Committee is requested to consider the supporting information, in the appendices, to:
 - (i) approve the draft Audit Plan and Strategy; and
 - (ii) approve the supporting Charter and the Code of Ethics.

Reasons for Recommendations

4. The Internal Audit Plan, and associated documents, have been created in line with best practice laid down in the Public Sector Internal Audit Standards (PSIAS) and the accompanying Local Government Application Note (LGAN).
5. The draft Internal Audit Plan should help add value to the Council by helping to improve systems, mitigate risks, and inform the Annual Governance Statement.

Background

6. The Accounts and Audit Regulations 2015 require that the Council “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes; taking into account public sector internal auditing standards or guidance.”
7. The Public Sector Internal Audit Standards (PSIAS) require that the Head of Audit “must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”.
8. Appendix A is the risk based Internal Audit Plan. It has been based upon the Business Plan, risk registers, ongoing consultation with key officers, committee reports, information from other assurance processes, plus horizon scanning to consider emerging risks and opportunities.
9. The Internal Audit Charter and the Code of Ethics are also appended for information. They are regularly reviewed as part of an ongoing Quality Assurance and Improvement Programme (QAIP) considering both the PSIAS and the LGAN. We have updated the “Objectives and Scope” to reflect that we support the Risk Management Framework at both Councils and are the Strategic Lead for Risk Management at Cambridge City Council. No further changes were required this year. It is good practice to present these documents as they define internal audit's purpose,

authority, responsibility and position within an organization, supporting the risk-based audit plan.

Considerations

10. The plan is the work programme for Internal Audit and provides the basis upon which the service will subsequently give an audit opinion on South Cambridgeshire District Council's (SCDC) system of internal control, risk management and corporate governance arrangements. Progress against the plan, and updates, will be regularly reported to the Committee.
11. It is good practice to operate an agile audit plan that continuously adapts in response to the governance risk and control environment of the Council. Our Audit Plan is based around a long-term framework of reviews, which typically covers a three-year period. Audits are prioritised according to several risk-based determinants, and we have traditionally presented a 12-month plan to the Committee. Considering the current global COVID-19 disruption, it is unrealistic to plan for 12 months, given the rapid pace of change. Consequently, we are presenting a shorter 6-month plan, focussing on the key areas of assurance and we will bring back a further report to the Committee later in the year. This will also provide an opportunity to proactively communicate topical risks and assurance to the Committee.
12. It is realistic to recognise that COVID-19's priorities will constrain some service areas from fully participating in audit activities and responding to requests. We will aim to provide timely and valued assurance with minimal disruption to teams during this period.
13. The Internal Audit team was an early adopter of Council Anywhere technology and has been developing our smarter working approach for the past 12 months. Consequently, we are in a positive position to work flexibly and adapt to new ways of working. We have already started developing our self-service capability to access data and records, and applying data analytics to provide increased insights, feedback and assurance.
14. In response to the COVID-19 disruption we have already refocused our resources to other immediate unplanned areas that required assistance. This includes supporting the development of pragmatic and proportionate controls in response to rapidly developing policies and procedures. It is important that the Audit Plan continues to prioritise relevance, speed and flexibility in addressing risks as they develop. This will enable us to utilise our resources as effectively as possible to provide an effective audit opinion for the Council.

Implications

15. 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, there are no significant implications to the Council.

Effect on Strategic Aims

16. Delivery of the audit plan aims to provide assurance that corporate systems and processes are robust and protect the Council.

Background documents

17. Background papers used in the preparation of this report:

- Risk-Based Internal Auditing – Working Standards and Procedures
- Public Sector Internal Audit Standards
- CIPFA Local Government Application Note
- South Cambridgeshire District Council Risk Registers
- Corporate Plan

Report Author:

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Appendix A – Internal Audit Plan 2020/21

1 Introduction

- 1.1 This document is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council. It will be reviewed throughout the year to ensure its continued relevance, both in terms of supporting the council's aims and in achieving a professional, modern audit service.
- 1.2 The Accounts and Audit Regulations 2015 require that the Council “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes; taking into account public sector internal auditing standards or guidance.”
- 1.3 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Audit “must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals”.
- 1.4 Internal Audit provides an independent, objective assurance and consulting service that adds value and improves the Council's control environment. It helps the Council deliver its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.5 The provision of assurance is the key role for Internal Audit. This role requires the Head of Shared Internal Audit to provide an annual Audit Opinion based on an objective assessment of the framework of governance, risk management and control. This opinion is provided to the Committee and also feeds into the Annual Governance Statement. The team also completes consulting services. These are advisory in nature, and are generally performed at the specific request of management with the aim of improving operations. Requests of this nature are considered in light of resource availability and our primary role of assurance.

2 Strategy

- 2.1 The strategy, and vision, of the Internal Audit team is “To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.
- 2.2 Greater Cambridge Shared Audit is a shared service between Cambridge City Council (CCC) and South Cambridgeshire District Council (SCDC).
- 2.3 As part of this strategy we aim to deliver a co-ordinated audit plan for both Councils. There are already a number of shared services, and this joint approach enables work to be undertaken which reflects the priorities for both Councils whilst getting the benefits of co-ordinated reviews which can be covered in partnership.

3 Internal Audit Plan

- 3.1 Our work will support the Council’s corporate objectives, and the corporate governance framework.
- 3.2 The plan has considered the Business Plan, risk registers, consultation with key officers, committee reports, information from other assurance processes, plus horizon scanning to consider emerging risks and opportunities.
- 3.3 This identifies potential reviews, which are subsequently prioritised. Factors taken into account include materiality; corporate importance, vulnerability, risks and opportunities. The overall aim is to add value by providing assurance, reducing risk and improving controls.
- 3.4 There needs to be a flexible approach to planning, to ensure that our work meets the needs of the Council in the continually changing risk and control environment. The risk-based planning approach enables the plan to be updated when new reviews are identified. The plan will be reviewed and monitored throughout the year, and any significant changes will be reported to the Executive Management Team and the Committee.
- 3.5 The internal audit work should address key risk areas and draw attention to significant concerns and what needs to be done.

Ideally the plan will provide coverage across the whole organisation, and some reviews may be cross cutting and involve multiple teams and partners. This enables the Head of Shared Internal Audit to produce an annual internal audit opinion that can be used to inform the Annual Governance Statement.

4 Resources

- 4.1 Resource requirements are reviewed each year as part of the audit planning process. The current establishment for the audit team enables sufficient resource to deliver our risk-based plan. We currently have a vacancy which was being resourced by an Agency Worker. The plan assumes we are keeping this post vacant during the period of uncertainty, and we have the capability to utilise this budget later in the year if required.
- 4.2 Demand for potential reviews will exceed the number of available days. The risk-based planning approach identifies and matches audit work to the available audit resources, based on where the most value can be added.
- 4.3 The Internal Audit plan needs to be fluid and flexible enough to enable the Internal Audit service to be reactive as required to situations arising during the course of the period covered by the plan. A contingency reserve element has been built in, to assist in dealing with any such matters arising to hopefully at least minimise any major impact on the work plan itself.
- 4.4 Time allocations within the plan are based on previous year assessments, with any overall allocation for each key area. As each audit activity is fully scoped and agreed with the appropriate senior manager, each job will then be monitored to that time allocation.

5 Key Themes

- 5.1 As in previous years, Internal Audit will continue to support the governance, risk and control environment within the Council. There will continue to be liaison with key stakeholders, such as the external auditors so that resources are used effectively. Our key themes include:

Theme	Details
Core Assurance	We maintain a number of audits reviews which aim to provide assurance that corporate systems and processes are robust and protect the Council. These will typically involve work around key financial systems and management controls.
Corporate Plan Objectives	Our audit plan is risk based and coverage will be prioritised towards the corporate priorities and risks to the Council, to help ensure that desired outcomes are delivered efficiently. The plan is grouped to the key objectives of the Council.
Resilience and recovery	The plan will need to reflect the continuous changing risk and control environment from COVID-19 crisis which is driving rapid change across the Council. We will add value to the Council by providing real-time assurance on new and developing processes and controls.

- 5.2 For each audit review, a brief description of the scope for the work is provided together with the type of audit. Timing and detailed scopes for each audit will be agreed with the relevant Senior Manager prior to commencement of the fieldwork.

6 Follow-ups

- 6.1 To ensure that agreed actions are being implemented, follow-up work will be carried out. If a review resulted in significant recommendations, then a full audit may be planned to evaluate the effectiveness of the implementation.

7 Other activities

7.1 In addition to delivering the risk-based audit plan, resources are allocated to deliver other assurance based activities. Examples include:

- Advice and consultancy: (participating in working groups such as information governance, procurement and project management);
- Anti-fraud and corruption: (including response, proactive work and data analytics);
- Governance: (activities which help deliver the assurance framework including Annual Governance Statement, Risk Management).

8 Summary

8.1 The draft internal audit plan will add value to the Council by helping to improve systems, mitigate risks, and inform the Annual Governance Statement.

9 Internal Audit Plan

9.1 The table below provides an overview of audit work in the plan, and a comparison with the previous year.

Audit area	Current Year		Previous Year	
	Days	Percentage	Days	Percentage
Corporate Plan Objectives	143	36%	202	51%
Core Assurance Work	30	8%	50	13%
Annual Governance and Assurance Work	94	24%	70	18%
Other resource provisions	133	33%	78	20%
Grand Total	400	100%	400	100%

This is the allocation of work for South Cambridgeshire District Council. A more detailed breakdown of planned audit work is given on the pages that follow.

Business Plan Objectives

9.2 Corporate Plan Objectives are reviews of systems and processes which have been risk appraised. Where possible they are aligned to the [Business Plan Objectives](#) to demonstrate how they support the Council. The reviews planned for the next six months are listed in the table below:

Audit	Assurance type	Scope and description
A modern and caring Council		
Corporate Complaints and Feedback	Compliance	Review of the complaints process to provide assurance that it is effective in helping the Council to continuously improve its services
Procure to Pay	Compliance	Desktop review of the procurement system and new processes. A sample of transactions will be reviewed to ensure they are promptly and appropriately authorised.
Scheme of delegation	Compliance	Review of a sample of decision-making to confirm that the Council's Scheme of Delegation is being complied with and those decisions are made within delegated powers.
HR - Recruitment and selection	Follow-up	Follow up review to ensure actions from our previous audit were implemented effectively.
Payroll - Expenses	Compliance	Review a sample of expense transactions for accuracy and legitimacy.

Audit	Assurance type	Scope and description
Information Governance - GDPR	Compliance	Compliance check on a selection of thematic areas.
Being green to our core		
Carbon management - Data Quality	Data quality	Council carbon emission data is collected to produce an annual Greenhouse Gas report. Data is quality assured by Internal Audit.
Waste Management - Software implementation	Benefits realisation	Desktop review of the software implementation in Waste Services.
Growing local businesses and economies		
Program assurance - ISO14001 - Visit 1	Compliance	Allocation of resource to provide independent assurance for the continuous ISO program for environmental standards
Program assurance - ISO9001 - Visit 1	Compliance	Allocation of resource to provide independent assurance for the continuous ISO program for quality standards
Planning Fee Income	Risk based	Review of system for managing planning fee income. Ensuring that policies are in place for both discretionary and nationally set charging, and that income opportunities are maximised, debts collected, and balances reconciled to main accounting systems.
Housing that is affordable for everyone to live in		

Audit	Assurance type	Scope and description
Grant assurance - Disabled Facility Grant	Grant assurance	Certification of the annual grant payment from the Better Care Fund allocated to District Councils via the County Council. Supplemented by a sample review of payments made in respect of disabled facilities grants.
HRA - Electrical Safety Compliance - Follow-up	Follow-up	Follow-up review to ensure that actions have been implemented successfully.
HRA - Gas Safety Compliance - Follow-up	Follow-up	Follow-up review to ensure that actions have been implemented successfully.

Core Assurance Work

9.3 We complete reviews of systems that are fundamental to the Council control environment. They will often include reviews of internal financial systems, providing assurance to the s.151 officer for their commentary included in the authority's Annual Statement of Accounts. The work can also help to provide assurance for the External Auditor. Systems are reviewed on a rolling cycle to ensure that all are covered.

Activity	Assurance Type	Scope and description
Payroll	Key Financial System	An annual key controls audit as part of cyclical review of core systems.
Statutory reporting	Project assurance	Resources allocated to provide assurance on process to prepare the draft statement of accounts, and AGS, recognising increase in external factors and legislative changes.
Accounts Receivable	Key Financial System	Follow up review to ensure actions from our previous review were implemented effectively.

Governance, Risk and Control

9.4 Each year the Council issues a statement on the effectiveness of its governance arrangements. Internal Audit completes work which supports the production of the Annual Governance Statement. This includes:

Activity	Audit scope and description
Annual Audit Opinion	This is the annual report, produced by the Internal Audit lead for their relevant audit committee, to provide an opinion on the state of governance and the internal control framework in place within the Council.
Internal Audit Effectiveness	A regular review of the Internal Audit service, to the Public Sector Internal Audit Standards and the Local Government Application Note, is completed. This is also known as a Quality Assurance and Improvement Program.
Annual Governance Statement	Internal Audit leads the development of the Annual Governance Statement, the associated Action Plan and review of the Local Code of Governance.
Prevention of Fraud and Corruption	Internal Audit supports development and awareness of fraud and error risks across the Council. A summary report and policy update will be reported to the Audit & Corporate Governance Committee. A national survey is completed annually to help identify potential fraud risks. In addition, Internal Audit co-ordinates, the National Fraud Initiative, a proactive data matching exercise, and is a key contact for data analytical tools.

Other resource provisions

9.5 Throughout the year, audit activities will include reviews that have not been specified within the Audit Plan, including management requests as a result of changing risks; following up agreed audit actions and completion of audit works from previous plans. Examples include:

Activity	Audit scope and description
Carry forward activities	A number of reviews continue from the previous plan, due to other activities taking precedence e.g. investigations or corporate projects.
Follow up provision	Actions from audits completed in previous years are followed up to ensure that agreed recommendations have been implemented.
Business Grants	The team has committed resource to supporting the Business Grants Schemes being delivered by Councils for Central Government. This includes reviews of controls and processes which are being developed in rapid time, controls assurance through data analytics and reconciliation of data, post assurance checking of transactions, plus production of fraud-risk management returns.
Contingency: requested work / advice / irregularities	<p>Internal Audit act as a focal point to assist officers across the Council in providing advice / support in relation to projects; contracts; procurement or general controls.</p> <p>No matter how robust services and processes are, there is always the potential for anomalies to occur. Internal Audit assists by providing pro-active counter fraud work; and reactive work for suspected irregularities and whistleblowing referrals.</p> <p>An element of time has been set aside to allow for these activities within the plan.</p>

Appendix B – Internal Audit Charter



Our vision:

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

May 2020

Next Review: By February 2021

Version Control: 1.05

1 INTRODUCTION

- 1.1 Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards (the PSIAS), which took effect from the 1 April 2013, and are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) now provide a consolidated approach to promoting further improvement in the professionalism, quality, consistency, transparency and effectiveness of Internal Audit across the whole of the public sector.
- 1.2 The Standards have been revised from 1 April 2017 to reflect the latest changes in the IPPF. In addition the PSIAS are supported by a Local Government Application Note (LGAN), published by the Chartered Institute of Public Finance and Accountancy to provide relevant sectoral requirements guidance.
- 1.3 The PSIAS require that all aspects of Internal Audit operations are acknowledged within an Audit Charter that defines the purpose, authority and responsibilities of the service provision. The Charter therefore establishes the position of the service within the Council; its authority to access records, personnel and physical properties relevant to the performance of engagements; in addition to defining the scope of Internal Audit activities. There is also an obligation under the PSIAS for the Charter to be periodically reviewed and presented to the relevant audit committee, the Section 151 Officer and senior management. This Charter will therefore be revisited annually to confirm its ongoing validity and completeness, and be circulated in accordance with the requirements specified above.

2 PURPOSE

- 2.1 In accordance with the PSIAS, Internal Auditing is defined as:

"An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the

effectiveness of risk management, control and governance processes."

2.2 However, it should also be appreciated that the existence of Internal Audit does not diminish the responsibility of senior management to establish appropriate and adequate systems of internal control and risk management. Internal Audit is not a substitute for the functions of senior management, who should ensure that Council activities are conducted in a secure, efficient and well-ordered manner with arrangements sufficient to address the risks which might adversely impact on the delivery of corporate priorities and objectives.

3 AUTHORISATION

3.1 The requirement for an Internal Audit Service is outlined within the Accounts and Audit Regulations 2015¹, which state that

"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

3.2 There are additional requirements placed upon the Chief Audit Executive (see Section 4: Organisation and Relationships), to fulfil all aspects of CIPFA's Statement on the Role of the Head of Internal Audit in Public Sector Organisations, with Internal Audit primarily responsible for carrying out an examination of the accounting, financial and other operations of the Council, under the independent control and direction of the Section 151 Officer.

3.3 The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the organisation's:

- Records, documents and correspondence (manual and electronic) relating to any financial and other transactions;

¹ http://www.legislation.gov.uk/uksi/2015/234/pdfs/ukxi_20150234_en.pdf

- Physical properties, i.e. premises and land, plus cash, stores or any other Council property; and
- Personnel – requiring and receiving such explanations as are necessary concerning any matter under examination and generally assisting the Internal Audit activity in fulfilling its roles and responsibilities.

3.4 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

4 ORGANISATION AND RELATIONSHIPS

4.1 Within the PSIAS, the terms 'Chief Audit Executive,' 'Board' and 'Senior Management' are used to describe key elements of the organisation's governance, and the ways in which they interact with Internal Audit. The PSIAS require that the terms are defined in the context of the governance arrangements in each public sector organisation, in order to safeguard the independence and objectivity of Internal Audit. The following interpretations are applied, so as to ensure the continuation of the current relationships between Internal Audit and other key bodies at the Council. The following terms are explained:

- Chief Audit Executive
- Board
- Senior Management
- External Audit
- Other Internal Audit Service Providers
- Other External Review and Inspection Bodies

Chief Audit Executive

4.2 The Chief Audit Executive is the Head of Shared Internal Audit Service (HoSIAS), part of a shared management arrangement between Cambridge City Council (CCC) and South Cambridgeshire District Council (SCDC). The HoSIAS reports to

the relevant S151, and has access to the Chief Executive should it be required.

Board

4.3 The 'Board' oversees the work of Internal Audit. It will be the relevant audit committee of the Council, known as Civic Affairs Committee (CCC) and the Audit and Corporate Governance Committee (SCDC), which has been established as part of its corporate governance arrangements. The Committee is responsible for the following with reference to Internal Audit:

- Internal Audit Plans;
- Progress and performance against plans;
- Annual Audit Opinion; and
- Compliance with standards.

4.4 Internal Audit will work closely with the committee to facilitate and support its activities.

Senior Management

4.5 In the context of ensuring effective liaison between Internal Audit and senior officers, Internal Audit has regular access to Directors and Heads of Service. 'Senior Management' for the purposes of this Charter are the Strategic Leadership Team and the Senior Management Team (CCC) and the Executive Management Team (SCDC).

External Audit

4.6 Internal Audit aims to minimise any potential duplication of work and determine the assurance that can be placed on the respective work of the two parties. Our audit plans and reports are shared with the appointed external auditor, Ernst and Young.

Other Internal Audit Service Providers

4.7 Internal Audit will also liaise with other Council's Internal Audit Service providers, where shared service arrangements exist. In such cases, a dialogue will be opened with each Council's equivalent Chief Audit Executive to agree a way forward regarding the future auditing regime.

Other External Review and Inspection Bodies

- 4.8 Internal Audit will co-operate with all external review and inspection bodies that are authorised to assess and evaluate the activities of the Council, to determine compliance with regulations, standards or targets. Internal Audit will, wherever possible, utilise third party assurances arising from this work.

5 OBJECTIVES AND SCOPE

- 5.1 The provision of assurance services is the primary role of Internal Audit and there is a duty of care on the Chief Audit Executive to give an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This responsibility to evaluate the governance framework far exceeds examination of controls applying to the Council's core financial systems. Instead, Internal Audit is required to scrutinise the whole system of risk management, internal control and governance processes established by management.
- 5.2 Internal Audit also has a secondary role, whereby it will provide consultancy services which are advisory in nature and generally performed at the request of the Council to facilitate improved governance, risk management and control, and potentially contribute to the annual audit opinion.
- 5.3 A risk-based Audit Plan will be developed each year to determine an appropriate level of audit coverage to generate an annual audit opinion, which can then be used to assist with the formulation of the Annual Governance Statement. Moreover, audit work performed will seek to enhance the Council's overall internal control environment. In the event of deficiencies in arrangements being identified during audit assignments, Internal Audit will put forward recommendations aimed at improving existing arrangements and restoring systems of internal control to a satisfactory level, where relevant.
- 5.4 In accordance with the PSIAS, the Internal Audit Service will evaluate and contribute to the improvement of:

- The design, implementation and effectiveness of the organisation's ethics related objectives, programmes and activities.
- The effectiveness of the Council's processes for performance management and accountability.
- The Council's IT governance provisions in supporting the organisation's corporate priorities, objectives and strategies.
- The Council's risk management processes in terms of significant risks being identified and assessed; appropriate risk responses being made that align with the organisation's risk appetite, the capturing and communicating of risk information in a timely manner, and its use by staff, senior management and members to carry out their responsibilities and inform decision making generally.
- The provisions developed to support achievement of the organisation's strategic objectives and goals.
- The systems formulated to secure an effective internal control environment.
- The completeness, reliability, integrity and timeliness of management and financial information.
- The systems established to ensure compliance with legislation, regulations, policies, plans, procedures and contracts, encompassing those set by the Council and those determined externally.
- The systems designed to safeguard Council assets and employees.
- The economy, efficiency and effectiveness with which resources are used in operations and programmes at the Council.

5.5 In addition to the areas recorded above, where Internal Audit will give input to their continuing enhancement; the Service will also provide support to the Section 151 Officer with responsibility for the probity and effectiveness of the Authority's financial arrangements and internal control systems.

- 5.6 Managing the risk of fraud and corruption is the responsibility of management. However, as part of the scope of Internal Audit, it will be alert in all its work to the risks and exposures that could allow fraud or corruption to occur and will monitor the extent and adequacy of risk controls built into systems by management, sharing this information with External Audit and other corporate investigators.
- 5.7 In the course of delivering services encompassing all the elements stated above, should any significant risk exposures and control issues subsequently be identified, Internal Audit will report these matters to senior management, propose action to resolve or mitigate these, and appraise the Committee of such situations.
- 5.8 Risk Management is the responsibility of Officers and Members. Internal Audit is a member of the Risk Management Group at both Councils; providing advice on the development of proportionate mitigation and actions. At CCC Internal Audit is also the Strategic Lead for Risk Management and facilitates the Risk Management Strategy and Framework. Management are still responsible for identifying, managing and mitigating risks within their services. This approach does is consistent with best practice set out by the IIA.

6 INDEPENDENCE

- 6.1 Internal Audit operates within an organisational framework that preserves the independence and objectivity of the assurance function, and ensures that Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results. The framework allows the HoSIAS direct access to and the freedom to report unedited, as deemed appropriate, to the Committee, the Chief Executive, Section 151 Officer and Senior Management.
- 6.2 Internal Audit has no operational responsibilities or authority over any of the activities that they are required to review. As a consequence, they do not develop procedures, install systems, prepare records, or engage in any other activity, which would impair their judgement. In addition, Internal Auditors will not assess

specific operations for which they were previously responsible, and objectivity is presumed to be impaired if an Internal Auditor provides assurance services for an activity for which they had responsibility within the previous 12 months. Internal Auditors may however provide consulting services relating to operations over which they had previous responsibility. The HoSIAS will confirm to the Committee, at least annually, the organisational independence of the Internal Audit activity.

7 PROFESSIONAL STANDARDS

- 7.1 Internal Auditors operate in accordance with the PSIAS and LGAN. The Internal Auditors are also governed by the policies, procedures, rules and regulations established by the Council. These include, but are not limited to, Financial Regulations and Contract Standing Orders, the Anti-Fraud and Corruption Policy and the Code of Conduct. Similarly, the Council's Internal Auditors will be aware of external bodies' requirements and all legislation affecting the Council's activities.
- 7.2 The Council's Internal Auditors will additionally adhere to the Code of Ethics as contained within the PSIAS. Internal Auditors will also demonstrate due professional care in the course of their work and consider the use of technology-based audit and other data analysis techniques, wherever feasible and considered beneficial to the Council. All working arrangements and methodologies, which will be followed by the Internal Auditors, are set out in the Audit Manual.

8 AUDIT RESOURCES

- 8.1 The HoSIAS will be professionally qualified (CCAB, CMIIA or equivalent) and have wide internal audit management experience, to enable them to deliver the responsibilities of the role.
- 8.2 The HoSIAS will ensure that the Internal Audit Service has access to staff that have an appropriate range of knowledge, skills, qualifications and experience to deliver requisite audit assignments. The type of reviews that will be provided in year include systems reviews, consultancy input to new / modified systems, and special investigations. In the event of special

investigations being required, there is limited contingency in the Audit Plans to absorb this work. However, additional resources may need to be made available to the Internal Audit Service when such input is necessary.

9 **AUDIT PLANNING**

9.1 The HoSIAS will develop an annual audit strategy, together with annual audit plans and a summary of annual audit coverage using a risk-based methodology. This will take into account documented corporate and operational risks, as well as any risks or concerns subsequently notified to Internal Audit by senior management. This will be submitted to the Senior Management for their approval prior to being taken forward to the Committee for final endorsement, in advance of the new financial year to which they relate.

9.2 Any difference between the plan and the resources available will be identified and reported to the Committee. It will outline the assignments to be carried out and the broad resources and skills required to deliver the plan. It will provide sufficient information for the Council to understand the areas to be covered and for it to be satisfied that sufficient resources and skills are available to deliver the plan. Areas included in the audit plan are highlighted in Table 1.

TABLE 1: AUDIT ACTIVITIES	
Core system assurance work	Departmental specific reviews
Governance, Risk and Control	Follow up activity
Corporate Plan Objectives	Internal advice on risks, controls and procedures
Cross Cutting audits	

9.3 The audit plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks. It will be flexible, containing an element of contingency to accommodate assignments which could not have been readily foreseen. However, on occasions, specific audit requests take precedence over the original audit plan and will be required as additional work

rather than as a replacement. Resources, such as specialist or additional auditors may be required to supplement this.

10 **REPORTING**

10.1 The process followed for completing each audit is set out in Table 2.

10.2 Upon completion of each audit assignment, where appropriate, an Internal Audit report will be prepared that:

- Provides an opinion on the risks and controls of the area reviewed, and this will contribute to the annual opinion on the internal control environment, which, in turn, informs the Annual Governance Statement; and
- Provides a formal record of points arising from the audit and management responses to issues raised, to include agreed actions with implementation timescales.

10.3 Exit meetings are accommodated enabling management to discuss issued Draft Audit Reports. Accountability for responses to Internal Audit recommendations lies with the Chief Executive, Directors, and / or Heads of Service, as appropriate, who can either, accept and implement guidance given or formally reject it. However, if audit proposals to strengthen the internal control environment are disregarded and there are no compensating controls justifying this course of action, an audit comment will be made in the Final Audit Report, reiterating the nature of the risk that remains and recognising that management has chosen to accept this risk. Furthermore, depending on the severity of the risk, the matter may be escalated upwards and drawn to the attention of the Relevant Audit Committee function.

TABLE 2: WORKING ARRANGEMENTS DURING AUDITS

Stage	Commentary
Audit Brief	Set up and agreed with manager(s)
Fieldwork	Assignment undertaking including interviews, testing etc.
Exit Meeting	At conclusion of fieldwork, issues raised for reporting (if not already provided during course of fieldwork).
Draft report	Produced following completion of fieldwork / exit meeting. Head of Service / Line Manager to formally respond including acceptance of actions together with timescale proposals to implement.
Final Report	Internal Audit incorporates all management comments within the report and re-issue as a final. The report will be distributed in accordance with agreed protocols (see Table 4).

10.4 It is important that following production of each audit report, there is prompt dialogue between managers and Internal Audit so that findings can be discussed, actions identified to remedy any weaknesses and finally an agreed timescale to rectify them. Internal Audit will monitor implementation and report any gaps to senior management.

10.5 Internal Audit reports include actions which are agreed with management and prioritised, plus an overall assurance opinion. These are explained further on the next page.

Assurance ratings

Term	Description
Full Assurance	Controls are in place to ensure the achievement of service objectives and good corporate governance, and to protect the Authority against significant foreseeable risks.
Reasonable Assurance	Controls exist to enable the achievement of service objectives and good corporate governance, and mitigate against significant foreseeable risks. However, occasional instances of failure to comply with control process were identified and/or opportunities still exist to mitigate further against potential risks.
Limited Assurance	Controls are in place and to varying degrees are complied with, however, there are gaps in the process which leave the service exposed to risks. Therefore, there is a need to introduce additional controls and/or improve compliance with existing ones, to reduce the risk exposure for the Authority.
No Assurance	Controls are considered to be insufficient, with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Authority exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives.

Organisational impact

The overall impact may be reported to help provide some context to the level of residual risk. For example if no controls have been implemented in a system it would have no assurance, but this may be immaterial to the organisation. Equally a system may be operating effectively and have full assurance, but if a risk materialised it may have a major impact to the organisation.

Term	Description
Major	The risks associated with the system are significant. If the risk materialises it would have a major impact.
Moderate	The risks associated with the system are medium. If the risk materialises it would have a moderate impact.
Minor	The risks associated with the system are low. If the risks materialises it would have a minor impact.

Action ratings

As part of the review we have identified opportunities for improvement, which have been shared with Management. These are developed into actions to improve the effectiveness of the governance, risk management arrangements, and the internal control environment.

Management are responsible for implementing their actions and providing assurance when they are completed. Timescales for implementing actions should be proportionate and achievable to the available resources. To help prioritise the actions we have produced guidance below:

Priority	Description	Timescale for action	Monitoring
Critical	Extreme control weakness that jeopardises the complete operation of the service.	To be implemented immediately.	Within 1 month
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	To be implemented as a matter of priority.	Within 6 months
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	To be implemented at the first opportunity.	Within 12 months
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	To be implemented as soon as reasonably practical.	Within 24 months

The Council has a Risk Management system, which is used for tracking their progress. This will be updated upon distribution of this report and we will follow up the actions where appropriate. It is the responsibility of Risk Owners and Action Owners to regularly review and update the risk register with details of action taken to mitigate the risks.

10.6 Our assurance ratings will be subject to regular review to ensure that they remain relevant and robust for the service / organisation.

10.7 Following the end of the year, an annual report will be produced setting out Internal Audits opinion on the state of the internal controls and governance across the Council. This will comment upon:

- The scope including the time period covered;
- Any scope limitations;
- Consideration of all related projects including the reliance on other assurance providers;
- The risk or control framework or other criteria used as a basis for the overall opinion;
- The overall opinion, providing reasons where an unfavourable overall opinion is given; and
- A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

10.8 Significant issues identified will be referred through to senior management for inclusion in the Annual Governance Statement.

10.9 All reports produced are set out in Table 4.

TABLE 4: PLANNING AND REPORTING FREQUENCY		
Report Produced	For	Reason
Audit Report	Chief Executive S.151 Officer Relevant Director / Head of Service	The end of each audit assignment as the main recipient and those charged with implementing the issues identified
Progress Reports (based around the committee cycle)	Relevant Audit Committee	To provide the Council with progress at delivering the audit service and any key governance issues arising.
Annual Opinion and Performance Report	Relevant Audit Committee	End of year report in accordance with PSIAS. An evaluation of the works undertaken and the level of assurance established.

Annual Audit Plan	Relevant Audit Committee S.151 Officer	Details of the future plans to provide assurance across the Council in accordance with PSIAS.
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11 QUALITY ASSURANCE AND IMPROVEMENT

11.1 The PSIAS require that the Internal Audit develops and maintains a quality assurance and improvement programme (QAIP) that covers all aspects of the Internal Audit activity, and includes both internal and external assessments. In the event of an improvement plan proving necessary to formulate and implement, in order to further develop existing service provisions, the HoSIAS will initiate the appropriate action and annually, the results of the quality and assurance programme together with progress made against the improvement plan will be reported to senior management and the Committee.

Internal Assessments

11.2 Internal Assessments must include on-going monitoring of the performance of the internal audit activity and these are reported as part of the annual report.

11.3 The PSIAS additionally require periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of Internal Audit practices. This obligation is satisfied by the HoIA performing an annual self-assessment of the effectiveness of Internal Audit, before the results are submitted to the Committee. Presenting this information enables members to be assured that the Internal Audit Service is operating in a satisfactory manner such that reliance can be placed on the subsequent annual audit opinion provided by the HoSIAS.

External Assessments

11.4 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external verification.

11.5 The HoSIAS will discuss with the Committee and the Section 151 Officer the form of the external assessments; and the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest. As part of the shared service arrangements, each Council will be reviewed jointly which will reduce the level of duplication.

Appendix C – Internal Audit Code of Ethics

1 INTRODUCTION

- 1.1 The purpose of a Code of Ethics is to promote an appropriate ethical culture for Internal Audit. The Code sets out the minimum standards for the performance and conduct of the Council's Internal Auditors. It is intended to clarify the standards of conduct expected when carrying out their duties and promote an ethical, professional culture at all times when undertaking audit duties.

2 PRINCIPLES

- 2.1 Internal auditors are expected to apply and uphold the following principles:

- Integrity The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
- Objectivity Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
- Confidentiality Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- Competency Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

INTEGRITY: Internal Auditors shall:

- Perform their work with honesty, diligence and responsibility;
- Observe the law and make disclosures expected by the law and the profession;
- Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation;
- Respect and contribute to the legitimate and ethical objectives of the organisation; and
- Maintain relationships with colleagues, internal clients and external contacts that are characterised by honesty, truthfulness and fairness

OBJECTIVITY: Internal auditors shall:

- Not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- Not review any activity for which they have previously had operational responsibility;
- Not accept anything that may impair or be presumed to impair their professional judgement; and
- Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

CONFIDENTIALITY: Internal auditors shall:

- Be prudent in the use and protection of information acquired in the course of their duties but should ensure that requirements of confidentiality do not limit or prevent reporting within the authority as appropriate;
- Not make unauthorised disclosure of information unless there is a legal or professional requirement to do so; and

- Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

COMPETENCY: Internal auditors shall:

- Engage only in those services for which they have the necessary knowledge, skills and experience;
- Perform Internal Audit services with the International Standards for the Professional Practice of Internal Audit; and
- Continually improve their proficiency, effectiveness and quality of their services

3 MANAGING ARRANGEMENTS:

3.1 To ensure compliance with the Code of Ethics:

- There is an annual review of the Code to reinforce understanding and confirm on-going commitment;
- Quality control processes are in place to demonstrate integrity in all aspects of the work;
- All staff are obliged to declare any potential conflicts of interest, at least annually;
- Confidentiality breaches will not be tolerated; and
- All staff are aware and understand the organisations aims and objectives together with an appreciation of the policies and procedures which govern the areas to be audited.

**South Cambridgeshire
District Council
Audit results report -
Addendum update**

Year ended 31 March 2018
June 2020

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Agenda Item 5

24 June 2020



Dear Audit and Corporate Governance Committee Members

We are pleased to attach our audit results report update for the forthcoming meeting of the Committee. This report provides a bridge between our report to the Audit and Corporate Governance Committee on the 19 December 2019 and the final closing position following conclusion of our audit of South Cambridgeshire Council (the Authority) for 2017/18.

Over the past 24 months we have communicated regularly to the Committee the difficulties the Authority has experienced in preparing its 2017/18 accounts, supporting working papers and in dealing with the audit. In addition, we have also regularly communicated the impact these issues have had on the audit, the significant increase in audit input required, as well the impact of our own resourcing challenges. I am pleased to report that we have now completed our audit of the Authority for the year ended 31 March 2018 and will issue our audit report on receipt of the signed accounts from the Council after the 9 July meeting.

In completing the audit we have also considered the uncertainty that Covid-19 has put on local government funding. As a result, we have sought evidence from the Council of its assessment on its future financial resilience and the impact this may have on the 2017/18 accounts and disclosures. In collaboration with officers, the Council has updated its disclosure around going concern and reflected Covid-19 as an event after the balance sheet date in its final statements.

We have also been required take the audit report through an EY consultation process to ensure that it provides the appropriate assurances to the Council and its stakeholders in light of the impact of Covid-19 on financial reporting. We have completed the consultation and there have been no changes to the audit report we included in the December 2019 report.

This report is intended solely for the use of the Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We recognise how difficult the accounts and audit process has been for the finance team and would like to thank them for their continued help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Committee meeting on 9 July 2020.

Yours faithfully

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP



01 Executive Summary

Status of the audit

We have now completed our audit of South Cambridgeshire Council's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the outstanding matters set out below we expect to issue an unqualified opinion on the Council's financial statements.

The work that is outstanding as at the date of this report is in relation to:

- ▶ Completing our final review processes - Completing a subsequent events review - Receiving a signed management representation letter.

Impact of Covid-19

Whilst we had completed our audit procedures before the government introduced lockdown measures in late mid-March we have been working closely with the Finance team to complete the final audit procedures by working remotely. The Finance team have worked effectively to respond to our final queries and support audit progress.

We have together learned some lessons on effective remote working that we will both take into the 2018/19 audit.

Specific to the financial statements, Covid-19 has had three main impacts:

1. Financial resilience and going concern

There is presumption that the Council will continue as a going concern. However, the current and future uncertainty over government funding and other sources of Council revenue as a result of Covid-19 increases the need for the Council to undertake a detailed assessment to support its assertion and evaluate its financial resilience. From an audit perspective, the auditor's report going concern concept is a 12-month outlook from the audit opinion date, rather than the balance sheet date. So, for the 2017/18 statements, for example, we needed to see evidence of an assessment up to and including around July 2021. This needed information relevant to the 2021/22 financial year, it's budget, etc. The Section 151 officer provided this assessment. We scrutinised the Council's revised financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions. Based on the assessment and the Section 151 officer's response to our queries, the Council have revised its going concern disclosure in the statement of accounts and we concluded that we did not need to make specific reference to going concern or Covid-19 in our audit report.

2. Accounts and disclosures

Covid-19 has potentially impacted a number of accounting judgements and disclosures. For the 2017/18 statements, we asked the Section 151 officer to consider the impact of Covid-19 on the balance sheet. Whilst, as expected, there is no adjustments to the balance sheet, the Council has included a revised post balance sheet event disclosure note in the final statement of accounts.

3. Auditor's report consultation

Following the government's decision to enforce a lockdown, all audit firms implemented a moratorium on the majority of their auditor reports. Whilst the moratorium was lifted in mid-April, because of the ongoing uncertainty Covid-19 presents to the material accuracy of financial statements, the firm (in common with other firms) introduced a rigorous consultation process for all auditor reports to ensure that we are providing the right assurance to the readers of accounts. We have completed the consultation process and we have made no changes to the audit report we included in the December 2019 report.

Executive Summary

Audit differences

At the date of this report there are two unadjusted audit difference arising from our audit. Management have indicated that they do not wish to amend the accounts for these issues. We ask that the rationale for not adjusting be made clear to the Committee and included in the management letter of representation. This differences have no impact on the general fund balance.

During the audit we have identified a number of audit differences in the draft financial statements which management has chosen to adjust. We include details in Section 3 Audit Differences. The overall impact of these adjustments is to increase the general fund balance by £3.59 million.

Areas of audit focus

Our audit plan identified key areas of focus for our audit of the Authority's financial statements. In total we identified three significant risks and two areas of audit focus. We summarise below our findings.

Significant risk	Findings & conclusions
Misstatements due to fraud or error - revenue and expenditure recognition	We have completed our testing and have found no instances where management have recognised either revenue or expenditure inappropriately.
Misstatements due to fraud or error - management override of controls	We have completed our testing and have found no evidence that management have overridden controls.
Preparation of the accounts, supporting working papers and dealing with the audit	As we have communicated to the Committee since presenting the audit plan in March 2018, the Authority has experienced significant challenges in preparing its accounts, supporting working papers and dealing with the audit process. Whilst we have worked collaboratively with the finance team to make progress, we have been required to increase our risk assessment across all areas of the accounts and input significant additional time to complete the necessary audit procedures. We acknowledge our audit resource issues in 2019 has impacted audit completion.

Area of audit focus	Findings & conclusions
Valuation of other land & buildings including HRA	We have completed our testing and identified the need for the Authority to amend its statements in respect of PPE valuations.
Pension liabilities	We have completed our testing and have no matters to report.

We include in Section 2 further detail on these risks and areas of audit focus



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error - the inappropriate recognition of revenue or expenditure

What is the risk?

The Authority is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating revenue and expenditure is a key way to achieve these targets.

What judgements are we focused on?

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts.

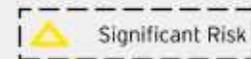
What did we do?

Our approach focused on:

- ▶ Reviewing and testing revenue and expenditure recognition policies.
- ▶ Reviewing and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias.
- ▶ Sample tested material revenue and expenditure streams.
- ▶ Reviewed and tested revenue cut-off at the period end date.

What are our conclusions?

- ▶ We found accounting policies to be appropriate.
- ▶ We found no evidence of bias in judgements made by management in respect of accounting estimates.
- ▶ Our sample testing of revenue and expenditure did not identify any evidence of inappropriate recognition.
- ▶ Our cut off testing did not identify any recognition of revenue or expenditure in the incorrect financial period.





Areas of Audit Focus

Significant risk

Misstatements due to fraud or error - management override of controls

What is the risk?

The Authority is under financial pressure to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

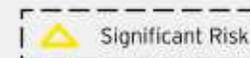
We have focused our audit attention on controls which are susceptible to management override and that could improve the financial outturn of the Authority.

What did we do?

- Carried out a fraud risk assessment during planning.
- Made enquires of management about risks of fraud and the controls put in place to address those risks.
- Documented our understanding of the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Perform mandatory procedures regardless of specifically identified fraud risks, including testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements (using analytics to focus our testing).
- Reviewed material accounting estimates for evidence of management bias.
- Evaluated the business rationale for significant unusual transactions.

What are our conclusions?

- ▶ We did not identify any evidence of management overriding controls.
- ▶ We found that management and the Committee have reasonable controls and oversight arrangements in respect of fraud risks
- ▶ Our data analytical procedures performed to identify and test higher risk journal entries adjustments did not identify any issues.
- ▶ We did not identify any evidence of management bias in respect of material estimates.
- ▶ We did not identify any significant unusual transactions.





Areas of Audit Focus

Significant risk

Preparation of the accounts, supporting working papers and dealing with audit queries

What is the risk?

The Authority has faced significant challenges in ensuring its finance function has the capacity and capabilities to prepare its 2017/18 statement of accounts, supporting working papers and then deal with the subsequent audit process. There is a risk that the accounts will not be prepared in accordance with the agreed timetable, will not be free from material misstatement, will not be supported by good quality working papers and the Authority will not be able to service the audit adequately.

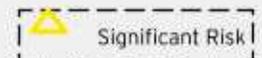
What did we do?

Page 49

- Engaged with management and the finance team throughout the period.
- Provided constructive challenge to the Authority's plans for closedown and accounts preparation.
- Communicated regularly to the Committee on our view of the Authority's progress and the subsequent audit.
- Increased our risk assessment on the statement of accounts

What are our conclusions?

- The Authority was unable to prepare its 2017/18 statement of accounts by the agreed timetable. The version presented for audit is dated 6 June 2018.
- We have identified a number of audit differences which management have agreed to adjust for in the final version of the statements.
- We have communicated regularly to the Committee the deficiencies in the quality of working papers prepared in support of the statements.
- We have also communicated regularly to the Committee the deficiencies in the ability of the finance function to respond effectively to audit queries arising from the lack of corporate memory.
- We have been required to input significantly more time over the period to progress the audit, including more manager and associate partner input.





Areas of Audit Focus



Other Areas of Audit Focus - Valuation of Other Land and Buildings including Housing

The Authority holds £480 million of housing stock and £29 million other land and buildings. These are both significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

The Authority engages external expert valuers who apply a number of complex assumptions. Annually, these assets are assessed to identify whether there is any indication of impairment (i.e. a reduction in their carrying value).

As the Authority's asset base is significant, and the outputs from the valuer are subjective, there is a risk that their fair value may be under or overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

This risk relates to assets that are revalued, being housing stock, other land and buildings (non-DRC), surplus assets and investment properties. Vehicles, plant and equipment, infrastructure assets and community assets are held at cost.

Our approach has focused on:

- Considering the work performed by the Authority's valuers, Wilks, Head and Eve (WHE) (for housing) and the Valuation Office Agency (VOA) (for non-housing), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Reviewing and sample testing the key asset information provided by the Authority to the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre, information to support the use of beacons in valuing housing stock);
- ▶ Reviewing and sample testing the key assumptions used by the valuers in performing their valuation, by cross referencing to available market data for similar properties within the region (e.g. use of indices, comparable house sales)
- ▶ Considering the annual cycle of valuations to ensure that assets have been valued within a five year rolling programme as required by the Code. We have also considered whether any specific changes to assets (which would impact its value) have been communicated to the valuer;
- ▶ Performing a reasonableness review on the valuation of assets not included in the 2017/18 valuation cycle, via reference to the NAO commissioned Local Government Gerald Eve report. This is performed to confirm that the remaining asset base is not materially misstated;
- ▶ Considering changes to useful economic lives as a result of the most recent valuation;
- ▶ Considering whether asset categories held at cost have been assessed for impairment and are materially correct; and
- ▶ Testing that the accounting entries have been correctly processed in the financial statements, including the treatment of impairments.

Our audit procedures above have not identified any material differences in the financial statements. However we did identify some non-material errors which management have agreed to adjust the statements. We have included further details in Section 3 on Audit Differences.



Areas of Audit Focus



Other Areas of Audit Focus - Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2018 this totalled £59 million (£57 million at 31 March 2017).

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- ▶ Liaising with the auditors of Cambridgeshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to South Cambridgeshire District Council;
- ▶ Assessing the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the NAO for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewing and testing the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

We did also engage with management about the potential impact on the 2017/18 accounts of the outcome of court cases during 2019 relating to the McCloud Supreme Court judgement and the further deliberations in respect of the Guaranteed Minimum Pension requirements. Management have determined that there is no significant impact of these matters on the 2017/18 statements.



03 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

We agreed to report to the Committee any audit differences above £0.094 million.

Summary of unadjusted known audit differences

We highlight the following misstatements greater than £0.094 million which have not been corrected by management that were identified during the course of our audit:

Page 53
On review of the Council's Assets Held for Sale we identified a number of assets that the Authority had classified as held for sale⁰⁹ but which on review do not meet the conditions for held for sale assets. These assets should therefore be classified as operational.

- Debit: Balance Sheet - Property, Plant and Equipment Other Land and Buildings = £0.220 million
- Debit: Balance Sheet - Property, Plant and Equipment Council Dwellings = £0.112 million
- ▶ Credit: Balance Sheet - Assets Held for Sale = £0.332 million

Our testing of creditors identified items in relation to Capital Grants Received in Advance where there is no obligation for the Council to transfer economic benefit as at the 31 March 2018 as such these balances should be held under earmarked reserves rather than as a creditor.

- ▶ Debit: Balance Sheet - Creditors = £0.109 million
- ▶ Credit: Balance Sheet - Earmarked Reserves Electoral Arrangements = £0.109 million

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 Month 2019.

Audit Differences

Summary of main disclosure differences

We identified through our review of the accounts and subsequent procedures 60 disclosure adjustments to the statement of accounts. The key disclosure differences are:

Unadjusted disclosure differences:

- The Property, Plant and Equipment note does not include a table showing valuation movements over the past 5 years as required by the CIPFA Code of practice. Management have chosen not to amend for this omission in the statement of accounts.

Adjusted disclosure differences:

- £1.451 million of Business Rate growth is now included in note 8a taxation and non-specific grants from the collection fund, in order for the note to agree back to the CIES balance of £6.200 million. This is now included in other non ringfenced grants.
- £5.079 million from Shared Waste and Recycling credits has been removed from Other Government Grants and moved into Revenue as these are normal services provided by the Authority rather than government grants and contributions.

Additionally, the Income and Expenditure note has also been updated with £5.079 million removed from the grants balance of £33.308 million and included in fees, charges and other service income.

We found that the Authority had destroyed its records to support its related parties disclosures. As a result we were required to carry out additional searches of companies house (CH). We identified the need for the Authority to make further disclosures relating to:

- The need to disclose that employees of the Authority were acting as directors of Ermine Street Housing in 2017-18
- John Batchelor is a Director of South Cambs Ltd (identified from our CH searches)
- Nigel Cathcart is a Director of the Farmland Museum (identified from our CH searches) which received a £8,500 grant from the Authority.

Summary of adjusted known audit differences above £0.094 million

During the course of the audit we have identified audit differences in excess of our threshold for reporting to the Committee. We include these on the next page. The most significant audit difference relates to an error in recognising unpaid a 16-17 NDR Growth debtor from the year end receivable balance, despite income still being owed. This amounts to an understatement in income and debtors of £3.561 million.

The overall impact of the adjusted audit differences is a net increase in income of £3.927 million of which results in a £3.579 million increase in the General Fund balance and £0.348 million increase to Unusable Reserves.

Audit Differences

Summary of adjusted known differences above £0.094 million

Item	Value (£ million)	Debit	Credit
PPE			
1. Misclassification of Capital Additions as Vehicles, plant and equipment (VPE) assets when these are intangible assets.	0.388	Intangibles (additions)	VPE (Additions)
2. As result of issues with the fixed asset register, incorrect asset elements have been picked up in the overall calculation of disposal value & the associated gain on disposal.	0.382	Council dwellings (disposals)	OLB (Disposals) £0.034m Gain on disposal £0.348m
3. As part of valuations work, we compare the external valuation report to fixed asset register. Differences identified on 3 assets. The register should reflect the valuation reports.	0.435	PPE (OLB)	Revaluation reserve
Incorrect manual entry to PPE note & MIRS - no basis for journal as such to be reversed. Dr Deferred Capital Receipts, Cr PPE	0.349	Deferred capital receipts	PPE
Others areas			
Omission of unpaid 16-17 NDR Growth Debtor from the year end receivable balance, despite income still being owed.	3.561	Debtors	NDR Income
6. Credit items held under debtors including amount owed to central government in respect of Housing Capital Receipts, and payments in advance for council tenants. These should therefore be held as creditors.	0.856	Debtors	Creditors
7. Incorrect opening balance adjustment in relation to the Collection Fund Adjustment Account. Given value of this, it is appropriate to reflect in year rather than as an opening balance adjustment.	0.962	PPA on CFAA	'In year' CFAA transactions
8. Incorrect treatment of Collection Fund summons costs as bad debt provision, this is income received and as such should be recognised as such.	0.316	Debtors (bad debt provision)	Income
8. Testing of the year end debtor from Capita identified balances which are not receivable and therefore requires write-off.	0.158	Expenditure	Debtors
10. Year end creditor for Transitional protection was double counted.	0.323	Creditors	Expenditure
11. Amounts relating to historic audit adjustments in Creditors remained at year end for which no liability existed as at 31 March 2018.	0.258	Creditors	Expenditure



04

Independence

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan dated March 2018.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Committee on 19 December 2019.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements in relation to our work.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table overleaf includes a summary of the fees that you have paid to us and agreed for the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Independence

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid and proposed for the year ended 31 March 2018.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

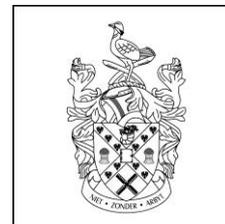
	Proposed final fee 2017/18	Planned fee 2017/18	Final Fee 2016/17
		£	£
Scale fee	51,975	51,975	51,975
Group scoping	5,000	5,000	3,940
Additional audit work	130,000-150,000**	60,000-80,000*	29,616
Total audit	TBC	59,475	85,531
Other non-audit services not covered above (Housing Benefits)	10,870	9,190	13,973
Total other non-audit services	10,870	9,190	13,973
Total fees	TBC	68,665	TBC*

All fees exclude VAT

* Estimated range in March 2019

** Final estimate - we will shortly provide the Section 151 officer with a detailed analysis of these additional fees before seeking agreement with PSAA Ltd.

Agenda Item 6



South
Cambridgeshire
District Council

Report To: Audit and Governance 9th July 2020

Lead Cabinet Member(s): Councillor John Williams,
Lead Cabinet Member for Finance

Lead Officer: Peter Maddock, Head of Finance

COMPLETION OF THE 2017/18 AUDIT OF THE ACCOUNTS

Executive summary

1. The 2017/18 Accounts audit has now been completed and the accounts need to be approved and issued as the final version.

Recommendation

2. **To approve the 2017/18 Statement of Accounts (attached) in the expectation that an unqualified audit opinion will be issued by the external auditors in due course.**

Background information

Introduction

3. The audit of the 2017/18 accounts has now completed some two years after the year in question ended. There have been significant issues both for the Council and the external auditors but thankfully this process has now completed and we are in a position to approve these accounts as the final set for 2017/18. They will then be signed by the auditors and published on the Council's web site immediately after. The accounts themselves immediately follow this report.

2017/2018 Accounts

4. Without going into too much detail and not wishing to cover the same ground as in the December 2019 meeting the 2017/18 accounts have now been finalised and signed by myself and the Chair of this committee.
5. Since before the December meeting a dedicated officer has been working on bringing the 2017/18 accounts process to a conclusion and despite some resource issues and the need for the auditors to finalise the 2018/19 Housing

Benefit audit, the Council and the Auditors were at last able to agree the final set of figures for the 2017/18 accounts just prior to the lock down in March.

6. The lock down has brought it's own challenges to the Council and indeed the auditors but the real additional delay for the accounts has been the need to include narrative in the 2017/18 accounts in relation to the Covid-19 outbreak. Whilst it may seem strange to include notes in a set of accounts relating to a period that ended nearly two years before the current crisis, The Accounting and Audit Regulations are clear that some narrative must be included in final accounts where something significant occurs after the balance sheet date that could potentially affect the council going forward and this means potentially looking forward a further year from the date the accounts are signed, i.e July 2021. It would be difficult to argue that Covid-19 has not had a significant effect on the Council and therefore some narrative has been included both as an event after the balance sheet date and on the going concern concept as part of the accounting policies note.
7. A further aspect of the lockdown was that a moratorium on the issue of audit reports was introduced for a time and following the lifting of that an additional consultation process was introduced by the audit firms to satisfy themselves that they are providing the right level of assurance. This has meant additional work being carried out by the Council during May but much of the work done to provide the additional audit assurance has been used to inform the information requirements of Central Government in relation to the financial returns for Covid-19 additional costs and lost income exercises anyway.
8. Having said that this process has now been concluded and the accounts are therefore presented for approval following which the Auditors will sign the accounts and they can then be published on the Council's website.
9. If there are any questions regarding the accounts myself and my colleague Michael Millar will be available to answer these. Michael has been responsible for driving this process forward since December and he and staff from Ernst and Young have worked hard to bring this process to a conclusion.

2018/2019 and 2019/20 Accounts

10. The next stage is to complete the 2018/19 accounts. Now we have an agreed starting position the final consolidation of the 2018/19 accounts can be completed and presented for audit once we are satisfied that they will stand up to audit and also importantly have sufficiently robust working papers to support the transactions therein. The audit of these accounts is due to commence in September 2020 so it will be necessary to convene a further Audit and Governance committee in advance of that to approve the draft accounts.
11. The 2019/20 accounts are also being completed in tandem with the 2018/19 consolidation however these will be completed prior to an opinion being

issued on the 2018/19 accounts. If we wait until an opinion on the 2018/19 accounts is issued before completing the 2019/20 accounts it is unlikely that we will be back on track for the 2020/21 accounts which would not be acceptable. There is clearly therefore a risk that an amendment to the 2018/19 accounts may be required which would then have a knock on effect to the 2019/20 accounts but we would need to deal with that when and if the situation arose.

Summary Position

12. The 2017/18 accounts have now been completed and an unqualified opinion is expected to be given on those accounts. The Committee now needs to approve the accounts before they are signed by the external auditor and publishing on the website. With regard to 2018/19 and 2019/20 these accounts are in the process of being prepared and will be audited in due course with a view to getting things back on track for the 2020/21 accounts process.

Options

13. The other option would be not to approve the 2017/18 accounts. Which of course could not be recommended.

14. Implications

15. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Legal

16. There is a requirement under the Accountancy and Audit Regulations for Council's to present their accounts for the preceding financial year for audit by 31st of May each year and for those accounts to be audited and published by 31st July each year. There has been an extension granted for 2019/20 accounts procedures but this is largely academic as regards South Cambs.

Financial

17. Timely and robust consideration of the Council's budgets is vital to ensure that financial statements are correctly stated, financial procedures are followed and that the financial position of the Council is effectively managed and monitored.

Risk

18. There is a risk that the financial statements are incorrectly stated with consequential impacts. This is still a significant risk going forward but with a

dedicated experienced resource now tasked with accounts completion for both 2018/19 and 2019/20 the risk should be mitigated to an extent.

Environmental

19. There are no environmental implications arising directly from the report.

Equality Analysis

20. In preparing this report, due consideration has been given to the District Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. It is considered that the report has no relevance to South Cambridgeshire District Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed.

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.

REPORT AUTHOR: Peter Maddock – Head of Finance
E-mail: peter.maddock@scambs.gov.uk



STATEMENT OF ACCOUNTS

2017/18

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South Cambridgeshire District Council

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NARRATIVE REPORT

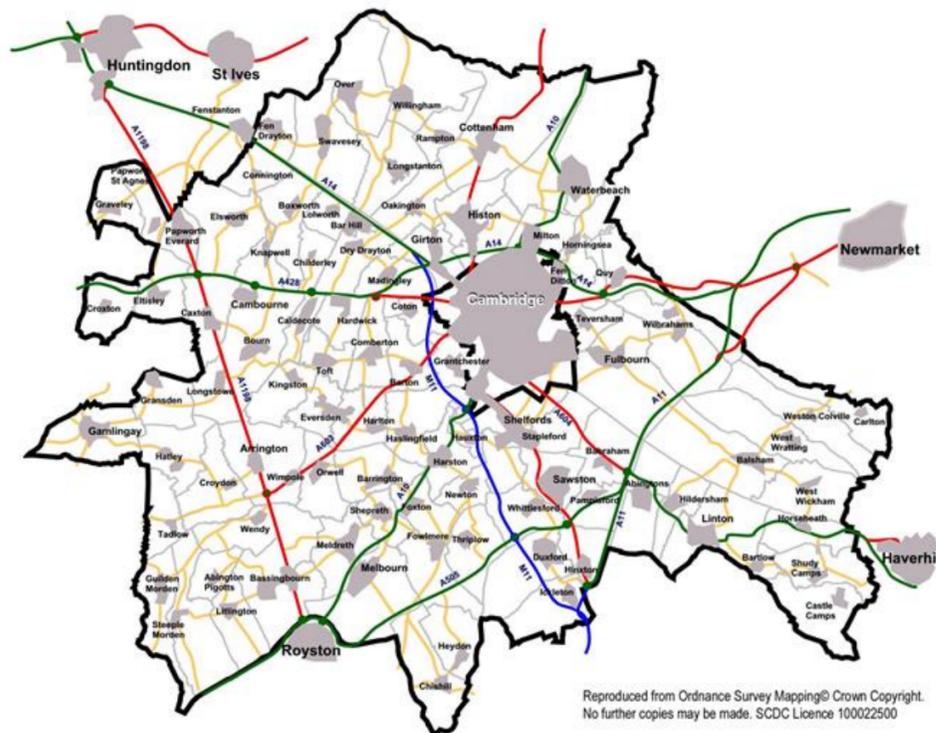
1. Introduction

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.

2. Key Facts about South Cambridgeshire

South Cambridgeshire is a vibrant rural district at the heart of the rapidly growing East of England region. We are home to world-leading centres of science and technology such as Granta Park, the Babraham Institute and Genome Campus at Hinxton, to the Imperial War Museum at Duxford and some of England's oldest villages and newest and most exciting modern communities.

South Cambridgeshire is the second largest and most populous district in Cambridgeshire covering approximately 350 square miles of countryside, completely surrounding Cambridge City.



It is largely rural with most of the population of 156,000 living in small, relatively isolated, outlying rural settlements, and with larger settlements situated on strategic routes into Cambridge such as Histon, Milton and Cambourne, and Cambridge Fringe developments such as Orchard Park and Trumpington Meadows. There are currently no towns in South Cambridgeshire, although Cambridge city is expanding outwards into the district, and construction has begun on the new town of Northstowe. Cambourne, itself a new settlement begun in the late 1990s, has become the largest village in the district with approximately 9,000 people, and is still growing.

Overall, South Cambridgeshire is a prosperous area with high levels of economic activity and low levels of unemployment. The district forms part of the Cambridge Sub-Region. It is also a key location within the London-Stansted-Cambridge corridor and on the key Oxford to Cambridge Arc. The district is a key contributor to the growth that makes Greater Cambridge a major driver of UK economic prosperity, competing for inward investment on a global stage with areas such as Massachusetts, California, Europe and the Far East.

The district's population has increased by 12% since 2008 (twice the percentage for the whole of England), and it is projected to increase by a further 17.1% to 183,200 residents by 2026. This population increase has contributed to rising house prices; as such, housing affordability is a key issue, as pressure for new housing development is considerable and growing. The average house price in December 2017 was £448,457, 40% above the national average. South Cambridgeshire is a healthy area, one of the least deprived in England, with high life expectancy compared with national rates and the lowest crime rate in Cambridgeshire.

3. Key Statistics

24.4% of population aged 60+. 18.8% 14 and under (ONS March 2018)	Average house price £448,457 (December 2017) (Hometrack, Automated Valuation Model)	490 (0.5%) Residents aged 16-64 claiming job seekers' allowance (national average 2.1%) (ONS, March 2018)
Avg. Gross Weekly (Full-time) earnings £693.50 (£552.70 national average) (ONS Annual Survey of hours and earnings 2017)	85.6% economically active (78.4% nationally) (ONS, January - December 2017)	55% of resident population aged 16-64 educated to NVQ4 level and above (nationally 38.6%) (ONS Jan-Dec 2017)

4. South Cambridgeshire District Council Corporate Plan 2017-2022

The Corporate Plan 2017-2022 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 22 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 2016-2021 Plan objectives was reported to Scrutiny and Overview Committee and Cabinet in July 2017, including a review of financial performance and updates on the Council's Strategic Risk Register. The reports are available to view here:

<https://www.scambs.gov.uk/content/our-performance>

5. Political and Management Structure

South Cambridgeshire District Council is split into 34 Wards, represented by a total of 57 Councillors (until May 2018). During 2017/18, the breakdown of councillors by political group was as follows:

Conservative	36
Liberal Democrat	14
Independent Group	6
Labour	1

Following a boundary review, the Council held all-out elections for 45 seats in May 2018.

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 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. At 31 March 2018, the Team consisted of the Chief Executive and Head of Paid Service (Beverly Agass), 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 Economic Development Director (Joint with Cambridge City Council) – Stephen Kelly
- Head of Organisational Development – Susan Gardner Craig

The Council's three statutory officers are as follows:

- Head of Paid Service - Beverly Agass
- Executive Director (Corporate Services) and Chief Financial Officer - Alex Colyer
- Monitoring Officer – Tom Lewis

Further details about these arrangements, and how they operated during 2017/2018, are set out in the Annual Governance Statement accompanying these Accounts.

6. 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

Responsibilities for the Financial Statements-

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

Comprehensive Income and Expenditure Statement (CIES)-

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.

Movement in Reserves Statement-

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 do not represent real resources available to the Council;

Balance Sheet-

The Balance Sheet shows the value at the year-end of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Cash Flow Statement-

This statement shows the changes in the Council's cash balances in the year. Cash flows are classified as;

- Operating –these give an indication of the extent to which services provided by the Council are funded by way of taxation, grant income or payments from recipients of services;
- Investing – how much income has been generated from resources held to contribute to future service delivery; and
- Financing activities – cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council

Notes to the Core Financial Statements including Accounting Policies.

Supplementary Financial Statements:

Housing Revenue Account-

This account summarises the transactions relating to the provision, maintenance and sale of council houses and flats. This is a ring-fenced account to prevent any cross-subsidy between general income and rents.

Collection Fund-

This statement shows the income received from council tax and business rates payers and how the income is distributed among authorities and the government.

Group Accounts-

These statements and notes show the consolidated position of the Council with two 100% owned subsidiaries , South Cambs Limited, trading as Ermine Street Housing and Shire Homes Lettings Limited . South Cambs Limited began active trading on 1 April 2014 and Shire Homes Lettings Limited was incorporated on 10 April 2017 and began trading in the months following.

Auditor's Report and Certificate

Glossary

7. Summary of Financial Performance

The financial year began with the setting of the budget in February 2017. 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 overall financial position of the Council is reflected in its Comprehensive Income & Expenditure Account and its Balance Sheet shown in these Accounts.

When the council tax for the financial year ending 31 March 2018 was set in February 2017, the surplus was estimated at £1.884m (Appropriation to General Fund Balance line). The variance of £1.596m is attributable to the following:

<u>Portfolio Area</u>	<u>Variance</u>	<u>Commentary</u>
Finance and Staffing	(612)	The saving is realised from a combination of factors; higher than budgeted government grants, staff vacancies and recharges for external secondments.
Housing General Fund	(24)	The favourable variances arises from the delay in Private Sector Leasing Scheme project, savings made in the Private Renting service and staff savings in the Visiting Support Service.
Strategic Planning and Infrastructure	(365)	Savings were made on staff vacancies and additional income received higher than budgeted pre-application fees.
Business and Customer Services	(114)	The saving is mostly due to the staff vacancies and less than budgeted expenditure on legal and consultancy costs.
Reversal of statutory accounting adj	(1,093)	This should be disregarded as is not a service transaction.
Environmental	604	The overspend is caused by high costs within the Shared Waste Service and lower than budgeted income.
Planning	194	The adverse variance is mainly driven by shortfall in income against budget.

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 after the main statement notes.

Housing Revenue Account (2017/18)			
	<u>Budget</u>	<u>Outturn</u>	<u>Var.</u>
	<u>£000</u>	<u>£000</u>	<u>under/(over)</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Dwelling rents	(28,031)	(28,132)	(101)
Non-dwelling rents	(419)	(412)	7
Service charges	(813)	(2,058)	(1,245)
Other income	(465)	(150)	315
Total Income	(29,728)	(30,752)	(1,024)
Repairs & maint.	5,601	3,781	(1,820)
Supervision & Man.	5,090	6,091	1,001
Depreciation	9,757	6,260	(3,497)
Other expenditure	296	1,918	1,622
Total Expenditure	20,744	18,050	(2,694)
	(8,984)	(12,702)	(3,718)
Transfers (reserves)	0	0	0
Interest payable	7,178	7,193	15
Interest receivable	(588)	(546)	42
Cap. Exp. from rev.	3,007	4,951	1,944
Def./(Surp.) for year	613	(1,104)	(1,717)

The table above shows the variances against the final 2017/18 budget for the HRA with an overall variance of £1.717m (under) reported. Depreciation charged to the HRA in 2017/18 was significantly lower (£3.5m) than anticipated due to a reduction in asset values together with an extension of asset lives, recognising the impact of decent homes investment. This was offset by an increased use of revenue funding to meet the capital expenditure reported in 2017/18 as a direct result of the reduction in depreciation. Other large variances include increased income from services recharged, a reduction in repairs and maintenance costs, with savings delivered from new planned maintenance contracts. Overall the outturn position was a contribution to HRA reserves of £1.1m against a budget that assumed a contribution from reserves of £0.6m. HRA reserves stood at £10.096m at 31 March 2018.

Capital

Capital expenditure produces assets capable of providing benefits to the community for several years to come. Total expenditure for the year amounted to £20.7 million. The major part of the programme involved the provision of housing; with £16.97 million being invested through the HRA in the Council's own housing stock and new build initiatives.

Treasury management

At 31 March 2018, investments totalled £74.658 million, an increase of £6.508 million over the previous year-end. These investments produced interest of over £1.682 million, which was used towards the cost of services.

The Council has debt of £205.123 million funding Housing Revenue Account assets.

Balances and Reserves

The balances on the General Fund and the Housing Revenue Account were at £10.155 million and £10.096 million respectively as at 31 March 2018 - 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.

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 £57.679 million as at 31 March 2018 on an IAS 19 basis. With 97% of the pension fund attributable to South Cambridgeshire invested in equity instruments, the deficit can vary greatly from one year to the next.

The employer's contribution rate for 2017-18 was 17%.

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.

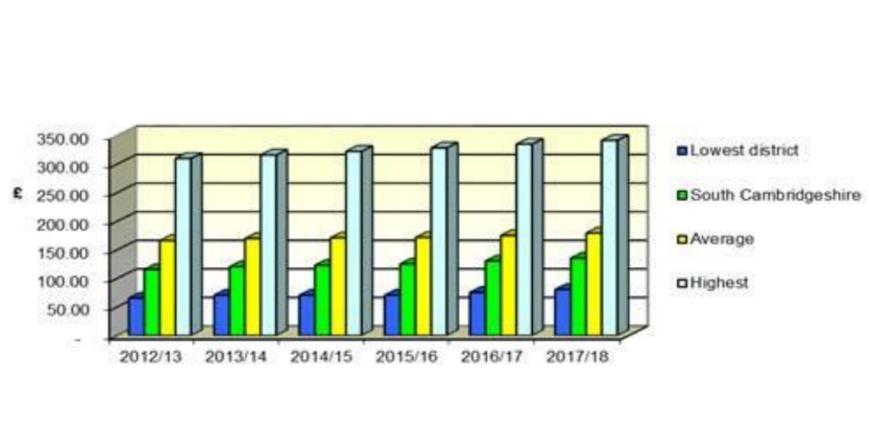
In view of the uncertainty over future pension costs, an additional lump sum has been charged against the General Fund and the Housing Revenue Account and placed in a reserve for use in future years (Notes 9 to the Financial Statements).

Council Tax

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 2017-18 was £1,663. This compares to the average for a Shire district in England of £1,683.. This remains one of the lowest tax levels in the country and most of the money was raised on behalf of the County Council, as shown in the table below;

Council tax share 2017-18	£
Cambridgeshire County Council	1,190
South Cambridgeshire District Council	135
Police and Crime Commissioner	187
Fire Service	67
Parish Precepts	84
Total Band D Council Tax 2017-18	1,663

However, looking only at the district element of the overall tax bill, South Cambridgeshire is one of the lowest in 2017-18 at £135 (excluding parish precepts) in a range of £80 to £341.



The ranking is:

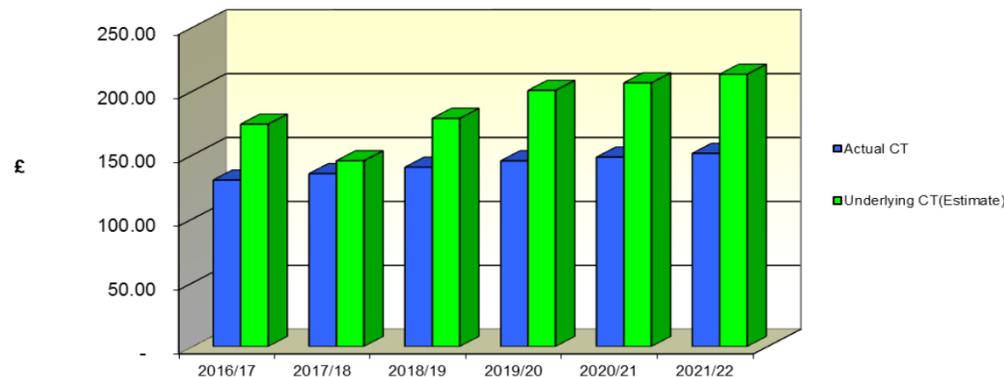
	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>
South Cambridgeshire	13 th	15 th	17 th	20 th	22 nd	23 rd
	Lowest	Lowest	Lowest	Lowest	Lowest	Lowest
Total no. shire districts	201	201	201	201	201	201

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

Historically, the Council Tax set by the Council is substantially below the average charged by other shire districts as the Council used a proportion of its reserves 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 and that the Council's expenditure demands will increase further than projected income, requiring the continuing use of reserves and/or additional savings or income generation; this assumption



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.

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

The Council regularly monitors performance against key performance indicators, this information and the Corporate Plan is available on the Council website.

Population Growth

The District population of 156,500 people (source: 2016 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.

The Homeless Reduction Act has significantly increased duties owed by the Council, this added to increased costs to meet statutory obligations mean Homelessness is a considerable risk now and in future. The Council is likely to see increased demand for the service and more in-depth support and assessment for those that do approach the Council.

Sale of Higher Value Vacant Council Homes

The Government has now published the Housing and Planning Act 2016. This Act sets out a number of 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 changes relates to the sale of higher value vacant council homes. The Act enables the Government to set out a definition of 'higher value' homes and creates 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 Act also allows 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 are then required to pay this amount to the Government. Implementation has been deferred until at least April 2018 with secondary legislation required in order to implement the policy. 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 embarked upon a new build development programme. In 2017/18 construction was completed on 11 new homes in Waterbeach, with the new build programme continuing into 2018/19. 3 existing market homes were also acquired in 2017/18 for letting as affordable housing by the authority.

Ermine Street Housing

In November 2012 approval was given by Council to set up a subsidiary housing company, registered as South Cambs Ltd and trading as Ermine Street Housing with a principal activity being the management of both purchased and leased properties for the purpose of residential lettings. <http://www.erminestreethousing.co.uk/content/about-us>

Ermine Street Housing has a growing portfolio of both owned and leased market housing stock, with a year-end portfolio of 143 leased properties and 199 properties acquired for rental across Cambridgeshire, Suffolk, Northamptonshire, Leicestershire and Nottinghamshire. Further additions are planned over the next years. A full business case was reported to Council in the autumn of 2015. This was updated and presented to Council in February 2017 and February 2018.

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.

Greater Cambridge Partnership (formerly known as the Greater Cambridge City Deal)

The Greater Cambridge Partnership (GCP) is (an agreement with Central Government) a partnership of local councils, including South Cambridgeshire, business and academia to deliver the City Deal. The Partnership 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 Partnership 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 GCP 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 GCP 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.

Cambridgeshire and Peterborough Combined Authority- Devolution

The Cambridgeshire and Peterborough Combined Authority was formally constituted in March 2017, following a Devolution deal with government which will unlock hundreds of millions of pounds of new funding for the county, including £100 million for affordable homes. Councillor Peter Topping, Leader of the Council, represented SCDC on the Combined Authority during the 2017-18 financial year. On 23rd May 2018 Councillor Bridget Smith was appointed Leader of the Council following the elections on May 3rd 2018, in succession to Councillor Topping.

Auditor's Opinion

The Statement of Accounts has been audited and the Auditor's opinion is shown at the end of this document.

.....
Peter Maddock
Head of Finance as Chief Financial Officer
Dated-

**Statement of Accounts
for the year ended 31st March 2018**

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The responsibilities of the Head of Finance as Chief Financial Officer

The Head of Finance 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 Accounting Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Head of Finance 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 Head of Finance 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 2018 and its income and expenditure for the year then ended. These financial statements replace the unaudited financial statements signed by the previous Executive Director on 31 May 2018.

Signed

Peter Maddock

Head of Finance as Chief Financial Officer

Date:

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 it is the Head of Finance 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.

Signed

Cllr Tony Mason

Chairman of Audit and Corporate Governance Committee

Date:

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the cost in the year of providing services in accordance with generally accepted accounting practices. Authorities raise taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is reflected in the 'Revenue Purpose' column of the Movement In Reserves Statement which shows how the Total Comprehensive Income & Expenditure is allocated to each individual Reserve.

2016/17				Note	2017/18		
GROSS EXPEND- ITURE £000	GROSS INCOME £000	NET EXPEND- ITURE £000			GROSS EXPEND- ITURE £000	GROSS INCOME £000	NET EXPEND- ITURE £000
33,781	(30,627)	3,155	Finance and Staffing	8,1	31,384	(28,421)	2,963
8,724	(3,101)	5,623	Health, Wellbeing & Environmental Services	8,1	13,545	(7,016)	6,529
3,337	(871)	2,466	Housing (General Fund)	8,1	3,237	(1,689)	1,548
31,712	(30,749)	963	Housing Revenue Account	8,1	12,061	(31,003)	(18,943)
4,679	(2,093)	2,586	Planning	8,1	5,248	(2,398)	2,849
0	0	0	Greater Cambridgeshire City Deal	8,1	1,224	0	1,224
406	(16)	389	Leader	8,1	369	(19)	351
2,141	(524)	1,617	Business and Customer Services	8,1	4,863	(3,641)	1,223
1,453	(848)	606	Strategic Planning & Infrastructure	8,1	1,289	(917)	372
677	0	677	Other Corporate Adjustments	8,1	263	0	263
86,911	(68,829)	18,082	Net Cost of Services	8,1	73,483	(75,105)	(1,622)
4,775			Precepts of other Local Authorities	8	5,089		5,089
192			Internal Drainage Boards	8	193		193
0			Enterprise Zones	8	152		152
480			Payments to Housing Capital Receipts Pool	8,10c	492		492
	(2,949)		(Gains)/Losses on Disposal of Non-Current Assets	8		(1,896)	(1,896)
5,447	(2,949)	2,498	Other Operating (Income)/Expenditure		5,926	(1,896)	4,029
1,862			Pension interest cost and expected return on assets	8,17b	1,510		1,510
7,193			Interest Payable	8, 16	7,193		7,193
	(1,128)		Interest and Investment Income Receivable	8		(1,452)	(1,452)
9,055	(1,128)	7,927	Financing and Investment (Income)/Expenditure		8,703	(1,452)	7,251
	(12,767)		Income from Council Tax	8		(13,308)	(13,308)
	(5,353)		Business Rates Income & Expenditure	8		(6,669)	(6,669)
	(10,590)		Non-ringfenced Government Grants	8		(6,200)	(6,200)
0	(28,710)	(28,709)	Taxation and Non-Specific Grant (Income)		0	(26,177)	(26,177)
101,413	(101,616)	(202)	(Surplus) / Deficit on Provision of Services	8	88,111	(104,630)	(16,519)
		17,051	(Surplus) / Deficit on Revaluation of Non-current assets				(23,662)
		3,044	Remeasurement of the Net Defined Liability/(Asset)	17b			(2,599)
		20,095	Other Comprehensive (Income) and Expenditure				(26,261)
		19,893	Total Comprehensive (Income) and Expenditure				(42,779)

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves. The total Movement for the Year is analysed further in the Comprehensive Income and Expenditure Statement and within Note 1 to the Accounts - the Expenditure & Funding Analysis.

	Balance at 1 April 2016 £'000	Surplus /Deficit upon Provision of Services £'000	Adjustments between accounting basis and funding basis - Capital £'000	Adjustments between accounting basis and funding basis - Pensions & Other £'000	Other Comprehensive Income & Expenditure - Capital £'000	Other Comprehensive Income & Expenditure - Pensions £'000	Transfers to Earmarked Reserves £'000	Total (Increase)/ Decrease £'000	Balance at 31 March 2017 £'000
General Fund Balance	(10,587)	(6,249)	(1,357)	1,334			6,874	602	(9,985)
Earmarked Reserves- GF	(10,919)						(6,853)	(6,853)	(17,772)
Housing Revenue Account	(8,073)	6,047	(6,651)	(315)				(919)	(8,992)
Earmarked Reserves- HRA	(9,500)							-	(9,500)
Major Repairs Reserve	0							-	0
Capital Receipts Reserve	(8,490)		(2,732)	0				(2,732)	(11,222)
Capital Grants Unapplied	(433)		(53)	0				(53)	(486)
Total Usable	(48,002)	(202)	(10,793)	1,019	-	-	21	(9,955)	(57,957)
Revaluation Reserve	(104,580)		4,544	0	17,051			21,595	(82,985)
Capital Adjustment	(199,173)		6,204	0				6,204	(192,969)
Deferred Capital Receipts	(85)		2	0				2	(83)
Pensions Reserve	52,842		0	1,610		3,044		4,654	57,496
Collection Fund Adjustment	563		0	(2,617)				(2,617)	(2,054)
Accumulated Absences	243		0	11				11	254
Total Un-Useable	(250,190)	-	10,750	(996)	17,051	3,044	-	29,849	(220,341)
TOTAL RESERVES	(298,192)	(202)	(43)	23	17,051	3,044	21	19,894	(278,298)
Revenue Purposes		(202)	(8,008)	1,019	-	-	21	(7,170)	
Capital Purposes			7,965		17,051			25,016	
Other Purposes				(996)		3,044		2,048	
TOTAL RESERVES		(202)	(43)	23	17,051	3,044	21	19,894	

	Balance at 1 April 2017 £'000	Surplus /Deficit upon Provision of Services £'000	Adjustments between accounting basis and funding basis - Capital £'000	Adjustments between accounting basis and funding basis - Pensions & Other £'000	Other Comprehensive Income & Expenditure - Capital £'000	Other Comprehensive Income & Expenditure - Pensions £'000	Transfers to Earmarked Reserves £'000	Total (Increase)/ Decrease £'000	Balance at 31 March 2018 £'000
General Fund Balance	9 (9,985)	(2,524)	(1,151)	(1,096)			4,600	(170)	(10,155)
Earmarked Reserves- GF	9 (17,772)						(4,600)	(4,600)	(22,371)
Housing Revenue Account	9 (8,992)	(13,995)	13,350	(459)				(1,104)	(10,096)
Earmarked Reserves- HRA	9 (9,500)						0	0	(9,500)
Capital Receipts Reserve	10 (11,222)		1,631					1,631	(9,591)
Capital Grants Unapplied	10 (486)		(29)					(29)	(515)
Total Usable	(57,957)	(16,519)	13,801	(1,555)	0	0	0	(4,273)	(62,229)
Revaluation Reserve	10 (82,985)		2,389		(23,662)			(21,273)	(104,259)
Capital Adjustment	10 (192,969)		(16,190)					(16,190)	(209,159)
Deferred Capital Receipts	10 (83)		0					0	(83)
Pensions Reserve	17 57,496			2,782		(2,599)		183	57,679
Collection Fund Adjustment	CF (2,054)			(1,230)			0	(1,230)	(3,284)
Accumulated Absences	254			3			0	3	257
O/ Bal Adj to match PPE								0	
Total Un-Useable	(220,341)	0	(13,801)	1,555	(23,662)	(2,599)	0	(38,506)	(258,848)
TOTAL RESERVES	(278,298)	(16,519)	0	0	(23,662)	(2,599)	0	(42,779)	(321,077)
Revenue Purposes		(16,519)	12,199	(1,555)	-	-	-	(5,875)	
Capital Purposes			(12,199)		(23,662)			(35,861)	
Other Purposes				1,555		(2,599)		(1,044)	
TOTAL RESERVES		(16,519)	-	-	(23,662)	(2,599)	-	(42,779)	

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.

31 Mar 17			Note	31 Mar 18	
£'000	£'000			£'000	£'000
483,509		Property, Plant and Equipment	12	521,439	
184		Intangible Assets	-	494	
9,320		Long Term Investments	13	8,765	
970		Long Term Debtors	28	970	
	493,983	Long Term Assets			531,668
58,830		Short Term Investments	13	65,893	
88		Inventories	-	147	
8,083		Short Term Debtors (and provision for bad debts)	14	12,549	
7,872		Cash and Cash Equivalents	16	7,426	
1,154		Assets Held for Sale	12	2,076	
	76,027	Current Assets			88,091
(24,434)		Short Term Creditors	15	(31,818)	
(1,578)		Cash and Cash Equivalents	16	(965)	
(3,082)		Provisions	19	(3,097)	
	(29,093)	Current Liabilities			(35,880)
(57,496)		Liability Related to Defined Benefit Pension Scheme	17b	(57,679)	
(205,123)		Long-term Borrowing	17a	(205,123)	
	(262,619)	Long Term Liabilities			(262,802)
	278,299	Net Assets			321,077
	57,957	Usable Reserves	MIRS		62,229
	220,342	Unusable Reserves	MIRS		258,848
	278,299	Total Reserves			321,077

Signed

Date:

Peter Maddock

Head of Finance as Chief Financial Officer

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.

2016/17			2017/18
£000	£000		£000 £000
202		Net surplus/(deficit) on provision of services	16,519
35,170		Adj to net surplus/deficit on provision of services for non-cash movements	11,208
(14,909)		Adj for items included in the net surplus/deficit on provision of services that are investing and financing activities	(9,009)
	20,463	Net cash flows from Operating Activities	18,717
(28,045)		Investing Activities	(22,816)
9,081		Financing Activities	4,265
	1,499	Net increase/(decrease) in cash and cash equivalents	166
	4,795	Cash and Cash equivalents at the beginning of the reporting period	6,294
	6,294	Cash and Cash equivalents at the end of the reporting period	6,461
		Note 16	

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.

2016/17			Note	2017/18	
£'000	£'000			£'000	£'000
	202	Net surplus/(deficit) on provision of services			16,519
16,034		Depreciation		7,679	
16,392		Impairment and valuations		(5,168)	
2,297		Increase/(decrease) in creditors		7,384	
0		Increase/(decrease) in provisions		16	
(5,172)		Increase/(decrease) in debtors		(4,466)	
(16)		Increase/(decrease) in inventories		(59)	
996		Movement on pension liability- Increase/(decrease)		2,782	
4,476		Carrying amount of non-current assets and held for sale, sold		2,848	
163		Other non-cash items charged to net surplus/deficit on provision of services		193	
	35,170	Adjustment to net surplus/deficit on provision of services for non-cash movements			11,209
(6,946)		Proceeds from the sale of PPE, Inv. Property and Intangibles		(4,745)	
2,071		Creditors relating to Section 106 etc.		224	
(11,152)		Creditors relating to Collection Fund Agencies		(4,489)	
1,118		Any other items that are investing or financing		0	
	(14,909)	Adjustment for items included in the net surplus/deficit on provision of services that are investing and financing activities			(9,009)
	20,463	Net cash flows from Operating Activities			18,718
(17,140)		Purchase of property, plant & equipment & intangible assets		(21,052)	
(18,621)		Net Purchase of short and long term investments		(6,508)	
6,946		Proceeds from the sale of property, plant & equipment		4,745	
770		Other receipts from investing activities			
	(28,045)	Net cash flows from Investing Activities			(22,816)
(2,071)		Creditors relating to Section 106 etc.		(224)	
11,152		Creditors relating to Collection Fund Agencies		4,489	
	9,081	Financing Activities			4,265
	1,499	Net (increase)/decrease in cash and cash equivalents			167
	4,795	Cash and Cash equivalents at the beginning of the reporting period			6,294
	6,294	Cash and Cash equivalents at the end of the reporting period	16		6,461

Cash Flow Statement - Operating Activities

2016/17			Note	2017/18	
£'000	£'000			£'000	£'000
1,128		Interest received		1,446	
(7,193)		Interest paid		(7,193)	
0		Dividends received		0	
	(6,065)				(5,747)

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis is complementary to the Movement in Reserves Statement and Comprehensive Income & Expenditure Account. The overall purpose of the Expenditure and Funding Analysis is to analyse the amounts reported in the Comprehensive Income and Expenditure Account as operating reporting segment outturn totals across specific types of Reserves.

	2016/17 £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000
	Statutory Basis	Adjustments between Funding basis and accounting basis		Accounting Basis
	<u>General Fund and Earmarked £'000</u>	<u>Charges to Capital Reserves £'000</u>	<u>Charges to other Non General Fund Reserves £'000</u>	<u>Total Comprehensi ve Income & Expend £'000</u>
Finance and Staffing	3,155	0	0	3,155
Health, Wellbeing and Environmental Services	5,214	409	0	5,623
Housing (General Fund)	2,174	292	0	2,466
Housing Revenue Account	(6,003)	6,651	315	963
Planning	2,586	0	0	2,586
Leader	389	0	0	389
Business and Customer Services	1,617	0	0	1,617
Strategic Planning & Infrastructure	606	0	0	606
Other Corporate Adjustments	1,355	632	(1,310)	677
Net Cost of Services	11,093	7,984	(995)	18,082
Operating, Financing, Taxation and Grant Income & Expenditure	(18,284)	0	0	(18,284)
CIES surplus/deficit on the provisions of services	(7,191)	7,984	(995)	(202)
Other Income & Expenditure Items	0	17,051	3,044	20,095
TOTAL Comprehensive Income & Expenditure	(7,191)	25,035	2,049	19,893

	2017/18 £'000	2017/18 £'000	2017/18 £'000	2017/18 £'000
	Statutory Basis	Adjustments between Funding basis and accounting basis		Accounting Basis
	<u>Net Exp. Chargeable to the GF & HRA £'000</u>	<u>Charges to Capital Reserves £'000</u>	<u>Charges to other Non General Fund Reserves</u>	<u>Total Comp. Income & Expend £'000</u>
Finance and Staffing	2,963	0	0	2,963
Health, Wellbeing & Environmental Services	6,038	491	0	6,529
Housing (General Fund)	1,252	296	0	1,548
Housing Revenue Account	(7,443)	(11,959)	459	(18,943)
Planning	2,849	0	0	2,849
Greater Cambridgeshire City Deal	1,224	0	0	1,224
Leader	350	0	0	351
Business and Customer Services	1,221	2	0	1,223
Strategic Planning & Infrastructure	372	0	0	372
Other Corporate Adjustments	(3,799)	1,738	2,324	263
Net Cost of Services	5,027	(9,432)	2,783	(1,622)
Operating, Financing, Taxation and Grant Income & Expenditure	(10,901)	(2,767)	(1,228)	(14,896)
CIES surplus/deficit on the provisions of services	(5,874)	(12,199)	1,555	(16,518)
Other Income & Expenditure Items	0	(23,662)	(2,599)	(26,261)
TOTAL Comprehensive Income & Expenditure	(5,874)	(35,861)	(1,044)	(42,779)

NOTES TO THE CORE FINANCIAL STATEMENTS

2. Explanation of order of Notes to the Financial Statements

The Notes to these Financial Statements are organised in 4 distinct groups:

- (i) Note 1 - Expenditure and Funding Analysis..
- (ii) Notes 2 to 7: Introductory Notes explaining current context issues and Accounting Policies
- (iii) Notes 8 to 17: Notes directly supporting the prime Financial Statements
- (iv) Notes 18 to 29: Notes containing memorandum notes in support of the Accounts

In relation to section (iii) above, the Notes are organised as follows:

- (a) Note 8 in support of the Comprehensive Income and Expenditure Account.
- (b) Note 9 in support of the General Fund Outturn (including HRA & Earmarked).
- (c) Note 10 in support of the outturn upon Capital Purposes items.
- (d) Note 10 in support of the Movement In Reserves Statement in defining the Reserves.
- (e) Notes 11 to 17, in support of the Assets and Liabilities sections of the Balance Sheet.

3. Accounting Policies

The Statement of Accounts summarises the Council's transactions for the relevant financial year and its position at the Balance Sheet date of 31 March. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom (2017-18) and the Service Reporting Code of Practice (2017-18) supported by International Financial Reporting Standards (IFRS).

The underlying concepts of the accounts include the:

- Council being a 'going concern' – all operations continuing
- Accrual of income and expenditure – placing items in the year in which the liability is incurred

The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the Council.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity.

- Exceptional Items

When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 amounts 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 payment 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.

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 from an integral part of the Authority's cash management.

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, if material, by adjusting opening balances and comparative amounts for the prior year as if the new policy has always been applied.

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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:-

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 of depreciation; calculated in a similar way to the major repairs allowance. The notional depreciation charge is reserved to fund similar major repairs and improvements 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.

Accounting Policies in respect of Employee Benefits

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, flexi-leave and time off in lieu for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

Termination benefits are charged to the appropriate service line in the Comprehensive Income and Expenditure Account when the council can demonstrate that it is committed to either terminating the employment of an officer of has made an offer of voluntary redundancy even if the officer has not left the council by 31 March.

NOTES TO THE CORE FINANCIAL STATEMENTS

Post-Employment Benefits (Pensions)

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

Employees 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 pension liability is analysed into seven components:

- current service cost being the increase in liabilities as a result of years of service earned in the current year where the cost is allocated in the comprehensive income and expenditure statement to the services for which the employees worked.
- 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;
- 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.;
- 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;
- 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 gain or losses are credited or charged to non-distributed costs in the comprehensive income and expenditure account;

NOTES TO THE CORE FINANCIAL STATEMENTS

- actuarial gains and losses being changes in the net pensions liability that arises 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
- 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 contribution 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.

Events After the Balance Sheet Date

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Government Grants and Other 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 payment, 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-ring-fenced 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 the grant can be spent, but it has not been spent at the year-end.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Reserve (Capital Grants Unapplied Account) representing capital resources not yet utilised.

Where capital grants are credited to the comprehensive income and expenditure statement, they are

- 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.

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.

Group accounts have been prepared for South Cambs Ltd (trading as Ermine Street Housing) and Shire Homes Lettings Limited, both wholly owned subsidiaries of South Cambridgeshire District Council. Investments in the subsidiary companies are recognised in the Balance Sheet as unquoted equity investments at cost.

Intangible Assets

Expenditure, on an accruals basis, for assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) are capitalised where they will bring benefit for more than one year. The balance is amortised (charged) to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

NOTES TO THE CORE FINANCIAL STATEMENTS

Leases

Leases are classified as financial leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or 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.

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

The Council as a Lessee

Finance leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant and equipment applied to write down the lease liability, and
- a financing charge

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership does not transfer to the Council at the end of the lease period).

Operating leases.

Rentals paid under operating leases are debited to the Comprehensive Income and Expenditure Statements an expense of the service benefitting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

The Council as a Lessor

Finance Leases

Where the Council grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal whilst an appropriate debtor balance is created to reflect the amount owed.

Operating Leases.

Where the Council grants an operating lease over a property the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

- 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 are reversed out in the movement in reserves statement.

These two categories were defined in the Service Reporting Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, these are now reported in line with the management reporting structure of the Council in accordance with the Expenditure and Funding Analysis in the revised Code of Practice.

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.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

- All other assets- fair value, which for this purpose is interpreted as being met by provision of a market value figure which will reflect all potential uses.

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 values 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Developers' Contributions

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 at the Balance Sheet date are shown as receipts in advance under creditors until such time as the terms and conditions of receipt have been fully satisfied.

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.

Value Added Tax (VAT)

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

Going Concern and Covid-19

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis. The restrictions have created significant issues for many businesses and residents and as a result from April 2020, Council income was affected detrimentally as payers sought to defer payments or were unable to pay at all. The government has provided some support for lost income and additional costs borne by authorities because of the crisis and the Council has received just over £1.6 million in this regard. Our most recent balances compared to the year end reported in these statements is as follows.

Date	General Fund	Housing Revenue Account	Earmarked Reserves
31/03/2018	£10.1m	£10.10	£31.9m
31/03/2020	£19.1m	£6.6m	£37.2m

NOTES TO THE CORE FINANCIAL STATEMENTS

We have carried out an assessment of the impact of Covid-19 on our future finances and we are satisfied that there is no material uncertainty relating to going concern.

Through our assessment we have identified that we expect in 2020/21:

Reductions in revenue relating to:-

1. Trade Waste – where we have assumed between a reduction of 25% for the first 6 months of the year
2. Commercial Income – 12% fall relating to lost rent on commercial investments and lost revenue from the Council's wholly owned housing company on the assumption that the housing market will remain static for the first 6 months of the year
3. Planning fees – we have assumed a 20% loss for the first 6 months of the year
4. Business rates – where we have assumed losing £1 million for the year

Additional costs relating to Covid-19 assumed at £300,000 based on the expectations of the Council's Service leads and additional Waste expenditure due to falling recycling prices.

If the lockdown arrangements are to extend beyond the 6 months window into 2020 that we have set out above, we have not assumed any additional central government grants within in our assumptions and we have yet to make any assessment of further additional costs due to the uncertainty. Therefore, we would expect our 2020/21 outturn to show a revised surplus/deficit – taking into account all the above factors of £1.2 million. This would be funded from the General Fund balance – which would then have a predicted balance of £20.3 million at 31 March 2021.

We then expect that the Fair Funding Review for 2021/22 to be delayed, so we are assuming a flat rate of Government settlement for 2021/22. However, to be prudent we have left our assumption for 2021/22 in line with our previous MTFS planning, which would show a deficit in 2021/22 on the provision of services of £3.2 million. As a result we were planning to draw on reserves to that extent in that year. As a result, our GF balance at 31 March 2022 is expected to be £17.1 million, on a worst case scenario. This still remains above our minimum level of GF balances as set by our CFO of £2.5 million.

4. Accounting Standards that have been issued but have not yet been adopted

The standards which have been introduced by the 2018/19 Code and will be effective from 1 April 2018 are as follows:

- IFRS 9 Financial Instruments introduces a new model for financial assets including new classifications and a new expected credit loss impairment model. It will impact on the classifications used in the Financial Assets disclosure, but due to the high credit quality adopted by the Council for its investment counterparties it is not expected to result in any material impairment charges.
- IFRS 15 Revenue from Contracts with Customers brings in new rules for the timing of the recognition of income from contracts with service recipients. This is not expected to have a material impact on the Council's financial statements.
- Amendments to IAS 7 Statements of Cash Flows: Disclosure Initiative provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This will not have a material impact on the Council's financial statements.
- The amendments to IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses) clarify how to account for deferred tax assets related to debt instruments measured at fair value. This will not have an impact on the Council's financial statements as the Council does not produce group accounts which incorporate companies with relevant debt instruments.

NOTES TO THE CORE FINANCIAL STATEMENTS

5. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 3, 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.

6. 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:

Pension Liability:

The main item in the Council's balance sheet as at 31 March 2018 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.

large effect on the liability and the Actuary has provided the following sensitivity analysis:

<i>Change in assumption</i>	2016-17 Inc. in Liability (£m)	2017-18 Inc. in Liability (£m)
<i>0.5% decrease in real discount rate</i>	14.9	15.65
<i>0.5% increase in salary increase rate</i>	2.15	2.14
<i>0.5% increase in pension increase rate</i>	12.55	13.32

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

If the useful life of assets is reduced, depreciation increased 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 £600k+ 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 2017-18 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.

Fair Value Measurements:

When the fair value of assets and liabilities cannot be measured based on quoted prices in an active market (Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observation data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets and liabilities.

Where Level 1 input is not available, the Authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.

The most significant assets that the Authority has measured at fair value in the Balance Sheet where Level 1 inputs are not available are Investment Properties (Group Accounts) and Surplus Property, Plant and Equipment. Significant changes in any of the unobservable inputs in these valuations would result in significantly higher/lower fair value measurements.

Information about the valuation techniques and inputs used in determining the fair value of the Authority's assets and liabilities can be found in Notes 12, 28 and 40.

7. Material or Exceptional Items of Income and Expenditure

There are no material items in the comprehensive income and expenditure statement in 2017-18 outside the normal course of business. There are no exceptional items in the comprehensive income and expenditure statement in 2017-18.

NOTES TO THE CORE FINANCIAL STATEMENTS

8 Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows:

2016/17 TOTAL (Surplus)/ Deficit £'000	Subjective Analysis	2017/18 General Fund, HRA & Earmarked £'000	2017/18 Charges to Non-GF Reserves £'000	2017/18 TOTAL (Surplus)/ Deficit £'000
	Expenditure			
16,432	* Employee Expenses (including Benefits)	20,869	2,782	23,651
39,215	* Other Service Expenses	60,934	(12,210)	48,724
(781)	* Support Service Recharges	0	0	0
23,380	* Depreciation, Amortisation and Impairment	(1,708)	2,816	1,108
7,193	Interest Payments	7,193	0	7,193
4,967	Precepts and Levies	5,434	0	5,434
1,862	Pension interest costs and expected return on investments	1,510	0	1,510
480	Payment to Housing Capital Receipts Pool	0	492	492
92,748	Total Expenditure	94,232	(6,120)	88,112
	Income			
(33,060)	* Fees, Charges and Other Service Income	(41,797)	0	(41,797)
(27,582)	* Government Grants/Contributions (Services) (Note 8a)	(33,269)	(39)	(33,308)
(2,470)	Gain on the disposal of assets	1,125	(3,021)	(1,896)
0	Gain on the disposal of assets (Financing)	0	0	0
(10,590)	Government Grants/Contributions (Central) (Note 8a)	(5,964)	(236)	(6,200)
(1,128)	Interest and Investment Income	(1,452)	0	(1,452)
(12,767)	Income From Council Tax	(12,804)	(504)	(13,308)
(5,353)	Business Rates Income and Expenditure	(5,943)	(726)	(6,669)
(92,950)	Total Income	(100,104)	(4,526)	(104,630)
(202)	(Surplus)/Deficit on Provision of Services	(5,872)	(10,646)	(16,518)

8a Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement

2016/17 £'000		2017/18 £'000
	Credited To Services	
(27,057)	Department of Work and Pensions Housing Benefit Administration, Discretionary and Fraud	(26,708)
(26)	Cabinet Office Electoral registration	(24)
0	Department for Environment, Food and Rural Affairs Section 31 grant	0
(223)	Department of Communities and Local Government NNDR cost of collection allowance	(230)
(51)	Council tax / Business rates	(60)
0	Improvement grant (included in "capital grants" below)	0
(283)	Other Government grants	(1,191)
0	Homes and Communities Agency Growth Agenda / New Communities (included in "capital grants" below)	0
(16)	Private Sector s106 contributions	(16)
0	Other (included in "capital grants" below)	0
(0)	Contributions from other Local Authorities	0
(27,655)		(28,229)
	Credited To Taxation and Non-Specific Grant Income	
(926)	Department of Communities and Local Government Revenue Support Grant	(230)
(5,265)	New Homes Bonus	(3,932)
(3,775)	Other non-ringfenced government grants	(351)
0	BR Additional Growth	(1,451)
(616)	Capital grants and contributions	(236)
(10,582)		(6,200)
(38,237)	Total	(34,429)

NOTES TO THE CORE FINANCIAL STATEMENTS

9 Transfers (to)/from Earmarked Reserves & Total General Fund & HRA Balances

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 2016-17 and 2017-18 together with the aggregate Balances for the General Fund including HRA.

Balance at 01 Apr 16 £'000	Appropriations to Reserve £'000	Appropriations from Reserve £'000	Balance at 31 Mar 17 £'000		Appropriations to Reserve £'000	Appropriations from Reserve £'000	Balance at 31 Mar 18 £'000
				GF Capital Earmarked:			
(35)	0	0	(35)	Preservation of Historic Buildings	0	29	(6)
(33)	0	3	(30)	Community Development	0	30	0
(5)	0	0	(5)	Sports Development	0	0	(5)
(541)	(394)	17	(918)	Environmental Services	(264)	17	(1,165)
0	(10)	0	(10)	Webbs Sluice (new)	0	0	(10)
(100)	0	0	(100)	Other	0	52	(48)
				GF Revenue Earmarked:			
(1)	0	0	(1)	Conservation	0	0	(1)
0	(158)	158	0	Building Control	0	0	0
(24)	(8)	0	(32)	Health & Environmental Services	(5)	0	(37)
(974)	(50)	49	(975)	Planning	(1,087)	37	(2,025)
(12)	0	11	(1)	Community Safety & Grants	0	0	(1)
0	0	0	0	Sports	0	0	0
(500)	0	0	(500)	Travellers	0	0	(500)
(4,502)	(3,135)	0	(7,637)	Infrastructure	0	0	(7,637)
(2,181)	(3,562)	0	(5,743)	Growth & Renewables	(3,152)	1,785	(7,110)
(1,049)	(911)	1,257	(703)	Add. Pensions	(1,436)	66	(2,073)
(962)	(197)	75	(1,084)	Other	(547)	1,432	(199)
0	0	0	0	Housing GF- Homelessness	(194)	28	(166)
0	0	0	0	Renewable Energy	(981)	0	(981)
0	0	0	0	EZ/NDD Growth	(561)	152	(409)
				Housing Revenue Account Earmarked			
(1,000)	0	0	(1,000)	Self-insurance	0	0	(1,000)
(8,500)	0	0	(8,500)	Investment Repayment	0	0	(8,500)
(20,419)	(8,425)	1,570	(27,274)	Total Earmarked Reserves	(8,227)	3,628	(31,873)
(714)	(404)	20	(1,098)	Capital (GF)	(264)	128	(1,234)
(10,205)	(8,021)	1,550	(16,676)	Revenue (GF)	(7,963)	3,500	(21,139)
(9,500)	0	0	(9,500)	Revenue (HRA)	0	0	(9,500)
(20,419)	(8,425)	1,570	(27,274)	Total Earmarked Reserves	(8,227)	3,628	(31,873)
(10,587)	0	602	(9,985)	General Fund Core			(10,155)
(8,073)	(919)	0	(8,992)	Housing Revenue Account Core			(10,095)
(39,079)	(9,344)	2,172	(46,251)	Total General Fund & HRA			(52,123)

Earmarked reserves with material balances or movements (over £1m):

Environmental Services- Balances for future use on replacement vehicles for environmental services.

Planning- Balances for use on general planning matters plus the shared service arrangements with partner organisations starting in 2018/19.

Infrastructure- Balances for future use on A14 improvements scheme.

Growth & Renewables- Balances for future use on business improvements and in '17/18 £1.2m used on the Greater Cambridge City Deal works.

Add. Pensions- Balances for future use off-setting the pensions deficit and pension elements of exit packages.

Renewable Energy- Balances for future use on renewable energy schemes.

HRA Self-insurance- Balances for future use on unforeseen, one-off, eventualities within the HRA.

HRA Investment Repayment- Balances for future use in long term borrowing under HRA self-financing arrangements.

10 Capital Reserves Outturn and Adjustments between Accounting Basis and Funding Basis under Regulation

a The Capital Purposes Outturn for the Prior Year is as follows:

	2016/17 £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000	
	<u>Capital Receipts Reserve</u>	<u>Capital Grants Unapplied Reserve</u>	<u>Revaluation Reserve</u>	<u>Capital Adjustment Account</u>	<u>Deferred Capital Receipts Reserve</u>	<u>TOTAL CAPITAL PURPOSES</u>	<u>HRA</u>	<u>GF</u>
Internal Contributions including those from the General Fund Balance	3,734	571	0	(16,363)	0	(12,058)	(12,241)	183
Government Grants Received	0	(624)	0	(738)	0	(1,362)	(625)	(737)
(Profit)/Loss Upon Asset Sale	(6,946)	0	941	3,535	0	(2,470)	(2,005)	(465)
Housing Pooling Payments	480	0	0	0	0	480		480
Depreciation	0	0	3,603	12,447	0	16,050	14,848	1,202
Impairment	0	0	0	7,322	0	7,322	6,771	551
Total Adjustments between Accounting Basis and Funding Basis (Capital Items)	(2,732)	(53)	4,544	6,204	0	7,962	6,748	1,214
Revaluation - Other Income & Expend	0	0	17,051	0	0	17,051	18,149	(1,098)
TOTAL CAPITAL RESERVES OUTTURN	(2,732)	(53)	21,595	6,204	0	25,013	24,897	116

NOTES TO THE CORE FINANCIAL STATEMENTS

b The Adjustments between Accounting Basis and Funding Basis Under Regulation are as follows:

2016/17	HRA £'000	GF £'000	TOTAL £'000
Total Capital Items (from Section A above)	6,748	1,214	7,962
Pension Scheme Net Cost less Employers Contributions	315	1,295	1,610
Collection Fund Adjustment Account Items:			
Council Tax		(21)	(21)
Business Rates		(2,597)	(2,597)
Other Items	(97)	132	35
TOTAL Adjustments between Accounting Basis & Funding Basis	6,966	23	6,989

c The Capital Purposes Outturn for the Year is as follows:

2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<u>Capital Receipts Reserve</u>	<u>Capital Grants Unapplied</u>	<u>Revaluation Reserve</u>	<u>Capital Adjustment</u>	<u>Deferred Capital Receipts Reserve</u>	<u>TOTAL CAPITAL PURPOSES</u>	HRA	GF
Internal Contributions including those from the General Fund Balance	7,008	N/A	N/A	(19,218)	N/A	(12,210)	(12,381)	171
Government Grants Received	N/A	(29)	N/A	(246)	N/A	(275)	(522)	247
Sale of non-current assets	(5,869)	N/A	731	2,117	0	(3,021)	(1,391)	(1,630)
Housing Pooling Payments	492	N/A	N/A	N/A	N/A	492	-	492
Depreciation	N/A	N/A	1,658	6,022	N/A	7,680	6,260	1,420
Impairment	N/A	N/A	N/A	(4,916)	N/A	(4,916)	(5,316)	400
Other	N/A	N/A	N/A	51	N/A	51	0	51
Total Adjustments between Accounting Basis and Funding Basis (Capital Items)	1,631	(29)	2,389	(16,190)	0	(12,199)	(13,350)	1,151
Revaluation - Other Income & Expenditure	N/A	N/A	(23,662)	N/A	N/A	(23,662)	(22,284)	(1,378)
TOTAL CAPITAL RESERVES OUTTURN	1,631	(29)	(21,273)	(16,190)	0	(35,861)	(35,634)	(227)

d The Adjustments between Accounting Basis and Funding Basis Under Regulation are as follows:

2017/18	HRA £'000	GF £'000	TOTAL £'000
Total Capital Items (from Section C above)	(13,350)	1,151	(12,199)
Pension Scheme Net Cost less Employers Contributions	672	2,110	2,782
Collection Fund Adjustment Account Items:			
Council Tax	0	(504)	(504)
Business Rates	0	(726)	(726)
Other Items	0	3	3
TOTAL Adjustments between Accounting Basis & Funding Basis	(12,678)	2,034	(10,644)

The Internal Transfers & Contributions shown within the Capital Adjustment Account are made up of the following:

2016/17 £'000		2017/18 £'000
	Capital expenditure financed from;	
(3,751)	Capital receipts and contributions	(7,008)
(6,514)	Revenue	(6,121)
(6,452)	Major repairs funded by HRA	(6,260)
(379)	Internal financing (Minimum Revenue Provision)	(472)
733	Write out of revenue expenditure funded from capital under statute and loans repaid	643
(16,363)	Total	(19,218)

NOTES TO THE CORE FINANCIAL STATEMENTS

11a Definitions of Usable Capital Reserves

Movements in the Authority's Capital Usable reserves are detailed in Note 10a and 10b above.

a) Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of assets, which are restricted by statute from being used for any purpose other than to fund new or historical capital expenditure. The balance on the Reserve shows the resources that have yet to be applied for these purposes at the year-end.

b) Capital Grants Unapplied

The Capital Grant Unapplied Reserve holds the grants and contributions received towards capital projects where grant conditions have been fully satisfied but where the related expenditure has yet to be incurred.

11b Definitions of Unusable Reserves

Movements in the Authority's Capital Unusable reserves are detailed in Note 10a and 10b above.

a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment from the base date of 31 March 2007. 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.

b) Capital Adjustment Account

The Capital Adjustment Account (together with the Revaluation Reserve) represents the Council's ownership of its Property, Plant & Equipment Assets. The Capital Adjustment Account represents all relevant items other than those resulting from Revaluations applied beyond 31 March 2007.

c) 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.

See Note 18 for further details of the Reserve Balance which equates to the Liability.

d) Collection Fund Adjustment Account

The Collection Fund Adjustment Account represents the amount that the Council owes itself at the year end arising from the declared Collection Fund Surplus for the year. This amount is not permitted to be allocated to the General Fund under Statute hence its inclusion within this Reserve.

See Collection Fund Accounts for further details

e) Deferred Capital Receipts

Deferred capital receipts are amounts derived from the sales of assets before the Balance Sheet date 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.

f) Accumulated Absences Reserve

The Accumulating Compensated Absences Reserve reflects the input of excess staff time utilised at the Balance Sheet Date which will be paid in kind beyond the Balance Sheet Date in the form of excess leave or flexi time carried forward.

NOTES TO THE CORE FINANCIAL STATEMENTS

12 Property, Plant and Equipment

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 to 54 years,
- Buildings other than dwellings – 8 to 40 years,
- Vehicles, plant and equipment – 3 to 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 revalued so this charge has no impact on the fair value of the housing stock as recorded in the Balance Sheet.

a) Movement of Property, Plant and Equipment

2016/17	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- £'000	Assets Under Construction £'000	Surplus Assets £'000	Total PPE £'000
Cost or valuation							
At 1 April 2016	476,622	26,439	7,433	1,495	3,457	151	515,597
Adjustments	37	0	0	0	0	0	37
Inter-asset transfer	0	0	0	0	0	0	0
Additions	14,249	201	1,183	56	102	0	15,791
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(32,128)	724	0	0	0	0	(31,404)
in the Surplus / Deficit on the provisions of services	(7,434)	(71)	(13)	0	0	1	(7,517)
Impairment recognised in the Surplus / Deficit on the provisions of services	0	0	0	0	0	0	0
Derecognition - Disposals	(3,087)	(9)	(6)	0	0	0	(3,102)
Derecognition - Other	0	0	0	0	0	0	0
Reclass (to)/from Held for Sale	0	0	0	0	0	0	0
Other changes in cost/val.	3,440	(48)	0	0	(3,446)	0	(54)
At 31 March 2017	451,699	27,236	8,597	1,551	113	152	489,348
Accumulated Depreciation & Impairment							
At 1 April 2016	0	(399)	(4,528)	(114)	0	0	(5,041)
Depreciation Charge	(14,764)	(596)	(527)	(43)	0	0	(15,930)
Depreciation written out to the Revaluation Reserve	14,096	374	0	0	0	0	14,470
Depreciation written out to the surplus / deficit on the provision of services	663	11	0	0	0	0	674
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	(13)	0	0	0	(13)
Derecognition - Other	0	0	0	0	0	0	0
Other movements in depreciation and	0	0	0	0	0	0	0
At 31 March 2017	(5)	(610)	(5,068)	(157)	0	0	(5,840)
Bal. Sheet 31 March 2017	451,694	26,626	3,529	1,394	113	152	483,508
Bal. Sheet 1 April 2016	476,622	26,040	2,905	1,381	3,457	151	510,556

NOTES TO THE CORE FINANCIAL STATEMENTS

2017/18	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipme £'000	Infra- £'000	Assets Under Construction £'000	Surplus Assets £'000	Total PPE £'000
Cost or valuation							
At 1 April 2017	451,699	27,236	8,597	1,551	114	152	489,349
Adjustments	103	(123)	(1,524)	(78)	0	10	(1,613)
Inter-asset transfer	0	0	(387)	0	0	0	(387)
Additions	9,201	1,653	2,453	0	7,226	0	20,533
Revaluation increases / (decreases) recognised in the Revaluation Reserve	21,117	6	0	(0)	373	0	21,496
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	354	(742)	0	0	0	0	(388)
Other adjustments	(23)	0	0	0	0	0	(23)
Derecognition - Disposals	(2,611)	(87)	(2)	0	0	(10)	(2,710)
At 31 March 2018	479,840	27,943	9,137	1,473	7,713	152	526,258
Accumulated Depreciation & Impairment							
At 1 April 2017	(5)	(610)	(5,068)	(157)	0	0	(5,840)
Adjustments	5	203	1,536	78	0	0	1,822
Depreciation Charge	(6,184)	(617)	(755)	(46)	0	0	(7,602)
Depreciation written out to the Revaluation Reserve	1,167	79	0	0	0	0	1,246
Depreciation written out to the surplus / deficit on the provision of services	4,938	617	0	0	0	0	5,555
Derecognition - Disposals	0	0	0	0	0	0	0
At 31 March 2018	(79)	(328)	(4,287)	(125)	0	0	(4,819)
Bal. Sheet 31 March 2018	479,761	27,615	4,850	1,348	7,713	152	521,439
Bal. Sheet 1 April 2017	451,694	26,626	3,529	1,394	113	152	483,508

b) Assets Held For Sale

2016/17 Total £'000		2017/18 Total £'000
1,751	Cost or valuation	
	At 1 April	1,154
1,349	Additions	155
(153)	Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,027
(466)	Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	(107)
0	Depreciation	0
0	Depreciation written out to the surplus / deficit on the provision of services	0
(1,374)	Derecognition - Disposals	(138)
47	Other movements in cost or valuation	(15)
1,154	At 31 March	2,076

NOTES TO THE CORE FINANCIAL STATEMENTS

c) Revaluations

It is a requirement that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. The Council carries out a programme that will ensure the valuer undertakes an annual desk top revaluation review with an in depth valuation at least every five years.

Valuations, with an effective date of 31 March 2018, on the bases set out in the statement of accounting policies have been carried out for all land

- a) Council dwellings relating to the Housing Revenue Account, by Wilks, Head & Eve LLP and
- b) Non-operational assets relating to the Housing Revenue Account, by Mr Paul Gedge, MRICS, District Valuer, East of England and
- c) Other land and buildings, by Mr Paul Gedge, MRICS, District Valuer, East of England.

The Council is not aware of any events or circumstances which indicate that the amounts stated in the balance sheet for non-current assets may not be realisable, as at the balance sheet date. Council dwellings are valued on the prescribed basis set out in note 30.

The valuation of operational property was on the basis of existing use value except for specialised operational assets which are assessed on the basis of depreciated replacement cost and non-specialised valued to fair value. Further detail the basis for valuation is set out in the statement of accounting policies.

Surplus assets are valued at fair value (at level 3 of the fair value hierarchy) as at 31 March 2018. This value represents the development potential based on a value per net developable acre taking into account planning risk.

Details on investment property valuation can be found in Note 39 (Group Accounts).

Vehicles, Plant and Equipment as short life operational assets, are held at historical cost less depreciation as a proxy for fair value.

d) Capital Commitments

Material capital commitments as at 31 March 2018 were £2.763 million on Housing and £0.117 million on General Fund, but these commitments are more than covered by usable housing capital receipts and from earmarked reserves in the General Fund.

e) Capital Enhancement and Capital Financing

The total amount of capital enhancement incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital enhancement 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:

2016/17		2017/18 HRA (note31) £'000	2017/18 GF £'000	2017/18 Total £'000
209,610	Opening Capital Financing Requirement	204,429	20,938	225,367
	Enhancement			
15,653	Loan to Ermine Street Ltd *	0	20,260	20,260
65	Intangible Assets	0	387	387
17,140	Non-current	16,972	3,329	20,301
733	Revenue Expenditure Funded from Capital Under Statute	0	643	643
33,591		16,972	24,619	41,591
	Financing			
(3,751)	Capital receipts and contributions	(4,180)	(2,828)	(7,008)
(6,514)	Revenue	(6,010)	(111)	(6,121)
(738)	Grants and Reserves	(522)	276	(246)
(6,452)	Major repairs reserve	(6,260)	0	(6,260)
(379)	MRP from Capital Adjustment Account	0	(472)	(472)
(17,834)		(16,972)	(3,135)	(20,107)
225,367	Closing Capital Financing Requirement	204,429	42,422	246,851
	Net Increase in CFR for the year		21,484	

* The loans made to South Cambs Limited, from cash balances, are recognised as capital in year, increasing the Council's underlying need to borrow.

NOTES TO THE CORE FINANCIAL STATEMENTS

13 Investments

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 Mar 17 £'000			31 Mar 18 £'000
3,001	Local Authorities		4,001
24,924	South Cambs Limited		35,913
24,610	Clearing Banks		20,584
0	Subsidiaries of Clearing Banks		0
3,004	Banks (other)		5,019
4,869	Money Market Funds		3,427
15,563	Building Societies with assets: greater than £10 billion		8,044
	Housing Association		5,047
50	Government Securities and Equity Shares		50
76,020			82,085
(7,870)	Less: cash and cash equivalents		(7,427)
68,150	Total		74,658
	Short Term	Long Term	
58,386	58,386		0
9,270		9,270	65,289
50		50	8,715
67,706			50
444	444		74,054
68,150	58,830	9,320	604
	Principal Investment analysed by maturity		
			0
			65,289
			8,715
			50
			74,054
			604
			65,893
			8,765
			74,658

14 Debtors - Short Term

An analysis of debtors falling due within one year is shown below:

31 Mar 17 Core Business £'000	31 Mar 17 Collection Fund £'000	31 Mar 17 TOTAL £'000		31 Mar 18 Core Business £'000	31 Mar 18 Collection Fund £'000	31 Mar 18 TOTAL £'000
4,943		4,943	Central Government Bodies	6,320	0	6,320
283		283	Local Authorities	1,911	0	1,911
55		55	NHS	129	0	129
0		0	Public Corporations	0	0	0
4,463	336	4,799	Other Entities and Individuals	6,222	469	6,691
769		769	Payments in Advance	0	0	0
10,513	336	10,849		14,582	469	15,051
			Less: Provision for Bad Debts / Impairment			
(272)	(37)	(309)	Council Tax- District Council share	0	(41)	(41)
(44)	(80)	(124)	Business Rates- District Council share	0	(80)	(80)
(366)		(366)	Housing Rents	(418)	0	(418)
(1,967)		(1,967)	Sundry Debtors	(1,962)	0	(1,962)
(2,649)	(117)	(2,766)		(2,380)	(121)	(2,501)
7,864	219	8,083	Total	12,202	348	12,550

The credit risk associated with accounts payable to the Council is reflected in the provisions made in the accounts for doubtful debts.

NOTES TO THE CORE FINANCIAL STATEMENTS

15 Creditors - Short Term

An analysis of creditors falling due within one year is shown below:

31 Mar 17 Core Business £'000	31 Mar 17 Collection Fund £'000	31 Mar 17 TOTAL £'000		31 Mar 18 Core Business £'000	31 Mar 18 Collection Fund £'000	31 Mar 18 TOTAL £'000
(3,174)	(5,916)	(9,090)	Central Government Bodies	(4,445)	(8,220)	(12,666)
(2,642)	(118)	(2,760)	Other Local Authorities	(642)	(2,597)	(3,239)
0	0	0	NHS Bodies	0	0	0
0	0	0	Public Corporations and Trading Funds	0	0	0
(12,015)	0	(12,015)	Other Entities and Individuals (including Developer Contributions, see next table)	(15,111)	0	(15,111)
580	(1,149)	(569)	Receipts in Advance	0	(801)	(801)
(17,251)	(7,183)	(24,434)	Total	(20,198)	(11,619)	(31,817)

Developer 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 Mar 17 £'000		Net Movement in year £'000	Balance at 31 Mar 18 £'000
	Capital		
(240)	Commuted sums	158	(82)
(219)	Partnership works on awarded watercourses	(16)	(235)
(27)	Drainage	27	0
(259)	Community Transport Initiative	0	(259)
(3,921)	Affordable Housing s106	(392)	(4,313)
(4,666)		(223)	(4,889)
	Revenue		
(54)	Sustainability s106 Orchard park	0	(54)
(50)	Public art s106 Orchard Park	0	(50)
(11)	Community development s106	(1)	(12)
(116)	Electoral arrangements	0	(116)
(116)	Waste Management	0	(116)
(347)		(1)	(348)
(5,013)	Total	(224)	(5,237)

16 Cash and Cash Equivalents

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

31 Mar 17 £'000		31 Mar 18 £'000
	Current Assets	
0	Cash held by the Authority	0
0	Bank Current Accounts	0
7,872	Money Market funds (cash)	7,426
7,872		7,426
	Current Liabilities	
(1,578)	Bank overdrafts	(965)
6,294	Total	6,461

Payments for financing activities include annual interest of £7.193m (£7.193m 2016/17) relating to long term borrowing by the Housing Revenue Account, further details are provided in Note 17a.

NOTES TO THE CORE FINANCIAL STATEMENTS

17 Long Term Liabilities

a Long Term Borrowing for HRA Financing

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	31 Mar 16 £'000	31 Mar 17 £'000	31 Mar 18 £'000
Repayable within 25 years	(45,000)	(55,000)	(65,000)
Repayable within 30 years	(50,000)	(50,000)	(50,000)
Repayable within 35 years	(50,000)	(50,000)	(50,000)
Repayable within 40 years	(50,000)	(50,123)	(40,123)
Repayable within 45 years	(10,123)	0	0
	(205,123)	(205,123)	(205,123)

b Liability related to the Defined Pension Scheme

2016/17 LGPS £'000	Pension Scheme Assets	2017/18 LGPS £'000
84,833	Opening fair value of scheme assets at 1 April	100,715
2,944	(I) Interest income	2,625
13,232	(A) Remeasurement gain/(loss):	
	Return on plan assets, exc. net interest expense	(400)
3,140	(C) Contributions from employer	3,808
732	Contributions from employees into the scheme	842
(4,166)	(C) Benefits paid	(4,028)
0	Contributions in respect of unfunded benefits	0
100,715	Closing fair value of scheme assets at 31 March	103,562
2016/17 Funded liab. £'000	Pension Scheme Liabilities	2017/18 Funded liab. £'000
(137,675)	Opening Balance at 1 April	(158,211)
(4,806)	(I) Interest cost	(4,135)
	(A) Remeasurement (gains) and losses:	
1,350	Actuarial gains/losses on changes in demographic assumptions	0
(21,691)	Actuarial gains/losses on changes in financial assumptions	3,002
1,350	Actuarial gains/losses on changes in demographic assumptions	0
4,065	Other	(3)
(2,928)	(C) Current service costs	(5,169)
(82)	(C) Past service costs	(29)
(732)	Contributions from scheme participants	(842)
4,288	(C) Benefits paid	4,146
(158,211)	Closing Balance at 31 March	(161,241)
(57,496)	Net Liability Closing Balance	(57,679)
2016/17 Movement £'000	Net Movement in Year	2017/18 Movement £'000
1,862	(I) Expenditure	1,510
3,044	(A) Actuarial Gains / Losses to Other Income & Expenditure	(2,599)
(252)	(C) Other Items to Net Cost of Services	1,272
4,654	TOTAL MOVEMENT IN YEAR	183

NOTES TO THE CORE FINANCIAL STATEMENTS

18 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.

Local Government Pension Scheme assets comprised

2016/17 Quoted active market £'000	2016/17 Quoted non- active market £'000	2016/17 Total £'000		2017/18 Quoted active market £'000	2017/18 Quoted non-active market £'000	2017/18 Total £'000
2,877.2	0.0	2,877.2	Cash and cash equivalents #1	3,334.2	0.0	3,334.2
			<i>Equity instrument: by industry type #1+#2</i>			
2,703.1	0.0	2,703.1	Consumer	2,875.8	0.0	2,875.8
1,751.5	0.0	1,751.5	Manufacturing	1,859.6	0.0	1,859.6
2,324.9	0.0	2,324.9	Energy and Utilities	2,228.9	0.0	2,228.9
4,081.5	0.0	4,081.5	Financial Institutions	4,463.1	0.0	4,463.1
1,069.2	0.0	1,069.2	Health and Care	1,098.6	0.0	1,098.6
444.7	0.0	444.7	Information Technology	488.8	0.0	488.8
12,374.9	0.0	12,374.9	Sub-total equity	13,014.8	0.0	13,014.8
			<i>Debt Securities: by sector</i>			
0.0	0.0	0.0	Corporate Bonds (inv. grade)	0.0	0.0	0.0
0.0	2,714.0	2,714.0	UK Government	0.0	2,610.8	2,610.8
0.0	0.0	0.0	Other	0.0	0.0	0.0
0.0	2,714.0	2,714.0	Sub-total bonds	0.0	2,610.8	2,610.8
			<i>Property: by type</i>			
0.0	0.0	0.0	UK Property	0.0	0.0	0.0
0.0	0.0	0.0	Overseas Property	0.0	0.0	0.0
0.0	0.0	0.0	Sub-total property	0.0	0.0	0.0
			<i>Private Equity:</i>			
0.0	8,761.5	8,761.5	All (UK & Overseas) #3	0.0	9,606.0	9,606.0
0.0	0.0	0.0	Adjustment	0.0	0.0	0.0
0.0	8,761.5	8,761.5	Sub-total private equity	0.0	9,606.0	9,606.0
			<i>Investment Funds and Unit Trusts #3</i>			
0.0	56,669.7	56,669.7	Equities	0.0	57,352.9	57,352.9
0.0	10,624.4	10,624.4	Bonds	0.0	10,408.1	10,408.1
0.0	0.0	0.0	Commodities	0.0	0.0	0.0
0.0	0.0	0.0	Infrastructure	0.0	0.0	0.0
0.0	6,693.3	6,693.3	Other	0.0	7,235.2	7,235.2
0.0	0.0	0.0	Adjustment	0.0	0.0	0.0
0.0	73,987.4	73,987.4	Sub-total other investment funds	0.0	74,996.2	74,996.2
			<i>Derivatives:</i>			
0.0	0.0	0.0	Foreign exchange	0.0	0.0	0.0
0.0	0.0	0.0	Sub-total derivatives	0.0	0.0	0.0
15,252.1	85,462.9	100,715.0	Total Assets	16,349.0	87,213.0	103,562.0

#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

2016/17		2017/18
	Fair value of scheme assets:	
	Equity Instruments:	
12%	Equity Securities	13%
9%	Private equity	9%
3%	Debt Securities	3%
73%	Investment funds and Unit Trusts	72%
97%	Sub total	97%
3%	Cash and cash equivalents	3%
100%	Total	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 (triennial) valuation of the scheme as at 31 March 2016.

NOTES TO THE CORE FINANCIAL STATEMENTS

The significant assumptions used by the actuary have been:

31 Mar 17		31 Mar 18
	Mortality Assumptions	
	Longevity at 65 for current pensioners	
22.4	• Men	22.4
24.4	• Women	24.4
	Longevity at 65 for future pensioners	
24.0	• Men	24.0
26.3	• Women	26.3
2.7%	Rate of increase in salaries	2.7%
2.4%	Rate of increase in pensions	2.4%
2.6%	Rate for discounting scheme liabilities	2.7%

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.

	2017/18 Monetary £'000	2017/18 Employer %
Rate for discounting scheme liabilities (decrease by 0.5%)	15,652	10%
Rate of increase in salaries (increase by 0.5%)	2,142	1%
Rate of increase in pensions (increase by 0.5%)	13,322	8%

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 last 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 2018-19 are £3,773,000.

19 Provisions

Provisions included in the balance sheet consist of provisions for bad and doubtful debts, which have been netted off debtors as shown in the Balance Sheet and Note 14, and a provision for Accumulated Compensated Absences of £0.257m

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 £2.841m has been recognised in the 2017-18 accounts, and the in-year movement is shown in Note 28.

NOTES TO THE CORE FINANCIAL STATEMENTS

20 Contingent Assets and Liabilities

The Council has a potential liability of £93,791 in respect of the Non-Recyclable Material adjustment (NRMA) due to Amey CESPA.

21 Members' Allowances

The total of Members' allowances paid in the year was £394,401 (£387,209 in 2016-17). 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.

22 Officers' Remuneration

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

2016/17 No. of employees	Remuneration Band		2017/18 No. of employees
4	£50,000	- £54,999	12
0	£55,000	- £59,999	1
1	£60,000	- £64,999	1
3	£65,000	- £69,999	1
	£70,000	- £74,999	1
8	Total		16

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 Package:

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 2017-18 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.

2016/17			2017/18		
Total number of compulsory redundancies	Total number of other departures	Total cost £'000 of exit packages	Cost Band		
			Total number of compulsory redundancies	Total number of other departures	Total cost £'000 of exit packages
3	1	56	2	0	18
1	0	38	0	0	0
1	0	59	0	0	0
5	1	153	2	0	18

Senior Officer Remuneration:

In 2017-18 Senior Officers whose salaries are less than £150,000 but equal to or more than £50,000 per year were:

2016/17							
Post	Actual Salary Paid £	Returning Officer Fees £	Election Fees £	Compensation for Loss of Office £	Total remun. Excluding Pension Contributions £	Employers Pension Contributions £	Total remun. Including Pensions Contributions £
Chief Executive	73,317	19,904	0	0	93,221	13,585	106,806
Interim Chief Executive (till Oct'16)	49,429	0	0	0	49,429	8,650	58,079
Executive Dir. (Corporate Services)	61,093	0	748	0	61,841	10,691	72,532
Director of Health/Environment Services	84,451	0	688	0	85,139	14,779	99,918
Director of Housing	84,451	0	0	0	84,451	6,158	90,609
Dir. of New Comm. & Plan. (till Jul'16)	25,463	0	0	59,281	84,744	3,973	88,717
Jnt Dir.ofPlan.&Eco.Dev.(fromJun'16)	81,225	0	0	0	81,225	14,214	95,439
Total	459,429	19,904	1,436	59,281	540,050	72,050	612,100

NOTES TO THE CORE FINANCIAL STATEMENTS

2017/18							
Post	Actual Salary Paid £	Returning Officer Fees £	Election Fees £	Compen- sation for Loss of Office £	Total remun. Excluding Pension Contributions £	Employers Pension Contributions £	Total remun. Including Pensions Contributions £
Chief Executive (from 1st July 2017)	91,566	0	0	0	91,566	15,566	107,132
Interim Chief Executive (until 30th June 2017)	29,954	20,278	0	0	50,231	6,806	57,037
Executive Dir. (Corporate Services)	82,097	0	0	0	82,097	13,957	96,054
Director of Health & Env. Services	85,296	0	698	0	85,994	14,500	100,494
Director of Housing	85,296	0	0	0	85,296	1,208	86,504
Dir.of Plan.&Eco.Dev.(fromJun'16)	105,101	0	0	0	105,101	17,867	122,968
Total	479,310	20,278	698	0	500,285	69,904	570,189

There were no benefits in kind for senior officers in either year.

23 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:

2016/17 £'000		2017/18 £'000
	2017/18	
57	Audit Fee (including group accounts audit cost)	57
14	Certification of grant claims and returns	11
	Additional Audit Fee	80
	Housing Pooling Capital Receipts	4
		152
	2016/17	
	Additional Audit Fee	34
	Housing Pooling Capital Receipts	4
71	Total	189

24 Events After the Balance Sheet Date (Post Balance Sheet Events (PBSE))

The un-audited Statement of Accounts were authorised for issue by the Executive Director – Corporate Services on 31st May 2018 and the audited accounts were authorised for issue by the Executive Director on 27th July 2018. The date up to which events after the balance sheet have been considered is the date the audit was completed which was March 2020.

Two legal rulings were made that will affect the future pension costs to the Council. The Pensions Transition Arrangements Age Discrimination (ruling) regarding age discrimination arising from the public sector scheme transitional arrangements and the Guaranteed Minimum Pension (GMP ruling) where a pension scheme is 'contracted out' of additional state pension arrangements. The estimated change to 'Past Service Costs' pension liabilities are an increase of £542,000. No adjustment has been made within the accounts given that the ruling occurred after the balance sheet date. These eventualities will be accounted for in future periods.

On 23rd March 2020, the Prime Minister announced that to limit the spread of the coronavirus he would be asking people to stay at home and where possible work from home and only essential journeys should be made. Effectively this meant that a lot of businesses became unable to carry on operating and many employees were 'furloughed' on 80% of their existing salary paid by central government. The financial and social outcomes of this are not yet fully understood, however, it is anticipated that the condition will exist for the short to medium future and that it will have a significant impact upon the UK and global economy. As the condition did not exist at the 31 March 2018, this is therefore a non-adjusting event for which a limited estimate of its financial effect on the reporting entity can be made as at 31 March 2018, particularly with regards to financial impact for 2019/20 and future years and asset impairments, provision for impairment on receivables and pension valuations as at the balance sheet date.

25 Related Party Transactions

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 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 2017-18 is shown in Note 21.

The Council has two subsidiary companies wholly owned by the Council, South Cambs Limited (trading as Ermine Street Housing) and Shire Homes Lettings Limited. Transactions between these companies and the Council are accounted within the Councils group accounts. Both Alex Colyer and Stephen Hills (senior officers at SCDC) were directors (unpaid) of Ermine Street Housing in 2017/18. Please see Note 41 to the Group Accounts regarding loans and investments.

In 2017-18, there were no reported material related party transactions that are not disclosed elsewhere in the accounts. Members and Senior Officers are required to ensure up-to-date disclosures with respect to related parties, through registers of interests. Cllr John Batchelor is a Director of South Cambs Ltd. Cllr Nigel Cathcart is a Director of the Farmland Museum which received a £8,500 SCDC grant in 2017/18.

NOTES TO THE CORE FINANCIAL STATEMENTS

26 Leases

There were no finance lease agreements during 2017/18

The Council has no operating leases. Payments of £599,462 in respect of vehicle contract hire were made in 2017-18 (£676,163 in 2016-17).

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

31 Mar 17 £'000		31 Mar 18 £'000
40	Not later than one year	9
0	Later than one year and not later than five years	0
0	Later than 5 years	0
40	Total	9

27 Impairment Losses

There were no overall impairment losses in the year 2017/18

28 Disclosure of Nature and Extent of Risk Arising from 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 £329k as at 31 March 2018 (£329k in 2016-17). No such loans have been made since 2012-13.

Categories of Financial Instrument

The Balance Sheet includes the following financial instruments:

Long Term 31 Mar 17 £'000	Current 31 Mar 17 £'000		Long Term 31 Mar 18 £'000	Current 31 Mar 18 £'000
9,320	58,828	Investments		
		Loans, shares and receivables	8,765	65,893
		Debtors		
970	2,726	Loans and receivables	970	9,619
0	7,872	Cash and Cash Equivalents	0	7,426
		Borrowing		
(205,123)	0	Financial liabilities at amortised cost	(205,123)	0
		Creditors		
0	(1,578)	Cash and Cash Equivalents	0	(965)
0	(6,829)	Financial liabilities at amortised cost	0	(19,684)
(194,833)	61,019	Total	(195,388)	62,288
(133,814)			(133,100)	

Income, Expense, Gains and Losses

Interest Payable and Receivable is shown in the Comprehensive Income & Expenditure Account

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 is deemed to be the value of the principal sum plus any accrued interest.

Estimated ranges of interest rates at 31 March 2018 of 1.61% to 1.44% (1.65% to 1.44% at 31 March 2017) 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. Local authorities are required to follow the fair value hierarchy prescribed by paragraphs 76-90 of IFRS13. This hierarchy categorises into three levels the inputs to valuation techniques used to measure fair value, these include:

- Level1 inputs- quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date
- Level2 inputs- inputs other than quoted prices included within level1 that are observable for the asset or liability, either directly or indirectly
- Level3 inputs- unobservable inputs for the asset or liability

NOTES TO THE CORE FINANCIAL STATEMENTS

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level1 inputs) and the lowest priority to unobservable inputs (Level3 inputs).

The fair values and Carrying Values are considered to be the same with the exception of the following

31 Mar 17 Carrying £'000	31 Mar 17 Fair value £'000		31 Mar 18 Carrying £'000	31 Mar 18 Fair value £'000
(205,123)	(298,515)	Long term borrowing	(205,123)	(296,854)

Equity shares, as available for sale assets are required to be valued at fair value if material. The Council has made an exception to this treatment in respect of its shareholding in the UK Municipal Bonds Agency Plc. The shares in this company are carried at cost of £50,000 and have not been valued as a fair value cannot be measured reliably. The company is only recently established and has no trading history. There is no organisation which might provide comparable market data. The Council has no current intention to dispose of the shareholding.

The fair value of the long term PWLB loans measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for a market transaction undertaken at the balance sheet date. The difference between the carrying amount and the fair value measure the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing rates.

The fair value of the loans from the PWLB has been assessed using the new loans rate. IFRS13 and the Code require that in the absence of a quoted price for a liability, fair value should be measured from the perspective of a market participant. For PWLB loans, measurement is therefore required from the perspective of the PWLB, assessing the price that they would be able to secure if they were to sell the loans in an orderly market transaction. However, it is sometimes not possible to find observable active markets.

If the Council were to seek to take advantage of the lower prevailing market rates by repaying current PWLB loans, the PWLB would charge a penalty and the Council would have to pay an early redemption rate. The exit price for PWLB loans including this penalty would be over £250m.

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.

Key Risks

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 28b, 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 2017/18	Business rates appeals £'000	Customer debt £'000	Other debtors £'000
Balance at 1 April	(2,827)	(1,966)	(800)
Additional provisions	(303)	0	(285)
Amounts used	291	3	230
Balance at 31 March	(2,839)	(1,963)	(855)

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council does not normally extend credit beyond 21 days. At 31 March 2018, of the total debtor balance of £2.2 million (£2.7 million at 31 March 2017), the past due amount was £0.393 million and can be analysed as follows:

31 Mar 17 £'000		31 Mar 18 £'000
	Customer Debts:	
865	Over 21 days but less than 3 months	51
511	More than 3 months	342
1,376	Total	393

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 17, 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.

29 Prior Period Adjustments

There are no prior period adjustments included in the statements.

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.

31 March 2017				31 March 2018	
£000	£000		Note	£000	£000
		INCOME			
(28,357)		Dwelling Rents (Gross)		(28,132)	
(403)		Non-dwelling Rents (Gross)		(412)	
(1,868)		Charges for Services and Facilities		(2,058)	
		Contributions towards expenditure:			
(117)		* General Fund		(121)	
(5)		* Other Sources		(29)	
	(30,749)	Total Income			(30,752)
		EXPENDITURE			
3,720		Repairs and Maintenance		3,781	
		Supervision and Management:			
2,494		* General		2,819	
1,246		* Repairs and Maintenance		1,235	
1,834		* Special Services		2,037	
172		Rent, Rates and Other Charges		181	
21,603		Depreciation and Impairment of non-current assets			
		<i>Depreciation</i>	10, 30	6,260	
		<i>Revaluation</i>	10, 32	(5,316)	
17		Treasury Management Costs		0	
52		Inc./ (Dec.) Prov. for Bad/Doubtful Debts		79	
	31,138	Total Expenditure			11,076
	389	Net Exp./Income of HRA Services as included in the whole Authority Income and Expenditure Account			(19,676)
566		HRA services share Corporate+Democratic Core		733	
(0)		Mortgage Interest		0	
	566				733
	955	Net Exp./Income of HRA Services			(18,943)
(2,005)		Loss/(Gain) on sale of HRA non-current assets	10	(1,391)	
7,195		Interest Payable on self-financing Debt	8	7,193	
(454)		Interest and Investment Income		(546)	
356		Pension interest cost and expected return on pension assets		213	
0		Capital grant and contributions	31	(522)	
	5,092				4,947
	6,047	Deficit/(surplus) for the year on HRA services			(13,996)

Housing Revenue Income and Expenditure Account

Statement of Movement on the Housing Revenue Income & 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;

31 March 2017			31 March 2018	
£000	£000		£000	£000
6,047		(Surplus)/Deficit for the year on the HRA Income and Expenditure Account (from above)	(13,996)	
2,005		(Loss)/Gain on sale of HRA non-current assets	1,391	
(315)		HRA share of contributions to the Pensions Reserve	(459)	
(21,603)		Reversal of Depreciation & Impairment	0	
		Depreciation	(6,260)	
		Revaluation	5,316	
		Capital Grants and Contributions	522	
6,452		Transfer from Major Repairs Reserve	0	
6,496		Capital expenditure funded by the HRA	12,381	
	(919)	Net increase/(decrease) before transfers to/from res.		(1,105)
	0	Transfer to/from earmarked reserves		0
	(919)	Dec/(inc) in the HRA balance for the year		(1,105)
	(8,073)	HRA balance brought forward		(8,992)
	(8,992)	HRA balance carried forward		(10,097)

NOTES TO THE HOUSING REVENUE ACCOUNT

30 Housing Stock

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

31 Mar 17 Number		Conversions Number	Additions Number	Disposals Number	31 Mar 18 Number
1,071.80	1 Bedroom	0.00	0.00	(24.00)	1,047.80
2,321.74	2 Bedroom	2.00	8.30	(8.00)	2,324.04
1,868.56	3 Bedroom	(1.00)	7.00	(12.00)	1,862.56
73.00	4 + Bedroom	0.00	0.00	0.00	73.00
5,335.10	Total	1.00	15.30	(44.00)	5,307.40

Disposals:

Right to Buy	20.00
Equity Share / Shared Ownership	0.00
Demolitions	22.00
Other	2.00
	<u>44.00</u>

Additions:

New Build	(14.00)
Equity Share / Shared Ownership	(1.30)
	<u>(15.30)</u>

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

31 Mar 17 Asset Value £'000	31 Mar 17 Depreciation £'000		31 Mar 18 Asset Value £'000	31 Mar 18 Depreciation £'000
Property, Plant & Equipment				
451,694	(14,764)	Council Dwellings (HRA only)	479,761	(6,260)
-	14,764	Depreciation adj. on revaluation	-	6,260
7,050	(89)	Other Land & Buildings	10,434	(70)
-	89	Depreciation adj. on revaluation	-	70
161	-	Surplus assets held	152	-
146	-	Infrastructure	131	-
459,051	0		490,478	0

In 2017-18, depreciation on buildings is based on the asset lives as assessed by the Council's appointed valuers, Wilks, Head and Eve. 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 38%.

NOTES TO THE HOUSING REVENUE ACCOUNT

The value of council dwellings (Housing Revenue Account) at 31 March 2018, based on vacant possession, was £479.984m.

31 Capital expenditure, financing and receipts

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

31 Mar 17 £'000		31 Mar 18 £'000
204,429	Opening capital financing requirement	204,429
	Expenditure:	
38	* Acquisition and Improvement of land	156
2,254	* New build- dwellings	5,883
57	* Re-provision of existing dwellings	1,343
3,254	* Acquisition of existing dwellings	1,134
9,136	* Improvement of housing stock and other buildings	8,456
	Financing:	
(1,873)	* Capital receipts and contributions	(4,180)
(6,360)	* Revenue #	(6,010)
(54)	* Grants and Reserves	(522)
(6,452)	* Major Repairs Allowance	(6,260)
0	* GF Internal Financing	0
204,429	Closing capital financing requirement	204,429

In addition, £110,918 was spent relating to HRA contribution to cap. expenditure on IT & software.

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

31 Mar 17 £'000		31 Mar 18 £'000
30	Sale of Land	123
4,978	Sale of Dwelling:	
	* Right to Buy	3,535
620	* Other	292
5,628		3,950

32 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 assets until the gain is reduced to zero and then any balance is charged to Housing Revenue Income and Expenditure Account.

NOTES TO THE HOUSING REVENUE ACCOUNT

31 Mar 17 £'000		31 Mar 18 £'000
6,771	Operational assets Net Impairment charged through HRA Income and Expenditure	(5,316)
0	Non operational assets Net Impairment charged through HRA Income and Expenditure	0
6,771	Total	(5,316)

33 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 continued until the end of 2016-17, with a full depreciation charge equivalent to the whole capital adjustment transfer being charged to the Housing Revenue Account from 2017-18.

31 Mar 17 £'000		31 Mar 18 £'000
0	Opening balance	0
(14,832)	Transfer to Capital Adjustment Account	(6,260)
8,380	Amount transferred to Statement of Movement on the HRA balance	0
6,452	HRA capital expenditure charged to Major Repairs Reserve	6,260
0	Closing Balance	0

34 HRA share of contributions to/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 9).

35 Rent arrears on dwellings

31 Mar 17 £'000		31 Mar 18 £'000
422	Arrears	530
(300)	Provision for uncollectable amounts	(352)
1.43%	Arrears as a percentage of gross rents collectable	1.80%

COLLECTION FUND

This account reflects the statutory requirement for the Council, as the billing authority, to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (Business Rates).

2016/17				Note	2017/18		
£000	£000	£000			£000	£000	£000
NNDR	Council Tax	Total			NNDR	Council Tax	Total
			Income:				
-	(98,240)	(98,240)	Council Tax Payers	0	(101,605)	(101,605)	
(78,903)	-	(78,903)	Business Rate Payers	(80,348)	0	(80,348)	
(78,903)	(98,240)	(177,143)	Total Income	(80,348)	(101,605)	(181,953)	
			Expenditure:				
			<i>Apportionment of previous years surplus/(deficit)</i>				
(191)	-	(191)	Central Government	1,897	0	1,897	
(34)	214	180	Cambridgeshire County Council	341	255	596	
(4)	12	8	Cambridgeshire & Peterborough Fire Authority	38	14	52	
-	34	34	Cambridgeshire Police and Crime Commissioner	0	40	40	
(153)	38	(115)	South Cambridgeshire District Council	1,518	47	1,564	
(383)	298	(85)		3,794	356	4,150	
			Precepts, Demands and Shares				
36,295	-	36,295	Central Government	34,014	0	34,014	
6,533	70,327	76,860	Cambridgeshire County Council	6,160	72,444	78,604	
726	3,948	4,674	Cambridgeshire & Peterborough Fire Authority	684	4,064	4,748	
-	11,036	11,036	Cambridgeshire Police and Crime Commissioner	0	11,365	11,365	
29,036	7,852	36,888	South Cambridgeshire District Council	27,378	8,187	35,565	
-	4,775	4,775	Special Expenses- Parish Precepts	0	5,089	5,089	
72,591	97,939	170,529		68,237	101,149	169,386	
			Charges to Collection Fund				
0	0	0	Write offs of uncollectable amounts	0	20	20	
142	(149)	(7)	Increase/(Decrease) in Bad Debt Provision	167	130	297	
374	0	374	Increase/(Decrease) in Provision for Appeals	33	0	33	
223	-	223	Cost of Collection	230	0	230	
			Prior Period Adjustments	558	(90)	468	
1,873	-	1,873	Disregarded Amounts	1,865	0	1,865	
2,612	(149)	2,463		2,853	61	2,913	
(4,084)	(152)	(4,236)	(Increase) / Decrease in Collection Fund Balance	(5,464)	(40)	(5,504)	
1,604	(620)	984	Fund Balance - (Surplus) / Deficit at 1 April	(2,480)	(772)	(3,252)	
(2,480)	(772)	(3,252)	Fund Balance - (Surplus) / Deficit at 31 March	(7,944)	(812)	(8,756)	

Collection Fund balances:

Attribution of (surplus) / deficit carried forward:

2016/17				Note	2017/18		
£000	£000	£000			£000	£000	£000
NNDR	Council Tax	Total			NNDR	Council Tax	Total
			Proportional split:				
(1,240)	0	(1,240)	Central Government	(3,972)	0	(3,972)	
(223)	(555)	(778)	Cambridgeshire County Council	(715)	(581)	(1,296)	
(25)	(31)	(56)	Cambridgeshire & Peterborough Fire Authority	(79)	(92)	(172)	
0	(87)	(87)	Cambridgeshire Police and Crime Commissioner	0	(32)	(32)	
(1,488)	(673)	(2,161)	Total	(4,767)	(706)	(5,472)	
(992)	(100)	(1,091)	District Council	(3,178)	(106)	(3,284)	
(2,480)	(772)	(3,252)	Deficit / (Surplus)	(7,944)	(812)	(8,756)	

NOTES TO THE COLLECTION FUND

36 General

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

37 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:

2016/17		2017/18		
Equivalent Number of Band D Dwellings	Valuation Band	Total Chargeable Dwellings	Conversion Faction (Proportion)	Equivalent Number of Band D Dwellings
1.5	-A Up to £40k	2.8	5/9	1.5
1,243.8	A Up to £40k	1,877.8	6/9	1,251.8
4,876.0	B £40k-£52k	6,280.0	7/9	4,884.4
16,186.7	C £52k-£68k	18,325.5	8/9	16,289.3
11,284.0	D £68k-£88k	12,224.2	9/9	12,224.2
12,492.9	E £88k-£120k	10,297.5	11/9	12,585.8
10,095.9	F £120k-£160k	7,084.5	13/9	10,233.2
6,647.0	G £160k-£320k	4,034.8	15/9	6,724.6
706.0	H More than £320k	356.5	18/9	713.0
63,533.9		60,483.5		64,907.9
63,170.7	Collection rate	99.42%		
	Tax Base for Calculation of Council Tax			64,533.2
	Add: Adjustment for changes during the year for new properties expected, contributions in lieu and Local Council Tax Support			
(2,913.7)	Scheme (LCTSS)			(3,677.8)
60,257.0	Council Tax Base for the Year			60,855.4

	2017/18
Tax base for tax setting purposes (number of Band D equivalent dwellings)	60,855.4
Tax rate for a Band D property (excluding Parishes)	1,579.27
Estimated income due	£96,107,047

38 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 2018 was £190,101,161 (VOA report 31 March 2018) and the standard uniform rate was 47.9 pence in the £, and the small business uniform rate 46.6 pence in the £.

**GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT AND
MOVEMENT IN RESERVES 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.

2016/17 RESTATED			GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT	Note	2017/18		
GROSS EXPEND- ITURE £000	GROSS INCOME £000	NET EXPEND- ITURE £000			GROSS EXPEND- ITURE £000	GROSS INCOME £000	NET EXPEND- ITURE £000
32,116	(28,980)	3,136	Finance and Staffing		33,401	(32,044)	1,357
50,874	(36,246)	14,628	All other reporting segments (same as the Council)		42,099	(46,683)	(4,585)
82,990	(65,226)	17,764	Net Cost of Services		75,500	(78,727)	(3,228)
		2,498	Other Operating (Income) and Expenditure				3,599
		7,795	Financing and Investment (Income)/Expenditure				8,264
		(28,709)	Taxation and Non-Specific Grant Income				(26,177)
		(652)	Group (Surplus) / Deficit				(17,541)
		20,095	Other Comprehensive (Income) and Expenditure				(26,261)
		20,111	Total Comprehensive (Income) and Expenditure				(43,802)

2016/17				GROUP MOVEMENT IN RESERVES STATEMENT	Note	2017/18		
OPENING BALANCE £000	Adjust between Account Basis and Fund Basis £000	Other Income and Expend- iture £'000	CLOSING BALANCE £000			Adjust between Account Basis and Fund Basis £000	Other Income and Expend- iture £'000	CLOSING BALANCE £000
(21,469)	(23)	(5,590)	(27,105)	General Fund & Earmarked	(6,195)	0	(33,300)	
(17,573)	(6,966)	6,047	(18,492)	HRA & Earmarked	(1,104)	0	(19,596)	
(8,490)	(2,732)	0	(11,222)	Capital Receipts Reserve	1,631	0	(9,591)	
(433)	(53)	0	(486)	Capital Grants Unapplied	(29)	0	(515)	
(47,965)	(9,774)	457	(57,305)	TOTAL USEABLE	(5,697)	0	(63,002)	
(250,190)	9,774	19,676	(220,740)	TOTAL UN-USEABLE	(12,244)	(25,861)	(258,845)	
(298,155)	0	20,133	(278,045)	TOTAL RESERVES	(17,941)	(25,861)	(321,847)	

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 2017			Note	31 March 2018	
£000	£000			£000	£000
483,889		Property, Plant and Equipment	40	521,762	
24,412		Investment Properties		36,764	
184		Intangible Assets		494	
268		Long Term Investments		50	
970		Long Term Debtors		970	
	509,723	Long Term Assets			560,040
42,958		Short Term Investments		38,695	
513		Inventories		147	
7,840		Short Term Debtors		12,239	
8,136		Cash and Cash Equivalents		8,022	
1,154		Assets Held for Sale		2,076	
	60,601	Current Assets		61,179	
(25,000)		Short Term Creditors		(32,334)	
(1,578)		Cash and Cash Equivalents		(965)	
(3,082)		Provisions		(3,270)	
	(29,660)	Current Liabilities		(36,569)	
(57,496)		Liability Related to Defined Benefit Pension Scheme		(57,679)	
(205,123)		Long-term Borrowing		(205,123)	
	(262,619)	Long Term Liabilities		(262,802)	
	278,045	Net Assets		321,848	
	57,305	Usable Reserves		63,001	
	220,740	Unusable Reserves		258,847	
	278,045	Total Reserves		321,848	

The Group Balance Sheet shows the Council's position at the end of the year for all activities and services, all internal transactions have been eliminated.

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.

2016/17 Restated			2017/18	
£000	£000		£000	£000
652		Net surplus/(deficit) on provision of services	17,602	
33,958		Adj to net surplus/deficit on provision of services for non-cash movements	10,376	
(14,909)		Adj for items included in the net surplus/deficit on provision of services that are investing and financing activities	(9,381)	
	19,701	Net cash flows from Operating Activities		18,597
(27,280)		Investing Activities	(22,362)	
9,081		Financing Activities	4,265	
	1,502	Net (increase)/decrease in cash and cash equivalents		500
	5,055	Cash and Cash equivalents at the beginning of the reporting period		6,557
	6,557	Cash and Cash equivalents at the end of the reporting period		7,057

* Adjusted for intercompany transactions

NOTES TO THE GROUP ACCOUNTS

39 Context of Group Accounts and Consolidation with the Council

The Council has 2 wholly owned subsidiaries South Cambs Limited (Ermine Street Housing) and Shire House Lettings Limited. As a result a set of Group Accounts for the Group as a whole are produced. The Accounts have been consolidated on a line by line basis, as per IFRS10.

The Assets & Liabilities of the Company's at the Balance Sheet Date are as follows:

	South Cambs (Ermine Street) £'000	Shire Homes £'000	Inter Company £'000	31 Mar 18 £'000
Property, Plant, Equipment	323	0		323
Investment Properties	36,764	0		36,764
Company Share Capital - Council	(36,248)	(32)	0	(36,280)
Debtors & Cash	634	42	0	676
Creditors	(703)	(10)		(713)
TOTAL ASSETS NET OF COUNCIL	770	0	-	770

NOTES TO THE GROUP ACCOUNTS

40 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 are valued annually, at the end of each reporting period. Property, Plant and Equipment is required to be measured at fair value and 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 2018 by Wilks, Head and Eve , Professional Valuers

The following items of income and expense have been accounted for in respect of Investment Properties and have been recognised in the company Income and Expenditure Account and Group comprehensive income and expenditure account.

2016/17 (restated) £000		2017/18 £000
(1,690)	Rental Income	(2,638)
1,424	Direct Expenses	1,770
(266)		(868)

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.

The following summarises the movement in the fair value of investment properties over the year.

2016/17 £000		2017/18 £000
11,669	As at 1st April	24,412
(14)	Reallocation of Investment Properties to Inventories	119
12,562	Acquisitions	11,146
(255)	Disposals	(265)
467	Revaluation increase/(decrease) recognised in surplus/deficit on provision of services	1,351
24,412	As at 31st March	36,763
	Fair Value	
11,669	At 1st April	24,412
24,412	At 31st March	36,763

Fair Value Measurement of Investment Properties

Investment properties are held at fair value. Investment properties are classified as Level 2 within the value hierarchy as defined within IFRS13. Level 2 inputs used in valuing the properties are those which are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at The portfolio is valued in line with the accounting policy.

The valuation is undertaken by the Professional Valuer, Wilks, Head and Eve, on a fair value basis in line with IFRS13 and in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors (RICS) Valuation-South Cambs Limited provides data to the valuer including current lease and tenant data. These valuations and the assumptions they have made have been discussed with officers representing the company. The valuation technique applied in respect of Investment Property is the market approach. The market approach is described at paragraphs B5 to B7 of IFRS13; it uses prices and other relevant information generated by market transactions involving identical or comparable assets. There has been no change in the valuation technique used during the year for investment properties.

41 Loans and Investments

The Council has undertaken fixed term investments of £35.506m (£24.662m 2016/17) 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.

42 Leases

There were no finance lease agreements during 2017/18

The Council has no operating leases. Payments of £599,462 in respect of vehicle contract hire were made in 2017/18 (£676,163 in 2016/17). South Cambs Ltd has operating leases with payments of £594,224 in 2017/18 (£602,175 in 2016/17) in respect of property leases. Shire Homes Lettings Limited had payments of £20,929 in 2017/18 in respect of property leases.

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

31 Mar 17		South Cambs Limited	Shire Homes	31 Mar 18
£000		£'000	£'000	£000
634	Not later than one year	600	52	652
1,473	Later than one year and not later than five years	884	0	884
0	Later than 5 years	0	0	0
2,107	Total	1,484	52	1,536

43 Related Party Transactions

Both Alex Colyer and Stephen Hills (senior officers at SCDC) were directors (unpaid) of Ermine Street Housing in 2017/18.

Cllr John Batchelor is a Director of South Cambs Ltd.

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

Opinion

We have audited the financial statements of the South Cambridgeshire District Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Comprehensive Income and Expenditure Statement
- Authority and Group Movement in Reserves Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- and the related notes 1 to 43.
- Collection Fund and the related notes

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of South Cambridgeshire District Council and Group as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts for the year ending 31 March 2018, other than the financial statements and our auditor's report thereon. The Head of Finance is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are not satisfied that, in all significant respects, South Cambridgeshire District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for qualified conclusion

Informed decision making - Reliable and timely financial reporting that supports the delivery of strategic priorities

The 2017/18 financial year is the third successive year that the Authority has been unable to publish its statement of accounts by the target dates outlined in the Accounts and Audit Regulations 2015.

The Authority presented for audit a version of the unaudited statements on 7 June 2018, but they were not supported by adequate working papers and were subsequently found to contain a large number of errors. The key individual who prepared the statements left the employment of the Authority before the audit commenced. The Authority has struggled to put in place robust arrangements to support the preparation of its statement of accounts and respond appropriately to the external audit leading to a lack of reliable and timely financial reporting.

The issue above is evidence of weaknesses in proper arrangements for reliable and timely financial reporting that supports the delivery of strategic priorities.

Qualified conclusion [Except for]

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, South Cambridgeshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Head of Finance

As explained more fully in the Statement of the Head of Finance's Responsibilities set out on page 9, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Head of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2017, as to whether South Cambridgeshire District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether South Cambridgeshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Certificate

We certify that we have completed the audit of the accounts of South Cambridgeshire District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of South Cambridgeshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than South Cambridgeshire District Council and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Suresh Patel (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge
DATE

The maintenance and integrity of the South Cambridgeshire District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Glossary of Financial Terms and Abbreviations

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.

Amortisation

A Measure of the consumption of the value of intangible assets, based on the remaining economic life.

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 Receipts

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

Cash Equivalents

Cash equivalents are investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. This specifies the principals and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority.

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.

Fair Value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Asset

Include bank deposits, investments, trade receivables and loans receivable.

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

Is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

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

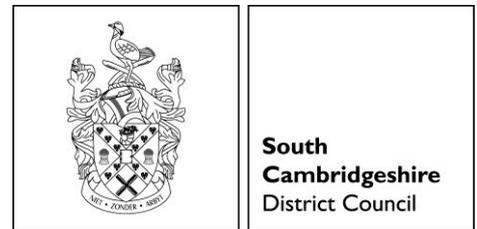
NNDR

National Non-Domestic Rates (Business Rates)

RR

Revaluation Reserve

Agenda Item 7



REPORT TO: Audit & Corporate Governance Committee

9th July 2020

LEAD OFFICER: Monitoring Officer

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

Executive Summary

1. The purpose of this report is to seek the approval of Members of the Audit and Corporate Governance Committee on the revised policy and procedure on the use of covert surveillance under RIPA and to provide an update on the use of RIPA powers since the committee last met.

Key Decision

2. No

Recommendations

3. It is recommended that Audit & Corporate Governance Committee:
 - (a) **AGREE** the recommendations for amendments to the Council's RIPA policy at Appendix A;
 - (b) **NOTE** the information contained in the report about the council's use of surveillance powers between September 2019 – June 2020.

Reasons for Recommendations

4. The committee are to receive quarterly updates on the Council's use of Regulation of Investigatory Powers Act 2000 (RIPA) powers and to review the RIPA policy on an annual basis and make amendments as necessary.

Details

5. RIPA regulates covert investigations by a number of bodies, including local authorities. It was introduced to ensure that individuals' rights are protected while also ensuring that law enforcement and security agencies have the powers they need to do their job effectively.
6. Following a Home Office Review into counter-terrorism and security powers the Protection of Freedoms Act 2012 was passed in May 2012 requiring all local authority surveillance authorised under RIPA to be approved by a Magistrate from November 2012. The council's policy and procedures were amended at that time to reflect these changes.
7. The Council comprehensively reviewed and updated its policy in September 2012 and made further minor amendments as part of annual reviews in September 2013, September 2014, March 2017 and March 2019.
8. The Investigatory Powers Commissioner's Office is responsible for the inspection of public authorities with regard to compliance with RIPA. The Council was inspected on the 24th May 2018 and the report concluded that the policy, training and oversight regime was very good and made no recommendations.
9. The Director for Environmental Health (also acting Interim Chief Executive) was the Senior Responsible Officer for the RIPA process and his replacement needs to be appointment.
10. The Senior Responsible Officer has overall oversight of RIPA within the Council and is responsible for reporting to Audit and Corporate Governance Committee on the use of RIPA powers. The SRO is also responsible for:
 - the integrity of the process in place within the public authority to authorise directed surveillance;
 - compliance with Part II of the 2000 Act, and with this code;
 - engagement with the Commissioners and inspectors when they conduct their inspections, and
 - where necessary, overseeing the implementation of any post inspection action plans recommended or approved by a Commissioner
11. There have been no changes to the legislation since the last revision of the policy in March 2019.
12. It is proposed that the Chief Executive takes on the responsibility of Senior Responsible Officer and that the Council's Monitoring Officer takes on the role of

RIPA Monitoring Officer. Throughout the policy, references to obligations on the Head of Legal Practice are now shared with the Monitoring Officer.

13. There are no other proposed changes at this time and a copy of the revised policy is at Appendix A. A track changes version has also been provided to Members of the Committee and is at Appendix B.

The council's use of RIPA since September 2019

14. The information in the table below summarises the authorisations granted from June 2018 to March 2020.

	Directed surveillance	CHIS	Total	Purpose
September 2019 – June 2020	0	0	0	

Options

15. Members are required to approve the policy with or without amendments.

Implications

16. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:-

Financial

17. None

Legal

18. Authorisation of surveillance activity gives that surveillance “lawful authority” for the purposes of the European Convention on Human Rights.

Staffing

19. None

Risks/Opportunities

20. See legal.

Equality and Diversity

21. See legal.

Climate Change

22. None

Background Papers

None

Appendices

Appendix A: RIPA Policy

Appendix B: RIPA Policy showing tracked changes.

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APPENDIX A

South Cambridgeshire District Council

Regulation of Investigatory Powers Act 2000 Corporate Policy & Procedures

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

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1 Introduction

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

1.2 The purpose of this policy is to explain the scope of RIPA and the circumstances where it applies to the Council. It provides guidance on the authorisation procedures to be followed in the event that surveillance is needed. This policy sets out the correct management of the process by the Council.

1.3 This policy also ensures that activities that should be subject to RIPA authorisation are recognised as such and that appropriate authorisation is sought. It also seeks to ensure that any activity which should be carefully monitored, but which is not subject to RIPA authorisation, is still given correct authority and scrutiny.

1.4 The Protection of Freedoms Act 2012 imposes restrictions on the circumstances in which the Council is permitted to use Directed Surveillance and this policy has been updated to take into account these new restrictions. Separate guidance has been issued by the Home Office which specifies the procedure for the consideration and approval of applications by Magistrates and this policy must be read in conjunction with that procedure and documents issued by the Office of the Surveillance Commissioner.

1.5 The Chief Executive is the Senior Responsible Officer for the RIPA process for the Council. The SRO is also responsible for:

- the integrity of the process in place within the public authority to authorise Directed Surveillance;
- compliance with Part II of the 2000 Act, and with this code;
- engagement with the Commissioners and inspectors when they conduct their inspections, and
- where necessary, overseeing the implementation of any post inspection action plans recommended or approved by a Commissioner.

1.6 All staff involved in the process must take their responsibilities seriously in order to assist with the integrity of the Council’s processes and procedures.

1.7 In preparing this policy the Council has followed the current RIPA Codes of Practice produced by the Home Office and the Office of Surveillance Commissioners (OSC) Procedures and Guidance 2016. The OSC is now the Investigatory Powers Commissioner’s Office (IPCO). However, the document is still current.

1.8 In the case of any uncertainty, advice should be sought from an Authorising Officer, the Head of Legal Practice or the Monitoring Officer, who is the Council’s RIPA Monitoring Officer.

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

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

1.10 Further guidance can also be obtained from the Investigatory Powers Commissioner’s Office website:

2 **Background**

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

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

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

2.3 "*In accordance with the law*" means that any such interference is undertaken in accordance with the mechanism set down by RIPA and the Home Office Covert Surveillance Codes of Practice. The Codes of Practice deal with the use of Covert Surveillance and the use of persons such as informants and undercover officers who gather information in a covert capacity, known as a **Covert Human Intelligence Source or "CHIS"**. Any covert activity must also meet the test of necessity and proportionality and these are dealt with later in this policy.

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

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

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

- environmental health
- housing
- planning
- audit
- fraud

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

3 When RIPA applies

- 3.1 For Directed Surveillance, amendments to the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 (“the 2010 Order”) mean that a local authority can only grant an authorisation under RIPA where the local authority is investigating criminal offences which attract a custodial sentence of a maximum term of at least 6 months’ imprisonment, or criminal offences relating to the underage sale of alcohol or tobacco under sections 146, 147 or 147A of the Licensing Act 2003 or section 7 of the Children and Young Persons Act 1933.
- 3.2 It should be noted that the provision relating to the prevention of disorder is no longer included for Directed Surveillance and there is no provision for a Local Authority to authorise an urgent oral authorisation as all applications and renewals must be approved by a Magistrate.
- 3.3 The lawful criteria for CHIS is **prevention and detection of crime and prevention of disorder** and the offence does not have to have a sentence of 6 months imprisonment.
- 3.4 The RIPA authorisation process can only be used for in connection with the Council’s core functions.
- 3.5 Using the RIPA application process helps protect the Council from legal challenges and provides the lawful authority for Officers to conduct Directed Surveillance and use CHIS South Cambridgeshire District Council and its staff have a responsibility to adhere to the legislation and the Human Rights Act. Any contract staff employed by South Cambridgeshire District Council to undertake such activity are also covered by the codes and this policy.
- 3.6 The RIPA Codes of Practice state where there is an interference by a public authority with the right to respect for private and family life guaranteed under Article 8 of the European Convention on Human Rights, and where there is no other source of lawful authority, the consequence of not obtaining an authorisation under the 2000 Act may be that the action is unlawful by virtue of section 6 of the Human Rights Act 1998.
- 3.7 Public authorities are therefore strongly recommended to seek an authorisation under RIPA where the surveillance is likely to interfere with a person’s Article 8 rights to privacy by obtaining private information about that person, whether or not that person is the subject of the investigation or operation. Obtaining an authorisation will ensure that the action is carried out in accordance with law and subject to stringent safeguards against abuse.
- 3.8 In some instances, it is not possible to obtain RIPA authorisation for surveillance activities due to the limited grounds set in the legislation where authorisation can be granted. It may be, however, that covert surveillance is still necessary and proportionate. This is dealt with later in this Policy in section 6.

4 Surveillance Definitions

4.1 Surveillance

- 4.1.1 Surveillance is defined in paragraph 2.2 of the Codes of Practice as:

“Surveillance, for the purpose of the 2000 Act, includes monitoring, observing or listening to persons, their movements, conversations or other activities and communications. It may be

conducted with or without the assistance of a surveillance device and includes the recording of any information obtained.”

4.2 Covert Surveillance

4.2.1 Covert Surveillance is defined in paragraph 2.3 of the Codes of Practice as:

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

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

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

- Directed Surveillance
- Intrusive Surveillance

4.3 Directed Surveillance

4.3.1 Surveillance is Directed Surveillance (paragraph 3.1 of the Codes of Practice) if the following are all true:

it is covert, but not intrusive surveillance;

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

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

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

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

4.3.3 Remember that the offence must be capable of having a 6 month maximum custodial sentence or relate to the sale of alcohol and tobacco to children.

4.3.4 It is important that all activity that may constitute surveillance is recognised as such and correctly authorised, either as Directed Surveillance or, in some instances, as surveillance outside of RIPA (see section 6) as governed by this policy. Anything involving the use of concealed cameras or anything involving keeping covert observation

on premises or people should be considered as potentially amounting to Directed Surveillance. In the case of uncertainty advice should be sought from the Head of Legal Practice or the Monitoring Officer.

4.4 Private information

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

4.6 Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person's activities in public may still result in the obtaining of private information. This is likely to be the case where that person has a reasonable expectation of privacy even though acting in public and where a record is being made by a public authority of that person's activities for future consideration or analysis. Surveillance of publicly accessible areas of the internet should be treated in a similar way, recognising that there may be an expectation of privacy over information which is on the internet, particularly where accessing information on social media websites.

Example: Two people holding a conversation on the street or in a bus may have a reasonable expectation of privacy over the contents of that conversation, even though they are associating in public. The contents of such a conversation should therefore still be considered as private information. A directed surveillance authorisation would therefore be appropriate for a public authority to record or listen to the conversation as part of a specific investigation or operation

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

Example: South Cambs Officers wish to drive past a café for the purposes of obtaining a photograph of the exterior. Reconnaissance of this nature is not likely to require a directed surveillance authorisation as no private information about any person is likely to be obtained or recorded. However, if the authority wished to conduct a similar exercise, for example to establish a pattern of occupancy of the premises by any person, the accumulation of information is likely to result in the obtaining of private information about that person and a directed surveillance authorisation should be considered.

4.8 Private information may include personal data, such as names, telephone numbers and address details. Where such information is acquired by means of covert surveillance of a person having a reasonable expectation of privacy, a directed surveillance authorisation is appropriate.

Example: A surveillance officer intends to record a specific person providing their name and telephone number to a shop assistant, in order to confirm their identity, as part of a criminal investigation. Although the person has disclosed these details in a public place, there is nevertheless a reasonable expectation that the details are not being recorded separately for another purpose. A directed surveillance authorisation should therefore be sought.

5 Risks of not having a RIPA Authorisation

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

6 Surveillance Outside of RIPA

- 6.1 There may be a necessity for the Council to undertake surveillance which does not meet the criteria to use the RIPA legislation such as, in cases of serious disciplinary investigations. The Council must still meet its obligations under the Human Rights Act and therefore any surveillance outside of RIPA must still be necessary and proportionate, having taken account of the intrusion issues. The decision making process and the management of such surveillance will mirror that of RIPA-authorized surveillance, except that the activity will not require approval from a Magistrate.
- 6.2 An application will be made using the non RIPA application forms.
- 6.3 The Authorising Officer will be required to give the application the same degree of consideration and copies of all forms will be passed to the RIPA Monitoring Officer, who will keep a record of all activity separately from the records of RIPA-authorized surveillance

7 Immediate Response to Events

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

8 Recording of Telephone Conversations

- 8.1 The recording of telephone conversations connected to criminal investigations outside of the Councils monitoring at work policy for its own equipment, falls under RIPA. Where one party to the communication consents to the interception, it may be authorised a Directed Surveillance.

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

9 Intrusive surveillance

- 9.1 South Cambridgeshire District Council has no authority in law to carry out Intrusive Surveillance or activity under the Police Act 1997.
- 9.2 Intrusive surveillance is defined in section 26(3) of the 2000 Act as covert surveillance that:

is carried out in relation to anything taking place on any residential premises or in any private vehicle; and

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

10 Covert Human Intelligence Source (CHIS)

10.1 Definition

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

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

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

- (c) he covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.
- 10.1.3 By virtue of section 26(9)(b) of the 2000 Act a purpose is covert, in relation to the establishment or maintenance of a personal or other relationship, if and only if, the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the purpose.
- 10.1.4 By virtue of section 26(9)(c) of the 2000 Act a relationship is used covertly, and information obtained as above is disclosed covertly, if and only if it is used or, as the case may be, disclosed in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the use or disclosure in question.
- 10.1.5 Special provisions exist for the conduct in use of sources (Under 18).
- 10.1.6 A source under 16 cannot be engaged to use a relationship with any person having parental responsibility for them. A source under 16 must have an appropriate adult present during any meetings and a risk assessment must also take place before granting or renewing an authorisation for the conduct and use of a source under 16. This will take account of physical and psychological risks. See the Regulation of Investigatory Powers (Juveniles) Order 2000 for detailed guidance.
- 10.1.7 Only the Chief Executive can authorise the use of a juvenile CHIS (under 18 year of age).
- 10.1.8 Special consideration should also be given to the use of vulnerable individuals as a source. This will require the highest level of Authorising Officer, the Chief Executive (see the code of practice for further guidance).
- 10.1.9 The use by South Cambridgeshire District Council of a CHIS is expected to be extremely rare and if contemplated advice should be sought from the Head of Legal Practice or the Monitoring Officer.

10.2 Conduct and Use of a Source

- 10.2.1 South Cambridgeshire District Council will ensure that arrangements are in place for the proper oversight and management of sources including appointing a Handler and Controller for each source prior to a CHIS authorisation. The Handler and Controller of the source will usually be of a rank or position below that of the Authorising Officer.
- 10.2.2 The **use of a source** involves inducing, asking or assisting a person to engage in the conduct of a source or to obtain information by means of the conduct of such a source.
- 10.2.3 The **conduct** of a source is any conduct falling within section 29(4) of the 2000 Act, or which is incidental to anything falling within section 29(4) of the 2000 Act.
- 10.2.4 The **use of a source** is what the Authority does in connection with the source and the **conduct** is what a source does to fulfil whatever tasks are given to them or which is incidental to it. Both the use and conduct require separate consideration before authorisation. However, both are normally authorised on the same application.
- 10.2.5 When completing applications for the use of a CHIS this will include who the CHIS is, what they can do and for which purpose

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

10.2.7 Unlike Directed Surveillance, which relates specifically to private information, authorisations for the use or conduct of a CHIS do not relate specifically to private information, but to the covert manipulation of a relationship to gain any information. Accordingly, any manipulation of a relationship by a public authority (e.g. one party having a covert purpose on behalf of a public authority) is likely to engage Article 8, regardless of whether or not the public authority intends to acquire private information

10.3 Management of Sources

10.3.1 Within the provisions there has to be;

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

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

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

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

10.4 Tasking

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

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

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

10.5 Security and Welfare

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

10.6 Records

10.6.1 Proper records must be kept of the authorisation and use of a source as required by the Regulation 3 of the Regulation of Investigatory Powers (Source Records) Regulations 2000 (SI no 2725) namely:

- a) the identity of the source;
- b) the identity, where known, used by the source;
- c) any relevant investigating authority other than the authority maintaining the records;
- d) the means by which the source is referred to within each relevant investigating authority;
- e) any other significant information connected with the security and welfare of the source;
- f) any confirmation made by a person granting or renewing an authorisation for the conduct or use of a source that the information in paragraph (e) has been considered and that any identified risks to the security and welfare of the source have where appropriate been properly explained to and understood by the source;
- g) the date when, and the circumstances in which, the source was recruited;
- h) the identities of the persons who, in relation to the source, are discharging or have discharged the functions mentioned in section 29(5)(a) to (c) of the 2000 Act or in any order made by the Secretary of State under section 29(2)(c);
- i) the periods during which those persons have discharged those responsibilities;
- j) the tasks given to the source and the demands made of him in relation to his activities as a source;
- k) all contacts or communications between the source and a person acting on behalf of any relevant investigating authority;
- l) the information obtained by each relevant investigating authority by the conduct or use of the source;

m) any dissemination by that authority of information obtained in that way; and

n) in the case of a source who is not an undercover operative, every payment, benefit or reward and every offer of a payment, benefit or reward that is made or provided by or on behalf of any relevant investigating authority in respect of the source's activities for the benefit of that or any other relevant investigating authority.

10.6.2 The records kept by public authorities should be maintained in such a way as to preserve the confidentiality, or prevent disclosure of the identity of the CHIS, and the information provided by that CHIS.

11 RIPA Application and Authorisation Process

11.1 *Application, Review, Renewal and Cancellation Forms*

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

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

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

11.1.4 An application for an authorisation must include an assessment of the risk of any Collateral Intrusion or interference. The Authorising Officer will take this into account, particularly when considering the proportionality of the Directed Surveillance or the use of a CHIS.

11.2 *Applications*

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

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

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

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

11.3 Duration of Applications

Directed Surveillance	3 Months
Renewal	3 Months
Covert Human Intelligence Source	12 Months
Juvenile Sources	1 Month
Renewal	12 Months
Juvenile Sources	1 Month

11.3.1 The three-month commencement date is the date approved by a Magistrate.

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

11.4 Reviews

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

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

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

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

11.5 Renewal

11.5.1 If at any time before an authorisation would cease to have effect, the Authorising Officer considers it necessary for the authorisation to continue for the purpose for which it was given, they may renew it in writing for a further period of three months. Like applications, all renewals must also be approved by a Magistrate.

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

11.6 Cancellation

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

11.7 Authorising Officers

- 11.7.1 Officers who are designated “Authorising Officers” may authorise written applications for the use of Directed Surveillance or the use of a CHIS.
- 11.7.2 Please refer to Appendix 1 for the list of Authorising Officers, to show name, departmental details, contact number and levels of Authority.
- 11.7.3 The Chief Executive Officer or in their absence the Executive Director (Corporate Services) will authorise cases where confidential information is likely to be gathered or in the case of a juvenile or vulnerable CHIS.
- 11.7.4 The Head of Legal Practice or the Monitoring Officer should be informed of any changes to the list of Authorising Officers and will amend the policy accordingly. The intranet will also be updated appropriately.

11.8 Urgent Oral Authorisations

- 11.8.1 The provision for urgent oral authorisations is no longer available to local authorities, All applications now have to be put before a Magistrate for consideration.

11.9 Local Sensitivities

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

11.10 Authorising Officers Responsibility

- 11.10.1 Authorising Officers should not be responsible for authorising investigations or operations in which they are directly involved, although it is recognised that this may sometimes be unavoidable. Where an Authorising Officer authorises such an investigation or operation, the Central Record of Authorisations should highlight this and it should be brought to the attention of a Commissioner or Inspector during their next inspection.
- 11.10.2 Authorising Officers must treat each case individually on its merits and satisfy themselves that the authorisation is **necessary**, the surveillance is **proportionate** to what it seeks to achieve, taking into account the **Collateral Intrusion** issues, and that

the level of the surveillance is appropriate to achieve the objectives. If any equipment, such as covert cameras, video cameras are to be used the Authorising Officer should know the capability of the equipment before authorising its use. This will have an impact on Collateral Intrusion, necessity and proportionality. They should not rubber-stamp a request. It is important that they consider all the facts to justify their decision. They may be required to justify their actions in a court of law or some other tribunal.

- 11.10.3 Authorising Officers are responsible for determining when reviews of the activity are to take place.
- 11.10.4 Before authorising surveillance, the Authorising Officer should also take into account the risk of intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation (Collateral Intrusion). Measures should be taken, wherever practicable, to avoid or minimise unnecessary intrusion into the lives of those not directly connected with the investigation or operation.
- 11.10.5 In the absence of the Head of Department, the application should be submitted to another Authorising Officer for authorisation.

11.11 Necessity and Proportionality

- 11.11.1 Obtaining a RIPA authorisation will only ensure that there is a justifiable interference with an individual's Article 8 rights if it is necessary and proportionate for these activities to take place. It must be necessary for the prevention and detection of crime with a 6 months sentence or relate to the sale of alcohol and tobacco to children. It must also be shown the reasons why the requested activity is necessary in the circumstances of that particular case. Can the same end result be achieved without the surveillance?
- 11.11.2 If the objectives could be achieved by methods other than covert surveillance, then those methods should be used unless it can be justified why they cannot be used.
- 11.11.3 Then, if the activities are **necessary**, the person granting the authorisation must believe that they are **proportionate** to what is sought to be achieved by carrying them out. This involves balancing the intrusiveness of the activity on the subject and others who might be affected by it against the need for the activity in operational terms. The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means. All such activity should be carefully managed to meet the objective in question and must not be arbitrary or unfair. The interference with the person's right should be no greater than that which is required to meet the aim and objectives.
- 11.11.4 The onus is on the Authorising Officer to ensure that the surveillance meets the tests of **necessity and proportionality**.
- 11.11.5 The codes provide guidance relating to proportionality which should be considered by both applicants and Authorising Officers:
 - balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
 - explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others;

- considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
 - evidencing, as far as reasonably practicable, what other methods had been considered and why they were not implemented.
- 11.11.6 It is important that the staff involved in the surveillance and the Line Manager manage the enquiry and operation and evaluate the need for the activity to continue.

11.12 Collateral Intrusion

- 11.12.1 Collateral Intrusion is an integral part of the decision making process and should be assessed and considered very carefully by both applicants and Authorising Officers.
- 11.12.2 The Codes state that Collateral Intrusion is intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation such as neighbours or other members of the subject's family. Where it is proposed to conduct surveillance activity, specifically against individuals who are not suspected of direct or culpable involvement in the overall matter being investigated, interference with the privacy or property of such individuals should not be considered as Collateral Intrusion but rather as intended intrusion. Any such surveillance activity should be carefully considered against the necessity and proportionality criteria.
- 11.12.3 Intended intrusion could occur if it was necessary to follow a person not committing any offences but by following this person it would lead to the person who is committing the offences.
- 11.12.4 Where such Collateral Intrusion is unavoidable, the activities may still be authorised, provided this intrusion is considered proportionate to what is sought to be achieved. The same proportionality tests apply to the likelihood of Collateral Intrusion as to intrusion into the privacy of the intended subject of the surveillance.
- 11.12.5 Prior to and during any authorised RIPA activity, a risk assessment should take place to identify the likely intrusion into the subject and any Collateral Intrusion. Officers should take continuing precautions to minimise the intrusion where possible. The Collateral Intrusion, the reason why it is unavoidable, and the precautions taken to minimise it will have to be detailed on any relevant application forms. This will be considered by the Authorising Officer.
- 11.12.6 Before authorising surveillance, the Authorising Officer should take into account the risk of Collateral Intrusion detailed on the relevant application forms as it has a direct bearing on the decision regarding proportionality.
- 11.12.7 The possibility of Collateral Intrusion does not mean that the authorisation should not be granted, but the Authorising Officer must balance this with the importance of the activity to be carried out in operational terms.

11.13 Unexpected Interference with Third Parties

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

11.14 Confidential Information

- 11.14.1 Confidential information consists of matters subject to Legal Privilege, confidential personal information or confidential journalistic material. Where there is a likelihood of acquiring such information, it must be authorised by the Chief Executive, or in their absence by their deputy.
- 11.14.2 No authorisation should be given if there is any likelihood of obtaining legally privileged material without consulting the Head of Legal Practice or the Monitoring Officer.
- 11.14.3 Confidential personal information is information held in confidence relating to the physical or mental health or spiritual counselling concerning an individual (whether living or dead) who can be identified from it. Such information, which can include both oral and written communications, is held in confidence if it is held subject to an express or implied undertaking to hold it in confidence or it is subject to a restriction on disclosure or an obligation of confidentiality contained in existing legislation. Examples might include consultations between a health professional and a patient, or information from a patient's medical records. Journalistic material is also mentioned in the codes, however, it is highly unlikely that this will be obtained. The definition should it be required can be obtained from the Codes of Practice at Chapter 4.
- 11.14.4 The following general principles apply to confidential material acquired under authorisations:
- Those handling material from such operations should be alert to anything which may fall within the definition of confidential material. Where there is doubt as to whether the material is confidential, advice should be sought from the Head of Legal Practice or the Monitoring Officer before further dissemination takes place;
 - Confidential material should not be retained or copied unless it is necessary for a specified purpose;
 - Confidential material should be disseminated only where an appropriate officer (having sought advice from the Head of Legal Practice or the Monitoring Officer) is satisfied that it is necessary for a specific purpose;
 - The retention or dissemination of such information should be accompanied by a clear warning of its confidential nature. It should be safeguarded by taking reasonable steps to ensure that there is no possibility of it becoming available, or its content being known, to any person whose possession of it might prejudice any criminal or civil proceedings related to the information;

- Confidential material should be destroyed as soon as it is no longer necessary to retain it for a specified purpose.

11.15 Documentation and Central Record

- 11.15.1 Authorising Officers or Managers of relevant enforcement departments may keep whatever records they see fit to administer and manage the RIPA application process. However, this will not replace the requirements under the Codes of Practice for the Council to hold a centrally held and retrievable record. The original application and relevant approval by the Magistrate will be forwarded to the Head of Legal Practice or the Monitoring Officer for filing and to complete the central register (see below).
- 11.15.2 A centrally retrievable record of all authorisations will be held by the Head of Legal Practice or the Monitoring Officer who requires the original application and Magistrates approval etc to be submitted to complete the central register. This will regularly be updated whenever an authorisation is refused, granted, renewed or cancelled. The record will be made available to the relevant Commissioner or an Inspector from the Office of Surveillance Commissioners, upon request. These records should be retained for at least three years from the ending of the authorisation or for the period stipulated by the Council's document retention policy, whichever is greater, and should contain the following information:
- if refused, that the application was not authorised and a brief explanation of the reason why. The refused application should be retained as part of the Central Record of Authorisation;
 - if granted, the type of authorisation and the date the authorisation was given;
 - date approved by a magistrate;
 - name and rank/grade of the Authorising Officer;
 - the unique reference number (URN) of the investigation or operation;
 - the title of the investigation or operation, including a brief description and names of subjects, if known;
 - frequency and the result of each review of the authorisation;
 - if the authorisation is renewed, when it was renewed and who authorised the renewal, including the name and rank/grade of the Authorising Officer;
 - whether the investigation or operation is likely to result in obtaining confidential information as defined in this code of practice;
 - the date the authorisation was cancelled;
 - the date and time when any instruction was given by the Authorising Officer.
- 11.15.3 As well as the Central Record the Head of Legal Practice or the Monitoring Officer will also retain:

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

11.15.4 For CHIS applications the Codes state;

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

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

11.15.5 The Head of Legal Practice or the Monitoring Officer will be responsible for maintaining the Central Record of Authorisations and will ensure that all records are held securely with no unauthorised access.

11.15.6 The only persons who will have access to these documents will be the Head of Legal Practice, the Monitoring Officer, the Senior Responsible Officer and Authorising Officers.

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

12 Use of CCTV

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

13 Joint Agency Surveillance

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

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

14.1 Definition

- 14.1.1 Some investigative activities may not be easily recognised as constituting surveillance which requires authorisation. Any action that is likely to reveal private information¹ may constitute surveillance if it includes:
- monitoring, observing, listening to persons, their movements, conversations, other activities or communications;
 - recording anything monitored, observed or listened to in the course of surveillance;
 - surveillance, by or with, assistance of a surveillance device
- 14.1.2 This policy requires RIPA authorisation to be sought in cases where an authorisation can be sought (as per Part 3 of the Policy). Where RIPA authorisation cannot be sought, for instance where an investigation is not into a criminal offence or the offence threshold in Part 3 is not met, the activity should still be authorised as per Part 6 of this policy.

14.2 Social Networks and the Internet

- 14.2.1 Online open source research is widely regarded as the collection, evaluation and analysis of material from online sources available to the public, whether by payment or otherwise to use as intelligence and evidence.
- 14.2.2 The use of online open source internet and social media research techniques has become a productive method of obtaining information to assist the council with its regulatory and enforcement functions. It can also assist with service delivery issues and debt recovery. However, the use of the internet and social media is constantly evolving and with it the risks associated with these types of enquiries, particularly regarding breaches of privacy under Article 8 Human Rights Act (HRA) and other operational risks. The activity may also require a RIPA authorisation for Directed Surveillance or CHIS. Where this is the case, the application process and the contents of this policy is to be followed.
- 14.2.3 Where the activity falls within the criteria of surveillance or CHIS outside of RIPA, again this will require authorising on a non RIPA form which will be authorised internally.
- 14.2.4 The Home Office Revised Code of Practice on Covert Surveillance and Property Interference, published in August 2018, provides the following guidance in relation to online covert activity and examples below that relevant to South Cambridgeshire District Council are given:

The growth of the internet, and the extent of the information that is now available online, presents new opportunities for public authorities to view or gather information which may

¹ Private information is defined in the RIPA Codes of Practice for Covert Surveillance as: "3.3 The 2000 Act states that private information includes any information relating to a person's private or family life. Private information should be taken generally to include any aspect of a person's private or personal relationship with others, including family and professional or business relationships."

assist them in preventing or detecting crime or carrying out other statutory functions, as well as in understanding and engaging with the public they serve. It is important that public authorities are able to make full and lawful use of this information for their statutory purposes. Much of it can be accessed without the need for RIPA authorisation; use of the internet prior to an investigation should not normally engage privacy considerations. But if the study of an individual's online presence becomes persistent, or where material obtained from any check is to be extracted and recorded and may engage privacy considerations, RIPA authorisations may need to be considered. The following guidance is intended to assist public authorities in identifying when such authorisations may be appropriate.

The internet may be used for intelligence gathering and/or as a surveillance tool. Where online monitoring or investigation is conducted covertly for the purpose of a specific investigation or operation and is likely to result in the obtaining of private information about a person or group, an authorisation for directed surveillance should be considered, as set out elsewhere in this code. Where a person acting on behalf of a public authority is intending to engage with others online without disclosing his or her identity, a CHIS authorisation may be needed (paragraphs 4.10 to 4.16 of the Covert Human Intelligence Sources code of practice provide detail on where a CHIS authorisation may be available for online activity).

In deciding whether online surveillance should be regarded as covert, consideration should be given to the likelihood of the subject(s) knowing that the surveillance is or may be taking place. Use of the internet itself may be considered as adopting a surveillance technique calculated to ensure that the subject is unaware of it, even if no further steps are taken to conceal the activity. Conversely, where a public authority has taken reasonable steps to inform the public or particular individuals that the surveillance is or may be taking place, the activity may be regarded as overt and a directed surveillance authorisation will not normally be available.

As set out below, depending on the nature of the online platform, there may be a reduced expectation of privacy where information relating to a person or group of people is made openly available within the public domain, however in some circumstances privacy implications still apply. This is because the intention when making such information available was not for it to be used for a covert purpose such as investigative activity. This is regardless of whether a user of a website or social media platform has sought to protect such information by restricting its access by activating privacy settings.

Where information about an individual is placed on a publicly accessible database, for example the telephone directory or Companies House, which is commonly used and known to be accessible to all, they are unlikely to have any reasonable expectation of privacy over the monitoring by public authorities of that information. Individuals who post information on social media networks and other websites whose purpose is to communicate messages to a wide audience are also less likely to hold a reasonable expectation of privacy in relation to that information.

Whether a public authority interferes with a person's private life includes a consideration of the nature of the public authority's activity in relation to that information. Simple reconnaissance of such sites (i.e. preliminary examination with a view to establishing whether the site or its contents are of interest) is unlikely to interfere with a person's reasonably held expectation of privacy and therefore is not likely to require a directed surveillance authorisation. But where a public authority is systematically collecting and recording information about a particular person or group, a directed surveillance authorisation should be considered. These considerations apply regardless of when the information was shared online.

Example: A South Cambs Officer undertakes a simple internet search on a name, address or telephone number to find out whether a person has an online presence. This is unlikely to need an authorisation. However, if having found an individual's social media profile or identity, it is decided to monitor it or extract information from it for retention in a record because it is relevant to an investigation or operation, authorisation should then be considered.

Example: A South Cambs officer makes an initial examination of an individual's online profile to establish whether they are of relevance to an investigation. This is unlikely to need an authorisation. However, if during that visit it is intended to extract and record information to establish a profile including information such as identity, pattern of life, habits, intentions or associations, it may be advisable to have in place an authorisation even for that single visit.

Example: South Cambridgeshire District Council undertakes general monitoring of the internet in circumstances where it is not part of a specific, ongoing investigation or operation to identify themes, trends, possible indicators of criminality or other factors that may influence operational strategies. This activity does not require RIPA authorisation. However, when this activity leads to the discovery of previously unknown persons of interest, once it is decided to monitor those individuals as part of an ongoing operation or investigation, authorisation should be considered.

14.3 Visits and Observing Properties and Vehicles

- 14.3.1 Surveillance which is overt does not require authorisation. A visit to a property by an SCDC officer will not normally constitute surveillance if the intention is to speak to the occupier.
- 14.3.2 In some cases, repeated visits may be made to a property in connection with an investigation without the intention of speaking to the occupier, for example driving past the property to obtain details of vehicles or to look for signs of occupation. Such activity could become surveillance, as per 13.1 above and RIPA or non-RIPA authorisation should be sought if this is the case. This will be the case where the activity is intended to identify a pattern of behaviour, such as the movements of a vehicle at a particular location. A visit to obtain details of a vehicle is unlikely to constitute surveillance. Each case must be treated on its own merits.

- 14.3.3 If an officer plans to conduct a visit such as drive by visits (other than a routine visit to the occupier as per 13.3.1 above) detailed notes must be made explaining the purpose of the visit, why it is necessary and proportionate and why RIPA or non-RIPA authorisation has not been sought.

14.4 Aerial covert surveillance

- 14.4.1 Where surveillance using airborne crafts or devices, for example helicopters or unmanned aircraft (colloquially known as 'drones'), is planned, the same considerations outlined in this policy should be made to determine whether a surveillance authorisation is appropriate. In considering whether the surveillance should be regarded as covert, account should be taken of the reduced visibility of a craft or device at altitude. If these devices are used in a covert and pre-planned manner as part of a specific investigation or operation, for the surveillance of a specific person or group of people, a directed surveillance authorisation should be considered. Such covert surveillance is likely to result in the obtaining of private information about a person (namely, a record of their movements and activities) and therefore falls properly within the definition of directed surveillance.

15 Annual Report to Office of Surveillance Commissioners

- 15.1 The Council is required to provide statistics to the Investigatory Powers Commissioner's Office (IPCO) every year in March for the purposes of Annual Report. The Head of Legal Practice or the Monitoring Officer shall be responsible for completing the return and providing the statistics.

16 Storage and Retention of Material

- 16.1 All material obtained and associated with an application will be subject to the provisions of the Criminal Procedures Investigations Act 1996 (CPIA) Codes of Practice which state that relevant material in an investigation has to be recorded and retained and later disclosed to the prosecuting solicitor in certain circumstances. It is also likely that the material obtained as a result of a RIPA application will be classed as personal data for the purposes of the GDPR. All officers involved within this process should make themselves aware of the provisions within this legislation and how it impacts on the whole RIPA process. Material obtained together with relevant associated paperwork should be held securely. Extra care needs to be taken if the application and material relates to a CHIS.
- 16.2 Material is required to be retained under CPIA should be retained until a decision is taken whether to institute proceedings against a person for an offence or if proceedings have been instituted, at least until the accused is acquitted or convicted or the prosecutor decides not to proceed with the case.
- 16.3 Where the accused is convicted, all material which may be relevant must be retained at least until the convicted person is released from custody, or six months from the date of conviction, in all other cases.

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

17 Training

- 17.1 There will be an ongoing training programme for Council Officers who will need to be aware of the impact and operating procedures with regards to this legislation. The Head of Legal Practice or the Monitoring Officer will be required to retain a list of all those officers who have received training and when the training was delivered, and it is for Departments to consider what their training needs are in this area.
- 17.2 Authorising Officers must have received formal RIPA training before being allowed to consider applications for Directed Surveillance and CHIS.

18 Oversight

18.1 *Responsibilities*

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

18.2 *Reporting to Members*

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

18.3 *Scrutiny and Tribunal*

- 18.3.1 RIPA was overseen by the Office of Surveillance Commissioners (OSC). However, from 1 Sept 2017 oversight is now provided by the Investigatory Powers Commissioner's Office (IPCO) which has been set up as an independent inspection regime to monitor Investigatory Powers which relate to covert activity currently under RIPA. They will periodically inspect the records and procedures of the Authority to ensure the appropriate authorisations have been given, reviewed, cancelled, and recorded properly.
- 18.3.2 It is the duty of any person who uses these powers to comply with any request made by a Commissioner to disclose or provide any information he requires for the purpose of enabling him to carry out his functions.
- 18.3.3 A tribunal has been established to consider and determine complaints made under RIPA if it is the appropriate forum. Persons aggrieved by conduct, e.g. Directed Surveillance,

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

Complaints can be addressed to the following address:

Investigatory Powers Tribunal
PO Box 33220
London
SW1H9ZQ

Tel 0207 035 3711

Appendix 1: LIST OF AUTHORISING OFFICERS AND AUTHORISING LEVELS

Geoff Clark

Interim Assistant Director of Housing (HRA)

Rob Lewis

Operational Manager, Environmental Health & Licensing –
Business Team

Senior Responsible Officer:

Liz Watts, Chief Executive

RIPA Monitoring Officer:

Rory McKenna, Monitoring Officer

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South Cambridgeshire District Council

Regulation of Investigatory Powers Act 2000 Corporate Policy & Procedures

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

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1 Introduction

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

1.2 The purpose of this policy is to explain the scope of RIPA and the circumstances where it applies to the Council. It provides guidance on the authorisation procedures to be followed in the event that surveillance is needed. This policy sets out the correct management of the process by the Council.

1.3 This policy also ensures that activities that should be subject to RIPA authorisation are recognised as such and that appropriate authorisation is sought. It also seeks to ensure that any activity which should be carefully monitored, but which is not subject to RIPA authorisation, is still given correct authority and scrutiny.

1.4 The Protection of Freedoms Act 2012 imposes restrictions on the circumstances in which the Council is permitted to use Directed Surveillance and this policy has been updated to take into account these new restrictions. Separate guidance has been issued by the Home Office which specifies the procedure for the consideration and approval of applications by Magistrates and this policy must be read in conjunction with that procedure and documents issued by the Office of the Surveillance Commissioner.

1.5 The ~~Executive Director (Corporate Services)~~ **Chief Executive** is the Senior Responsible Officer for the RIPA process for the Council. The SRO is also responsible for:

- the integrity of the process in place within the public authority to authorise Directed Surveillance;
- compliance with Part II of the 2000 Act, and with this code;
- engagement with the Commissioners and inspectors when they conduct their inspections, and
- where necessary, overseeing the implementation of any post inspection action plans recommended or approved by a Commissioner.

1.6 All staff involved in the process must take their responsibilities seriously in order to assist with the integrity of the Council’s processes and procedures.

1.7 In preparing this policy the Council has followed the current RIPA Codes of Practice produced by the Home Office and the Office of Surveillance Commissioners (OSC) Procedures and Guidance 2016. The OSC is now the Investigatory Powers Commissioner's Office (IPCO). However, the document is still current.

1.8 In the case of any uncertainty, advice should be sought from an Authorising Officer, ~~or~~ the Head of Legal Practice or the Monitoring Officer, who is the Council’s RIPA Monitoring Officer.

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

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

1.10 Further guidance can also be obtained from the Investigatory Powers Commissioner's Office website:

<https://www.ipco.org.uk/>

2 Background

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

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

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

2.3 "*In accordance with the law*" means that any such interference is undertaken in accordance with the mechanism set down by RIPA and the Home Office Covert Surveillance Codes of Practice. The Codes of Practice deal with the use of Covert Surveillance and the use of persons such as informants and undercover officers who gather information in a covert capacity, known as a **Covert Human Intelligence Source or "CHIS"**. Any covert activity must also meet the test of necessity and proportionality and these are dealt with later in this policy.

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

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

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

- environmental health
- housing
- planning
- audit
- fraud

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

3 When RIPA applies

- 3.1 For Directed Surveillance, amendments to the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 (“the 2010 Order”) mean that a local authority can only grant an authorisation under RIPA where the local authority is investigating criminal offences which attract a custodial sentence of a maximum term of at least 6 months’ imprisonment, or criminal offences relating to the underage sale of alcohol or tobacco under sections 146, 147 or 147A of the Licensing Act 2003 or section 7 of the Children and Young Persons Act 1933.
- 3.2 It should be noted that the provision relating to the prevention of disorder is no longer included for Directed Surveillance and there is no provision for a Local Authority to authorise an urgent oral authorisation as all applications and renewals must be approved by a Magistrate.
- 3.3 The lawful criteria for CHIS is **prevention and detection of crime and prevention of disorder** and the offence does not have to have a sentence of 6 months imprisonment.
- 3.4 The RIPA authorisation process can only be used for in connection with the Council’s core functions.
- 3.5 Using the RIPA application process helps protect the Council from legal challenges and provides the lawful authority for Officers to conduct Directed Surveillance and use CHIS South Cambridgeshire District Council and its staff have a responsibility to adhere to the legislation and the Human Rights Act. Any contract staff employed by South Cambridgeshire District Council to undertake such activity are also covered by the codes and this policy.
- 3.6 The RIPA Codes of Practice state where there is an interference by a public authority with the right to respect for private and family life guaranteed under Article 8 of the European Convention on Human Rights, and where there is no other source of lawful authority, the consequence of not obtaining an authorisation under the 2000 Act may be that the action is unlawful by virtue of section 6 of the Human Rights Act 1998.
- 3.7 Public authorities are therefore strongly recommended to seek an authorisation under RIPA where the surveillance is likely to interfere with a person’s Article 8 rights to privacy by obtaining private information about that person, whether or not that person is the subject of the investigation or operation. Obtaining an authorisation will ensure that the action is carried out in accordance with law and subject to stringent safeguards against abuse.
- 3.8 In some instances, it is not possible to obtain RIPA authorisation for surveillance activities due to the limited grounds set in the legislation where authorisation can be granted. It may be, however, that covert surveillance is still necessary and proportionate. This is dealt with later in this Policy in section 6.

4 Surveillance Definitions

4.1 Surveillance

- 4.1.1 Surveillance is defined in paragraph 2.2 of the Codes of Practice as:

“Surveillance, for the purpose of the 2000 Act, includes monitoring, observing or listening to persons, their movements, conversations or other activities and communications. It may be

conducted with or without the assistance of a surveillance device and includes the recording of any information obtained.”

4.2 Covert Surveillance

4.2.1 Covert Surveillance is defined in paragraph 2.3 of the Codes of Practice as:

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

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

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

- Directed Surveillance
- Intrusive Surveillance

4.3 Directed Surveillance

4.3.1 Surveillance is Directed Surveillance (paragraph 3.1 of the Codes of Practice) if the following are all true:

it is covert, but not intrusive surveillance;

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

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

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

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

4.3.3 Remember that the offence must be capable of having a 6 month maximum custodial sentence or relate to the sale of alcohol and tobacco to children.

4.3.4 It is important that all activity that may constitute surveillance is recognised as such and correctly authorised, either as Directed Surveillance or, in some instances, as surveillance outside of RIPA (see section 6) as governed by this policy. Anything involving the use of concealed cameras or anything involving keeping covert observation on premises or

people should be considered as potentially amounting to Directed Surveillance. In the case of uncertainty advice should be sought from the Head of Legal Practice or the Monitoring Officer.

4.4 Private information

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

4.6 Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person's activities in public may still result in the obtaining of private information. This is likely to be the case where that person has a reasonable expectation of privacy even though acting in public and where a record is being made by a public authority of that person's activities for future consideration or analysis. Surveillance of publicly accessible areas of the internet should be treated in a similar way, recognising that there may be an expectation of privacy over information which is on the internet, particularly where accessing information on social media websites.

Example: Two people holding a conversation on the street or in a bus may have a reasonable expectation of privacy over the contents of that conversation, even though they are associating in public. The contents of such a conversation should therefore still be considered as private information. A directed surveillance authorisation would therefore be appropriate for a public authority to record or listen to the conversation as part of a specific investigation or operation

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

Example: South Cambs Officers wish to drive past a café for the purposes of obtaining a photograph of the exterior. Reconnaissance of this nature is not likely to require a directed surveillance authorisation as no private information about any person is likely to be obtained or recorded. However, if the authority wished to conduct a similar exercise, for example to establish a pattern of occupancy of the premises by any person, the accumulation of information is likely to result in the obtaining of private information about that person and a directed surveillance authorisation should be considered.

4.8 Private information may include personal data, such as names, telephone numbers and address details. Where such information is acquired by means of covert surveillance of a person having a reasonable expectation of privacy, a directed surveillance authorisation is appropriate.

Example: A surveillance officer intends to record a specific person providing their name and telephone number to a shop assistant, in order to confirm their identity, as part of a criminal investigation. Although the person has disclosed these details in a public place, there is nevertheless a reasonable expectation that the details are not being recorded separately for another purpose. A directed surveillance authorisation should therefore be sought.

5 Risks of not having a RIPA Authorisation

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

6 Surveillance Outside of RIPA

- 6.1 There may be a necessity for the Council to undertake surveillance which does not meet the criteria to use the RIPA legislation such as, in cases of serious disciplinary investigations. The Council must still meet its obligations under the Human Rights Act and therefore any surveillance outside of RIPA must still be necessary and proportionate, having taken account of the intrusion issues. The decision making process and the management of such surveillance will mirror that of RIPA-authorized surveillance, except that the activity will not require approval from a Magistrate.
- 6.2 An application will be made using the non RIPA application forms.
- 6.3 The Authorising Officer will be required to give the application the same degree of consideration and copies of all forms will be passed to the RIPA Monitoring Officer, who will keep a record of all activity separately from the records of RIPA-authorized surveillance

7 Immediate Response to Events

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

8 Recording of Telephone Conversations

- 8.1 The recording of telephone conversations connected to criminal investigations outside of the Councils monitoring at work policy for its own equipment, falls under RIPA. Where one party to the communication consents to the interception, it may be authorised a Directed Surveillance.

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

9 Intrusive surveillance

- 9.1 South Cambridgeshire District Council has no authority in law to carry out Intrusive Surveillance or activity under the Police Act 1997.
- 9.2 Intrusive surveillance is defined in section 26(3) of the 2000 Act as covert surveillance that:

is carried out in relation to anything taking place on any residential premises or in any private vehicle; and

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

10 Covert Human Intelligence Source (CHIS)

10.1 Definition

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

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

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

- (c) he covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.
- 10.1.3 By virtue of section 26(9)(b) of the 2000 Act a purpose is covert, in relation to the establishment or maintenance of a personal or other relationship, if and only if, the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the purpose.
- 10.1.4 By virtue of section 26(9)(c) of the 2000 Act a relationship is used covertly, and information obtained as above is disclosed covertly, if and only if it is used or, as the case may be, disclosed in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the use or disclosure in question.
- 10.1.5 Special provisions exist for the conduct in use of sources (Under 18).
- 10.1.6 A source under 16 cannot be engaged to use a relationship with any person having parental responsibility for them. A source under 16 must have an appropriate adult present during any meetings and a risk assessment must also take place before granting or renewing an authorisation for the conduct and use of a source under 16. This will take account of physical and psychological risks. See the Regulation of Investigatory Powers (Juveniles) Order 2000 for detailed guidance.
- 10.1.7 Only the Chief Executive can authorise the use of a juvenile CHIS (under 18 year of age).
- 10.1.8 Special consideration should also be given to the use of vulnerable individuals as a source. This will require the highest level of Authorising Officer, the Chief Executive (see the code of practice for further guidance).
- 10.1.9 The use by South Cambridgeshire District Council of a CHIS is expected to be extremely rare and if contemplated advice should be sought from the Head of Legal Practice or the Monitoring Officer.

10.2 Conduct and Use of a Source

- 10.2.1 South Cambridgeshire District Council will ensure that arrangements are in place for the proper oversight and management of sources including appointing a Handler and Controller for each source prior to a CHIS authorisation. The Handler and Controller of the source will usually be of a rank or position below that of the Authorising Officer.
- 10.2.2 The **use of a source** involves inducing, asking or assisting a person to engage in the conduct of a source or to obtain information by means of the conduct of such a source.
- 10.2.3 The **conduct** of a source is any conduct falling within section 29(4) of the 2000 Act, or which is incidental to anything falling within section 29(4) of the 2000 Act.
- 10.2.4 The **use of a source** is what the Authority does in connection with the source and the **conduct** is what a source does to fulfil whatever tasks are given to them or which is incidental to it. Both the use and conduct require separate consideration before authorisation. However, both are normally authorised on the same application.
- 10.2.5 When completing applications for the use of a CHIS this will include who the CHIS is, what they can do and for which purpose

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

10.2.7 Unlike Directed Surveillance, which relates specifically to private information, authorisations for the use or conduct of a CHIS do not relate specifically to private information, but to the covert manipulation of a relationship to gain any information. Accordingly, any manipulation of a relationship by a public authority (e.g. one party having a covert purpose on behalf of a public authority) is likely to engage Article 8, regardless of whether or not the public authority intends to acquire private information

10.3 Management of Sources

10.3.1 Within the provisions there has to be;

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

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

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

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

10.4 Tasking

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

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

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

10.5 Security and Welfare

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

10.6 Records

10.6.1 Proper records must be kept of the authorisation and use of a source as required by the Regulation 3 of the Regulation of Investigatory Powers (Source Records) Regulations 2000 (SI no 2725) namely:

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

behalf of any relevant investigating authority in respect of the source's activities for the benefit of that or any other relevant investigating authority.

- 10.6.2 The records kept by public authorities should be maintained in such a way as to preserve the confidentiality, or prevent disclosure of the identity of the CHIS, and the information provided by that CHIS.

11 RIPA Application and Authorisation Process

11.1 *Application, Review, Renewal and Cancellation Forms*

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

11.2 *Applications*

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

11.3 Duration of Applications

Directed Surveillance	3 Months
Renewal	3 Months
Covert Human Intelligence Source	12 Months
Juvenile Sources	1 Month
Renewal	12 Months
Juvenile Sources	1 Month

11.3.1 The three-month commencement date is the date approved by a Magistrate.

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

11.4 Reviews

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

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

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

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

11.5 Renewal

11.5.1 If at any time before an authorisation would cease to have effect, the Authorising Officer considers it necessary for the authorisation to continue for the purpose for which it was given, they may renew it in writing for a further period of three months. Like applications, all renewals must also be approved by a Magistrate.

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

before a Magistrate for consideration. A renewal for three months takes effect on which the authorisation would have ceased.

- 11.5.3 Authorising Officers should examine the circumstances with regard to Necessity, Proportionality and the Collateral Intrusions issues before making a decision to renew the activity.
- 11.5.4 A CHIS application should not be renewed unless a thorough review has been carried out covering the use made of the source, the tasks given to them and information obtained.
- 11.5.5 The Authorising Officer must consider the results of the review when deciding whether to renew or not. The review and the consideration must be documented.

11.6 Cancellation

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

11.7 Authorising Officers

- 11.7.1 Officers who are designated "Authorising Officers" may authorise written applications for the use of Directed Surveillance or the use of a CHIS.

- 11.7.2 Please refer to Appendix 1 for the list of Authorising Officers, to show name, departmental details, contact number and levels of Authority.
- 11.7.3 The Chief Executive Officer or in their absence the Executive Director (Corporate Services) will authorise cases where confidential information is likely to be gathered or in the case of a juvenile or vulnerable CHIS.
- 11.7.4 The Head of Legal Practice or the Monitoring Officer should be informed of any changes to the list of Authorising Officers and will amend the policy accordingly. The intranet will also be updated appropriately.

11.8 Urgent Oral Authorisations

- 11.8.1 The provision for urgent oral authorisations is no longer available to local authorities, All applications now have to be put before a Magistrate for consideration.

11.9 Local Sensitivities

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

11.10 Authorising Officers Responsibility

- 11.10.1 Authorising Officers should not be responsible for authorising investigations or operations in which they are directly involved, although it is recognised that this may sometimes be unavoidable. Where an Authorising Officer authorises such an investigation or operation, the Central Record of Authorisations should highlight this and it should be brought to the attention of a Commissioner or Inspector during their next inspection.
- 11.10.2 Authorising Officers must treat each case individually on its merits and satisfy themselves that the authorisation is **necessary**, the surveillance is **proportionate** to what it seeks to achieve, taking into account the **Collateral Intrusion** issues, and that the level of the surveillance is appropriate to achieve the objectives. If any equipment, such as covert cameras, video cameras are to be used the Authorising Officer should know the capability of the equipment before authorising its use. This will have an impact on Collateral Intrusion, necessity and proportionality. They should not rubber-stamp a request. It is important that they consider all the facts to justify their decision. They may be required to justify their actions in a court of law or some other tribunal.

- 11.10.3 Authorising Officers are responsible for determining when reviews of the activity are to take place.
- 11.10.4 Before authorising surveillance, the Authorising Officer should also take into account the risk of intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation (Collateral Intrusion). Measures should be taken, wherever practicable, to avoid or minimise unnecessary intrusion into the lives of those not directly connected with the investigation or operation.
- 11.10.5 In the absence of the Head of Department, the application should be submitted to another Authorising Officer for authorisation.

11.11 Necessity and Proportionality

- 11.11.1 Obtaining a RIPA authorisation will only ensure that there is a justifiable interference with an individual's Article 8 rights if it is necessary and proportionate for these activities to take place. It must be necessary for the prevention and detection of crime with a 6 months sentence or relate to the sale of alcohol and tobacco to children. It must also be shown the reasons why the requested activity is necessary in the circumstances of that particular case. Can the same end result be achieved without the surveillance?
- 11.11.2 If the objectives could be achieved by methods other than covert surveillance, then those methods should be used unless it can be justified why they cannot be used.
- 11.11.3 Then, if the activities are **necessary**, the person granting the authorisation must believe that they are **proportionate** to what is sought to be achieved by carrying them out. This involves balancing the intrusiveness of the activity on the subject and others who might be affected by it against the need for the activity in operational terms. The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means. All such activity should be carefully managed to meet the objective in question and must not be arbitrary or unfair. The interference with the person's right should be no greater than that which is required to meet the aim and objectives.
- 11.11.4 The onus is on the Authorising Officer to ensure that the surveillance meets the tests of **necessity and proportionality**.
- 11.11.5 The codes provide guidance relating to proportionality which should be considered by both applicants and Authorising Officers:
- balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
 - explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
 - considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
 - evidencing, as far as reasonably practicable, what other methods had been considered and why they were not implemented.

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

11.12 Collateral Intrusion

- 11.12.1 Collateral Intrusion is an integral part of the decision making process and should be assessed and considered very carefully by both applicants and Authorising Officers.
- 11.12.2 The Codes state that Collateral Intrusion is intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation such as neighbours or other members of the subject's family. Where it is proposed to conduct surveillance activity, specifically against individuals who are not suspected of direct or culpable involvement in the overall matter being investigated, interference with the privacy or property of such individuals should not be considered as Collateral Intrusion but rather as intended intrusion. Any such surveillance activity should be carefully considered against the necessity and proportionality criteria.
- 11.12.3 Intended intrusion could occur if it was necessary to follow a person not committing any offences but by following this person it would lead to the person who is committing the offences.
- 11.12.4 Where such Collateral Intrusion is unavoidable, the activities may still be authorised, provided this intrusion is considered proportionate to what is sought to be achieved. The same proportionality tests apply to the likelihood of Collateral Intrusion as to intrusion into the privacy of the intended subject of the surveillance.
- 11.12.5 Prior to and during any authorised RIPA activity, a risk assessment should take place to identify the likely intrusion into the subject and any Collateral Intrusion. Officers should take continuing precautions to minimise the intrusion where possible. The Collateral Intrusion, the reason why it is unavoidable, and the precautions taken to minimise it will have to be detailed on any relevant application forms. This will be considered by the Authorising Officer.
- 11.12.6 Before authorising surveillance, the Authorising Officer should take into account the risk of Collateral Intrusion detailed on the relevant application forms as it has a direct bearing on the decision regarding proportionality.
- 11.12.7 The possibility of Collateral Intrusion does not mean that the authorisation should not be granted, but the Authorising Officer must balance this with the importance of the activity to be carried out in operational terms.

11.13 Unexpected Interference with Third Parties

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

11.14 Confidential Information

- 11.14.1 Confidential information consists of matters subject to Legal Privilege, confidential personal information or confidential journalistic material. Where there is a likelihood of acquiring such information, it must be authorised by the Chief Executive, or in their absence by their deputy.
- 11.14.2 No authorisation should be given if there is any likelihood of obtaining legally privileged material without consulting the Head of Legal Practice or the Monitoring Officer.
- 11.14.3 Confidential personal information is information held in confidence relating to the physical or mental health or spiritual counselling concerning an individual (whether living or dead) who can be identified from it. Such information, which can include both oral and written communications, is held in confidence if it is held subject to an express or implied undertaking to hold it in confidence or it is subject to a restriction on disclosure or an obligation of confidentiality contained in existing legislation. Examples might include consultations between a health professional and a patient, or information from a patient's medical records. Journalistic material is also mentioned in the codes, however, it is highly unlikely that this will be obtained. The definition should it be required can be obtained from the Codes of Practice at Chapter 4.
- 11.14.4 The following general principles apply to confidential material acquired under authorisations:
- Those handling material from such operations should be alert to anything which may fall within the definition of confidential material. Where there is doubt as to whether the material is confidential, advice should be sought from the Head of Legal Practice or the Monitoring Officer before further dissemination takes place;
 - Confidential material should not be retained or copied unless it is necessary for a specified purpose;
 - Confidential material should be disseminated only where an appropriate officer (having sought advice from the Head of Legal Practice or the Monitoring Officer) is satisfied that it is necessary for a specific purpose;
 - The retention or dissemination of such information should be accompanied by a clear warning of its confidential nature. It should be safeguarded by taking reasonable steps to ensure that there is no possibility of it becoming available, or its content being known, to any person whose possession of it might prejudice any criminal or civil proceedings related to the information;
 - Confidential material should be destroyed as soon as it is no longer necessary to retain it for a specified purpose.

11.15 Documentation and Central Record

- 11.15.1 Authorising Officers or Managers of relevant enforcement departments may keep whatever records they see fit to administer and manage the RIPA application process.

However, this will not replace the requirements under the Codes of Practice for the Council to hold a centrally held and retrievable record. The original application and relevant approval by the Magistrate will be forwarded to the Head of Legal Practice or the Monitoring Officer for filing and to complete the central register (see below).

11.15.2 A centrally retrievable record of all authorisations will be held by the Head of Legal Practice or the Monitoring Officer who requires the original application and Magistrates approval etc to be submitted to complete the central register. This will regularly be updated whenever an authorisation is refused, granted, renewed or cancelled. The record will be made available to the relevant Commissioner or an Inspector from the Office of Surveillance Commissioners, upon request. These records should be retained for at least three years from the ending of the authorisation or for the period stipulated by the Council's document retention policy, whichever is greater, and should contain the following information:

- if refused, that the application was not authorised and a brief explanation of the reason why. The refused application should be retained as part of the Central Record of Authorisation;
- if granted, the type of authorisation and the date the authorisation was given;
- date approved by a magistrate;
- name and rank/grade of the Authorising Officer;
- the unique reference number (URN) of the investigation or operation;
- the title of the investigation or operation, including a brief description and names of subjects, if known;
- frequency and the result of each review of the authorisation;
- if the authorisation is renewed, when it was renewed and who authorised the renewal, including the name and rank/grade of the Authorising Officer;
- whether the investigation or operation is likely to result in obtaining confidential information as defined in this code of practice;
- the date the authorisation was cancelled;
- the date and time when any instruction was given by the Authorising Officer.

11.15.3 As well as the Central Record the Head of Legal Practice or the Monitoring Officer will also retain:

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

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

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

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

11.15.5 The Head of Legal Practice or the Monitoring Officer will be responsible for maintaining the Central Record of Authorisations and will ensure that all records are held securely with no unauthorised access.

11.15.6 The only persons who will have access to these documents will be the Head of Legal Practice, the Monitoring Officer, the Senior Responsible Officer and Authorising Officers.

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

12 Use of CCTV

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

12.1.2 On the occasions when the CCTV cameras are to be used in a Directed Surveillance situation either by enforcement officers from relevant departments within the Council or

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

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

13 Joint Agency Surveillance

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

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

14.1 Definition

- 14.1.1 Some investigative activities may not be easily recognised as constituting surveillance which requires authorisation. Any action that is likely to reveal private information¹ may constitute surveillance if it includes:
- monitoring, observing, listening to persons, their movements, conversations, other activities or communications;
 - recording anything monitored, observed or listened to in the course of surveillance;
 - surveillance, by or with, assistance of a surveillance device

¹ Private information is defined in the RIPA Codes of Practice for Covert Surveillance as: "3.3 The 2000 Act states that private information includes any information relating to a person's private or family life. Private information should be taken generally to include any aspect of a person's private or personal relationship with others, including family and professional or business relationships."

- 14.1.2 This policy requires RIPA authorisation to be sought in cases where an authorisation can be sought (as per Part 3 of the Policy). Where RIPA authorisation cannot be sought, for instance where an investigation is not into a criminal offence or the offence threshold in Part 3 is not met, the activity should still be authorised as per Part 6 of this policy.

14.2 Social Networks and the Internet

- 14.2.1 Online open source research is widely regarded as the collection, evaluation and analysis of material from online sources available to the public, whether by payment or otherwise to use as intelligence and evidence.
- 14.2.2 The use of online open source internet and social media research techniques has become a productive method of obtaining information to assist the council with its regulatory and enforcement functions. It can also assist with service delivery issues and debt recovery. However, the use of the internet and social media is constantly evolving and with it the risks associated with these types of enquiries, particularly regarding breaches of privacy under Article 8 Human Rights Act (HRA) and other operational risks. The activity may also require a RIPA authorisation for Directed Surveillance or CHIS. Where this is the case, the application process and the contents of this policy is to be followed.
- 14.2.3 Where the activity falls within the criteria of surveillance or CHIS outside of RIPA, again this will require authorising on a non RIPA form which will be authorised internally.
- 14.2.4 The Home Office Revised Code of Practice on Covert Surveillance and Property Interference, published in August 2018, provides the following guidance in relation to online covert activity and examples below that relevant to South Cambridgeshire District Council are given:

The growth of the internet, and the extent of the information that is now available online, presents new opportunities for public authorities to view or gather information which may assist them in preventing or detecting crime or carrying out other statutory functions, as well as in understanding and engaging with the public they serve. It is important that public authorities are able to make full and lawful use of this information for their statutory purposes. Much of it can be accessed without the need for RIPA authorisation; use of the internet prior to an investigation should not normally engage privacy considerations. But if the study of an individual's online presence becomes persistent, or where material obtained from any check is to be extracted and recorded and may engage privacy considerations, RIPA authorisations may need to be considered. The following guidance is intended to assist public authorities in identifying when such authorisations may be appropriate.

The internet may be used for intelligence gathering and/or as a surveillance tool. Where online monitoring or investigation is conducted covertly for the purpose of a specific investigation or operation and is likely to result in the obtaining of private information about a person or group, an authorisation for directed surveillance should be considered, as set out elsewhere in this code. Where a person acting on behalf of a public authority is intending to engage with others online without disclosing his or her identity, a CHIS authorisation may be needed (paragraphs 4.10 to 4.16 of the Covert Human Intelligence

Sources code of practice provide detail on where a CHIS authorisation may be available for online activity).

In deciding whether online surveillance should be regarded as covert, consideration should be given to the likelihood of the subject(s) knowing that the surveillance is or may be taking place. Use of the internet itself may be considered as adopting a surveillance technique calculated to ensure that the subject is unaware of it, even if no further steps are taken to conceal the activity. Conversely, where a public authority has taken reasonable steps to inform the public or particular individuals that the surveillance is or may be taking place, the activity may be regarded as overt and a directed surveillance authorisation will not normally be available.

As set out below, depending on the nature of the online platform, there may be a reduced expectation of privacy where information relating to a person or group of people is made openly available within the public domain, however in some circumstances privacy implications still apply. This is because the intention when making such information available was not for it to be used for a covert purpose such as investigative activity. This is regardless of whether a user of a website or social media platform has sought to protect such information by restricting its access by activating privacy settings.

Where information about an individual is placed on a publicly accessible database, for example the telephone directory or Companies House, which is commonly used and known to be accessible to all, they are unlikely to have any reasonable expectation of privacy over the monitoring by public authorities of that information. Individuals who post information on social media networks and other websites whose purpose is to communicate messages to a wide audience are also less likely to hold a reasonable expectation of privacy in relation to that information.

Whether a public authority interferes with a person's private life includes a consideration of the nature of the public authority's activity in relation to that information. Simple reconnaissance of such sites (i.e. preliminary examination with a view to establishing whether the site or its contents are of interest) is unlikely to interfere with a person's reasonably held expectation of privacy and therefore is not likely to require a directed surveillance authorisation. But where a public authority is systematically collecting and recording information about a particular person or group, a directed surveillance authorisation should be considered. These considerations apply regardless of when the information was shared online.

Example: A South Cambs Officer undertakes a simple internet search on a name, address or telephone number to find out whether a person has an online presence. This is unlikely to need an authorisation. However, if having found an individual's social media profile or identity, it is decided to monitor it or extract information from it for retention in a record because it is relevant to an investigation or operation, authorisation should then be considered.

Example: A South Cambs officer makes an initial examination of an individual's online profile to establish whether they are of relevance to an investigation. This is unlikely to need

an authorisation. However, if during that visit it is intended to extract and record information to establish a profile including information such as identity, pattern of life, habits, intentions or associations, it may be advisable to have in place an authorisation even for that single visit.

Example: South Cambridgeshire District Council undertakes general monitoring of the internet in circumstances where it is not part of a specific, ongoing investigation or operation to identify themes, trends, possible indicators of criminality or other factors that may influence operational strategies. This activity does not require RIPA authorisation. However, when this activity leads to the discovery of previously unknown persons of interest, once it is decided to monitor those individuals as part of an ongoing operation or investigation, authorisation should be considered.

14.3 Visits and Observing Properties and Vehicles

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

14.4 Aerial covert surveillance

- 14.4.1 Where surveillance using airborne crafts or devices, for example helicopters or unmanned aircraft (colloquially known as 'drones'), is planned, the same considerations outlined in this policy should be made to determine whether a surveillance authorisation is appropriate. In considering whether the surveillance should be regarded as covert, account should be taken of the reduced visibility of a craft or device at altitude. If these devices are used in a covert and pre-planned manner as part of a specific investigation or operation, for the surveillance of a specific person or group of people, a directed surveillance authorisation should be considered. Such covert surveillance is likely to result in the obtaining of private information about a person (namely, a record of their movements and activities) and therefore falls properly within the definition of directed surveillance.

15 Annual Report to Office of Surveillance Commissioners

- 15.1 The Council is required to provide statistics to the Investigatory Powers Commissioner's Office (IPCO) every year in March for the purposes of Annual Report. The Head of Legal Practice or the Monitoring Officer shall be responsible for completing the return and providing the statistics.

16 Storage and Retention of Material

- 16.1 All material obtained and associated with an application will be subject to the provisions of the Criminal Procedures Investigations Act 1996 (CPIA) Codes of Practice which state that relevant material in an investigation has to be recorded and retained and later disclosed to the prosecuting solicitor in certain circumstances. It is also likely that the material obtained as a result of a RIPA application will be classed as personal data for the purposes of the GDPR. All officers involved within this process should make themselves aware of the provisions within this legislation and how it impacts on the whole RIPA process. Material obtained together with relevant associated paperwork should be held securely. Extra care needs to be taken if the application and material relates to a CHIS.
- 16.2 Material is required to be retained under CPIA should be retained until a decision is taken whether to institute proceedings against a person for an offence or if proceedings have been instituted, at least until the accused is acquitted or convicted or the prosecutor decides not to proceed with the case.
- 16.3 Where the accused is convicted, all material which may be relevant must be retained at least until the convicted person is released from custody, or six months from the date of conviction, in all other cases.
- 16.4 If the court imposes a custodial sentence and the convicted person is released from custody earlier than six months from the date of conviction, all material which may be relevant must be retained at least until six months from the date of conviction.

17 Training

- 17.1 There will be an ongoing training programme for Council Officers who will need to be aware of the impact and operating procedures with regards to this legislation. The Head of Legal Practice or the Monitoring Officer will be required to retain a list of all those officers who have received training and when the training was delivered, and it is for Departments to consider what their training needs are in this area.
- 17.2 Authorising Officers must have received formal RIPA training before being allowed to consider applications for Directed Surveillance and CHIS.

18 Oversight

18.1 Responsibilities

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

18.2 Reporting to Members

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

18.3 Scrutiny and Tribunal

- 18.3.1 RIPA was overseen by the Office of Surveillance Commissioners (OSC). However, from 1 Sept 2017 oversight is now provided by the Investigatory Powers Commissioner's Office (IPCO) which has been set up as an independent inspection regime to monitor Investigatory Powers which relate to covert activity currently under RIPA. They will periodically inspect the records and procedures of the Authority to ensure the appropriate authorisations have been given, reviewed, cancelled, and recorded properly.
- 18.3.2 It is the duty of any person who uses these powers to comply with any request made by a Commissioner to disclose or provide any information he requires for the purpose of enabling him to carry out his functions.
- 18.3.3 A tribunal has been established to consider and determine complaints made under RIPA if it is the appropriate forum. Persons aggrieved by conduct, e.g. Directed Surveillance, can make complaints. The forum hears application on a judicial review basis. Claims should be brought within one year unless it is just and equitable to extend that period.

Complaints can be addressed to the following address:

Investigatory Powers Tribunal
PO Box 33220
London
SW1H9ZQ

Tel 0207 035 3711

Appendix 1: LIST OF AUTHORISING OFFICERS AND AUTHORISING LEVELS

Geoff Clark

Interim Assistant Director of Housing (HRA) Neighbourhood Services Manager

Rob Lewis

—————Operational Manager,
Environmental Health & Licensing – Business Team

Senior Responsible Officer:

Liz Watts~~Mike Hill~~, ~~Interim~~ Chief Executive

RIPA Monitoring Officer:
~~Legal Practice~~

Rory McKenna~~Tom Lewis~~, Monitoring Officer~~Head of~~