

A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in **THE COUNCIL CHAMBER, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN** on **TUESDAY, 26TH JUNE 2007** at **6:00 PM** and you are requested to attend for the transaction of the following business:-

**Contact  
(01480)**

## **APOLOGIES**

**1. MINUTES** (Pages 1 - 2)

To approve as a correct record the Minutes of the meeting of the Panel held on 16th May 2007.

**A Roberts  
388009**

**2. MEMBERS' INTERESTS**

To receive from Members declarations as to personal and/or prejudicial interests and the nature of those interests in relation to any Agenda Item. Please see Notes 1 and 2 below.

**3. USE OF RESOURCES** (Pages 3 - 22)

To consider the Huntingdonshire District Council Use of Resources Judgements 2006.

**S Couper  
388103**

**4. FINAL ACCOUNTS 2006/07** (Pages 23 - 62)

To consider a report by the Head of Financial Services requesting approval for the draft Report and Accounts 2006/07 **(TO FOLLOW)**.

**E Smith  
388157**

**5. RISK MANAGEMENT STRATEGY** (Pages 63 - 82)

To consider the Risk Management Strategy 2007.

**D Harwood  
388115**

**6. REVIEW OF THE INTERNAL AUDIT SERVICE** (Pages 83 - 86)

To consider a report by the Director of Commerce and Technology on the Annual Review of the Internal Audit Service.

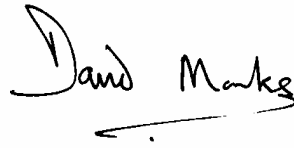
**S Couper  
388103**

**7. COMPLAINTS** (Pages 87 - 90)

To consider a report by the Director of Central Services on the internal complaints and complaints determined by the Local Government Ombudsman in 2006/07. **(TO FOLLOW – AWAITING PUBLICATION OF ANNUAL AUDIT LETTER)**.

**L Jablonska  
388004**

Dated this 15th day of June 2007



Chief Executive

**Notes**

1. *A personal interest exists where a decision on a matter would affect to a greater extent than other people in the District –*
  - (a) *the well-being, financial position, employment or business of the Councillor, a partner, relatives or close friends;*
  - (b) *a body employing those persons, any firm in which they are a partner and any company of which they are directors;*
  - (c) *any corporate body in which those persons have a beneficial interest in a class of securities exceeding the nominal value of £5,000; or*
  - (d) *the Councillor's registerable financial and other interests.*
2. *A personal interest becomes a prejudicial interest where a member of the public (who has knowledge of the circumstances) would reasonably regard the Member's personal interest as being so significant that it is likely to prejudice the Councillor's judgement of the public interest.*

**Please contact A Roberts, Democratic Services Officer, Tel No 01480 388009/e-mail: Anthony.Roberts@huntsdc.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Committee/Panel.**

**Specific enquiries with regard to items on the Agenda should be directed towards the Contact Officer.**

**Members of the public are welcome to attend this meeting as observers except during consideration of confidential or exempt items of business.**

Agenda and enclosures can be viewed on the District Council's website –  
[www.huntingdonshire.gov.uk](http://www.huntingdonshire.gov.uk) (under Councils and Democracy).

If you would like a translation of Agenda/Minutes/Reports or would like a large text version or an audio version please contact the Democratic Services Manager and we will try to accommodate your needs.

### **Emergency Procedure**

*In the event of the fire alarm being sounded and on the instruction of the Meeting Administrator, all attendees are requested to vacate the building via the closest emergency exit and to make their way to the base of the flagpole in the car park at the front of Pathfinder House.*

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# Agenda Item 1

## HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in THE COUNCIL CHAMBER, PATHFINDER HOUSE, ST MARYS STREET, HUNTINGDON on Wednesday, 16th May 2007.

Councillors K J Churchill, P J Downes, T V Rogers, L M Simpson, C J Stephens and R J West.

APOLOGY: An apology for absence from the meeting was submitted on behalf of Councillor J A Gray.

### 1. ELECTION OF CHAIRMAN

RESOLVED

that Councillor C J Stephens be elected Chairman of the Panel for the ensuing municipal year.

**Councillor C J Stephens in the Chair**

### 2. MINUTES

The Minutes of the meeting of the Panel held on 28th March 2007 were approved as a correct record and signed by the Chairman.

### 3. MEMBERS' INTERESTS

No declarations were received.

### 4. APPOINTMENT OF VICE CHAIRMAN

RESOLVED

that Councillor K J Churchill be appointed Vice Chairman of the Panel for the ensuing municipal year.

Chairman

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## Huntingdonshire District Council

Use of Resources Judgements 2006

June 2007

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# 1 Executive Summary

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## Introduction

- 1.1 We have completed our 2006 assessment of the Council's use of resources in accordance with the methodology and guidance issued by the Audit Commission. The results have been subject to internal and national quality control arrangements, designed to ensure compliance with the methodology and guidance and to promote consistency of assessment between appointed auditors.
- 1.2 This was the second year of carrying out the assessment and our work has focused on building on our previous year's assessment and updating it for any changes and improvements. Our work centred around the use of resources action plan developed by the Council after last year's assessment.
- 1.3 This report summarises the approach taken and the results of the assessment. It also highlights areas for improvement based on the criteria issued by the Audit Commission.
- 1.4 We commenced our fieldwork in accordance with the Audit Commission's timetable in December 2006 with a view to reporting our five individual judgements to the Audit Commission on 1 February 2007.
- 1.5 The Audit Commission released its overall judgement to the Council on 15 March 2007 at which point the Council has the opportunity to request a review of the judgement if it is felt that it has been awarded the incorrect score overall.

## Summary of scores

- 1.6 Overall the Council achieved a score of 3 for the 2006-07 judgements, this represents an assessment of good performance, or performing consistently above minimum requirements, on the Audit Commission's scoring system. 55% (131) of district councils achieved a score of 3 in 2006, 3% (seven) district councils achieved the highest score of 4.
- 1.7 The Council's score of 3 is the same as the 2006 judgement; however, we are pleased to note that improvement has been made in Financial Reporting where the Council has moved from performing adequately to performing well. The five theme scores are as follows:

Auditor Judgements Theme	2005	2006
Financial Reporting	2	3
Financial Management	3	3
Financial Standing	3	3
Internal Control	2	2
Value for Money	3	3
<b>Overall Score</b>	<b>3</b>	<b>3</b>

### The way forward

- 1.8 There were a number of areas where the Council will need to strengthen arrangements in 2007 to improve and in some cases retain the existing score. Additionally the Council should consider those areas where the criteria was not a 'must have' in 2006 but will be for the 2007 review, as set out in Appendix A.
- 1.9 The key areas for development include:
- **Producing an annual report** – the Council achieved a level 3 score for KLOE 1.2. In order to maintain performance at this level, the Council will need to demonstrate that it is considering the views of a range of stakeholders in making its decision whether to publish an annual report;
  - **Budget monitoring** – the Council should continue its work to improve its budget monitoring reporting including ensuring it is informed by a risk assessment;
  - **Progress against savings and efficiency plans** – reporting systems in place are currently inadequate to meet the requirements to achieve level 3 standard;
  - **Assurance framework** – the Council should continue work to complete and implement an assurance framework;
  - **Partnerships** – there are a number of assurances that the Council has not achieved in relation to its partnership arrangements. The Council is in the process of developing and implementing a Partnership Framework. In doing so, consideration should be given as to how this will help to ensure that these outstanding issues have been addressed;
  - **Value for money** - the Council should ensure that proposed improvements to capital programme management arrangements are fully and effectively implemented, and
  - **Value for money** - the Council should demonstrate that it has put best-practice procurement arrangements in place, and that these have led to identifiable improvements in value for money.
- 1.10 The most notable improvement the Council has shown is in financial reporting. The focus in future periods should be to further embed the processes for each key KLOE criteria, in particular to demonstrate that the arrangements in place drive improvement in processes and outcomes.
- 1.11 It is important that the Council considers the costs and benefits of making improvements, and implementing additional processes, particularly where these improvements are made for the purposes of improving Use of Resources scores. This is especially important if the Council is considering enhancements to achieve level 4.

### Acknowledgements

- 1.12 We would like to take this opportunity to thank the Head of Financial Services and the Internal Audit Manager, their teams and the other officers involved in our review for their help and support during the course of our work in this area.

## 2 Approach and Context

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### Background

- 2.1 Each judgement area (theme) consists of a number of key lines of enquiry and areas of audit focus and evidence. There are also descriptions of performance against each key line of enquiry showing performance at levels 2, 3 and 4. These translate into the following judgements:
- 1 = below minimum requirements – inadequate performance
  - 2 = only at minimum requirements – adequate performance
  - 3 = consistently above minimum requirements – performing well
  - 4 = well above minimum requirements – performing strongly
- 2.2 The Audit Commission will determine the overall use of resources score by combining the auditor's separate scores for each of the themes covered.
- 2.3 In forming our assessment, we need to take into account requirements of the methodology that are set out in the Use of Resources Guidance for Councils – 2006 assessment. In particular, in order to support scores of 3 and above, we need to consider whether relevant arrangements are 'embedded', that is they have been operating consistently with clear outputs having an impact. For scores of 4 (performing strongly) we are required to consider whether, in addition to meeting the criteria, councils can demonstrate innovation or best practice that can be shared with other authorities. The criteria at level 4 have been kept to a minimum so as to avoid them becoming unnecessarily prescriptive and limiting.
- 2.4 In relation to future assessments, the status of a number of criteria will change to 'must have status'. For your information, these criteria have been summarised at Appendix A. In order for the Council to sustain or to improve upon its current performance at the next assessment, it will need to take these criteria into consideration.

### Scope and nature of this report

- 2.5 This report summarises the results of our work. It is not intended to cover every issue which has come to our attention, but rather provide an overview of the key issues which we have identified during the course of our review.
- 2.6 This report is for consideration by the Council and its officers and is for the Council's use only and should not be relied upon by any third parties.

## 3 KLOE 1: Financial Reporting

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### KLOE 1 Results

3.1 The table below gives the scores which the Council achieved for Financial Reporting during the 2006 judgements:

Reference:	Key Line of Enquiry	2005 Judgement	2006 Judgement
1.1	The Council produces annual accounts in accordance with relevant standards and timetables, supporting by comprehensive working papers	2	3
1.2	The Council promotes external accountability	2	3
<b>KLOE 1</b>	<b>Combined Score for KLOE 1: Financial Reporting</b>	<b>2</b>	<b>3</b>

3.2 The first of the above KLOEs carries a higher weighting than the second and therefore the Council's score on the annual accounts production process is fundamental in maximising the theme score for Financial Reporting overall.

3.3 We have set out below the main achievements and key barriers for the Council in achieving the next level for each of the KLOEs given above.

### Key Findings: KLOE 1.1 – Annual Accounts

3.4 KLOE 1.1 focuses on the arrangements that the Council has in place to produce its annual accounts in accordance with relevant standards and timetables and supporting the accounts with comprehensive working papers.

3.5 We are pleased to note that the Council achieved a strong level 3 for its annual accounts production. All elements of level 2 and 3 were considered met.

### The Way Forward

3.6 To enable the Council to meet level 4 requirements in future reviews the Council would need to reduce any errors in the accounts submitted to audit to clearly trivial errors. To achieve this the Council would need to go through the process of a lengthy review of the accounts prior to submission to the auditor.

3.7 In addition the Council would need to ensure that the quality of working papers is exemplary for the 2006-07 final accounts audit. We will work with the Council, prior to the commencement of the audit, to agree the expected workpapers required for successful completion of the audit without delay and agree areas for improvement.

**Key Findings: KLOE 1.2 – External Accountability**

- 3.8 The Council's performance in KLOE 1.2 was a strong level 3 with all 'must have' areas being met. An area on which the Council should focus efforts next year, as the criteria moves to 'must have' status, is the requirement to consider consultation with a variety of stakeholders regarding the publication of accounts.

## 4 KLOE 2: Financial Management

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### KLOE 1 Results

4.1 The table below gives the scores which the Council achieved for Financial Management during the 2006 judgements:

Reference:	Key Line of Enquiry	2005 Judgement	2006 Judgement
2.1	The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities	3	3
2.2	The Council manages performance against budgets	2	2
	The Council manages its asset base	3	3
<b>KLOE 2</b>	<b>Combined Score for KLOE 2: Financial Management</b>	<b>3</b>	<b>3</b>

4.2 The above KLOEs each carry an equal weighting in determining the overall theme score.

4.3 We set out below the main achievements and key barriers for the Council in achieving the next level for each of the KLOEs given above.

### Key Findings: KLOE 2.1 – Medium Term Financial Strategy

4.4 The Council achieved a strong level 3 in this area, meeting all essential and non-essential level 3 criteria.

### The Way Forward

4.5 To progress to level 4 requires that the Council take an active involvement with partners and other stakeholders and to monitor plans within the Medium Term Financial Strategy (MTFS). The Council is in the process of developing a Partnership Framework and consideration should be given to ensuring that it covers these aspects of its work in partnerships. Achievement of level 4 also requires that there is an active consideration of future developments in the financial management arrangements. The Council would also need to monitor its financial plans and strategies to demonstrate that it is achieving its corporate objectives.

### Key Findings: KLOE 2.2 – Performance against Budgets

4.6 KLOE 2.2 is largely process driven and requires the Council to have a series of budget management and monitoring techniques in place.

4.7 The Council has taken some actions to address weaknesses identified as part of the 2005 assessment. There remain areas for development in the Council's budget monitoring processes and in reporting against achievement of planned savings and efficiency gains.

**The Way Forward**

- 4.8 The Council did not meet the non-essential level 2 criterion of the financial performance of significant partnerships being regularly reviewed, linked to outputs and the results shared with partners and acted upon in this assessment. This criterion has been made essential for the 2007 judgements and, in order to prevent a decline in performance for this KLOE, the Council must ensure that it addresses this area, either through its Partnership Framework or through another process.
- 4.9 Progress has already been made towards the achievement of level 3 through work on budget monitoring and recommendations made in the internal audit report on Gershon Efficiency Savings. If implemented these should address issues around progress against efficiency and savings plans.

**Key Findings: KLOE 2.3 – Management of the Asset Base**

- 4.10 This KLOE is concerned with the effectiveness of the arrangements that the Council currently has in place to manage its asset portfolio.
- 4.11 The Council has again achieved a strong level 3 in 2006, reflecting good performance.

**The Way Forward**

- 4.12 The Council does not currently meet any of the level 4 criteria in this area. In order to achieve level 4, the Council needs to show evidence of the use of performance measurement and benchmarking in its asset management. However, the Council will need to consider the costs and benefits of addressing these issues.

## 5 KLOE 3: Financial Standing

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### KLOE 3 Results

5.1 The table below gives the score which the Council achieved for Financial Standing during the 2006 judgements:

Reference:	Key Line of Enquiry	2005 Judgement	2006 Judgement
3.1	How well does the Council safeguard its financial standing	3	3
<b>KLOE 3</b>	<b>Combined Score for KLOE 1: Financial Standing</b>	<b>3</b>	<b>3</b>

5.2 Despite there only being only one KLOE in relation to Financial Standing it does count for one fifth of the overall score, reflecting the importance of financial performance. We set out below the main achievements and key barriers for the Council in achieving the next level for this KLOE.

### Key Findings: KLOE 3.1 – Financial Standing

5.3 The Council has, for the second year running, achieved a strong level 3 score in this area, meeting all level 2 and 3 criteria.

### The way forward

5.4 The Council will need to consider the costs and benefits of achieving level 4. In order to progress the Council will need to be able to provide strong evidence of Members monitoring key financial health indicators and setting challenging targets that it regularly meets. Evidence would also be required of the Council demonstrating innovative or best practice in this area that could be shared with other authorities.



## 6 KLOE 4: Internal Control

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### KLOE 4 Results

6.1 The table below gives the scores which the Council achieved for Internal Control during the 2006 judgements:

Reference:	Key Line of Enquiry	2005 Judgement	2006 Judgement
4.1	The Council manages its significant business risks	2	2
4.2	The Council has arrangements in place to maintain a sound system of internal control	2	2
4.3	The Council has arrangements in place that are designed to promote and ensure probity in the conduct of its business	2	2
<b>KLOE 4</b>	<b>Combined Score for KLOE 4: Internal Control</b>	<b>2</b>	<b>2</b>

6.2 The three KLOEs are weighted equally and hence the score for Internal Control overall is built up as an average of the three individual scores.

6.3 We set out below the main achievements and key barriers for the Council in achieving the next level for each of the KLOEs given above.

### Key Findings: KLOE 4.1 – Risk Management

6.4 The risk management KLOE is designed to form a view as to the effectiveness of the Council's risk management arrangements, and in particular is concerned with the extent of senior officer and member involvement.

6.5 The Council achieved level 2 for this KLOE. It failed to meet two essential criteria at level 3.

6.6 The failures at level 3 were that all members of the Corporate Governance Panel had not attended formal risk management training and the Council's current risk management process does not specifically consider risks in relation to significant partnerships; however, this is something the Council is looking to address through its Partnership Framework.

### The Way Forward

6.7 Looking forward to next year's judgements, the challenge for the Council is to continue to embed risk management into the culture of the organisation and to address issues noted above around training and partnerships.

### Key Findings: KLOE 4.2 – Systems of Internal Control

- 6.8 This KLOE encompasses a series of individual topics such as the Statement on Internal Control (the SIC), the effectiveness of the Audit Committee, the quality of the Internal Audit function and the completeness of procedures notes and other standard documents which, when considered together, constitute the main elements of the Council's control environment.
- 6.9 Consistent with the previous year, the Council secured level 2 for this particular KLOE. The key area of weakness for the Council in relation to this KLOE is the absence of an assurance framework, although this is currently under development.
- 6.10 In order to achieve a level 3 the Council also needs to be able to demonstrate that compliance with standing orders, standing financial instructions and the scheme of delegation is monitored by management and action taken where breaches are identified.

#### The Way Forward

- 6.11 The Council is developing an Assurance Framework. Once this is in place, and with improvements to monitoring compliance against key Council procedures, the Council should be able to demonstrate achievement of level 3. However, the Council needs to ensure that processes are in existence throughout the entire year and the Assurance Framework regularly feeds back to members on the status of risks.

### Key Findings: KLOE 4.3 – Probity and Propriety

- 6.12 KLOE 4.3 is designed to evaluate the Council's arrangements for ensuring that probity and propriety are promoted within the conduct of its business.
- 6.13 Overall the Council achieved level 2 in this area. There are two essential criteria in the 2007 judgements that the Council will need to achieve for level 3, these are to demonstrate that:
- the council undertakes proactive counter fraud and corruption work that is determined by a formal risk assessment; and
  - counter fraud and corruption work is adequately resourced (this becomes an essential criterion in the 2007 judgements).
- 6.14 In evidencing this, there should be clear linkages between the Fraud and Corruption Plan risk assessment and any proactive counter fraud and corruption work that the Council has undertaken. There should also be evidence of the impact the Plan has had on the content of the internal audit plan. As well as considering the work of internal audit in this area, there will also be a focus on the work carried out by the Council's housing benefit fraud team in this area as part of the 2007 assessment.

#### The Way Forward

- 6.15 The Council will need to demonstrate the strength of its counter fraud and corruption arrangements and show that key actions resulting from known instances of fraud have impacted upon the plan for future work in this area.

## 7 KLOE 5: Value For Money

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### KLOE 5 Results

7.1 The table below gives the scores which the Council achieved for Value for Money during the 2006 judgements:

Reference:	Key Line of Enquiry	2005 Judgement	2006 Judgement
5.1	The Council currently achieves value for money	3	3
5.2	The Council manages and improves value for money	3	3
<b>KLOE 5</b>	<b>Combined Score for KLOE 5: Value for Money</b>	<b>3</b>	<b>3</b>

7.2 The first of the above two KLOEs carries a higher weighting than the second and thus the Council's score on whether or not value for money is currently achieved is fundamental in maximising the theme score for Value for Money overall.

7.3 We set out below the main achievements and key barriers for the Council in achieving the next level for each of the KLOEs given above.

### Key Findings: KLOE 5.1 – Current Value for Money

7.4 KLOE 5.1 is designed to form a view on whether the Council currently achieves Value for Money in its activities both with regards to the back office and also the provision of front line services.

7.5 The Council has consolidated on the level 3 score that it achieved in the 2005 judgements. In particular:

- benchmarking data indicates an overall positive relationship between the cost of the Council's services and the quality provided to local residents;
- costs for some front-line services such as waste and community housing remain relatively high, although in some cases the Council has demonstrated that this is linked to programmed investment in services, and in some cases that costs are affected by local contextual factors. Higher-cost areas also map clearly to the Council's stated priorities;
- in most cases performance outcomes are correspondingly strong, with a general trend of improvement shown by benchmarked 2005/6 data, and
- local satisfaction data suggests that the Council is well regarded by local people, with an apparent strong increase in public perception of value for money between 2005 and 2006, contrary to national trends.

7.6 However, some areas are still relatively high cost, and pockets of relative underperformance remain and there remains some room for improvement in the management arrangements for the Council's capital

programme. The Council is self-aware in this respect and provided evidence of a number of steps that have been taken to address this for the 2007 judgements.

#### Key Findings: KLOE 5.2 – Management and Improvement of Value for Money

- 7.7 KLOE 5.2 has more of a forward looking focus than 5.1 and is concerned with the arrangements that the Council has put in place to both manage and improve Value for Money.
- 7.8 The Council have consolidated last year's level 3 score. Key findings include:
- the Council uses a variety of methods to measure service costs and quality and undertakes external comparisons and benchmarking in some areas. We assessed the Council as a strong level 2 in last summer's data quality review, suggesting that the Council uses data that is reliable and fit-for-purpose;
  - there is some evidence to suggest that the concepts of efficiency and value for money are becoming embedded in the working culture of the Council;
  - costs are managed alongside service quality through use of the corporate balanced scorecard. The Council takes a relatively sophisticated approach to performance management at a corporate level with the use of its Corvu system, and
  - there is evidence of community benefits achieved through procurement and a strategic approach to external funding.

#### The Way Forward

- 7.9 The Council has maintained its position as a comfortable level 3 for both Value for Money KLOEs. However achievement of level 4 still presents significant challenges. The Council should carefully consider the relative costs and benefits of developing and introducing new processes to achieve level 4.
- 7.10 The Council's procurement practice was assessed at level 2 in the context of limited evidence. The countywide review of procurement identified a number of apparent weaknesses in this area at the Council. However, the Council have challenged these findings and assert that significant progress has been made since the fieldwork for the review was undertaken. The improvements made in this area by the Council will not be sufficiently embedded to comply with level 3 criteria for the 2006 judgements. This will be a key area of focus in next year's review.

## Appendix A: Criteria which will gain 'must have' status for the next assessment

### Future changes to criteria in bold type ('must haves')

This table summarises criteria that are currently included in the KLOE but are not in bold type and do not have 'must have' status, but which will have such status for the 2006/07 assessment.

KLOE	Summary of Criteria
<b>Financial Reporting</b>	
1.1	Level 3: Requests for information from audit are dealt with promptly
1.2	Level 3: Summary financial information that meet the needs of a range of stakeholders is published
<b>Financial Management</b>	
2.1	Level 2: There are arrangements for monitoring cash flow
2.1	Level 3: The medium-term financial strategy is communicated to staff and stakeholders
2.2	Level 3: Profiled financial monitoring reports are produced within ten days of the month end
2.2	Level 2: The financial performance of significant partnerships is reviewed
2.2	Level 3: There is a training programme in place for members and staff on financial issues
2.3	Level 3: A member has been allocated portfolio responsibility for asset management and local performance measures in relation to assets have been developed
<b>Financial standing</b>	
3.1	Level 2: Collection and recovery of material categories of income is monitored
<b>Internal Control</b>	
4.1	Level 3: Appropriate staff are trained in risk management
4.2	Level 3: Standing orders, standing financial instructions and system procedure notes are reviewed and updated as appropriate
4.2	Level 2: Governance arrangements are in place for significant partnerships
4.3	Level 3: The Council is proactive in raising standards of ethical conduct among members and staff and can demonstrate that counter fraud and corruption work is adequately resourced

## Appendix B: Action Plan

This action plan includes only recommendations intended to assist the Council in achieving sufficient improvements to demonstrate compliance with the requirements of the next level within the Use of Resources framework. The action plan does not include recommendations around those criteria considered as level 4 within the framework. It is for the Council to consider the costs and benefits of further improving performance against the Use of Resources scoring framework, particularly where this will result in achievement of level 4.

Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
<b>KLOE 1.1: Annual Accounts</b>					
1	Working paper requirements should be agreed with the auditor prior to the commencement of the final accounts audit.	2	Agreed	Accountancy Manager	By 31 March each year
<b>KLOE 1.2: External Accountability</b>					
2	The Council should undertake appropriate consultation to ensure that it can demonstrate that it is considering the views of a range of stakeholders in making its decision whether to publish an annual report.	2	Consultation has taken place with partners and all households have been invited on two occasions to comment on the financial information they want. Only one response was received.		

Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
3	The Council should use the results of this work to develop its reporting of performance to the public in the form of summary accounts or an annual report which meet the needs of a range of stakeholders.	3	Householders will be invited to comment whenever we publish financial information in Districtwide Partners and businesses will be consulted periodically	Head of Finance  Head of Policy	August 2007 May 2008  By Spring 2009
<b>KLOE 2.2: Managing Performance Against Budget</b>					
4	The Council should regularly review the financial performance and outputs of its significant partnerships. The results of the reviews should be shared with partners and acted upon as necessary.	1	A Partnership review framework has been implemented and a review of significant partnerships is underway and will be completed in Autumn 2007.	Head of Policy	October 2007
5	The Council should continue to review and update its budget monitoring processes, ensuring that it is: <ul style="list-style-type: none"> <li>- predictive rather than backward looking;</li> <li>- focused on large, high risk or volatile budgets;</li> <li>- related to operational activity indicators that are lead indicators of spend; and</li> <li>- informed by a risk assessment.</li> </ul>	1	Agreed Already underway	Accountancy Manager	Ongoing

Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
6	The Council should introduce reporting on progress against planned savings and efficiency gains to senior management. Action plans should be developed where there is slippage against targets.	1	In year savings already being monitored through budgetary control and MTP system. Gershon monitoring now introduced.	Accountancy Manager Head of Financial Services	Ongoing Ongoing
<b>KLOE 4.1: Risk Management</b>					
7	The Council should ensure that, through the implementation of its Partnership Framework, risks relating to partnerships are identified and managed.	1	A Partnership review framework has been implemented and a review of significant partnerships is underway. Risks relating to partnerships will be identified and evaluated accordingly.	Head of Policy	Autumn 2007
8	An assessment of risk management training requirements for Members should be completed and training delivered accordingly.	1	Agreed	Audit and Risk Manager	September 2007
<b>KLOE 4.2: Systems of Internal Control</b>					
9	The Council should develop and implement an assurance framework.	1	An Assurance framework is being developed in conjunction with a revised code of corporate governance and will be implemented in Autumn 2007.	Head of Policy	Autumn 2007
10	The Council should introduce a system of monitoring compliance with standing orders, standing financial	1	Many aspects already covered:	Various	Ongoing



Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
	instructions and its scheme of delegation. One method that could be adopted would be making this an objective for all appropriate internal audits.		<ul style="list-style-type: none"> <li>• COFM – Accountants and audit</li> <li>• COP – Procurement Manager and audit</li> <li>• Standing Orders – Senior officer in attendance at meetings</li> </ul> <p>Compliance with Scheme of Delegation to be considered within individual internal audits.</p>	Audit and Risk Manager	June 2007
<b>KLOE 4.3: Probity and Propriety</b>					
11	The Council should be able to provide clear evidence of how its Fraud and Corruption Plan risk assessment has impacted upon any proactive counter fraud and corruption work undertaken by the Council.	1	F&CP risk assessment scores have been used in determining the 2007-08 audit plan. All high risk areas have already been reviewed.	Audit and Risk Manager	
12	Consideration should be given to implementing a review process for all proven cases of fraud and corruption to establish whether there are any 'lessons that can be learnt' or if there are weaknesses in controls that can be addressed.	3	A formal process is not required for non-benefit related cases due to the low numbers involved. Benefit fraud procedures already include a "lessons learnt" stage.	Audit and Risk Manager	
<b>KLOE 5.1: Current Value for Money</b>					
13	The Council should be able to demonstrate that the proposed improvements to capital programme management arrangements have been effectively	2	Revised monitoring system has been introduced and capital spending is reviewed at quarterly meetings between Heads of Service and	Various	Ongoing

Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
	implemented, leading to an improved outturn in 2006/7.		Directors. Need for optimism to be restrained will be repeated in guidance for review of MTP.	Head of Financial Services	August 2007
<b>KLOE 5.2: Management of and Improvement in Value for Money</b>					
14	The Council should be able to demonstrate a best-practice approach to procurement; that it knows where the greatest benefits can be gained and there is evidence that it acts on these effectively. Existing joint procurement exercises should be built upon and developed where appropriate to yield further cost savings and improvements to value for money.	1	Already introduced and using electronic contracts register. About to finalise business case for introducing e-marketplace. Already aim to maximise use of 'collaborative' contracts. Continue to work closely with neighbouring Las to identify ad hoc opportunities.	Procurement Manager	ongoing

**FINAL ACCOUNTS 2006/07**  
**(Report by the Head of Financial Services)**

**1 FINAL ACCOUNTS**

- 1.1** Much of the content of the Council's Final Accounts is set by a statutory Code of Practice. As a result, they are not easy for the lay reader to understand but the inclusion of notes to various accounts helps explain some of the key aspects.
- 1.2** Their prime purpose is to form the official record of what has happened in the last year and, when audited, they will demonstrate that a proper level of financial stewardship has been achieved on behalf of local residents. The Annual Statement of Assurance on Corporate Governance, which will also form part of the booklet, when it is published after audit, will be considered separately at the Panel's September meeting.
- 1.3** The Code has changed significantly for the 2006/07 accounts so that the accounts more closely follow the form of reporting for private sector organisations. However there still need to be variations to reflect the specific statutory requirements applying to Local Authorities. A brief explanation of the changes is given in the accounts booklet and the 2005/06 figures have been restated to provide meaningful comparative figures.
- 1.4** The Panel, on behalf of the Council, needs to formally approve the accounts before the audit can take place. If the Council's auditors, Robson Rhodes, identify any significant concerns during the course of the audit then these must be reported back to the Panel.
- 1.5** The Use of Resources assessment refers to the expectation of the Audit Commission that there will be **robust discussion of the final accounts**. In order to enhance discussion there will be an introduction of to explain the key elements of the main accounts and the changes required this year. Panel members are also encouraged to identify any areas on which they require explanation or clarification.

**2. RECOMMENDATION**

- 2.1** The Panel is recommended to approve the draft Final Accounts so that the audit can commence.

**BACKGROUND INFORMATION**

2006/07 Closedown File

**Contact Officer:** Eleanor Smith, Accountancy Manager, ☎(01480) 388157

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## Draft Statement of Accounts For the year ended 31 March 2007

Chairman of the Council 2006/7	Councillor P Swales
Leader of the Council 2006/07	Councillor I C Bates
Executive Councilor for Finance 2006/07	Councillor T V Rogers
Chief Executive	Mr D Monks
Director of Commerce and Technology	Mr T Parker
Auditors	RSM Robson Rhodes LLP

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## Introduction and Financial Summary

In order to ensure that the financial accounts of local authorities are reliable a national Code of Practice has been created which sets out how they should be prepared and what they must include. Huntingdonshire's accounts comply with this Code.

The Code is updated annually to reflect the latest developments in accountancy – the changes this year were more significant than usual and an explanation of the main changes can be found on page 5.

This booklet presents the accounts of Huntingdonshire District Council for the period from 1 April 2006 to 31 March 2007. The main statement is the Income and Expenditure Account which includes the cost of providing the Council's services that are partly funded from the council tax.

The Balance Sheet summarises the Council's assets and liabilities at the end of the year (31 March 2007) and the Cash Flow Statement sets out where the money came from and how it was spent. Explanatory notes give greater detail.

### Overview

The table below shows a simplified version of the revenue summary:

Revenue Expenditure	2006/07 Actual £000
<b>Services</b>	
Gross Expenditure	61,066
Income including fees and charges and the government reimbursement of benefits.	36,082
<b>Net Cost</b>	<b>24,984</b>
<b>Other Items</b>	
Investment Income	-2,850
Trading undertakings surplus	-498
Required adjustments relating to items such as pensions, capital and financing costs.	-5,535
<b>Total to be funded</b>	<b>16,101</b>
<b>Funding</b>	
Council Tax	-5,961
Collection Fund adjustment	74
Revenue Support Grant	-1,762
NNDR from national pool	-9,129
LAGBI	-487
<b>Contribution to Council Reserves</b>	
General Fund Balance	738
Delayed Projects Reserve	426
	<b>1,164</b>

When the Council set its budget for 2006/07 in February 2006 it made provision to use up to £1,527k from reserves to fund revenue expenditure. Over the year the Council has succeeded in raising additional income and keeping expenditure down. The net result is that it has been possible to add £1,164k to reserves this year resulting in a total revenue reserve of £19.5m at the end of the year.

The increase in reserves gives extra flexibility for the Council to introduce greater efficiency and ensure spending is focussed in those areas that will make a real difference for local people.

Capital Reserves (accumulated capital receipts from the sale of land and buildings) started the year at £42m and the net impact of funding capital expenditure and the proceeds from asset sales means the position at the end of the year is £28.7m.

Capital investment in assets of £16.6m has taken place (excluding £2.7m of investments that have to be treated as capital under local authority investment regulations). Projects included regeneration of the Oxmoor (£2m), leisure centres (£1.2m), new offices and operations centre (£6.3m), environmental improvements (£0.6m), housing (£3.3m) and further investment in information technology (£1.2m) and operational vehicles (£0.4m). These were funded partly from grants and contributions (£1.7m) with the remainder from Capital Reserves.

The Council is thus left with the following Reserves:

<b>Reserves at 31 March 2007</b>	<b>£m</b>
Revenue**	19.5
Capital ++	28.7
<b>Total</b>	<b>48.2</b>

\*\* including underspending Delayed Projects Reserve of £615k

++ including receipts temporarily held as "capital" investments of £585k

### **Council Tax and Collection Fund**

The Council, in line with its long-term financial strategy, set a Council Tax of £104.69 for 2006/07. This tax level was the 18<sup>th</sup> lowest of all the 238 English District Councils (average £150, highest £281) and was a cash increase of just £4.98 per year; less than 10p per week.

The Council Tax for the County Council, Police and Fire Authorities and town and parish councils, that Huntingdonshire collects on their behalf, brought the average band D council tax charge for residents of the District up to £1,245.

The Council Tax actually raised £71m last year, which was just £73k less than required to meet the payments to the County (£50.2m), Police (£8.0), Fire (£2.8m), District (£6.0m) and Town and Parishes (£3.4m). This small deficit will be distributed between the principal authorities in proportion to their precepts in 2007/08.



**Pensions**

The accounts show that the Council had a future pension deficit of £29.4m at the start of the year due to historic poor performance of the equity market and increased longevity of pensioners. The Council funds this deficit via its annual contributions to the pension fund which are based on calculations carried out by an actuary every three years. The necessary increase in contributions over the next few years has already been built into the Council's financial plan.

It is pleasing to note that the deficit has fallen significantly over the last year to £23.7m as a result of better investment returns, changes in forecast investment returns for the future and some changes to the scheme. This reduces the likelihood of additional increases in future contribution rates when the actuary's report is received this autumn.

**Conclusion**

The Council has been independently judged as "excellent" and continues to focus its service developments on those areas that local people see as a priority. In order to achieve this without significant increases in the Council Tax opportunities to increase efficiency are constantly being sought.

The Council currently has sufficient Reserves to provide flexibility and ensure that efficiency savings can be properly planned and managed over the coming years.

**Terry Parker BA(Hons) FCA**  
Director of Commerce & Technology

**Statement of Accounts approved by the Corporate Governance Panel**

**Chairman: Cllr. C. J. Stephens**

## CHANGES TO THE CODE OF PRACTICE FOR THE 2006/07 ACCOUNTS

The accountancy profession has been identifying ways in which the style and content of local government accounts can more closely follow the approach in private companies. As a result of this, some significant changes have been introduced that affect this years financial accounts.

Wherever possible the 2005/06 accounts have been restated to provide meaningful comparative figures.

The main changes are:

1. **The removal of notional interest** as part of the charge to revenue accounts for the use of capital assets. Whereas, in previous years a charge for both depreciation and interest had to be made, the charge is now just for depreciation. The impact reduces the cost shown for providing a service, but there is no overall impact on the Council.
2. **A new Income and Expenditure Account** replaces the old Consolidated Revenue Account (CRA). It brings together the cost of revenue services, some capital transactions (e.g. the net gain or loss on the sale of assets) and other items (e.g. pensions costs) to give the surplus or deficit for the year. It is a significantly different figure to that previously shown at the end of the CRA and relies on the new **Statement of Total Movement on the General Fund Balance** to reconcile it to the change in the General Fund reserve.
3. **A new Statement of Total Recognised Gains and Losses** which replaces the Statement of Total Movement in Reserves and recognises that not all gains and losses are reflected in the Income and Expenditure Account e.g. pension actuarial gains or losses
4. The **Balance Sheet** replaces the Consolidated Balance Sheet with only minor changes. The adjustments between the Collection Fund and other bodies are now treated as debtors or creditors.
5. **The Cash Flow Statement** does not change but note30 now reconciles the cash flow on revenue activities to the Income and Expenditure Account.
6. **The core financial statements** are now grouped together, followed by their notes. Supplementary statements (e.g. the Collection Fund) then follow.

## Statement of Responsibilities for the Statement of Accounts

### **The Authority's Responsibilities**

An Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Commerce and Technology
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- To approve the Statement of Accounts by 30 June 2007

### **The Responsibilities of the Director of Commerce and Technology**

In preparing this Statement of Accounts which present fairly the financial position of the Authority, I have:

- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice
- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

Terry Parker BA (Hons) FCA  
Director of Commerce and Technology  
Dated

**Annual Statement of Assurance on Corporate Governance**

*To be approved in September*

**Auditors' Report**

*To be provided before final publication in September*

## Accounting Policies

### 1. General

The Statement of Accounts summarises the council's transactions for the 2006/07 financial year and its position at the year-end of 31 March 2007. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice 2006* (the SORP) issued by the Chartered Institute of Public Finance and Accountancy which reflect the Financial Reporting Standards (FRS) and Statements of Standard Accounting Practice (SSAPs) applicable to Local Government. The main policies adopted in compiling the accounts are set out below.

### 2. Accounting Concepts

These accounts have been prepared in accordance with the underlying concepts of the:

- Council being a 'going concern' - a continuing business
- Accrual of income and expenditure – including items in the year they relate to rather than the year they take place.
- Primacy of legislative requirements – legislation overrides standard accounting practice

The concepts of consistency and prudence are also followed where they do not conflict with the application of the underlying concepts above. The accounting statements are prepared with the objective of presenting fairly the financial position and transactions of the authority.

### 3. Debtors and Creditors

In the accounts income and expenditure items are accounted for in the year in which they arise, not simply when cash payments are made or received, by the creation of debtors and creditors. No material estimates have been included in debtors and creditors.

### 4. Bad debt provision

Provision is made to cover potential losses in collection of income due to the Council. The level of provisions made for bad debts take into account the nature, value and age of debts and is reviewed each year. Provisions are charged to the appropriate service revenue account, and when bad debts occur, they are charged to the provision set-up in the balance sheet.

### 5. Tangible Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. Infrastructure and community assets are included in the balance sheet at historical cost, net of depreciation where appropriate. Operational assets, primarily land and property, are included in the balance sheet at the lower of net current replacement cost or net realisable value in current use. Non-operational assets are similarly valued with reference to market value. All assets held at current value were re-valued at 1st April 2004. Such revaluations are made every five years with intermediate indexation.

**6. Impairment of assets**

Impairment is a change in events or circumstances that results in a reduction in an asset's value. Where impairment is identified and can be attributable to the clear consumption of economic benefits, the loss is charged to service revenue accounts, otherwise it is written off against the Fixed Asset Restatement Reserve. A full review of impairment of assets is combined with the five year revaluation. Material impairment between revaluations is reflected in the accounts each year.

**7. Intangible Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is capitalised when it will bring benefits to the Council for more than one financial year.

Purchased software licences are capitalised as intangible assets and initially included on the balance sheet at cost. The outstanding amount is reduced each year by charging a proportion to revenue over the period of economic benefit which is deemed to be 4 years.

**8. Sale of Fixed Assets**

When an asset is disposed of, the value of the asset in the balance sheet is written off to the Income and Expenditure Account. Receipts from the sale are credited to the Income and Expenditure Account resulting in a gain or loss on disposal.

Income from the sale of assets is a capital receipt and is credited to the Usable Capital Receipts Reserve. It can then be used to finance new capital investment.

**9. Leases**

**Finance leases.** The Council leases certain items of vehicles, plant and equipment from Finance companies. They are capitalised and included in the fixed assets shown on the balance sheet. They are accounted for using the policies applied to tangible fixed assets.

**Operating leases.** Operating lease rental is charged to revenue in the year it is payable under the terms of the lease.

**10. Deferred Charges**

Deferred charges are payments of a capital nature where no fixed asset is created (e.g. capital grants to other organisations). They are charged to service revenue accounts in the year of expenditure. The cost is met from existing capital resources and a transfer to the Capital Financing Account reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

**11. Depreciation**

Assets are depreciated over their useful economic life. Straight line depreciation is used for all assets except vehicles and plant to which a 25% reducing balance basis is applied. The value of each asset is shown net of cumulative depreciation in the balance sheet.

**12. Charges to Revenue for Fixed and Intangible Assets**

Service revenue accounts, support services and trading accounts are charged for the depreciation on the assets used in the provision of the service. In addition there may be a charge for impairment losses.

The Council is not required to raise council tax to cover this depreciation, but it is required to make an annual provision from revenue to contribute towards the repayment of any loans taken to finance assets. The charges to service revenue accounts for capital are replaced by this provision in the Statement of Movement on the General Fund Balance. As the Council has not yet funded any capital expenditure from loans the 2006/07 Statement simply removes the depreciation.

**13. Stock and Work in Progress**

The value of stock is included in the accounts at average purchase price. Work in progress is included at cost or net realisable value whichever is the lower in accordance with SSAP 9.

**14. Reserves**

The Council maintains reserves to meet certain types of expenditure, for future policy purposes and to cover contingencies. They are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure is incurred that is to be financed from a reserve, it is charged to the relevant service revenue account and therefore included in the Income and Expenditure Account. The reserve is then transferred back into the General Fund Balance statement so that there is no charge against council tax for the expenditure.

**15. Investments**

Investments are shown in the Balance Sheet at market value.

**16. Pensions**

Cambridgeshire County Council administers the Local Government Pension Scheme in which Huntingdonshire District Council's employees may participate; it is accounted for as a defined benefits scheme. The accounting policy is to recognise the full liability that the Council has for meeting the future cost of retirement benefits arising from years of service earned by employees up to the balance sheet date, net of the contributions paid into the Fund and the investment income they have generated; this meets the requirements of FRS17.

Details of the Council's expenditure, income, assets and liabilities relating to The Local Government Pension Scheme, are given on pages 33 to 36.

**17. Grants**

Grants and subsidies have been credited to the appropriate revenue account and accruals have been made for balances known to be receivable for the period to 31st March 2007. Government grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the Income and Expenditure Account.

Where the acquisition of a fixed asset is financed either wholly or in part by a grant or contribution, this is credited to the asset account in the year in which it is received.



**18. Group Accounts**

The Statement of Recommended Practice requires the Council to produce Group Accounts if they are relevant. The Council is not undertaking any actions that would make this necessary.

**19. Allocation of Support Services**

The costs of overheads and support services are charged to services on the basis of use in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2006*; the basis of the charge varies according to the nature of the support service provided. Administrative buildings are apportioned on the basis of area occupied.

**20. Value Added Tax**

VAT is not included in the income and expenditure accounts (revenue and capital) as most VAT is recoverable. The only exception is irrecoverable VAT relating to the provision of exempt services, which is charged to the relevant service.

**21. Contingent assets and liabilities**

If a liability arises from an event which is too uncertain or the amount of the obligation cannot be reliably estimated, the liability is disclosed as a contingent liability. Similarly contingent assets are not included in the accounts but disclosed as notes.

**22. Leisure Centre Management Committees**

The Leisure Centre Management Committees are constituted under section 102 of the Local Government Act 1972 and consequently are required to report independently of Huntingdonshire District Council by means of separate statements of accounts.

## Income and Expenditure Account

2005/06		Note	2006/07		
Net Expenditure £000			Gross Expenditure £000	Income £000	Net Expenditure £000
	<b>Net Cost of Services</b>				
	Cultural, Environmental & Planning Services				
5,251	Leisure	1	6,371	-801	5,570
5,776	Environmental Services		7,155	-1,285	5,870
3,215	Refuse Collection		3,407	-149	3,258
1,776	Planning and Development	2	5,083	-2,630	2,453
	Housing Services				
2,159	Housing General Fund		25,485	-22,729	2,756
-153	Local Taxation Benefits		5,932	-5,851	81
331	Highways and Transportation		2,177	-1,194	983
	Central Services				
947	Local Taxation Collection		1,402	-601	801
-13	Other Central Services		602	-492	110
2,764	Corporate and Democratic Core		3,193	-346	2,847
166	Non-distributed costs		259	-4	255
<b>22,219</b>	<b>NET COST OF SERVICES</b>		<b>61,066</b>	<b>-36,082</b>	<b>24,984</b>
	<b>Corporate Income and Expenditure</b>				
-1,257	Gain(-) /loss on disposal of assets				448
3,111	Parish Precepts				3,401
-546	Trading undertakings surplus	3			-498
220	Interest payable				72
8	Amounts payable into the Housing Capital Receipts Pool				23
-3,654	Interest and investment income	4			-2,922
529	Pensions interest cost and expected return on assets	11			137
<b>20,630</b>	<b>NET OPERATING EXPENDITURE</b>				<b>25,645</b>
	<b>Principal Sources of Finance</b>				
-8,763	Demand on the Collection Fund				-9,288
-5,038	General Government Grants				-1,762
-4,587	Distribution from the Non-domestic rate pool				-9,129
	Local Authority Business Growth Incentive Grant				-487
<b>2,242</b>	<b>DEFICIT FOR THE YEAR</b>				<b>4,979</b>

## Statement of Movement on the General Fund Balance

2005/06 £000		2006/07 £000
-18,460	<b>General Fund Balance brought forward</b>	-18,102
2,242	Deficit for the year (Income and Expenditure Account)	4,979
-1,884	Net amount required by statute and non-statutory proper practices to be credited to the General Fund	-5,717
<b>358</b>	<b>Decrease/ Increase (-) in General Fund Balance for the year</b>	<b>-738</b>
-18,102	<b>General Fund Balance carried forward</b>	-18,840

The following note explains the items that are required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year

2005/06 £000		2006/07 £000    £000	
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
-3,317	Depreciation and impairment of fixed assets	-3,674	
2,218	Government grants deferred amortisation	103	
-1,739	Write downs of deferred charges to be financed from capital resources	-2,467	
2,766	Net gain/loss (-) on sale of fixed assets	982	
-3,237	Net charges made for retirement benefits in accordance with FRS17	-3,354	
<b>-3,309</b>		<b>_____</b>	<b>-8,410</b>
	<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund balance for the year</b>		
10	Capital expenditure charged in-year to the General fund Balance		
-323	Commutation adjustment	-160	
-8	Transfer from usable capital receipts to meet payments to the Housing Capital Receipts Pool	-23	
1,590	Employer's contributions payable to the Cambridgeshire County Council Pension fund and retirement benefits payable direct to pensioners	1,996	
<b>1,269</b>		<b>_____</b>	<b>1,813</b>
	<b>Transfers to or from the General Fund balance that are required to be taken into account when determining the Movement on the General Fund balance for the year</b>		
<b>156</b>	Net transfer to or from earmarked reserves**		<b>880</b>
<b>-1,884</b>	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>		<b>-5,717</b>

\*\* excluding Collection Fund

## Statement of Total Recognised Gains and Losses

<b>2005/06</b>		<b>2006/07</b>
<b>£000</b>		<b>£000</b>
2,242	Deficit on the Income and Expenditure Account	4,979
0	Surplus arising from the revaluation of assets	-1,604
1,553	Actuarial gains (-) and losses on Pension Fund assets and liabilities	-7,043
55	Deficit/ surplus (-) on the Collection Fund	-75
<b>3,850</b>	<b>Total recognised gain (-) / loss for the year</b>	<b>-3,743</b>

The gain of £3,743k in 2006/07 represents the increase in reserves as shown on the balance sheet during the year

## Balance Sheet as at 31 March

2006		Note	2007	
Restated £000			£000	£000
2,928	Intangible assets	12,13		2,799
	Tangible fixed assets			
	Operational assets			
17,119	Land and buildings		22,516	
7,226	Vehicles and plant		6,680	
7,164	Infrastructure		8,336	
451	Community asset		1,396	38,928
	Non-operational assets			
8,359	Investment properties		18836	
13,293	Assets under construction		5,588	
615	Surplus assets, held for disposal		615	25,039
<b>57,155</b>	<b>Total fixed assets</b>			<b>66,766</b>
73,628	Investments	16		53,107
918	Long-term debtors	17		824
<b>131,701</b>	<b>Total long-term assets</b>			<b>120,697</b>
	Current assets			
71	Stock	18	91	
7,244	Debtors	19	6,086	
3,400	Short-term investments		0	
356	Payments in advance		403	
11,071				6,580
	Current liabilities			
-14,500	Short-term borrowing		0	
-4,249	Creditors	20	-5,379	
-433	Receipts in advance		-1,384	
-2,416	Cash overdrawn		-1,338	
-21,598				-8,101
<b>-10,527</b>	<b>Net current assets</b>			<b>-1,521</b>
	Long-term liabilities			
-237	Deferred credits (including capital receipts)			-183
-29,370	Pension scheme liability			-23,683
<b>91,567</b>	<b>Total assets less liabilities</b>			<b>95,310</b>
	Financed by:			
-23,716	Fixed assets restatement account	23		-22,640
94,052	Capital financing account	24		90,627
29,445	Usable capital receipts reserve	25		28,157
3,054	Earmarked reserves	26		4,009
18,102	General Fund balance	26		18,840
-29,370	Pensions reserve	27		-23,683
<b>91,567</b>				<b>95,310</b>

Terry Parker BA (Hons) FCA  
Director of Commerce and Technology

30 June 2007

## Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes

	2005/06		2006/07	
	£000	£000	£000	£000
<b>Revenue Activities</b>				
<i>Cash outflows</i>				
Employment costs	19,919		21,460	
Other operating cash payments	9,974		6,261	
Precepts paid out	61,486		64,469	
Contribution to the NNDR pool	40,779		45,589	
Housing benefits	18,543		20,252	
<i>Cash inflows</i>				
Council tax receipts	-61,593		-65,301	
Non-domestic rate receipts	-40,638		-46,248	
Non-domestic rate receipts from national pool	-3,641		-10,337	
Revenue support grant	-5,038		-1,762	
Local Authority Business Growth Incentive Grant	0		-487	
DSS grants for benefits	-23,651		-25,364	
Other Government grants	-632		-2,776	
Cash received for goods and services	-2,184		-3,236	
Other operating cash receipts	-5,915	7,409	-5,556	-3,036
<b>Returns on Investments and Servicing of Finance</b>				
<i>Cash outflows</i>				
Interest paid	127		170	
<i>Cash inflows</i>				
Interest received	-3,734	-3,607	-1,795	-1,625
<b>Capital Activities</b>				
<i>Cash outflows</i>				
Purchase of fixed assets	14,349		14,285	
Long-term investments	375		0	
Other capital cash payments	2,700	17,424	3,236	17,521
<i>Cash inflows</i>				
Sale of ex-Council houses	-2,796		-1,481	
Sale of other assets	-6,381		-79	
Long-term investments	0		-20,521	
Capital grants received	-2,889		-1,762	
Other capital cash receipts	-140	-12,206	-1,194	-25,037
<b>Net cash inflow before financing</b>		<b>9,020</b>		<b>-12,177</b>
<b>Management of liquid resources</b>				
Net increase/decrease in short-term deposits		<b>-8,600</b>		<b>11,100</b>
<b>Financing</b>				
<i>Cash outflows</i>				
<i>Cash inflows</i>				
	0	<b>0</b>	0	<b>0</b>
		<b>420</b>		<b>-1,077</b>

## Notes to the Main Financial Statements

### Notes to the Income and Expenditure Account

#### 1. Leisure Centre Management Committees

The Authority contributed the following deficit support to the Leisure Centres in the District which are managed jointly with other bodies

	2005/06	2006/07
	£000	£000
St Ivo	763	827
Huntingdon	683	654
St Neots	587	596
Ramsey	533	539
Sawtry	365	526
	<b>2,931</b>	<b>3,142</b>

#### 2. Building Control

The Building (Local Authority Charges) Regulations 1998 require the costs of providing certain specified elements of the service to break-even over a 3-year period.

	2005/06	2006/07
	£000	£000
Income	-464	-491
Expenditure	452	460
Surplus (-)/deficit	<b>-12</b>	<b>-31</b>
Cumulative surplus (-)/deficit (3 years)	19	-13

#### 3. Trading Undertakings

The following items are defined as trading undertakings by the Code of Practice. The Code now requires that notional interest is not charged to service and trading accounts but that it can be taken into account when deciding on the fees and charges to be levied. The table below shows the surplus before and after notional interest is taken into account.

	2005/06		2006/07	
	Turnover £000	Surplus £000	Turnover £000	Surplus £000
<b>Markets</b>				
Huntingdon	58	15	63	19
Ramsey	5	-5	4	-1
St Ives	125	70	139	91
Management		-46	0	-63
	<b>188</b>	<b>34</b>	<b>206</b>	<b>46</b>
<b>Industrial properties</b>	<b>554</b>	<b>383</b>	<b>505</b>	<b>293</b>
<b>Commercial properties</b>	<b>159</b>	<b>129</b>	<b>202</b>	<b>159</b>
<b>TOTAL before Interest</b>	<b>901</b>	<b>546</b>	<b>913</b>	<b>498</b>
<b>Surplus after notional interest</b>		<b>291</b>		<b>240</b>

**4. Interest on Internal Balances**

Interest receipts credited to the General Fund include all amounts received in respect of balances held and invested externally, except for interest on the s106 reserve which is credited to that reserve

**5. Minimum Revenue Provision**

The net amount charged to revenue in compliance with the statutory requirement to set aside a minimum revenue provision for the repayment of external loans is nil because the Council is debt-free for the purpose of this calculation

**6. Expenditure on Publicity**

Under section 5 of the Local Government Act 1986, the Authority is required to disclose the level of expenditure on publicity

	2005/06 £000	2006/07 £000
Recruitment advertising	190	105
Other advertising	190	180
	<b>380</b>	<b>285</b>

**7. Members' Allowances**

The total paid in 2006/07 was £337k (2005/06 £334k)

**8. Employee Remuneration**

The number of employees whose remuneration in the year was £50,000 or more is shown in the table below. It includes pay and other employee benefits but not employer's pension contributions



	2005/06	2006/07
£50,000 - £60,000	6	2
£60,000 - £70,000	8	10
£70,000 - £80,000	1	1
£80,000 - £90,000		2
£120,000 - £130,000	1	
£130,000 - £140,000		1

**9. Audit fees**

	2005/06 £000	2006/07 £000
Grant claim certification	26	22
Statutory inspections	3	6
External audit	82	75
	<b>111</b>	<b>103</b>

**10. Related Party Transactions**

The Council must disclose in the accounts any material transactions with related parties which include Councillors, Chief Officers, Central Government and other Local Authorities. No material transactions have been identified for disclosure that are not reported elsewhere in these Accounts.

**11. Pension Costs**

Details of pension costs are included in the statement of pension costs, assets and liabilities on page 35.

## Notes to the Balance Sheet

**12. Assets**

All assets held at current value were revalued at 1 April 2004. Revaluations are made every five years with intermediate indexation. The valuations were carried out externally and independently by LM Catley ARICS on the basis of current use and/or market value as appropriate. Accounting policy 11 explains the depreciation policy adopted.

As at 31 March 2007 the Council was contractually committed to capital works valued at approximately £19,024k of which £17,943k related to the new HQ project.

	Operational assets		Non-operational assets				Intangible assets	TOTAL	
	Land and buildings (note 1)	Vehicles, plant, equipment	Infra-structure	Community assets	Investment properties (note 2)	Assets under construction	Surplus assets held for disposal		Intangible assets
	£000	£000	£000	£000	£000	£000	£000		
<b>Net book value 1 April 2006</b>	<b>17,119</b>	<b>7,226</b>	<b>7,164</b>	<b>451</b>	<b>8,359</b>	<b>13,293</b>	<b>615</b>	<b>2,928</b>	<b>57,155</b>
<b>Movements in 2006/07</b>									
Additions	2,887	1,066	1,754	945	45	5,565		1,106	13,368
Disposals	-213	-161	-201		-550	-488		-73	-1,686
Revaluations	2,755				-1,151				1,604
Depreciation	-733	-1,451	-379					-1,112	-3,675
Adjustment	701		-2		12,133	-12,782		-50	0
<b>Net book value 31 March 2007</b>	<b>22,516</b>	<b>6,680</b>	<b>8,336</b>	<b>1,396</b>	<b>18,836</b>	<b>5,588</b>	<b>615</b>	<b>2,799</b>	<b>66,766</b>

Notes

1. The Council operates five leisure centres, managed jointly with other bodies, provided by the Council on land associated with schools. These were revalued in 2006/07 and are now included in the accounts at current cost.
2. Investment properties are generally held for economic development purposes, but are required to be shown as investment properties. The revaluation figure reflects the fact that part of the cost of the Sapley Square shops related to environmental improvements and so are not reflected in the cost of the resulting asset.

Major assets held at 31 March 2007	Number
Offices	3
Depots	3
Leisure centres	5
Markets	2
Bus stations	2
Public conveniences	9
Car parks	25
Mobile home park	1
Recycling site	1
County parks and recreation grounds	4
Vehicles and plant	105
Investment properties	132
Surplus assets held for disposal	7

### 13. Financing of Capital Expenditure

	2005/06 £000	2006/07 £000
Capital receipts	28,700	17,598
External contributions and capital grants	2,889	1,693
Revenue	10	0
<b>Total financed</b>	<b>31,599</b>	<b>19,291</b>

### 14. Deferred Charges

	Balance 1.4.06 £000	Expenditure £000	Grants £000	Depreciation £000	Balance 31.3.07 £000
Grants for leisure projects	0	76		-76	0
Improvement grants	0	1,216	-734	-482	0
Housing Association grants	0	1,342		-1,342	0
Grants for community projects	0	548	-36	-512	0
Other	0	54		-54	0
	<b>0</b>	<b>3,236</b>	<b>-770</b>	<b>-2,466</b>	<b>0</b>

### 15. Leases

In previous years the Council has used finance leases to meet the cost of vehicles, plant and equipment.

	<b>2006</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Assets held under finance leases		
Value of assets acquired in the year	0	0
Total capital value of lease agreements	208	208
Lease rentals paid in the year	0	0
Assets held under operating leases		
Payments	201	1
Future commitments as at 31st March	21	0

## 16. Investments

	<b>2006</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Long-term investments held at 31 March		
Investec Investment Fund	26,757	21,496
Alliance Bernstein Investment Fund	26,771	11
City Deposit Brokers Investment Fund	20,000	31,500
Other (net of provision for losses)	100	100
	<b>73,628</b>	<b>53,107</b>

Most surplus cash held in the Council's reserves is invested through the services of external fund managers, Investec, Alliance Bernstein and City Deposit Brokers, although Alliance Bernstein returned the funds they managed during 2006/07.

Under the Council's instructions the funds are invested in Government bonds (gilts), non-specified investments (including corporate bonds), and cash instruments in order to achieve a rate of return on investment that is in excess of that achievable at Local Authority 7-day money market rates.

Other long-term investments at 31 March 2007 of £0.1m (net) include £0.4m invested with Chancery bank. Of which £0.3m is converted to share capital as a consequence of financial restructuring of the Bank. Because it is in administration, an equal provision is made against losses.

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require that certain of these investments are treated as capital expenditure. As at 31 March 2007, £585k of investments fell into this category (2005/06 £12,526k).

## 17. Long-term Debtors

	Balance 1.4.06 £000	Repayments £000	Balance 31.3.07 £000
Loans – St Neots Town Council	134	-9	125
Housing advances	655	-19	636
House mortgages	94	-45	49
Employee loans	35	-21	14
	<b>918</b>	<b>-94</b>	<b>824</b>

## 18. Stock

	31.3.06 £000	31.3.07 £000
Diesel	16	7
Printing	16	16
Refuse sacks	15	37
Rail passes	3	7
Other	21	24
	<b>71</b>	<b>91</b>

## 19. Debtors

	31.3.06 £000	31.3.07 £000
Amounts falling due in one year:		
Government Departments	675	187
NNDR National Pool	1,233	25
Cambridgeshire County Council	615	223
Other Public Authorities	183	99
Huntingdonshire Housing Partnership	1,517	1,475
Housing tenants	597	320
Local taxation	1,665	1,808
NNDR payers	796	361
Investment interest	411	1,538
General debtors	1,714	1,417
Loans to employees of less than 1 year	85	58
<b>Total debtors</b>	<b>9,491</b>	<b>7,511</b>
<b>Less provision for bad debts</b>	<b>-2,247</b>	<b>-1,425</b>
<b>Net Position</b>	<b>7,244</b>	<b>6,086</b>

## 20. Creditors

	31.3.06 £000	31.3.07 £000
Government Departments	1,058	1,234
Local Authorities	213	247
Leisure Centre Management Committees	246	304
Loan interest	98	0
Other	2,634	3,594
	<b>4,249</b>	<b>5,379</b>

## 21. Long-term borrowing

The Council has no long-term borrowing

## 22. Reserves

The Council maintains 5 types of reserves, some are available to meet expenditure and others are not:

- Capital reserves (fixed asset restatement account and the capital financing account) that are brought about by the capital accounting arrangements and cannot be used to meet expenditure
- Usable capital receipts reserve represents the balance of capital receipts that are available to finance capital expenditure
- Earmarked revenue reserves are available to finance revenue expenditure but only for specified purposes
- General fund balance is available to support revenue and capital expenditure
- Pension fund liability represents the balance on the pension fund, which is an accounting entry to meet the requirements of FRS17 and does not affect the resources available to the Council.

## 23. Fixed Asset Restatement Account

This account is debited or credited with the deficits or surpluses arising on the revaluation of assets and is written down by the net book value of assets as they are disposed of

	2005/06 £000	2006/07 £000
<b>Balance as at 1<sup>st</sup> April</b>	<b>-18,653</b>	<b>-23,716</b>
Revaluation of assets	0	1,604
Impairment	0	0
Disposal	-5,063	-528
<b>Balance as at 31<sup>st</sup> March</b>	<b>-23,716</b>	<b>-22,640</b>

## 24. Capital Financing Account

	2005/06		2006/07	
	£000	£000	£000	£000
<b>Balance as at 1<sup>st</sup> April</b>		<b>74,129</b>		<b>94,052</b>
Financing of capital expenditure:				
Capital receipts	28,700		17,529	
External grants and contributions	2,889		1,762	
Revenue	<u>10</u>	<u>31,559</u>	<u>0</u>	<u>19,291</u>
Transfer to usable capital receipts		0		0
Provision for depreciation		-3,317		-3,675
Deferred charges and debtors		-8,036		-18,880
Commutation adjustment		<u>-323</u>		<u>-161</u>
<b>Balance as at 31<sup>st</sup> March</b>		<b>94,052</b>		<b>90,627</b>

## 25. Usable Capital Receipts

	2005/06		2006/07	
	£000	£000	£000	£000
<b>Balance as at 1<sup>st</sup> April</b>		<b>44,697</b>		<b>29,445</b>
Receipts				
Sale of Council houses	1,449		1,439	
Sale of land and other buildings	6,381		79	
Repayment of loans	53		41	
Improvement grants	27		49	
Non-specified investments	<u>5,538</u>	<u>13,448</u>	<u>14,633</u>	<u>16,241</u>
Receipts applied during the year		<u>-28,700</u>		<u>-17,529</u>
<b>Balance as at 31<sup>st</sup> March</b>		<b>29,445</b>		<b>28,157</b>

## 26. Revenue Reserves

	Balance	Movement	Balance
	1.4.06		31.3.07
	£000	£000	£000
<b>Earmarked reserves:</b>			
S106 agreements	912	345	1,257
Commutated S106 payments reserve	1,001	54	1,055
Repairs and renewals funds	871	77	948
Delayed projects reserve	189	426	615
Other reserves	166	-22	144
	<b>3,139</b>	<b>880</b>	<b>4,019</b>
Collection Fund	-85	75	-10
	<b>3,054</b>	<b>955</b>	<b>4,009</b>
<b>General fund balance</b>	<b>18,102</b>	<b>738</b>	<b>18,840</b>

## 27. Pensions reserve

	<b>Balance</b>	<b>Movement</b>	<b>Balance</b>
	<b>1.4.06</b>		<b>31.3.07</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Pensions reserve (see page 35)	-29,370	5,687	-23,683

## 28. Contingent Assets and Liabilities

### Contingent Assets

1. The Authority has settled a claim for negligence from an ex-employee for £177k. There is a dispute between the two insurance companies that covered the Council during the relevant periods, over which is liable to meet this claim and the matter is being taken to Court for a legal opinion. The Authority expects that one of the insurance companies will be found responsible and will reimburse the settlement.
2. In 2006/07 the Government paid the Council £487k Local Authority Business Incentive Grant (LABGI) covering 2005/06 and 2006/07. However the Government withheld 30% of the grant until the outcome of a court case is known. The Council may therefore receive a further £208k of grant.
3. The Balance Sheet figure for Creditors includes £153k of VAT that is being "withheld" from HM Revenue and Customs pending the resolution of the legal position on whether VAT is payable on off-street car parking fees. This approach has been recommended by the Council's VAT consultants in order to maximise the potential benefit if the legal position is determined in favour of local authorities.

### Contingent liabilities

1. Following the transfer of the Council's housing stock to Huntingdonshire Housing Partnership in 2000 the Council bears continuing unlimited liability in two respects:
  - Necessary associated sewer maintenance in excess of £65k p.a.
  - Environmental pollution arising on the land transferred
2. In 2003 it was determined that discretionary rate relief should not have been granted to the five Leisure Centre Joint Committees. Legal advice concluded that correction only needed to be made in the accounts back to 2001 though this cannot be certain until a decision by CLG. As a result of the legal opinion, no financial provision has been made for the value of the relief from the start of the current non-domestic rates system until April 2001 which is estimated at £1m.



3. The Environmental Protection Act 1990 Part IIA makes the Council liable for the revenue costs of remediation of contaminated land where no other responsible person can be identified
4. A former employee has made a claim against the Council, but the Council's liability depends on the outcome of an Employment Tribunal
5. The Council's insurer was MMI until 1993 and it is still liable for claims relating to the period when it insured the Council. The Council has entered a Scheme of Arrangement whereby MMI could claw back the claims payments made since 30 September 1993, should MMI become insolvent. As at 31 March 2007 the maximum clawback is £401k.

## Notes to the Cash Flow Statement

### 29. Reconciliation of the net deficit on the Income and Expenditure Account to the movement in cash on revenue activities

	2005/06		2006/07	
	£000	£000	£000	£000
Net revenue activities cash flow		7,409		-3,036
Net interest received	-3,434		-2,850	
Depreciation	3,317		3,674	
Adjustment for stock, debtors and creditors	-3,460		4,427	
Deferred charges	1,739		2,467	
Sale of council houses	-1,449		-1,439	
Capital grants	-2,218		-103	
Pensions appropriation	1,647		1,358	
Surplus (-)/loss on sale of fixed assets	-1,317		458	
Housing capital receipts pool	8	-5,167	23	8,015
<b>Income and Expenditure Account deficit</b>		<b>2,242</b>		<b>4,979</b>

### 30. Reconciliation of net cash flow to the movement in net funds

	1.4.06	Movement	31.3.07
	£000	£000	£000
Cash in hand and at bank	-2,416	1,077	-1,339
Short-term borrowing	-14,500	14,500	0
Short-term investments	3,400	-3,400	0
	<b>-13,516</b>	<b>12,177</b>	<b>-1,339</b>

### 31. Analysis of change in management of liquid resources and financing

	1.4.06 £000	Movement £000	31.3.07 £000
Short-term borrowing	-14,500	14,500	0
Short-term investments	3,400	-3,400	0
	<b>-11,100</b>	<b>11,100</b>	<b>0</b>

### 32. Liquid resources

Liquid resources are loans and investments of less than 1 year which are used to manage the cash flow of the Authority

### 33. Analysis of Government Grants

	2005/06		2006/07	
	£000	£000	£000	£000
Revenue support grant		5,038		1,762
Benefits grants:				
Council tax benefits	5,516		5,484	
Rent allowances	18,135	23,651	19,880	25,364
Other:				
Local Authority Business				
Growth Incentive Grant	0		487	
Oxmoor scheme	1,553		0	
Other capital grants	621		1,138	
Benefits administration	729		887	
Other	552	3,455	1,266	3,778
		32,144		30,904
Debtor		66		-488
		<b>32,210</b>		<b>30,416</b>

## Collection Fund

### Income and Expenditure Account

2005/06			Note	2006/07	
£000	£000			£000	£000
	-234	<b>Balance brought forward 1<sup>st</sup> April</b>			-646
61,813		Council tax income	2	65,665	
4		Transfers from General Fund		74	
5,122		Council tax benefits		5,485	
-209	66,730	less provision for non-collection	4	-221	71,003
		<b>Less Precepts on the Fund</b>			
-47,954		Cambridgeshire County Council		-50,181	
-7,684		Cambridgeshire Police Authority		-8,040	
-2,737		Cambridgeshire Fire Authority		-2,847	
		Huntingdonshire District Council:			
-5,656		General expenses		-5,961	
-3,111	-67,142	Parish Precepts		-3,401	-70,430
	-646	<b>Deficit attributable to council tax</b>			-73
41,002		<b>NNDR collectable</b>		45,813	
-223		less cost of collection		-224	
-40,779	0	less payment due to National Pool	5	-45,589	0
	-646	<b>Deficit carried forward at 31<sup>st</sup> March</b>			-73

### Notes to the Collection Fund

1. These accounts present the movements in the Collection Fund, which is a statutory fund separate from the General Fund of the Council. The accounts are however consolidated into the Council's accounts. They have been prepared on an accruals basis.

The deficit on the Collection Fund is split between that relating to Huntingdonshire District Council (£10k deficit) which is included in the earmarked reserves on page 26 and the amounts due from the precepting authorities which are included as debtors in the Balance Sheet.

2. (a) Parish and Town Council precepts are transferred to the General fund before being paid to the Parish or Town Council
- (b) Interest is not payable/chargeable to the Collection fund on cash flow variations between it and the General Fund.

- (c) The balance at the year end is distributable between the major precepting bodies in proportion to their respective precepts in 2007/08
- (d) In the accounts of the Council the balance attributable to this Authority is a reserve, but the sums due to or from the major precepting authorities is treated as a creditor or debtor

### 3. Precepts and demands

The following authorities made a precept or demand that was greater than £250k

	2005/06	2006/07
	£000	£000
Cambridgeshire County Council	47,954	50,181
Cambridgeshire Police Authority	7,684	8,040
Cambridgeshire Fire Authority	2,737	2,847
St Neots Town Council	566	669
Huntingdon Town Council	495	540
St Ives Town Council	453	474

### 4. Council Tax

	2005/06		2006/07	
	£000	£000	£000	£000
Base debit	74,744		79,390	
Add MOD contribution	472	75,216	506	79,896
<i>Deduct</i> Property exemptions	-3284		-3,507	
Disability exemptions	-89		-84	
Discounts	-4908		-5,155	
Write offs	-108		-153	
Provision for non-collection	-96	-8,485	-68	-8,967
		<b>66,731</b>		<b>70,929</b>

Taxbase at 31 March 2007				
Tax band	Properties	Exemptions & discounts	Band D multiplier	Band D equivalent
A	10,776	2,070	0.67	5,817
B	17,803	2,356	0.78	12,014
C	16,483	1,669	0.89	13,168
D	10,840	937	1.00	9,904
E	8,090	676	1.22	9,062
F	3,263	259	1.44	4,340
G	1,599	118	1.67	2,468
H	136	20	2.00	232
<b>Total</b>	<b>68,990</b>	<b>8,105</b>		<b>57,005</b>

	2005/06	2006/07
Council tax charge per band D property	£1,184	£1,245
Actual taxbase (Band D equivalent)	56,361	57,137
Estimated taxbase	56,718	56,939

## 5. National Non-domestic Rates (NNDR)

	2005/06		2006/07	
	£000	£000	£000	£000
NNDR based on uniform business rate	50,599		52,193	
Adjustment to previous years	-2,019		-373	
Less Mandatory relief	<u>-6,983</u>	<b>41,597</b>	<u>-5,875</u>	<b>45,945</b>
Less Discretionary relief	-68		-85	
Add Charity relief from General Fund	17	-51	22	-63
<b>Net yield</b>		<b>41,546</b>		<b>45,882</b>
Less Collection costs & interest on refunds	-365		-235	
Less Irrecoverables & provision for bad debts	-402	-767	-58	-293
<b>Contribution to National Pool</b>		<b>40,779</b>		<b>45,589</b>

The uniform business rate set by the Government for 2006/07 was 43.3p (2005/06 41.5p)

Total ratable value at 31 March 2006 £121.5m

Total ratable value at 31 March 2007 £123.2m

## 6. Irrecoverables and Provisions for bad debts

### Council Tax

	2005/06	2006/07
Change in Bad Debt provision	96	68
Irrecoverables	108	153
<b>Total</b>	<b>204</b>	<b>221</b>

### NNDR

	2005/06	2006/07
Change in Bad Debt provision	311	215
Irrecoverables	91	-157
<b>Total</b>	<b>402</b>	<b>58</b>

## **Pension Costs, Assets and Liabilities**

This section provides information about the Council's assets, liabilities, income and expenditure related to The Local Government Pension Scheme in relation to its employees.

### **1 Introduction**

This statement is in accordance with Financial Reporting Standard No 17, Retirement Benefits (FRS17), which requires the Council to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

### **2 The Pension Scheme**

Employees of Huntingdonshire District Council may participate in the Cambridgeshire County Council Pension Fund, part of the Local Government Pension Scheme (LGPS). The fund is administered as a defined benefit scheme by Cambridgeshire County Council in accordance with LGPS Regulations 1997, as amended.

### **3 Revenue cost to Huntingdonshire District Council in 2006/07**

In 2006/07 the Council paid an employer's contribution of £1.83m representing 12.1% of employees' pensionable pay into Cambridgeshire County Council's Pension Fund (£1.39m and 9.8% in 2005/06), which provides scheme members with defined benefits related to pay and service.

### **4 Discretionary Payments**

In addition, the Council has liabilities for discretionary pension payments outside of the main scheme.

These additional payments relating to added years benefits that were awarded, together with the related increases in 2006/07, amounted to £170k representing 1.1% of pensionable pay (£172k and 1.2% in 2005/06).

The capital costs of discretionary increases in pension payments agreed by the authority during 2006/07 were £34,800 (£318,500 in 2005/06).

### **5 Valuation of Pension Fund**

The contribution rate is determined by the Fund's actuary based on triennial valuations. The rate for 2006/07 was determined on the basis of contribution rates set in the latest formal valuation of the Pension Fund as at 31 March 2004. This valuation concluded that, at that time, the fund was in a position to meet more than 100% of its past service liabilities but that to meet future funding required higher rates of 9.8 % (from 1 April

2005) and 12.1% ( from 1 April 2006) to meet estimated liabilities in accordance with Government regulations.

The actuarial report as at the 31 March 2004 specified further increases for subsequent contribution rates. The next formal valuation will be received this Autumn and will determine the need for any further increases.

Due to reduced returns, the new contribution rates are no longer adequate to cover 100% of the liabilities and these notes outline the latest position according to the Fund actuary.

The valuations, for the purposes of FRS17, are based on the latest formal valuation as at 31 March 2004 and rolled forward by Hymans Robertson, the independent actuaries to the County Council Fund. Liabilities are valued using the projected unit method, which assesses the future liabilities of the fund discounted to their present value as at 31 March 2007.

## 6 Assumptions Used for Valuation of the Fund

The main assumptions used in the Pension Fund calculations are as shown below.

County Fund – Main Assumptions	Valuations as at	
	31 March 2006	31 March 2007
- rate of inflation	3.1%	3.2%
- rate of increase in salaries	4.6%	4.7%
- rate of increase in pensions	3.1%	3.2%
- rate of discounting scheme liabilities	4.9%	5.4%

In accordance with CIPFA guidance the discount rate employed for the 2006/07 financial year is the yield available on long-dated, high quality corporate bonds at the FRS17 valuation date.

It should be noted that if the age profile of the active membership is rising significantly then, under the projected unit method, the current service costs will increase as the members of the scheme approach retirement.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The actuary has assumed that 25% of members retiring exchanged part of their pension for an additional lump sum payment, and allowance has been made for 25% of future retirements to elect additional lump sum payment. The financial impact of this commutation is included in the actuarial gain/loss in the pension fund.

## 7 Huntingdonshire District Council's Assets and Liabilities in the Fund

The position is outlined below and takes into account the commitments from discretionary payments outside the main scheme

	2005/06 £000	2006/07 £000
Share of assets in County Council Fund	70,316	75,939
Present value of scheme liabilities	-96,616	-96,873
Present value of discretionary pensions	-3,070	-2,749
<b>Net pension liability</b>	<b>-29,370</b>	<b>-23,683</b>

The impact on the Council's assets and liabilities, stated above, has been incorporated in the Council's Financial Accounts.

The net pension liability shows the underlying commitment that the authority has in the long term to pay retirement benefits. Statutory arrangements for funding the deficit mean that employer's pensions contributions will be varied from year to year to meet the liabilities as assessed by the scheme actuary.

## 8 Total County Pension Fund Assets

Assets are valued at fair value, principally market value for investments, and consist of:

	Expected Rate of Return per annum		Proportion of Total assets held by the Fund	
	31 March 2006	31 March 2007	31 March 2006	31 March 2007
Equity Investments	7.4%	7.8%	75%	74%
Bonds	4.6%	4.9%	13%	11%
Property	5.5%	5.9%	9%	13%
Cash	4.6%	4.9%	3%	2%
<b>Total Fund Assets</b>	<b>6.8%</b>	<b>7.2%</b>	<b>100%</b>	<b>100%</b>

## 9 Movement in Net Pension Liabilities

The movement in the net pension liabilities for Huntingdonshire District Council is analysed below.

	2005/06		2006/07	
	£000	£000	£000	£000
<b>Deficit as at 1 April</b>		<b>-26,170</b>		<b>-29,370</b>
Current service cost	-2,389		-3,182	
Employer Contributions	1,394		1,828	
Contributions for Unfunded Benefits	196		168	
Past service costs	-149		0	
Impact of settlements and curtailments	-170		-35	
Net return on assets	<u>-529</u>	-1,647	<u>-137</u>	-1,358
Actuarial gains/losses (-)		-1,553		7,045
<b>Deficit as at 31 March</b>		<b>-29,370</b>		<b>-23,683</b>



The charge to the Income and Expenditure Account is reduced by £1,358k appropriation to the pension reserve.

The actual gain/loss can be further analysed as follows.

	<b>2005/06</b>	<b>2006/07</b>
	<b>£000</b>	<b>£000</b>
Actual return less expected return on pension scheme assets	10,046	726
Change in financial assumptions underlying the present value of liabilities	-11,481	6,038
Experience gains and losses arising on the scheme liabilities	-118	281
<b>Actuarial gain/loss(-) in pension plan</b>	<b>-1,553</b>	<b>7,045</b>
Actuarial gain/loss(-) as a percentage of net pension liability	-5.3%	29.7%

#### **10. Charges to expenditure**

Charges to service accounts are based on an appropriate share of current service cost (the increase in future benefits arising from service in the accounting year). Discretionary benefits awarded on early retirement are charged to service accounts as they become payable.

Interest costs and expected return on assets are included within the Income and Expenditure Account, increasing the net operating expenditure. However, an appropriation to the pensions reserve replaces these entries with the actual employer's contributions paid in the year, meaning that there is no net effect on the General Fund result for the year.

#### **11. Further information**

Further information about the Pension Fund can be found in Cambridgeshire County Council's Pension Fund Annual Report, which is available on request from the Director of Resources, Cambridgeshire County Council, Shire Hall, Castle Hill, Cambridge, CB3 0AP.

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## ANNUAL REVIEW OF THE RISK MANAGEMENT STRATEGY

### (Report by the Internal Audit & Risk Manager)

#### 1. Purpose

- 1.1 The risk management strategy is required to be reviewed annually. The Council's approach to risk is continuing to evolve and consequently a number of minor changes are being proposed to the risk management strategy to reflect this.
- 1.2 The risk management group has reviewed and agreed the proposed changes.

#### 2. Proposed Amendments

- 2.1 A revised strategy is attached at Appendix A. The changes that are being proposed are detailed below.

Page 3: Change suggested to accelerate the embedding of risk management

Page 5: Amendment to wording to make clear that the risk option forms are required to include details of the *current control environment*.

Page 7: New item. An explanation of the role to be played by the Health & Safety Advisor and Co-ordinators in assisting managers identify risks and reviewing the effectiveness of controls. This item has been included as it considered that managing health & safety risks is a specialist role.

Page 12: Additional explanation provided to assist managers size potential likelihood scores.

Page 16: New bullet added. To give the risk management group or a smaller sub-group of members the opportunity to review the risks entered on the register and if necessary moderate the scoring or amend the content of the register.

#### 3. Recommendation

- 3.1 It is recommended that the Panel accept the changes and the amended risk management strategy.

#### ACCESS TO INFORMATION ACT 1985

Notes of the risk management meeting held on 21 May 2007

**Contact Officer:** David Harwood, Audit & Risk Manager ☎ 01480 388115

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# **Risk Management Strategy**

**Version05 – June 2007**

## **Introduction**

An effective risk management strategy will allow the Council to maximise its opportunities and manage those threats that may hinder the delivery of its priorities so that the opportunities for continuous improvement are maximised.

Risk therefore needs to be considered at all stages of the management process, from the setting of corporate priorities through to the delivery of the service to the customer. Risk management therefore becomes an integral element of the Council's corporate governance arrangements.

This risk management strategy aims to integrate risk management into the Council's culture and processes and raise awareness amongst all employees and members of the benefits and opportunities that the successful management of risk can bring.

## **Definitions**

**Risk** is the chance or possibility of something happening that will have an adverse impact on the achievement of the Council's objectives.

**Risk management** is the identification, evaluation, control, monitoring and reporting of existing and emerging risks. It applies equally to the opportunities for taking risks as it does to avoiding risks or reducing losses. It is a key part of good management and not simply a compliance exercise.

## **Why is Risk Management important?**

The Council provides a large range of services within an ever changing environment, so there is great potential for risks to arise. Effective risk management will enable the Council to:

- Maximise performance
- Minimise the need to divert funds from priority services
- Encourage creativity
- Minimise losses
- Ensure the Council's reputation is preserved and enhanced
- Reduce insurance premiums

The aim is to manage risk, rather than eliminate it. Too little attention to the control of risk will lead to unnecessary losses and poor performance, while an over zealous approach may stifle creativity and increase the cost of and/or impede service delivery. Successful risk management means getting the balance right.

## **Risk Policy Statement**

Huntingdonshire District Council is committed to the effective management of risk. The Council's ability to deliver services and achieve its business objectives are constantly affected by risk, which the Council recognises as being both positive and negative.

The Council also recognises its legal, moral and fiduciary duties in taking informed decisions about how best to control and minimise the downside of risk, whilst still maximising opportunity and benefiting from positive risks.

The Council will ensure that Members and staff understand their responsibility to identify risks and their possible consequences.

### **The Risk Management Process.**

Risk management is a continuous process that has five key elements:

- The systematic **identification** of risks to which the Council is exposed.
- The **evaluation** of those risks in terms of likelihood and severity.
- The **control** or **mitigation** of the risks, either by reducing the likelihood or severity of adverse events.
- The **arrangements** the Council needs to put into place to deal with the **consequences** of the threats manifesting themselves, e.g. insurance, levels of policy excesses, self-insurance, service recovery planning.
- The on-going **monitoring** and **reporting** of risk, to allow for intended actions to be achieved and losses minimised.

A standard risk management process will be used throughout the Council. This will ensure that risks are considered in the same fashion whether at a project, partnership, corporate or operational level.

Risks faced by the Council can be broadly grouped into two risk categories – corporate or operational.

#### **Corporate Risks**

- Political
- Economic
- Social
- Technological
- Legislative
- Environment
- Competitive
- Customer

#### **Operational Risks**

- Professional
- Legal
- Financial
- Physical
- Contractual
- Information
- Technology
- Environmental

Some risks fall across both categories, in particular those associated with partnerships, projects or cross-cutting service issues, and therefore can't be listed under one area.

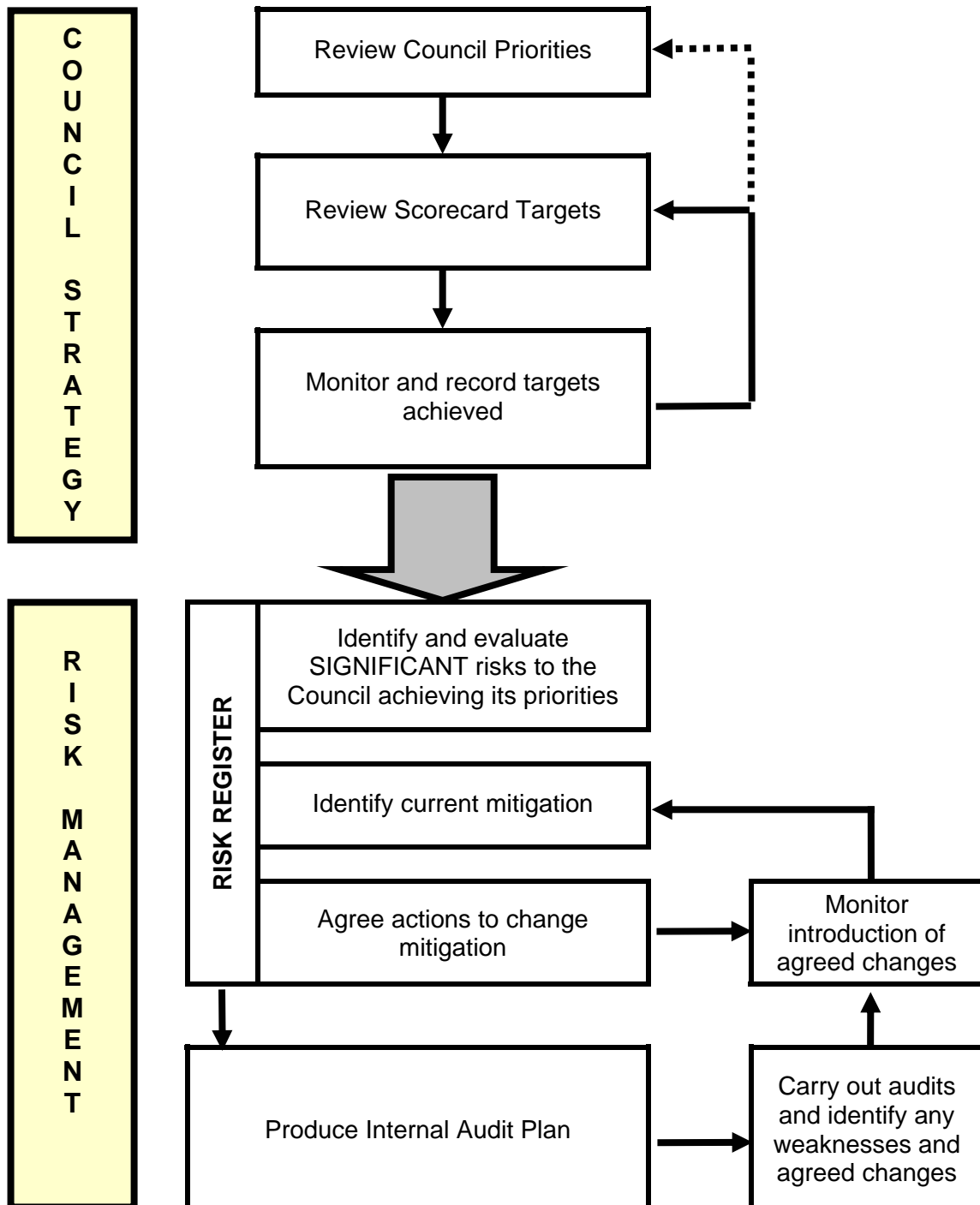
Further descriptions of the risk areas are contained at [Appendix A](#).

All levels of management should be concerned, to varying degrees, with risks in both categories. Corporate risks are likely to affect the medium to longer term priorities of the Council and require longer term planning to be addressed. Operational risks tend to have a more immediate impact and require to be treated in a shorter time frame.

## Developing and Integrating Risk Management

The identification and management of risks needs to be undertaken at all stages of the corporate and service planning process so as to ensure that the risk register contains the significant risks that will affect the Council achieving its priorities. All reports or proposals at officer or member level that deal with changes to services must, where material, refer to the impact of what is being considered on the Council's priorities and targets and be supported by an explicit consideration of the risks, both inherent and mitigated, to that impact being achieved.

The table below explains how risk management processes link into the Council's planning process.





## Risk Assessment

Corporate Governance Panel approved a risk assessment model in March 2005 ([Appendix B](#)).

The model requires potential risks to be evaluated against a set of pre-determined criteria for likelihood/frequency and impact. Individual risk levels can then be determined by plotting the risks onto a risk matrix.

<b>Likelihood / Frequency</b>	Almost Certain	5	Medium	High	Very High	Very High	Very High
	Likely	4	Medium	High	High	Very High	Very High
	Occasional	3	Low	Medium	High	High	Very High
	Unlikely	2	Low	Low	Medium	High	Very High
	Improbable	1	Low	Low	Medium	High	High
			1	2	3	4	5
			Trivial	Minor	Significant	Major	Critical
			<b>Impact</b>				

Following the plotting of a risk, a decision shall be taken as to how the risk is to be managed. This can be summarised as follows.

<b>Level of Risk</b>	<b>Very High</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
<b>Level of Concern</b>	Very concerned	Concerned	Uneasy	Content
<b>Consequences</b>	Disastrous impact	Severe impact	Detrimental impact on the day to day delivery of services	Relatively light impact
<b>Risk Treatment</b>	Prepare option appraisal within 4 weeks of risk identification, considering whether to avoid, reduce or transfer the risk or for acceptance of the risk to be approved by:			None The Council accepts the risk
	Cabinet	COMT	Director	
<b>Action Plans to deal with Risk</b>	Within 4 weeks	Within 8 weeks	Within 12 wks	-----
of the decision to treat the risk				

## Option Appraisals & Risk Treatment

Before a decision is made on the way the risk is to be treated, the Head of Service who owns the risk, shall carry out an option appraisal. The appraisal shall consider how to deal with the risk on the following basis:

- **Reduce** the risk by controlling the likelihood of the risk occurring or controlling the impact of the consequences if the risk does occur.
- **Avoid** the risk by not undertaking the activity that may trigger the risk.
- **Transfer** the risk either totally or in part e.g. through insurance.
- **Acceptance** of the risk. This option will only be accepted when the ability to take effective action against a risk is limited or the cost of taking action is disproportionate to the potential benefits gained.

The appraisal will consider cost, resources, time and the potential financial and non-financial benefits of each treatment option. Advice from specialist staff shall be taken where appropriate.

Ideally risk treatments should be self-funding. Where this is not the case there will need to be a prioritisation process to ensure that any funding is concentrated first on those items that will be most beneficial to the achievement of the Council's priorities.

## Action Plans

The Head of Service owning the risk will prepare an action plan ([Appendix C](#)) in accordance within the timescales noted in the table above. The plan shall identify the risk, **the current control environment**, control actions to be introduced, the officer responsible and the timescales for implementation.

## Roles and Responsibilities

Everyone in the Council is involved in risk management and should be aware of their responsibilities in identifying and managing risk.

## Council, Cabinet, Committees & Panels

- To ensure that risk management implications are considered when making decisions.

## Cabinet

- To appoint a risk management champion.
- To receive reports and decide upon the action to be taken for all mitigated risks that, would the risk materialise, have a disastrous impact on the Council, its reputation or business continuity.

## Corporate Governance Panel

- To ensure that an effective risk management strategy is in place.
- To determine the Council's risk appetite
- To receive an annual progress report from COMT on the implementation of the risk management strategy.
- To receive regular updates on the risk register.
- To review the risk assessment model annually to ensure it continues to reflect the requirements of the Council.

### **Chief Officers**

- To ensure effective risk management throughout the Council in accordance with the risk management strategy.
- To approve the terms of reference for the risk management group.
- To receive progress reports and an annual statement from the risk management group on the effectiveness of risk management.
- To ensure that Members are advised of the risk management implications of decisions.
- To take into account issues contained in the risk register and the risk management group's annual statement when preparing the annual corporate governance statement.
- To receive reports and decide upon the action to be taken for all mitigated risks that, would the risk materialise, have a severe impact on Council, its reputation or business continuity.
- To prioritise corporate risk treatments and all treatments requiring MTP funding.
- To prepare action plans that deal with the risk to be treated

### **Heads of Service**

- Ensuring that effective procedures are in place to manage the risks affecting their services.
- Maintain a risk register that identifies and scores risks, updating it promptly with any perceived new risks or opportunities or failures of existing control measures.
- To prepare option appraisals for risks within their ownership.
- To report and discuss with their Director and, if required, initiate action on all mitigated risks that should the risk materialise, be detrimental to the day to day delivery of services.
- To provide a formal annual statement to the Corporate Governance Panel certifying that their risk register is up to date or highlighting any material risks that are not accurately recorded in the register.
- Balancing an acceptable level of operational risk against the achievement of service plans, project objectives and business opportunities.

### **Risk Management Group**

- To oversee the risk management process throughout the Council in accordance with its terms of reference ([Appendix D](#)).

### **Internal Audit & Risk Management Section**

- To develop the culture of risk management throughout the Council.
- To assist managers in identifying and analysing the risks that they encounter and the formation of action plans to address outstanding issues.
- To report as necessary to the Corporate Governance Panel/COMT on risk management issues/registers/developments.
- To identify best practice and consider its introduction within the Council.
- To provide advice and guidance on systems to mitigate risk.

Separate to the responsibilities listed above, the Internal Audit Manager will also consider as part of his annual report to the Corporate Governance Panel:

- The robustness of the risk management process.
- The effectiveness of the internal controls for the mitigation of risk.

### **Health & Safety Advisor & Co-ordinators**

- To review the health and safety risks identified by managers and consider if the controls recorded in the register are sufficient to mitigate the risk to the level stated.
- To assist managers by monitoring and reviewing the effectiveness of the control environment recorded in the risk register.
- To review accident reports and health and safety records and recommend improvements to procedures.

### **Employees**

- To understand their responsibility to take reasonable care in carrying out their work such that risks are as far as reasonably possible minimised for the Council, colleagues, the public or themselves.
- To co-operate with management and colleagues in matters relating to the mitigation of risk.
- To inform their line-manager promptly of any risks they become aware of.

### Categories of Risk

The risk categories<sup>1</sup> provide a framework for identifying and categorising a broad range of risks facing the Council and its services. Each category cannot be considered in isolation, as risks identified in one category may have consequences on activities within another.

#### Corporate Risks

Those risks that may be potentially damaging to the achievement of the Council's objectives.

#### Political

---

Associated with failure to deliver either local or central government policy, or to meet electoral commitments.

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

#### Economic

---

Affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, inadequate insurance cover, external level economic changes (e.g. interest rates, inflation etc), or the consequences of proposed investment decisions.

- General /Regional economic problems
- High cost of capital
- Treasury risk
- Missed business and service opportunities

#### Social

---

Relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives.

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

#### Technological

---

Associated with the capacity of the Council to deal with the pace / scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives.

- Obsolescence of technology
- Hacking or corruption of data
- Breach of confidentiality
- Failure in communications

#### Legislative

---

Associated with current or potential changes in national or European law.

- Inadequate response to new legislation
- Intervention by regulatory bodies and inspectorates
- Judicial review
- Human Rights Act breaches

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<sup>1</sup> Source: Accounts Commission for Scotland

### Environment

---

Relating to the environmental consequences of progressing the Council's strategic objectives (e.g. in terms of energy, efficiency, pollution, recycling, landfill requirements, emissions, etc).

- Impact of Local Agenda 21 policies
- Noise, contamination & pollution
- Impact of planning and transportation policies

### Competitive

---

Affecting the competitiveness of the service (in terms of cost or quality) and / or its ability to deliver Best Value.

- Takeover of services by governmental agencies
- Failure to show best value
- Failure of bids for government funds

### Customer

---

Associated with failure to meet the current and changing needs and expectations of customers and citizens.

- Lack of appropriate consultation
- Bad public and media relations

### Operational Risks

Those risks that managers and employees may encounter in the day-to-day provision of services.

#### Professional

---

Associated with the particular nature of each profession (e.g. Housing service concerns as to the welfare of homeless people).

- Inefficient/ineffective management processes
- Inability to implement change
- Lack of control over changes to service provision
- Inadequate consultation with service users
- Failure to communicate effectively with employees
- Lack of business continuity plan
- Non-achievement of Best Value
- Bad management of partnership working
- Failure to manage and retain service contracts
- Poor management of externally funded projects

#### Legal

---

Related to possible breaches of legislation.

- Not meeting statutory duties/deadlines
- Failure to comply with European directives on procurement of works, supplies and services
- Breach of confidentiality/Data Protection Act
- Failure to implement legislative change
- Misinterpretation of legislation
- Exposure to liability claims e.g. motor accidents, wrongful advice

#### Financial

---

Associated with financial planning and control and the adequacy of insurance arrangements.

- Failure of major project(s)
- Inefficient/ineffective processing of documents
- Missed opportunities for income/funding/grants
- Inadequate insurance cover
- Failure to prioritise, allocate appropriate budgets and monitor
- Inadequate control over expenditure
- Inadequate control over income

#### Physical

---

Related to fire, security, accident prevention and health and safety (e.g. hazards / risks associated with buildings, vehicles, plant and equipment, etc).

- Violence and Aggression
- Non compliance with health and safety legislation
- Injury caused by e.g. slips, trips, stress
- Loss of intangible assets
- Loss of physical assets from e.g. theft, fire, terrorism
- Damage to assets from e.g. vandalism, water damage
- Failure to maintain and upkeep land and property

### Contractual

---

Associated with the failure of contractors to deliver services or products to the agreed cost and specification.

- Non-compliance with procurement policies
- Over reliance on key suppliers/contractors
- Failure of outsourced provider to deliver
- Failure to monitor contractor
- Poor selection of contractor
- Poor contract specification, deficiencies, errors
- Inadequate contract terms & conditions
- Quality issues

### Information

---

Associated with making decisions based on information that is flawed in some way.

- Inadequate business processes
- Poor reporting lines/processes
- Accounting system failure
- Unreliable accounting records

### Technology

---

Relating to reliance on operational equipment (e.g. IT systems or equipment and machinery).

- Failure of big technology-related project
- Crash of IT systems affecting service delivery
- Lack of disaster recovery plans
- Breach of security of networks and data
- Failure to comply with IT Security Policy
- Bad management of intranets and web sites

### Environmental

---

Relating to pollution, noise or energy efficiency of ongoing service operation.

- Impact of Local Agenda 21 policies
- Crime and Disorder Act implications
- Incorrect storage/disposal of waste
- Noise, contamination and pollution
- Inefficient use of energy and water
- Damage caused by trees, tree roots, etc

### Human Resources

---

Associated with staffing issues (e.g. recruitment / retention, sickness management, change management, stress related risk analysis).

- Capacity issues
- Over reliance on key officers
- Failure to recruit/retain qualified staff
- Lack of employee motivation/efficiency
- Failure to comply with employment law
- Poor recruitment & selection processes
- Lack of succession planning
- Lack of training



## RISK ASSESSMENT MODEL

### Likelihood / Frequency

Alternatively this could be expressed as likely to happen within the next:

<b>5 = Almost Certain</b>	Month	Will definitely occur, possibly frequently.
<b>4 = Likely</b>	Year	Is likely to occur, but not persistently .
<b>3 = Occasional</b>	3 years	May occur only occasionally.
<b>2 = Unlikely</b>	10 years	Do not expect it to happen but it is possible.
<b>1 = Improbable</b>	20 years	Can't believe that this will ever happen, but it may occur in exceptional circumstances.

When considering Health & Safety related risks, the likelihood should be expressed as being likely to happen within the next:

<b>5 = Almost Certain</b>	Week	
<b>4 = Likely</b>	6 months	
<b>3 = Occasional</b>	Year	Further advice on assessing Health & Safety risks* can be obtained from the Health & Safety Advisor.
<b>2 = Unlikely</b>	5 years	
<b>1 = Improbable</b>	10 years	

### Impact

Risks will be evaluated against the following scale. If a risk meets conditions for more than one category, a judgement will need to be made as to which level is the most appropriate. For example, if a particular health and safety risk was significant, could result in minor short-term adverse publicity in the local media but had only a trivial financial impact, it might still be categorised as significant.

**1 = trivial** event or loss, which is likely to:

- cause minor disruption to service delivery on one or two consecutive days, not noticeable to customers
- affect the financial performance / outturn of one service in the current financial year by £10,000 or less
- be managed with no reporting in the local media
- \* be a Health & Safety concern that is resolved through current procedures and practices
- cause localised (one or two streets) environmental or social impact

**2 = minor** event or loss, which is likely to:

- cause minor, noticeable disruption to service delivery on one or two consecutive days
- affect the financial performance / outturn of one service in the current financial year by more than £10,000 but less than £50,000.
- result in minor short-term (up to a fortnight) adverse publicity in the local media
- \* be a Health and Safety concern that results in an injury but little lost time
- have a short term effect on the environment i.e. noise, fumes, odour, dust emissions etc., but with no lasting detrimental impact

### **3 = significant** event or loss, which is likely to:

- cause disruption for between one and four weeks to the delivery of a specific service which can be managed under normal circumstances
- affect service delivery in the longer term
- affect financial performance / outturn in the current financial year or future financial years by £50,000 or more but less than £100,000.
- result in significant adverse publicity in the national or local media
- \* be a Health and Safety concern that results in lost time or requires the H&S Executive to be notified
- has a short term local effect on the environment, or a social impact, that requires remedial action.

### **4 = major** event or loss, which is likely to:

- have an immediate impact on the majority of services provided or a specific service within one area, so that it requires Director involvement.
- affect financial performance / outturn in the current financial year or future financial year by £100,000 or more but less than £250,000.
- raise concerns about the corporate governance of the authority and / or the achievement of the Corporate Plan
- cause sustained adverse publicity in the national media
- significantly affect the local reputation of the Council both in the long and short term
- \* result in an employee or customer requiring hospital treatment or require the H&S Executive to be notified and operations stopped
- have a long term detrimental environmental or social impact e.g. chronic and / or significant discharge of pollutant

### **5 = critical** event or loss, which is likely to:

- have an immediate impact on the Council's established routines and its ability to provide any services, and cause a total shutdown of operations.
- affect financial performance / outturn in the current financial year or future financial years by £250,000 or more and / or on future Council Tax levels
- have an adverse impact on the national reputation of the Council both in the long and short term
- \* result in the fatality of an employee or customer and / or require immediate action to remedy a major Health and Safety concern for its workforce
- have a detrimental impact on the environment and the community in the long term e.g. catastrophic and / or extensive discharge of persistent hazardous pollutant

Risk Treatment Option Form

Risk Treatment – Action Plan				
Description of risk from register:	Risk ID No:	Current residual risk score: Likelihood x Impact		
Controls already in place as listed on the risk register:				
Are these controls operating effectively? Yes / No				
Risk Action Plan (All actions listed in priority order)				
Proposed actions to reduce risk using existing resources	New residual risk score <sup>2</sup>			Extra resources required <sup>3</sup>
	L	I		
a.				
b.				
c.				
Actions requiring additional resources				
1.				
2.				
3.				
4.				
Decision				
Agreed Option:	Implementation Date		Risk Owner	
Decision taken by:		on:		

<sup>2</sup> **New Residual Risk Score:** after the action has been introduced

<sup>3</sup> **Extra Resources:** only complete if extra resources will be required to allow the proposed action to be introduced e.g. financial costs and staff time

## Appendix C

Remember, when considering treatment options that the Council's aim is to manage risk rather than eliminate it completely – successful risk management is about improving risk taking activities whilst minimising the frequency of the event occurring.

Issues that should be considered when making the risk treatment decision are listed below.

Administration	<p>Is the option easy to implement?          Will the option be neglected because it is difficult to implement?          Do staff have sufficient expertise to introduce the option?</p>
Continuity of effects	<p>Will the effects of the risk treatment option be long term/continuous or short term?          If short term, when will further risk treatments be needed?          Does the risk need to be treated at all as it will 'disappear' in the short term (e.g. a project it refers to will be completed or in the next three months)</p>
Cost effectiveness	<p><i>Costs need to be estimated accurately as it's the base against which cost effectiveness is measured.</i></p> <p>Can the cost of implementing further control be justified compared to the risk reduction benefits expected?          What financial loss is to be expected if no action is taken?          Could the same results be achieved at lower cost by other means?</p> <p>Will running costs go up or down?          What capital investment will be needed?          What other costs will there be?</p>
Benefits	<p>What will happen to service levels?          What will happen to service quality?          What additional benefits or risk reductions will occur in other areas?          Can other controls in place be amended to deal with this risk?          How will you evaluate this option to see if it is reducing the identified risk?</p>
Objectives	<p>Will reducing risk advance the Council's overall objectives?          What will be the economic and social impacts?          What will be the impact on the environment of leaving the risk as it is?</p>
Regulatory	<p>Complying with laws and regulations is not an option.</p> <p>Does the lack of treating the risk (or the current method of control) breach any laws or regulatory requirement?          Is the treatment option proposed, including its cost, totally disproportionate to the risk?</p>
Risk creation	<p>What new risks will be created from introducing the option?</p>



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## ANNUAL REVIEW OF THE INTERNAL AUDIT SERVICE (Report by the Director of Commerce & Technology)

### 1. Introduction

- 1.1 The Accounts & Audit Regulations 2006 require the Council to conduct a review of the effectiveness of its system of internal audit. The review, which has to be completed at least once in each year, is required to be considered by the Panel before it approves the Statement of Assurance on Corporate Governance.

### 2. 2006 Code of Practice

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a revised Code of Practice for Internal Audit in Local Government late last year. The Code, which is recognised as best practice, consists of 11 Standards (see table below) which set out how the internal audit service should perform its functions.

Standard	
1	<b>The Scope of Internal Audit</b> – deals with formal terms of reference, coverage of the internal control environment and the audit’s role in relation to preventing fraud and corruption.
2	<b>Independence</b> – deals with overall operational independence as well as auditors own independence and impartiality.
3	<b>Ethics</b> – sets minimum standards for the performance and conduct of all internal auditors under the four main principles of integrity, objectivity, competence and confidentiality.
4	<b>Audit Committees</b> – deals with the relationship between the Audit & Risk Manager and the Audit Committee (i.e. this Panel).
5	<b>Relationships</b> – sets out the principles of good relationships with management, other internal auditors, external auditors, other regulators and inspectors and elected members.
6	<b>Staffing, Training and Continuous Professional Development</b> – deals with staff resources, qualifications and training.
7	<b>Audit Strategy and Planning</b> – deals with the requirement to produce a strategy document and annual audit plan.
8	<b>Undertaking Audit Work</b> – deals with risk based auditing, the processes to be carried out in individual audit assignments, incl. planning, fieldwork and quality control.
9	<b>Due Professional Care</b> – deals with auditor competence and diligence, respecting and understanding confidentiality.
10	<b>Reporting</b> – sets out the principles of reporting on audit assignments, follow-up arrangements and providing an annual opinion on the control environment.
11	<b>Performance, Quality and Effectiveness</b> – sets out the need for an audit manual and establishing quality and performance measures.

### **3. Undertaking the Review**

- 3.1 The Code of Practice contains a checklist which has been used as the basis for a self-assessment review of the internal audit service by the Audit & Risk Manager. The checklist was enhanced by obvious questions relating to private sector practice and contained 90 questions. The review was undertaken during the period March to May this year and required the collation of a significant volume of documents.
- 3.2 The Review shows that, with the exception of those areas reported to the Panel in February 2007 (line management by the Head of Financial Services rather than the Director Commerce & Technology and the non-audit responsibilities of delivering risk management and insurance services) the service fully meets the requirements of the Code.
- 3.3 The review has identified a small number of areas where improvements could be made to the current working practices. These are listed in Annex A.
- 3.4 This view is corroborated by the Council's external auditors who have conducted their own independent review of the internal audit service against the Code of Practice. They conclude that the internal audit service meets the requirements of the Code and have made no recommendations for further action.

### **4. Recommendation**

- 4.1 It is recommended that the Panel note
- that the internal audit service meets the requirements of the CIPFA Code of Audit Practice 2006; and
  - the action plan that prepared to address the areas for improvement identified.

#### **ACCESS TO INFORMATION ACT 1985**

CIPFA Code of Practice for Internal Audit in Local Government 2006

Internal audit self-assessment

Email correspondence with the external auditor

**Contact Officer:** Steve Couper, Head of Financial Services ☎ **01480 388103**



## Internal Audit Self Assessment – Areas for improvement

Standard	Self assessment question	Response	Date to be introduced by
1.1	Is the scope of Internal Audit clearly set out in agreed Terms of Reference, which have been communicated across the organisation, and are subject to regular review?	Revised terms of reference and audit strategy were approved by the Panel in February 2007. These need to be included on the audit intranet pages.	31 July 2007
2.6	Are arrangements in place for Internal Audit staff to declare and record potential conflicts of interest?  Are arrangements in place for annual certificates of independence to be completed and signed by all Internal Audit staff for submission to the Audit & Risk Manager?	At the start of each audit the relevant auditor is required to confirm on the audit review sheet that they are aware of no potential conflicts of interest in relation to the audit.  It is considered that this will be more effective and up to date than an annual certificate.  Staff are regularly reminded of the importance of recognising potential conflicts of interests. The Audit Manual also contains a section on this area.	No further action
3.3.4	Are audits of particular parts of the organisation rotated between audit staff to ensure independence of approach?	It is necessary to balance rotation with the benefits of existing experience in the allocation of audits when the audit team is few in number.  The audit manager rotates audits where it is beneficial and personally reviews the audit brief and quality during the course of each audit which would highlight any over-familiarity or complacency.	Under constant review.
4.2.4	Does the Audit & Risk Manager participate in the Corporate Governance Panel's review of its remit and effectiveness?	A review has not yet been undertaken.	
11.1.1	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?	The audit manual contains detailed procedures explaining the whole auditing process and is regularly updated – last update was February 2007.  The 2006 Code has made few material changes and these will be included in the next review.	30 September 2007

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## COMPLAINTS (Report by the Director of Central Services)

### 1. INTRODUCTION

- 1.1 The purpose of this report is to provide Members with an analysis of internal complaints and a summary of complaints determined by the Local Government Ombudsman.

### 2. SUMMARY OF INTERNAL COMPLAINTS

- 2.1 The Council's internal complaints system summarises complaints into six categories as follows:-

- ◆ action of employee;
- ◆ council policy;
- ◆ council procedures;
- ◆ equality of service;
- ◆ failure to respond; and
- ◆ service delivery.

- 2.2 The table attached at Annex A provides an analysis of complaints by complaint reason, the Division involved and results compared with the previous year.

- 2.3 The call centre has been in operation since September 2005 and captures information relating to verbal complaints. These complaints predominantly relate to the Operations Division and for the period 2006/07 448 complaints were received out of 27,508 service requests, which represented a complaint rate of 1.6%

### 3. SUMMARY OF OMBUDSMAN COMPLAINTS

- 3.1 The Local Government Ombudsman Service has published its statistics for complaints determined against the District Council in the year 1st April 2006 to 31st March 2007.

- 3.2 The Ombudsman has received 16 complaints in 2006/07, which represents a small increase on the 12 received in the previous year. The following table provides a summary of the complaints received by decision compared with previous years.

<b>Decisions</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>
Formal report finding maladministration causing injustice	0	0	0
Complaints settled locally	0	5	1
Maladministration causing no injustice	0	0	0
No maladministration	0	0	0
No, or insufficient, evidence of maladministration	8	9	7
Ombudsman's Discretion	1	1	3
Outside LGO's jurisdiction	3	0	3
Premature complaints	4	2	3
<b>Total excluding premature</b>	<b>12</b>	<b>15</b>	<b>14</b>
<b>Total</b>	<b>16</b>	<b>17</b>	<b>17</b>

- 3.3 One complaint was settled locally which concerned a delay in the investigation of noise nuisance from a factory and as a result the Council agreed to pay the complainant £150. This represented the total amount of compensation paid during the year.
- 3.4 A comparison of complaints received by subject area in relation to District Council services, including premature complaints, is set out in the table below. The largest number of complaints received related to planning, which is typical for rural England.

<b>Subject Area</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>
Transport and highways	2	2	0
Housing (not including HB)	4	0	0
Housing Benefit	1	0	2
Public finance	4	1	0
Planning & Building Control	8	6	9
Other	3	3	5
<b>Total</b>	<b>22</b>	<b>12</b>	<b>16</b>

- 3.5 The Ombudsman does not normally consider a complaint unless a Council has had the opportunity to deal with the complaint itself. So if someone complains to the Ombudsman without having taken the matter up with a Council the Ombudsman will usually refer it back to the Council as a '*premature complaint*' to see if the Council can itself resolve the matter.
- 3.6 The number of premature complaints was low (three) when set against the number of incoming complaints (16). The Ombudsman suggested that this represented a good public awareness of the Council's complaints process and a willingness on the part of the Officers to refer customers to it.

- 3.7 The difference in the totals between the two tables is attributable to the fact that the Ombudsman may receive a complaint in one year but the decision may not be made until the following year.
- 3.8 The average time for the Council responding to complaints was 27 days against a target of 28 days. This represented a considerable improvement on the previous year of 43 days. The Council has been commended for their efforts in this regard.
- 3.9 The Ombudsman is proposing to hold a regional seminar in Cambridgeshire this year to enable Members and Officers to obtain a better understanding of the Ombudsman's role in complaint handling. Further information will be circulated to Members in due course.

#### **4. CONCLUSION AND RECOMMENDATIONS**

- 4.1 The Panel are invited to note the contents of the report.

#### **BACKGROUND PAPERS**

Local Government Ombudsman      Annual Report 2004/05 – 2005/06  
Provisional Complaint Statistics 2006/07

**Contact Officer:** Lisa Jablonska  
Central Services Manager  
(01480) 388004

## Annex A

<b>Complaint Reason</b>	<b>Division Involved 2004/05 and action</b>	<b>Division Involved 2005/06 and action</b>	<b>Division involved 2006/07 and action</b>
Action of Employee	1 Committee / Member Services (NAT) 4 Council Tax (2 NAT, 1 SI & 1 RTC) 3 Housing (2 NAT & 1 SI) 4 Benefits (NAT) 1 Business Rates (RTC)	2 Development Control (2 SI) 8 Council Tax (7 NAT and 1 RTC) 1 Housing (NAT) 1 Public Health 1 Benefits (FT) 1 Admin - Ops	3 Housing (NAT and 1 SI) 1 Public Health 4 Council Tax (NAT, 1SI and 1 FT) 3 Development Control (NAT) 2 Benefits (NAT) 2 Planning Policy
Council Policy	1 Council Tax (NAT)	1 Housing (NAT) 3 Benefits (SI) (NAT) 2 Council Tax (2 NAT)	3 Council Tax (NAT) 1 Development Control 7 Benefits (NAT)
Council Procedures	8 Council Tax (7 NAT & 1 SI) 3 Development Control (1 NAT & 2 SI) 1 Business Rates (NAT)	3 Benefits (2 SI) (CIP) 5 Council Tax (4 NAT) (FT) 1 Business Rates (NAT) 1 Housing (SI) 1 Development Control	2 Development Control (NAT) 7 Benefits (NAT and 1 CIP) 6 Council Tax (NAT and 1 CIP) 1 Housing (NAT) 1 Recruitment
Equality of Service		2 Development Control (2 NAT) 1 Operational (SI)	
Failure to Respond	1 Benefits (NAT)	1 Housing (NAT) 2 Benefits 1 Development Control (SI)	1 Development Control
Service Delivery	2 Council Tax (1 NAT & 1CIP) 4 Development Control (3 NAT & 1 SI) 3 Housing (1 NAT & 2 RTC) 3 Benefits (NAT) 1 Business Rates (NAT) 1 Cashiers (NAT)	4 Development Control (3 NAT) 4 Council Tax (4 NAT) 1 Highways 1 Business Rates 1 Operational 1 Planning Policy 1 Housing (SI) 2 IT	1 Development Control (NAT) 2 Council Tax (NAT and 1 SI) 2 Benefits (NAT) 2 Planning Policy (NAT) 1 Housing (NAT)
<b>Total</b>	<b>41</b>	<b>53</b>	<b>52</b>

**KEY:**

NAT No Action Taken  
 CIP Change in Procedures  
 SI Staff Instruction  
 RTC Referral to Contractor  
 CIS Change in Service  
 FT Formal Training