

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, 23 SEPTEMBER 2008** at **6:00 PM** and you are requested to attend for the transaction of the following business:-

Members Are Reminded Of The Informal Session That Has Been Arranged For Panel Members To Review The Council's Governance Arrangements Prior To Consideration Of The Governance Statement. The Session Will Be Held At 5:00pm In The Council Chamber.

**Contact
(01480)**

APOLOGIES

1. MINUTES (Pages 1 - 4)

To approve as a correct record the Minutes of the meeting of the Panel held on 24th June 2008.

**Miss H Ali
388006**

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 overleaf.

3. HOUSING BENEFIT FRAUD INVESTIGATION ACTIVITY (Pages 5 - 8)

To consider a report by the Head of Customer Services summarising the activity of the Benefits Fraud Investigation Team over the past three years.

**Mrs J Barber
388105**

4. INTERNAL AUDIT SERVICE ANNUAL REPORT (Pages 9 - 20)

To consider a report by the Audit and Risk Manager on the Internal Audit Service Annual Report.

**D Harwood
388115**

5. RISK REGISTER (Pages 21 - 22)

To receive a report by the Audit and Risk Manager providing an update on the Risk Register.

**D Harwood
388115**

6. REVIEW OF THE EFFECTIVENESS OF THE CORPORATE GOVERNANCE PANEL (Pages 23 - 36)

To receive a report by the Head of Financial Services outlining the findings of the Panel's review the effectiveness of the Corporate Governance Panel.

**S Couper
388103**

7. **GOVERNANCE STATEMENT** (Pages 37 - 52)

To consider a report by the Head of Policy and Strategic Services on the Governance Statement for 2008/09.

H Thackray
388035

8. **APPROVAL FOR PUBLICATION OF THE 2007/08 ACCOUNTS**
(Pages 53 - 138)

To consider a report by the Head of Financial Services setting out the processes to be completed before the Council's accounts for 2007/08 can be published.

S Couper
388103

The documents highlighted within paragraph 2.1 of the report will be circulated to Panel Members as soon as they are available.

9. **PROTOCOL BETWEEN THE LEADER AND CHIEF EXECUTIVE**
(Pages 139 - 146)

To consider a report by the Head of Administration, seeking the Panel's approval of a protocol for the relationship between the Leader of the Council and the Chief Executive.

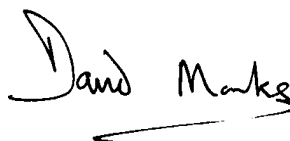
R Reeves
388003

10. **RISK MANAGEMENT UPDATE** (Pages 147 - 150)

To receive a report by the Audit and Risk Manager providing an update on Risk Management.

D Harwood
388115

Dated this 23 day of September 2008



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, their family or any person with whom they had a close association;*
 - (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 £25,000; 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 Miss H Ali, Democratic Services Officer, Tel No 01480 388006/e-mail: Habbiba.Ali@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 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 (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 car park adjacent to the Methodist Church on the High Street (opposite Prima's Italian Restaurant).

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Agenda Item 1

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in MEETING ROOM 1, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN on Tuesday, 24 June 2008.

PRESENT: Councillor C J Stephens – Chairman.

Councillors P J Downes, P M D Godfrey,
J A Gray, T V Rogers and L M Simpson.

5. MINUTES

The Minutes of the meeting of the Panel held on 14th May 2008 were approved as a correct record and signed by the Chairman.

6. MEMBERS' INTERESTS

No declarations were received.

7. FINAL ACCOUNTS 2007/08

The Panel considered the draft Statement of Accounts for the year ended 31st March 2008 (a copy of which is appended in the Minute Book). Having had their attention drawn to a number of amendments, Members were acquainted with issues arising, which included the Council's investments, the pension provision, the treatment of capital and the collection fund.

In response to a question by a Member, the Head of Financial Services reported that the accounts would be published via the Council's website and a summary provided in District Wide, the Council's newsletter to all households.

Having drawn the Panel's attention to minor changes to the way the accounts were compiled, discussions ensued on the accounting treatment of Eastfield House, in particular, the valuation assessed by the District Valuer. Nevertheless, the Panel have acknowledged the non-tangible and longer term benefits to be derived from the Operations Centre over a prolonged period.

The Head of Financial Services outlined the sources of the Council's income which excluded the Leisure Centres. With regard to the latter, Members were informed that Centre accounts were treated separately. In noting that the entry for 'Leisure' under the Income and Expenditure Account included a range of services across the Council along with the Leisure Centres, the Head of Financial Services was invited to consider including in the future a reference to this under the notes to the accounts.

Having commended the Head of Financial Services and relevant Officers on the compilation of the accounts, the Panel

RESOLVED

that the draft Statement of Accounts for the year ended 31st March 2008 be approved and that the audit should commence.

8. BENEFIT FRAUD PROSECUTION POLICY AND PROCEDURES

Consideration was given to a report by the Head of Customer Services (a copy of which is appended in the Minute Book) detailing a review of the policy for the sanction and prosecution of claimants, landlords, employees and Members who had committed benefit fraud.

In noting the increasing levels of fraud detection activity and the levels of sanction and prosecution undertaken by the Council, attention was drawn to the changes proposed to the policy.

RESOLVED

- (a) that the contents of the report be noted;
- (b) that the revised Benefits Prosecution Policy set out in Appendix A to the report now submitted be approved;
- (c) that the Fraud Manager be authorised to undertake court hearings and issue formal cautions and administrative penalties as set out in paragraph 3.1 of the report; and
- (d) that staff within the Fraud Team be authorised to undertake investigations in fraud affecting all other District Council services and to report to the relevant Head of Service on the outcomes, findings and recommendations arising from these investigations.

9. ANNUAL REVIEW OF THE INTERNAL AUDIT SERVICE

The Panel received and noted a report by the Director of Commerce and Technology (a copy of which is appended in the Minute Book) on the outcome of a review of the effectiveness of the system of internal audit, which was required by the Accounts and Audit Regulations 2006.

Some concerns had been expressed over the failure to meet targets in respect of actions identified during the course of reviews undertaken by the Internal Audit Service. However, Members were assured that efforts to improve this were being made.

Members' attention was drawn to the proposal to organise a self assessment of the Panel in terms of CIPFA guidance on best practice. Having been encouraged to note the external auditor's positive endorsement of the service and in noting the identified areas for improvement, it was

RESOLVED

- (a) that the general effectiveness of the Council's Internal Audit Service in terms of the requirements of the CIPFA Code of Audit Practice be acknowledged;
- (b) that the action plan prepared to address the areas for improvement identified be noted; and
- (c) that a review of the Council's effectiveness against CIPFA's best practice guidance for Audit Committees be undertaken.

10. INTERNAL AUDIT SERVICE: INTERNAL AUDIT AND ASSURANCE PLAN

The Panel received a report by the Audit and Risk Manager (a copy of which is appended in the Minute Book) to which was appended a proposed Internal Audit and Assurance Plan for the 12 months period commencing 1st August 2008. Having thanked Officers for their efforts in compiling the risk register, it was

RESOLVED

that the Audit and Assurance Plan be approved.

11. EXTERNAL AUDIT PLAN 2008/09

(Mrs L Sanford and Mr P Winrow of Grant Thornton UK LLP, the Council's external auditors, were in attendance for consideration of this item).

The Panel received and noted a report by the Council's external auditors, Grant Thornton UK LLP (a copy of which is appended in the Minute Book) on the planned work to be undertaken at the Council over the 2008/09 financial year.

12. CHANGES TO THE CONSTITUTION - STANDARDS COMMITTEE

Consideration was given to a report by the Director of Central Services and Monitoring Officer (a copy of which is appended in the Minute Book) which set out the arrangements the Council would need to have in place in order to comply with new duties placed on it by the Standards Committee (England) Regulations 2008. In noting details of the changes to the Constitution that would be required, the Panel

RESOLVED

that the Council be recommended to approve the changes required to the Constitution as set out in Section 2 of the report now submitted.

13. COMPLAINTS

The Panel received and noted a report by the Director of Central Services (a copy of which is appended in the Minute Book) containing an analysis of the Council's internal complaints and a summary of complaints concerning the District Council which had been determined by the Local Government Ombudsman in 2007/08.

RESOLVED

that the report be received and noted.

14. EXCLUSION OF THE PUBLIC

RESOLVED

that the public be excluded from the meeting because the business to be transacted contains information which would enable the identity of individuals to be obtained.

15. LOCAL GOVERNMENT OMBUDSMAN: LOCAL SETTLEMENT OF COMPLAINT

The Panel received and noted a report by the Director of Central Services (a copy of which is appended in the annex to the Minute Book) on a complaint against the Council by a member of the public and the terms of compensatory payment negotiated by way of a local settlement.

RESOLVED

that the report be received and noted.

16. COUNCIL TAX BENEFIT COMPLAINT: AWARD OF COMPENSATION

Consideration was given to a report by the Head of Customer Services (a copy of which is appended in the annex to the Minute Book) seeking approval of a compensation payment to be made under the Council's internal complaints system. Having been acquainted with the background to the complaint, the Panel

RESOLVED

that the sum of £1085.31 be awarded to the complainant outlined in the report now submitted.

Chairman

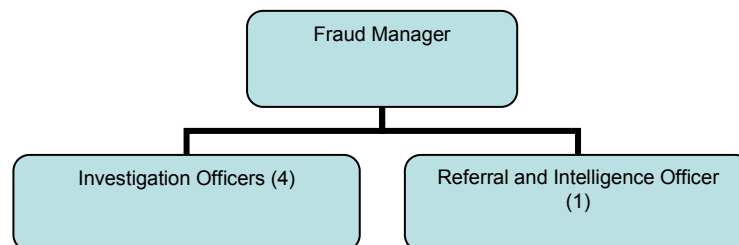
HOUSING BENEFIT FRAUD INVESTIGATION ACTIVITY (Report by Head of Customer Services)

1. INTRODUCTION

- 1.1 This report provides a summary of the activity of the Benefits Fraud Investigation Team, part of the Benefit Service, over the past three years.
- 1.2 HDC pays housing and council tax benefit to over 8,000 residents in the district each year. In 2007/2008 £29,000,000 Housing and Council Tax Benefit was paid to residents.
- 1.3 DWP estimates of loss¹ due to fraud and error amount to 5.5% of the national Housing Benefit (HB) spend. Loss in fraud amounts to an estimated 1%. For HDC this indicates a potential annual loss through fraud of £290,000 and a further £1,600,000 in error.
- 1.4 The Fraud Team undertakes investigation of allegedly fraudulent applications for housing benefit and council tax benefit. This work complies with various legislative requirements such as PACE, CPIA, RIPA, CJA, SSAA and the Fraud Act 2006². The council has a duty under s.151 of the LGFA to protect the public purse.
- 1.5 As well as undertaking investigations into fraudulent benefit claims, the Team, due to recent changes in the delegated functions, now conduct investigations into fraudulent housing applications received by HDC and council tax discounts and exemptions made by local taxation customers.

2. The Team

- 2.1 As noted above the Team form part of the Benefit Service and have the following structure.



¹ See DWP reports- 'Action plan for tackling fraud and error in Housing Benefit and Council Tax Benefit. 2008' and 'Reducing Fraud in the Benefit System 2007'.

² Police and Criminal Evidence Acts, Criminal Procedures and Investigations Acts, Regulation of Investigatory Powers Acts, Criminal Justice Acts, Social Security Administration Acts, Local Government Finance Act 1988.

- 2.2 All officers in the Team are required to be accredited counter fraud specialists and undergo regular and frequent refresher training in advanced criminal investigations and specialist anti-fraud techniques.
- 2.3 The Team undertake over 300 taped interviews with persons suspected of fraud each year. The interviews are conducted at the council's offices, DWP offices and police stations.
- 2.4 The Team conducts its own prosecutions instructing HDC Legal Services as well as external solicitors and barristers to act in its cases.
- 2.5 The Team includes officers authorised to obtain information from banks, employers, utility companies, HMRC & communication providers.
- 2.6 The Team acts as HDC's Single Point of Contact for obtaining information from communication providers in accordance with Regulation of Investigatory Powers Act.

3. Activity and Performance 2005-2008

- 3.1. Each year the Team receives referrals of alleged fraud from a wide variety of sources including the public, council staff, the police and other government agencies. Not all cases are investigated either due to the poor quality of referrals or due to some reports being deemed as malicious or irrelevant.
- 3.2. HDC subscribe to two Data Matching schemes. A monthly match is conducted with the DWP (Housing Benefit Matching Service) using their own and HMRC records, and a bi-annual exercise is undertaken through the Audit Commission's 'National Fraud Initiative'. This includes cross matching of staff salaries and members allowances against various other databases, including housing benefits.
- 3.3. The Team works in very close partnership with investigators from the DWP, approximately 30% of all cases involve this type of joint investigation. The team also works with the police, Customs and Borders Agency, HMRC and the NHS on a daily basis.
- 3.4. The council has in place policies to conduct sanctions of those people found to have committed offences against HDC which involve fraud, deception and theft. Every case is treated on its own merits and punitive action only considered where it would be in the public interest. Accordingly many incidences of fraud do not involve prosecution. However, where there has been a financial loss to HDC, recovery of the debt is always pursued.
- 3.5. Reported frauds by year

Year	Referrals	Cases accepted for investigation
2005/2006	989	435
2006/2007	909	370
2007/2008	693	353

- 3.6. Outcomes of investigations closed in year are shown in the table below. These vary from those commenced due to the length of time it takes to investigate a case.

Year	Cases closed	Cases Proved	% Success	Value of overpayments
2005/2006	395	244	62%	£570,000
2006/2007	412	279	67%	£470,000
2007/2008	408	275	67%	£550,000

As well as the overpayments of benefits identified in the fraud investigation, future (potentially ongoing) overpayments are prevented by reducing or cancelling the original benefit claims. The amount of these further overpayments exceeds the amount shown above.

- 3.7. Sanction activity

Year	Cases selected for sanction	Type of sanction		
		Cautions	Administrative penalties	Prosecutions
2005/2006	132	61	38	33
2006/2007	109	15	60	34
2007/2008	125	14	61	50

Cases are selected for sanctions in accordance with the council's fraud and prosecution policy. Those over £2000 are considered by the Head of Service. Not all proven cases result in a sanction, for example, those which are considered not to be in the public interest (perhaps due to ill health, lack of funds, full repayment).

4 Recommendation

- 4.1 it is recommended that the Panel

Note the work of the Benefit Fraud Team; and
Receive an annual report on the work of the Benefit Fraud Team

BACKGROUND INFORMATION

The Social Security Administration Act 1992, as amended.
The Fraud Act 2006
Police and Criminal Evidence Act 1984
Criminal Procedures and Investigations Act 1996
Local Government Acts 1972, as amended
Local Government Finance Act 1992, as amended
Housing Act 1996
HDC- Anti-Fraud and Corruption Strategy

Contact Officer: Julia Barber – Head of Customer Services
☎ 01480 388105

**INTERNAL AUDIT SERVICE
ANNUAL REPORT
(Report by the Audit & Risk Manager)**

1. Purpose

- 1.1 To receive the annual report of the internal audit service.

2. Introduction

- 2.1 This report provides an audit opinion for the 12 month period ending August 2008 and provides performance information on relevant matters.

3. Audit Opinion

- 3.1 The levels of assurance identified in each audit review, together with a sample check to see that reported actions have been delivered, are taken into account to form an overall opinion on the adequacy and effectiveness of the Council's internal control environment. This opinion, shown below, in turn forms part of the overall Statement of Corporate Governance.

It is my opinion, based upon the audit work completed in the 12 month period ending 31 August 2008, that Huntingdonshire District Council's internal control environment and systems of internal control provide limited assurance over the effective exercise of its functions.

In respect of those systems that refer to, or are substantially related to, internal financial control, it is my opinion that the controls operated by management are currently adequate.

Any system of internal control can only provide reasonable, rather than absolute, assurance that assets are safeguarded, transactions are authorised and properly recorded and material errors or irregularities are either prevented or would be detected within a reasonable period of time.

David Harwood
Audit & Risk Manager

September 2008

4. Delivery of Audit Plan

- 4.1 The Panel will be aware that the audit plan year has been amended, so that it now runs from August to July. This report deals with the audit plans agreed for both the 2007/08 financial year and the period from April to July 2008.
- 4.2 The internal audit plans for the period, approved by the Director of Commerce & Technology, contained 59 audit reviews. The audit plan is not a static document but needs to be amended to reflect changing circumstances. Changes to the plan have been made in the period but this resulted in no overall change to the number of audits undertaken. Audits omitted from the agreed plan were: e-payments, electronic signatures and the housing register and nomination process. These reviews were replaced by ICT Security Policy, ethical governance, CCTV fit out at Eastfield House and internet monitoring.

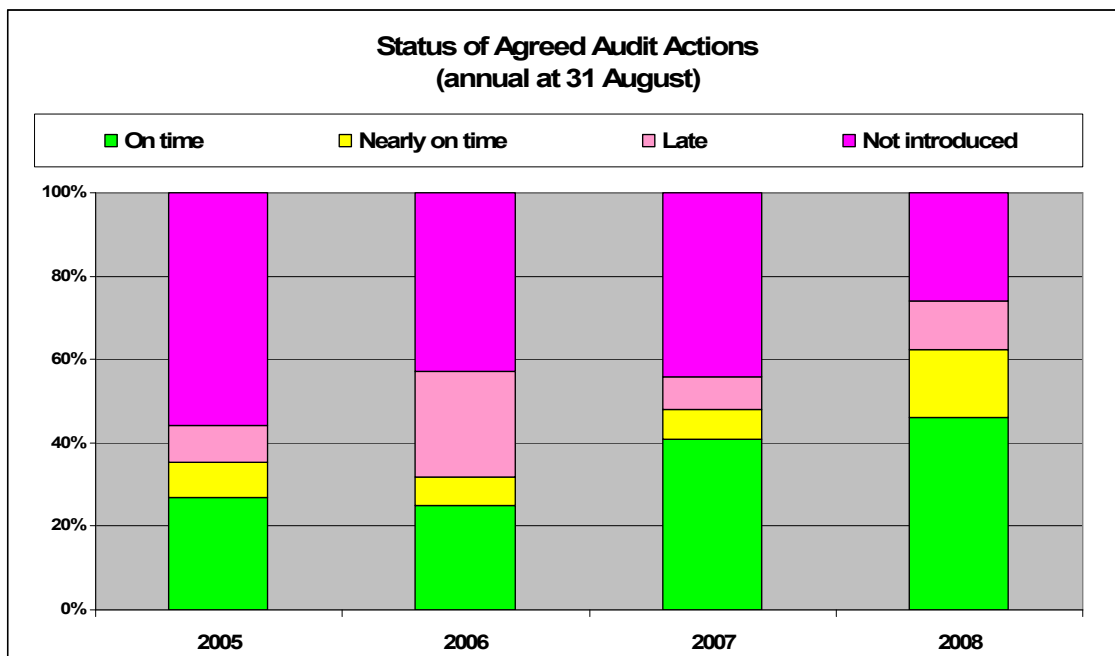
4.3 4 audits that were expected to have been issued in draft, were still underway at the 31 August. This is due to changes to the audit plan period and the annual leave of staff. It is expected that this will be a one off occurrence. Details of the audits completed or issued in draft format and which form the basis for the annual audit opinion are listed in Annex A.

5. Implementation of Agreed Actions

5.1 An on-line database is maintained which holds details of all the actions that have been agreed by service managers together with their intended introduction dates. Managers are required to update the database with the action they have taken and the date that the action was introduced. Each Director, Head of Service and Activity Manager is able to access the database and obtain reports that list actions outstanding, partially completed and fully completed.

5.2 A target has been included in the internal audit service plan for 60% of agreed actions should be implemented on time based on a rolling 12 month approach. The target was set to recognise that there will be occasions where service issues arise, after the dates for introducing actions have been agreed, that, quite properly, take priority over the introduction of the action.

5.3 The graph below shows how the speed of introduction has improved over the last few years. Whilst the target of 60% introduced on time has not yet been met it is now clear that a significant proportion of items are less than 2 months late. Action will continue to be taken to speed up implementation so that the target can be exceeded.



5.4 Despite this continued improvement, the fact that the performance is still lower than target affects the overall assurance opinion. The table at Annex B shows the actions split between red and amber and by Directorate.

5.5 Red actions are those that need to be implemented as soon as possible in order to solve a major control weakness which is leaving the Council exposed to a high level of risk. There were four of these outstanding at 31 August, one has subsequently been implemented, and details are given in Annex C.

6. Internal Audit's Performance

- 6.1 Information in respect of the performance of the internal audit service is attached at Annex D.

7. Recommendation

- 7.1 It is recommended that the Panel note the report and annual opinion statement.

ACCESS TO INFORMATION ACT 1985

Internal Audit Reports;

Internal Audit Performance Management Information

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

**Summary of Internal Audit work undertaken during the period
1 September 2007 to 31 August 2008**

Audit area	Level of assurance				Agreed action status		
	Substantial	Adequate	Limited	Little	Red	Amber	The risk identified has been accepted by the Manager ¹
Key Financial Systems							
National Non Domestic Rates	✓✓				---	---	
Council Tax	✓✓				---	---	
Housing Benefits	✓✓						
Cash Income & Receipting	✓✓				---	---	
Budgetary Control & Management Information		✓			0	2	
Creditors		✓			0	2	
Other systems reviews							
Sale and Disposal of Land	✓✓				---	---	
Bailiffs	✓				---	---	
Inspection of Invoices		✓			---	---	
Benefits – National Fraud Initiative		✓			---	---	
CCTV procurement & fit-out, Eastfield House		✓			---	---	
Payroll/HR systems		✓			1	9	
Grounds Maintenance ²		✓			1	5	
Construction Industry Scheme		✓			1	2	
Risk Management Arrangements		✓			1	2	
Concessionary Public Transport Fares		✓			0	6	
Leisure Centres		✓			0	5	
Central Establishment Recharges		✓			0	4	
Document Centre: Post & Despatch		✓			0	4	1
Overview & Scrutiny		✓			0	4	
Vehicle Workshop		✓			0	4	
Equipment Servicing		✓			0	3	
Legal Debt Collection & Recovery		✓			0	2	
Corporate Plan		✓			0	1	
Monitoring of Recruitment to 'High Risk' Posts			x		4	18	
Safeguarding Data			x		3	2	
Electoral Registration			x		1	5	
Management of Ill Health & Sickness			x		1	3	
Internet Monitoring			x		1	0	
Controlling Assets			x		0	3	
Management of Trees and Plants				xx	3	4	
Partnership Working				xx	1	1	
Computer Audit							
Internet Access & Control		✓			0	6	
Sharepoint Content Management		✓			0	3	1
PC Security Controls		✓			0	4	
Virus protection / Spyware		✓			0	3	
Information Security Policy ²		✓			0	14	
Email Controls ²		✓			0	3	
Helpdesk ²		✓			0	1	
Business Continuity & Disaster Recovery ²			x		4	3	
ICT Strategy ²			x		2	4	
Project Management ²			x		1	6	

¹ There are occasions when a risk identified during an audit is acknowledged and accepted by a Manager and they decide that no further action is required. The right hand column of this table records all those instances.

² Draft report issued as at 31 August 2008.

The Internet Monitoring report, which was completed in January 2008 contained only one red action. This was almost identical to the action that was agreed in November 2005, but not introduced. “There should be a formal [internet usage] review system in place along with prescribed actions to be taken when cases of internet abuse are discovered. Regular reports of ‘Top 20 Users’ should be sent to relevant managers on a monthly basis. These managers should then provide assurance to the Head of HR that the usage is appropriate”.

Two audit reports – Post Contract Reporting and Assessment and Broadband for Members are not listed in the table above. No assurance opinion was given for either of these audits. This is due to the audits finding that no post assessment/implementation review process is in place, coupled with the lack of clarity within MTP bids over the benefits that are to be gained from investments. Actions were first agreed in 2002/03 regarding the introduction of a post assessment/implementation process and have subsequently been made on three further occasions. The lack of clarity within MTP bids on the detailed benefits that are to be gained from investments has also been raised previously, actions agreed but not introduced.

Reviews have also been completed into the development of Eastfield House, environmental procurement, ethical governance and land charges.

Work was also undertaken in February, prior to the Assurance Framework being adopted by the Panel in March, which reviewed the Code of Corporate Governance and the evidence available to support the assurance process.

All audit reports can be accessed by Members via the Internal Audit intranet site.

Issues outstanding from previous years

Audits that have previously affected the overall opinion are listed in the table below together with a summary of the progress made towards implementing the agreed actions.

The right hand column of the table shows a revised assurance opinion, based upon the action that has been taken by the manager and evidence from the follow-up work that has been completed. The revised opinion is only a guide to the potential improvement that would be expected, if the audit was repeated and all other system controls remained effective.

Original level assurance	Agreed Action Status		Audit area and follow-up findings	'Potential' level of assurance
	Red	Amber		
<i>Little</i>	4	5	Data Consistency Of the 9 actions – it was agreed when the audit was finalised in November 2006 that 4 of the actions had to be introduced 31 October 2008. These are still outstanding. 4 of the remaining actions have been introduced. Until all the actions have been introduced and evidenced, overall assurance will not change.	<i>Little</i>
<i>Little</i>	4	2	Mobile Phones & PDAs All the actions have been introduced	<i>Adequate</i>
<i>Limited</i>	4	8	Personnel – Staff Recruitment Two of the 4 red actions have not been introduced. Of the amber actions, 5 have been fully implemented. The overall assurance opinion has not changed.	<i>Limited</i>
<i>Limited</i>	2	1	Recruitment Advertising One of the red actions remains outstanding. See information in Annex C.	<i>Limited</i>
<i>Limited</i>	1	4	Overtime The red action has been introduced and identified employees who may be in breach of the working time directive. Waiver forms are being obtained. Of the amber actions, only 2 have been introduced.	<i>Limited</i>
<i>Limited</i>	2	8	Uniform Application Review One red action is outstanding This deals with business continuity and disaster recovery planning. It's agreed implementation date has not yet been reached. All the remaining actions have been introduced. Business continuity planning is of such importance that it is not possible to increase the assurance opinion.	<i>Limited</i>
<i>Limited</i>	1	5	Creditors All the actions have been introduced	<i>Adequate</i>
<i>Limited</i>	3	11	Leisure Centres All the actions have been introduced.	<i>Adequate</i>
<i>Limited</i>	2	4	Staff Capacity & Performance With one exception, all the actions have been introduced.	<i>Adequate</i>
<i>Limited</i>	0	8	Balanced Scorecard & Performance Management The actions have been introduced.	<i>Adequate</i>
<i>Limited</i>	1	4	Asset Register The actions have been introduced.	<i>Adequate</i>

REMINDER

Substantial Assurance	✓✓	<i>There are no weaknesses in the level of internal control for managing the material inherent risks within the system. Testing shows that controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically apart from any excessive controls which are identified in the report.</i>
Adequate Assurance	✓	<i>There are minor weaknesses in the level of control for managing the material inherent risks within the system. Some control failings have been identified from the systems evaluation and testing which need to be corrected. The control failings do not put at risk achievement of the system's objectives.</i>
Limited Assurance	✗	<i>There are weaknesses in the level of internal control for managing the material inherent risks within the system. Too many control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.</i>
Little Assurance	✗✗	<i>There are major, fundamental weaknesses in the level of control for managing the material inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meeting its objectives.</i>

**Implementation of Agreed Actions
Summary of the Actions Database as at 31 August 2008**

	Status of Action						TOTAL
	Introduced on time		Introduced Late		Not introduced		
Red Action	7		6		4		17
Amber Action	43		25		24		92
Total	50		31		28		109
% age on time	46%		28%		26%		
	<i>Red</i>	<i>Amber</i>	<i>Red</i>	<i>Amber</i>	<i>Red</i>	<i>Amber</i>	
Central Services	6	24	1	9	4	11	55
Commerce & Technology	1	17	5	13	0	13	49
Environmental and Community Services	0	2	0	3	0	0	5
Total	7	43	6	25	4	24	109

A sample of actions that have been reported as being completed are checked to see that the action introduced sufficiently addresses the risk that has been identified.

In respect of those actions introduced up to 31 August 2008, it was found that the majority of the actions taken were appropriate. Occasionally the action taken does not fully deal with the risk identified. In these cases the action taken is discussed with the appropriate manager and changes to the database are made to reflect the actual position.

'Red' Actions Outstanding at 31 August 2008

Audit	Head of Service	Audit Finding	Action Agreed	Agreed Implementation Date	Head of Service's statement re current position (10/09/08)
Payroll 2007-08	Ian Leatherbarrow	The Payroll Manager is able to carry out all aspects of the payment process from completing the pay run to arranging and authorising the BACS payment. Adequate separation of duties is therefore not maintained.	The BACSTEL administration role will be amended to ensure that the Payroll Manager cannot seal but only sign and send, and is therefore unable to complete all aspects of the payroll process.	31/01/2008	When new BACSTEL solution is purchased (by mid October), the role of administrator will be the responsibility of the Accountancy Manager who will determine who will take that role.
Recruitment Advertising	Ian Leatherbarrow	Without periodic assessment, long-standing contracts could be renewed automatically without consideration of value for money issues. The Authority could be missing out on cost savings by not looking at other suppliers periodically.	The Authority will investigate other providers of recruitment advertising in order to obtain the best terms and service. Periodic value-for-money reviews will take place every three years and the results analysed.	31/07/2007	An initial review was undertaken earlier this year. Following the completion of the recruitment to the current Director vacancy consideration will be given to joining an ESPO based Cambridgeshire consortium which will deal with the value for money issues. This is likely to be concluded by 31 st March 2009
Staff Recruitment	Ian Leatherbarrow	Appropriate training for conducting interviews has not been received by all interview panellists. The justification for these officers to complete interviews may be challenged by an unsuccessful candidate.	All employees who conduct interviews are to receive equal opportunities and other appropriate interview training.	31/03/2008	A new Recruitment & Selection policy is drafted which will facilitate training of staff undertaking interviews. It is anticipated training will be rolled out on appointment of a new Training Advisor, the implementation date is likely to be 30 th June 2009.
Staff Recruitment	Ian Leatherbarrow	There is no check completed in the majority of cases on the qualifications attained by the successful applicants. Without the relevant qualifications the applicant may be unsuitable for the position.	All professional qualifications or those that are relevant to the position are to be checked to original certificates. Evidence of the check will be recorded in the employee's personnel file.	30/09/2007	ACTION NOW IMPLEMENTED

Internal Audit Performance

1. External audit view of internal audit

Target: Adequate or better
Achieved: Satisfied

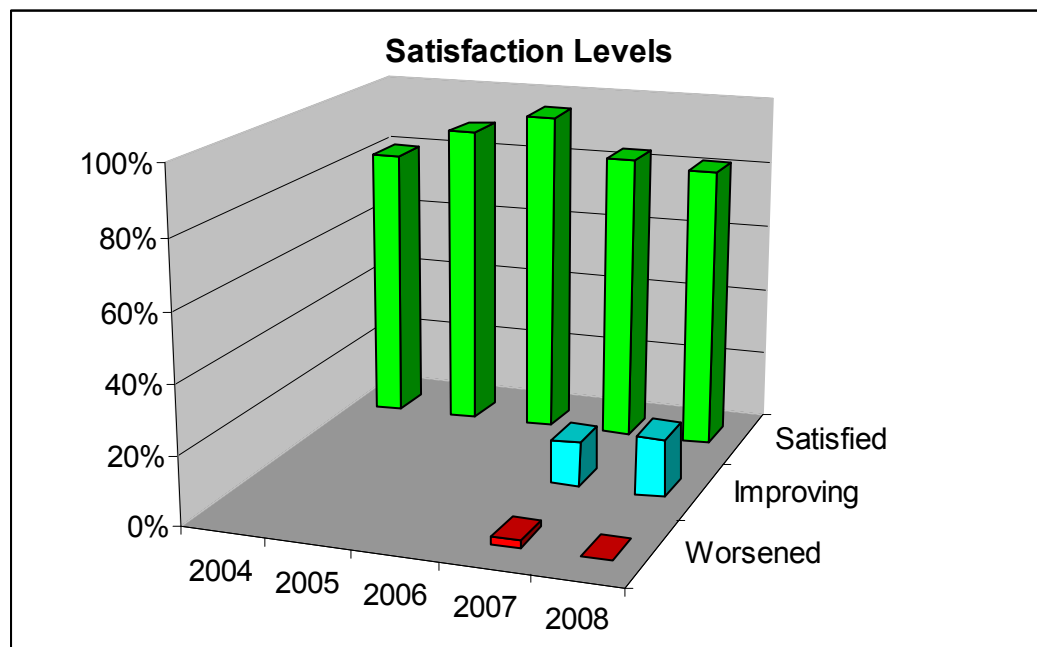
- 1.1 The external auditor continues to be satisfied with the work of the internal audit service, as recognised by his positive endorsement at the July meeting of the Panel.

2. Customer Satisfaction

Target: 85% or more of customers rating service quality as good or better.
Achieved: 12 months to August 2008 - 100%

- 2.1 At the conclusion of all audits, managers are requested to complete an end of audit survey form and give an opinion on the value of the audit. The options available are – excellent, very good, good, fair and poor. Target information is calculated on a rolling twelve month basis rather than by financial year. The figure is based on 21 returns.

- 2.2 The Head of Financial Services has also undertaken his annual customer satisfaction survey with senior managers. Whilst the overall percentage has fallen from 85% to 83%, it still remains high. The value that managers believe that they receive from the service has also risen in the past year.



3. Introduction of Agreed Actions

- 3.1 See paragraph 5 of the main report.

4. Service delivery targets

Target: 80% or more of service delivery targets achieved.

Achieved: 12 months to August 2008 – 77%

- 4.1 There are four elements to this target which all relate to the progress of individual audits and the reporting process:
- Complete audit fieldwork by the date stated on the audit brief
 - Issue draft audit reports within 15 working days of completing fieldwork
 - Meet with customer and receive response allowing draft report to progress to final within 15 working days of issuing draft report
 - Issue final audit report within 5 working days of receiving full response
- 4.2 Performance indicators are prepared monthly. The targets are also reflected in staffs key performance development targets within the annual appraisal process. Achievement of the targets requires internal audit staff to develop and maintain good working partnerships and the customer's co-operation throughout the period of the audit.
- 4.3 Performance at 31 August for each of the target areas is shown below.

	<u>Target</u>	31 August 2008	
		<i>Incl. Computer Audit</i>	<i>Excl. Computer Audit</i>
Complete audit fieldwork by the date stated on the audit brief	75%	↑ 87%	↑ 85%
Issue draft audit reports within 15 working days of completing fieldwork	90%	↓ 78%	↔ 90%
Meet with customer and receive response allowing draft report to progress to final within 15 working days of issuing draft report	75%	↓ 69%	↑ 82%
Issue final audit report within 5 working days of receiving full response	90%	↓ 76%	↑ 91%
Overall	82%	↓ 77%	↑ 87%

- 4.4 It is disappointing that only one of the four targets has been achieved. The falling levels of performance are due to the problems that our computer audit partners are having in finalising reports with colleagues in IMD. These problems are not systematic of failing working relationships, which remain good, but are the result of problems having been encountered in obtaining timely responses to audit reports, due to IMD staff's commitments to the new building projects. This has been recognized in the current years plan, and the computer audit work planned has been timetabled for April 2009 onwards. Closer monitoring of computer audit reports is already being undertaken and it is expected that improvements in performance will be made.

4.5 If computer audits were excluded, all the targets would have been achieved.

5. Service Improvements

5.1 Following the formal review of Internal Audit, reported to the Panel at its last meeting, the two actions that were required to be completed, have been introduced – updating the audit intranet pages and the audit manual.

5.2 Internal Audit is continually striving to improve its performance. Developments introduced in the past year include

- the expansion of the extranet service to Essex authorities
- agreement with CIPFA for publication discounts for extranet users
- updating the risk register with assurance from audit reviews
- external peer review of the service

Staffing issues may mean that few service developments can be considered in the next few months. A period of consolidation is planned. Work is expected to be completed on identifying and assessing fraud risks and the integration of the risk register into mainstream audit work.

5.3 Internal audit work has been undertaken on behalf of St Neots Town Council during the year and further work has been commissioned by them.

RISK REGISTER

(Report by the Audit & Risk Manager)

1. Purpose

1.1 To demonstrate to the Panel that managers are reviewing their risks on a regular basis.

2. Activity

2.1 During the period from 1 April to 31 August the following changes have been made to the risk register:

	Residual Risk			
	Low	Medium	High	Very High
New Risks	1	2	3	1

	Original Mitigated Risk Level			
	Low	Medium	High	Very High
Changes to Risk Levels		↑1 to High ↓3 to Low	↓8 to Medium ↓1 to Low	↓1 to High

Risks Deleted	10
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2.2 All changes to the register are reviewed by the Audit & Risk Manager on a monthly basis. This allows general over-sight and challenge of the risk entries and the inherent and residual scoring.

2.3 All new residual risks that are medium or higher will be referred for confirmation as follows:

Residual Risk	Referred to for acceptance
Medium	Director
High	COMT
Very High	Cabinet

2.4 The Risk Management Group, which includes the Member “risk champion” Councillor Terry Rogers, continues to oversee the process and discuss significant issues.

3. Conclusion

3.1 Further progress has been made in embedding the Risk Management process as demonstrated by the level of review of the Risk Register.

4. Recommendation

- 4.1 It is recommended that the Panel note that the Risk Register is being regularly reviewed.

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Risk Register

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

**REVIEW OF THE EFFECTIVENESS OF THE
CORPORATE GOVERNANCE PANEL
(Report by the Head of Financial Services)**

1. INTRODUCTION

- 1.1 The Panel agreed at its last meeting to undertake a review of its own effectiveness, with the aim of identifying any opportunities for improvement.
- 1.2 Five Panel members attended a workshop on 5 August to undertake this review. They were supported by the Head of Financial Services, the Audit & Risk Manager and Paul Winrow from Robson Rhodes, our external auditors.

2. CONDUCT OF THE REVIEW

- 2.1 A set of questions/issues covering the Panel's responsibilities, as determined by its terms of reference, were developed by the Audit & Risk Manager and circulated in advance. They were based upon Cipfa best practice documentation supplemented by current best practice within the NHS and private sectors.
- 2.2 A robust discussion took place, with both Members and Officers challenging each others perceptions as to the effectiveness of the Panel.
- 2.3 The list of questions and the conclusions reached on them are shown in Annex A. The Panel will note that discussion on Question 13 on the Corporate Governance Statement was deferred to this meeting. In order to enhance discussion of the question, it was agreed to precede this meeting with a briefing for the whole Panel on the production of the 2008 Statement which is a separate item on this Agenda.

3. OUTCOME OF THE REVIEW

- 3.1 Members generally felt the Panel was acting effectively and fulfilling its terms of reference in almost all areas.
- 3.2 The external auditor, who provided advice to the Panel on approaches that he had seen elsewhere, particularly the NHS, was complimentary about the approach that had been taken to the review. He felt that the Panel was generally effective and open to changes that improved assurance and the governance of the Council. He gave, as an example, the "trailblazing" approach to the consideration of the Statement of Corporate Governance in September, rather than June, and the consequent change of the audit year to coincide with this.
- 3.3 The Panel identified a number of areas where changes might be beneficial and asked officers to prepare an action plan commenting on them and suggesting appropriate actions. These are shown in Annex B.
- 3.4 It was felt that an annual review of effectiveness was not necessary. It is proposed that a further review be conducted prior to the 2011 governance statement being agreed.

4. RECOMMENDATIONS

- 4.1 It is recommended that the Panel:
- confirm that Annex A is a fair assessment of its effectiveness;
 - consider and approve the action plan (Annex B);

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Self assessment review papers

CIPFA publication – Audit Committees: Practical Guidance for Local Authorities

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

ANNEX A

QUESTIONS CONSIDERED AND CONCLUSIONS REACHED

	Issue	Panel's Response
	Terms of Reference	
1	Have the Panel's terms of reference been approved by the Council?	Yes – Council established and approved the terms of reference for the Panel on 21 July 2004.
2	Do the terms of reference follow the CIPFA model?	Yes – The terms of reference have been compared to the CIPFA model terms and felt to comply. Following discussion on others items, this item was re-considered and the Panel requested that a review of the terms of reference be undertaken. Item for action plan.
3	Do the terms of reference include oversight of the risk management process?	Yes
4	Is the Panel currently working within its terms of reference?	Yes. All matters that are contained in the ToR are reported to and overseen by it.
5	Are you satisfied that that Panel has sufficient authority and resources to fulfil its terms of reference and perform its role effectively and independently?	Yes. The effectiveness review was challenging and identified a number of areas where improvements could be made to the
6	Do you feel that the all Members' of the Council are aware of the Panel, the work that it does and the importance of good governance?	No. Panel does not promote its own work our highlight the benefits that good governance can bring to the Council. Item for action plan.
	Risk Management	
7	Does the Panel review the risk register at least annually?	Yes. The next report is due at the Sept meeting.
8	Does the Panel monitor how risk is assessed?	Yes. The risk management strategy is approved by the Panel and reviewed annually. Very High and High levels of residual risk are reported to the Panel, together with Option Forms recording further possible treatments.
9	Does a Member of the Panel contribute to the risk management group?	Yes. Although the 'Risk Management Champion' appointment is made by Cabinet.
10	How does the Panel satisfy itself that the risk management ethos is being embedded into all areas of the Council?	It receives risk management reports on a frequent basis explaining the risks that are being identified across the Council. It also receives an annual report from the risk management group on the work that it has undertaken. Whilst all Members' of the Panel have received risk management training there is a concern that not all Members' of the Council are aware of the importance of identifying and dealing with risk. Item for action plan.

	Issue	Panel's Response
	Corporate Governance Statement	
11	Does the Panel have responsibility for review and approval of the corporate governance statement?; and Does it consider the statement separately from the accounts?	Yes – September Yes – June
12	Does the Panel consider the findings of: the annual review of the effectiveness of the corporate governance arrangements? and; the review of the effectiveness of the system of internal audit?	Yes - September Yes – always prior to considering the governance statement
13	Have issues that are being raised in the statement been considered by the Panel prior to the statement being presented to them?	The governance statement is being presented to the Panel in September. It is proposed that an informal briefing be held prior to the meeting to consider the statement and this question.
14	How could we improve the information that the Panel receive regarding the review of the effectiveness of corporate governance arrangements?	See 13 above. In future years, should a member of the Panel be invited to attend the officer group meetings that consider the evidence and prepare the statement? Item for action plan.
15	How do you satisfy yourself that the systems of governance have operated effectively throughout the reporting period?	The Audit & Risk Manager presents a half year and annual report that includes his opinion on the internal control environment and systems of internal control. Progress against achieving the action plan agreed from the previous governance statement is also presented to the Panel. The Panel also receive reports, at various times of the year on whistle-blowing, anti-fraud & corruption strategy, complaints, Ombudsman reports. A member of the Panel also attends the risk management group. All allow for concerns regarding the systems of governance to be highlighted to the Panel.
16	Has the Panel considered how it integrates with other committees that may have responsibility for risk management and internal control?	Chairman of Scrutiny also a member of the Panel. This is considered to be a good appointment. See also Q 57.
	Internal Audit Process	
17	Does the Panel review the strategic audit approach?	Yes – The Internal Audit Strategy 2007 - 2010 was approved by the Panel in March 2007.
18	Does the Panel review the annual audit plan?	Yes – The plan has always been presented to and discussed by the Panel prior to its acceptance by the Director of Commerce & Technology. The Chairman & Vice-Chairman of the Panel are also involved in the preparation of the plan.
19	Does the Internal Audit & Risk Manager personally present their annual report to the Panel?	Yes. To the September meeting prior to the adoption of the governance statement.

	Issue	Panel's Response
20	Is the Panel made aware of the role of risk management in the preparation of the annual audit plan and satisfied that the audit plan is derived from a proper risk assessment?	Yes – the annual plan report contains information in respect of the risk register and its role in strategic and annual planning.
21	Is the work of internal audit reviewed regularly?	Yes – reports are submitted twice a year, which include information on: delivery of agreed audit plan (including reports completed and assurance provided) implementation of agreed actions customer feedback view of external audit service's own performance targets
22	Are the Panel satisfied with the level of information provided to them in support of the annual internal audit opinion?	Yes. Especially as full copies of all audit reports can be accessed via the intranet.
23	Are the Panel satisfied that the annual review of the effectiveness of the system of internal audit is conducted thoroughly and the report it receives an accurate reflection of the reviews findings?	A report is submitted by the Director of C&T outlining the work that has been conducted as part of the review – those involved, and an action plan. Views of external audit are also included in the report and external audit attend Panel at which the report is discussed.
24	How do you satisfy yourself that the Internal Audit & Risk Manager is able to operate freely across all areas of the Council, are not subject to any undue pressure, or attempts to restrict the scope of their work or the access to people and documents?	The Internal Audit & Risk Manager attends all CGP meetings and is able to express his views openly and honestly. He is also able to meet with the Chairman of the Panel to discuss any matters or concerns arising from internal audit work
25	Are summaries of end of audit quality questionnaires from managers reviewed?	No – information is summarised in the half year reports. The Panel consider this is satisfactory as it allows for trends to be identified.
26	Do formal terms of reference exist defining internal audit's responsibilities, objectives, authority and reporting lines?	Yes – The Terms of Reference were approved by the Panel in March 2007. The Internal Audit & Risk Manager reviews the document annually.
27	Is the Panel aware of any restrictions placed on the work of internal audit and satisfied that the internal auditors operate free of any operating responsibility that could impair their objectivity?	No restrictions apply on the work/coverage of the internal audit service. Terms of reference approved by Panel explain that the Audit & Risk Manager is responsible for the delivery of internal audit, insurance and risk management. Directly employed internal audit staff do not review insurance or risk management related areas.
28	Is the Panel satisfied that internal audit reports to the appropriate member of the senior management team?	Internal Audit reports to the Director of Commerce & Technology. This is included in the Terms of Reference.
29	Is the Panel satisfied that <ul style="list-style-type: none"> • the work of internal audit is properly planned, completed, supervised and reviewed? • there are adequate quality assurance procedures in place? 	Yes – via the annual review of effectiveness and the conclusions of the peer review and external audit.

	Issue	Panel's Response
30	Is the Panel content that internal audit reports are issued on a timely basis?	Yes – this is one of the performance indicators reported to the Panel by the Internal Audit Manager.
31	Is the Panel satisfied that the judgements made by the internal auditors are appropriate given the evidence arising from their audit work?	Yes – customer feedback is consistently high, which indicates satisfaction with the approach taken by internal audit and the findings that are being reported.
32	Are reports on the work of <ul style="list-style-type: none"> • external audit • and other inspection agencies presented to the Panel?	External audit, Yes. (Audit Plan, Final Accounts, Audit Letter and Use of Resources and any other reports issued). Other inspection agencies reports are not routinely referred to the Panel. Item for action plan.
33	Does the Panel have the opportunity to comment upon the risks that are indentified in the external audit plan?	Yes – when it is presented to the Panel.
34	Does the Panel know what aspects of the Council's operation the external auditors consider to be of high risk; and are these commented upon?	High risk areas are listed in the audit plan. For 2008/09 the three items are shared services, workforce planning and the sustainability agenda. These were not specifically commented upon at the Panel meeting when the external auditors plan was discussed. There was discussion about these areas at the Panel effectiveness review meeting.
35	Is the Panel satisfied that external audit will be addressing these issues?	Yes. The audit letter will make reference to this work and its findings.
36	How do you know that the work of internal and external audit is properly coordinated?	The internal and external auditors attended the effectiveness review meeting and explained the process that they follow to prepare their annual work plans and the information that is shared between them. No concerns regarding this process were raised.
37	Is the Panel satisfied that the external auditors were not put under any undue pressure to either amend their audit plan or any of their findings?	The external auditors attend every meeting of the Panel and present their own reports. The Panel are satisfied that the external auditors would make whatever comments they felt were necessary of they have been subject to any undue pressure of any kind with regard to the work they have undertaken.
38	Is the Panel aware of any revisions to the external audit plan due to deficiencies in internal control or accounting records?	No revisions have been made.
39	Is the Panel satisfied that the auditors have no concerns about management's commitment to an effective control environment or operating style?	Yes. Any concerns would be implied within the Use of Resources report and by exception, within the annual opinion statement of the annual report.
Financial management is Adequate & Effective		
40	Is the Panels role on the consideration and/or approval of the annual accounts clearly defined?	Yes.

	Issue	Panel's Response
41	Does the Panel review and approve the annual accounts before the external auditors start work on them?	Yes. At the June meeting.
42	Does the Panel consider, prior to the accounts being approved by the Director of Commerce & Technology a range of issues to ensure they feel confident that the accounts have been produced accurately and in compliance with the relevant guidelines, e.g., <ul style="list-style-type: none"> • the suitability of accounting policies and treatments • that there has been a due process in preparing the accounts and that the process is robust • whether the accounts have been subject to sufficient review by management • changes in accounting treatment • the reasonableness of accounting estimates • the adequacy of notes to the accounts 	Officers' guide the Panel through the annual accounts prior to their approval at the June Panel meeting. This approach is approved by the external auditor. The Panel also have the opportunity raise questions on the accounts when the external auditor reports to the Panel in September on the outcome of his audit.
43	Does the Panel receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit work?	Yes
44	Do the Panel feel that they have sufficient understanding of management's procedures for preparing the annual accounts?	Yes. The process is considered to be robust.
45	Does the Panel have a mechanism to keep it aware of topical legal and regulatory issues (e.g. through circulars and training)?	No. Item for action plan.
	Complaints Process	
46	Does the Panel receive information on complaints and seek assurance that systems have been reviewed and/or amended when complaints have been upheld?	Yes – an annual report is submitted, detailing complaints received, service areas, type of complaint.
47	Does the Panel received information on matters referred to the Ombudsman?	Yes – information is included in the annual complaints report. Financial settlements in excess of £1000 are reported to and approved by the Panel.
	Fraud Awareness	
48	Does the Panel take a role in overseeing: <ul style="list-style-type: none"> • anti-fraud arrangements?; and • whistle-blowing strategies? 	Yes. Panel approved the Anti Fraud & Corruption Strategy. It also receives annual reports that consider amendments to the strategy and whistle-blowing allegations received.
49	Does the Panel believe that the arrangements that have been introduced for receiving and dealing with whistleblowing are satisfactory?	Yes.
50	Is the Panel aware of the work being done to counter fraud and assured that sufficient resources are available?	No. Item for action plan.

	Issue	Panel's Response
51	Are breaches of the Council's Codes reported to the Panel at the appropriate time?	Yes, via the Audit & Risk Managers reports. The Panel is aware that serious breaches may not be able to be reported until disciplinary or similar investigations have been concluded.
52	Does the Panel know if a Code of Conduct is distributed to employees?	Yes.
	Membership	
53	Has the membership of the Panel been formally agreed and a quorum set?	Yes, within the Constitution. Maximum of 7, of which no more than 3 and a minimum of 1 shall be members of the Cabinet. A minimum of 3 members are required to allow the Panel to meet. There was concern that if 3 Cabinet members were on the Panel, they could constitute a quorum for a meeting. Item for action plan.
54	Is the chair free of executive or scrutiny functions?	Yes
55	Are members sufficiently independent of the other key committee's of the Council?	The Panel feel that the width of background of the current members and their roles within the Council is conducive to good debate and review of the issues that are presented before it.
56	Have all Panel members' skills and experiences been assessed and training given for identified gaps?	No assessment has been undertaken. Item for action plan.
57	Can the Panel access other committees as necessary?	Should the Panel meet with the Chairman of the Scrutiny Panels to discuss areas of common interest? Item for action plan.
58	Is the Panel satisfied that its membership demonstrates independence and has the necessary skills and experience to do its job?	See question 55.
	Meetings	
62	Does the Panel meet regularly?	Yes – March, June, Sept & December. Four meetings are considered sufficient to consider Panel business.
63	Are meetings free and open without political influences being displayed?	Yes.
64	Does the Chairman of the Panel have the right to request private meetings with the external or internal auditor?	Yes.
65	Do the reports presented to the Panel contain sufficient details to allow decisions to be reached promptly?	Yes. The Panel would challenge Officers if reports were not sufficiently detailed.

	Issue	Panel's Response
66	<p>Is the Panel satisfied that:</p> <ul style="list-style-type: none"> • papers are circulated in good time: and • that minutes are received as soon as possible after the meeting? 	<p>Yes. Minutes for all meetings are published on the same day that the agenda for the next meeting is published. The Panel discussed the content of the minutes of the meetings and whether they contained sufficient information to allow other Members or members of the public to gauge the depth of debate that had been conducted. Item for action plan.</p>
67	<p>Is the Panel satisfied that all its recommendations are actioned appropriately?</p>	<p>Yes.</p>
68	<p>Is the Panel satisfied that officers are acting on and monitoring actions taken to implement agreed actions, whether from internal, external or other reporting bodies?</p>	<p>Information is presented regularly to the Panel on the internal audit actions. The Panel are concerned by the low implementation rate of internal audit actions. Panel are not informed of progress made to introduce external audit/other reporting bodies agreed actions. Item for action plan.</p>
69	<p>Is the Panel content that it has access to proper technical advice when necessary?</p>	<p>Yes.</p>
70	<p>Does the Panel have the benefit of attendance of appropriate officers at its meetings?</p>	<p>Yes.</p>
71	<p>Does the Director of Commerce & Technology (S151 Officer) or Head of Financial Services attend all meetings?</p>	<p>Yes.</p>

PROPOSED ACTION PLAN

Ref	Issue	Panel's Response	Proposed Action	Implementation Date
Terms of Reference				
2	Do the terms of reference follow the CIPFA model?	Yes – The terms of reference have been compared to the CIPFA model terms and felt to comply. Following discussion on others items, this item was re-considered and the Panel requested that a review of the terms of reference be undertaken.	It is proposed that this is considered by the Council Structure Working Group that was established by Cabinet on 4 September.	Dependant on Working Group report and proposals.
6	Do you feel that the all Members' of the Council are aware of the Panel, the work that it does and the importance of good governance?	No. Panel does not promote its own work our highlight the benefits that good governance can bring to the Council.	The Chairman of the Panel to outline the work that is undertaken by the Panel, on behalf of all Members, when he introduces the report to Council that includes reference to the Annual Corporate Governance Statement.	3 December 2008
Risk Management				
10	How does the Panel satisfy itself that the risk management ethos is being embedded into all areas of the Council?	It receives risk management reports on a frequent basis explaining the risks that are being identified across the Council. It also receives an annual report from the risk management group on the work that it has undertaken. Whilst all Members' of the Panel, Cabinet & Chairman of the Scrutiny Panels have received risk management training there is a concern that other Members may not be aware of the risk management process.	The Audit and Risk Manager, in conjunction with the Head of Administration, to ask all Members if they require risk management training, and depending on need, hold short training sessions that explain the Council's approach to managing risk.	Request to Members October 2008 Training by January 2009

Ref	Issue	Panel's Response	Proposed Action	Implementation Date
Corporate Governance Statement				
13	Have issues that are being raised in the statement been considered by the Panel prior to the statement being presented to them?	The governance statement is being presented to the Panel in September. It is proposed that an informal briefing be held prior to the meeting to consider the statement and this question.	Subject to discussion at the meeting.	
14	How could Officers' improve the information that the Panel receive regarding the review of the effectiveness of corporate governance arrangements?	In future years, should a member of the Panel be invited to attend the officer group meetings that consider the evidence and prepare the statement?	The Chairman of the Panel will be invited to attend the meetings that are held to prepare the statement.	For September 2009 statement
External Audit & Inspection Process				
32	Are reports on the work of <ul style="list-style-type: none"> • external audit • and other inspection agencies presented to the Panel?	External audit, yes. (Audit Plan, Final Accounts, Audit Letter and Use of Resources and any other reports issued). Other inspection agencies reports are not routinely referred to the Panel.	All Heads of Service to report to the Panel on any external inspection report that makes comment on the Council's internal control or governance.	Ongoing
Financial Management is Adequate & Effective				
45	Does the Panel have a mechanism to keep it aware of topical legal and regulatory issues (e.g. through circulars and training)?	No.	All Heads of Service to ensure that the Head of Administration is advised of any relevant items so that they can be added to the Panel's agenda and/or result in training sessions.	Ongoing

Ref	Issue	Panel's Response	Proposed Action	Implementation Date
Fraud Awareness				
50	Is the Panel aware of the work being done to counter fraud and assured that sufficient resources are available?	No..	A report from the Head of Revenue Services shall be presented to the Panel, prior to the adoption of the annual governance statement, summarising the work that is being done to counter fraud.	September 2008
Membership				
53	Has the membership of the Panel been formally agreed and a quorum set?	Yes, within the Constitution. Maximum of 7, of which no more than 3 and a minimum of 1 shall be members of the Cabinet. A minimum of 3 members are required to allow the Panel to meet. There was concern that if 3 Cabinet members were on the Panel, they could constitute the quorum for a meeting.	It is proposed that this be referred to the Council Structure Working Group that was established by Cabinet on 4 September.	Dependant on Working Group report and proposals.
56	Have all Panel members' skills and experiences been assessed and training given for identified gaps?	No assessment has been undertaken	Following the review of the Panel's terms of reference, Panel members are to consider any gaps in their knowledge and inform the Head of Administration so that training can be arranged. This exercise should be conducted annually.	3 months after the review of the Panel's terms of reference and annually thereafter
57	Can the Panel access other committees as necessary?	Should the Panel meet with the Chairman of the Scrutiny Panels to discuss areas of common interest?	For information: Scrutiny Panels are charged with scrutinising the discharge of both executive and non-executive functions of the Council. If the Panel has a concern about the Council's financial management or governance arrangements, it can draw this to the attention of the Cabinet or other relevant committee or can commission the appropriate Scrutiny Panel to investigate and report.	

Ref	Issue	Panel's Response	Proposed Action	Implementation Date
	Meetings			
66	<p>Is the Panel satisfied that:</p> <ul style="list-style-type: none"> papers are circulated in good time: and that minutes are received as soon as possible after the meeting? 	<p>Yes. Draft minutes are produced after each meeting but are not published until the Agenda is despatched for the next ensuing meeting of the relevant committee (as required by legislation). The Panel discussed the content of the minutes of the meetings and whether they contained sufficient information to allow other Members or members of the public to gauge the depth of debate that had been conducted.</p>	<p>For information: Minutes of meetings are not a verbatim record of discussions and decisions but contain an accurate record of decisions taken and reflect the tenor of any debate. The proper officer and his staff exercise their professional judgement as to the required length and content of individual minutes, based upon the nature and complexity of the subject matter.</p>	
68	<p>Is the Panel satisfied that officers are acting on and monitoring actions taken to implement agreed actions, whether from internal, external or other reporting bodies?</p>	<p>Information is presented regularly to the Panel on the internal audit actions.</p> <p>The Panel are concerned by the low implementation rate of internal audit actions.</p> <p>Panel are not informed of progress made to introduce relevant agreed external audit/other reporting bodies agreed actions.</p>	<p>If the target for agreed audit actions is not achieved, COMT be asked to propose further steps to achieve the target.</p> <p>Agreed actions are to be monitored by the Policy and Strategic Services Manager and reported to the Panel.</p>	<p>Ongoing</p> <p>Ongoing</p>
	Other			
	<p>Frequency of further reviews of the Panel's effectiveness.</p>	<p>It was felt that a review every three years prior to the production of the Corporate Governance Statement was appropriate.</p>	<p>A further review be undertaken in August 2011.</p>	<p>August 2011</p>

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**GOVERNANCE STATEMENT
(Report by the Head of Policy & Strategic Services)**

1. INTRODUCTION

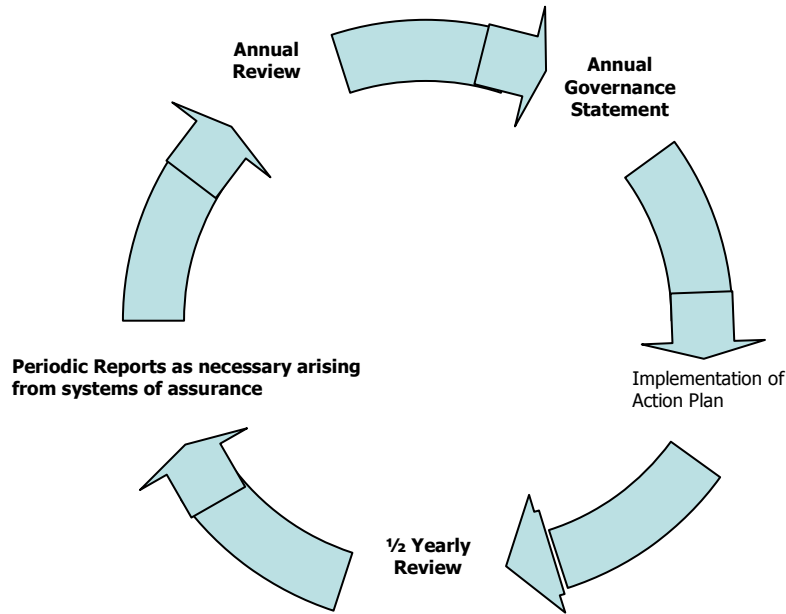
- 1.1 The purpose of this report is to seek the approval of the Panel to a Governance Statement on arrangements for the Council's corporate governance activities.

2. CODE OF GOVERNANCE

- 2.1 In its simplest form, Governance is ensuring that the Council is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner.
- 2.2 In response to this, the Council has adopted a Code of Governance which sets out and describes the way in which it carries out its functions and complies with the principles of openness, integrity and accountability. These principles apply to elected Members and employees alike and they are reflected in the Council's working procedures and processes in the interests of establishing and maintaining public confidence in what we do as an organisation. The Code is consistent with the framework "Good Governance in Local Government" published by CIPFA/SOLACE, a copy of which is available at
or on request from the Head of Policy & Strategic Services.

3. ASSURANCE FRAMEWORK

- 3.1 To provide assurance that the Council is meeting the requirements of the Code and delivering good governance, the Panel had put in place an annual cycle of review which includes –
- adoption of a Governance Statement;
 - implementation of an action plan associated with the Governance Statement;
 - a half-yearly review of progress against the action plan;
 - continued reference to systems and reports providing assurance and support for good governance; and
 - an annual review of governance arrangements.
- 3.2 This cycle is designed to reflect good practice in delivering a framework of assurance for Members and employees in terms of governance arrangements and to help ensure accountability and transparency for local people and other stakeholders, such as the Council's external auditors and Government Inspectors. It is shown graphically in the diagram below.



3.3 During the last year the Panel has adopted a Governance Statement and associated action plan, undertaken a half-yearly review and received periodic reports as necessary arising from the systems of assurance.

4. ANNUAL REVIEW AND GOVERNANCE STATEMENT

4.1 In accordance with the local Code, the assurance framework and current good practice, each year the Council is required to carry out a review of governance arrangements. The purpose of the review is to conclude the cycle of review as embedded in the assurance framework to assess that governance arrangements are adequate and operating effectively or to identify action which is needed to ensure effective governance in the future.

4.2 The review comprises an analysis of the practical application of the core principles, supporting principles and specific requirements set out in the Council's Code of Governance. This analysis reflects the work of service managers responsible for the development of the governance framework. In addition, members of this Panel, together with the Executive Councillors with responsibility for financial and non-financial governance, have been given an informal opportunity to take part in and contribute towards that annual review.

4.3 In accordance with the assurance framework, the review is informed by internal reporting such as the Audit Manager's Annual Report and comments made by external auditors and/or other inspectorates. It incorporates an assessment of action taken to address issues identified in the last Governance Statement.

4.4 The outcome of the review takes the form of a new Governance Statement prepared on behalf of the Leader of the Council and the Chief Executive (Appendix A). It is expected that the Corporate Governance Panel should consider the Statement as part of their

responsibilities, which would then be expected to be counter-signed by the Chairman of the Panel.

- 4.5 The Governance Statement has been prepared in accordance with the statutory requirement of the Accounts & Audit Regulations which require the Council to "conduct a review at least once a year of the effectiveness of its system of internal control" and to prepare a statement on internal control "in accordance with proper practices". As such, the Statement is signed also by the Director of Commerce & Technology as the Council's Responsible Finance Officer, who is required to offer an opinion on the effectiveness of the systems of internal control.

5. CONCLUSIONS

- 5.1 The Governance Statement for 2008/09 reviews the Council's governance arrangements and their exercise during the preceding year. It details specific issues which were addressed and identifies other for future consideration. The Statement is an essential element in assuring proper governance practices in the conduct of the Council's business, in safeguarding the use of resources and in engendering confidence in the accountability and integrity of the Council on the part of local residents and other stakeholders.

6. RECOMMENDATION

- 6.1 The Panel is recommended to approve the Governance Statement for 2008/09 and to authorise the Chairman of the Panel to countersign it.

BACKGROUND INFORMATION

The Council's Code of Corporate Governance
The Governance Statement, September 2007
The CIPFA/SOLACE framework "Good Governance in Local Government 2007"
The CIPFA Finance Advisory Network Annual Governance Statement – Rough Guide

Contact Officer: Ian Leatherbarrow, Head of Policy & Strategic Services
☎ (01480) 388005

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HUNTINGDONSHIRE DISTRICT COUNCIL

GOVERNANCE STATEMENT

Huntingdonshire District Council is responsible for ensuring that –

- its business is conducted in accordance with the law and proper standards; and
- public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In carrying out these duties, Members and senior Officers are responsible for putting in place proper arrangements for governance of the Council's affairs and the stewardship of the resources at their disposal. To that end, the Council has approved and adopted a Code of Governance, which reflects the principles and requirements of the Chartered Institute of Public Finance and Accountancy/Society of Local Authorities Chief Executives ("CIPFA/SOLACE"). The Code is published on the Council's website at www.huntingdonshire.gov.uk and hard copies are available on request from the Head of Policy and Strategic Services.

The Code of Governance was updated in August 2007 to reflect the framework for "Good Governance in Local Government" published by CIPFA/Solace in June 2007 and adopted, by the Corporate Governance Panel, in September 2007.

The principles and the Code sets out and describes the way in which the Council carries out its functions and complies with the principles of openness, integrity and accountability. The principles apply to elected Members and employees alike, and they are reflected in the Council's working procedures and processes in the interests of establishing and maintaining public confidence.

The Council's Code of Governance recognises that effective governance is achieved through the following **core principles**:

- 1) focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for Huntingdonshire.
- 2) Members and employees working together to achieve a common purpose with clearly defined functions and roles.
- 3) promoting the values of the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- 4) taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- 5) developing the capacity and capability of Members and employees to be effective.

- 6) engaging with local people and other stakeholders to ensure robust local public accountability.

In the Code these six core principles have a number of **supporting principles** which, in turn, have **specific requirements**. These principles and requirements apply across the work of the Council and define the Governance Framework.

1. The Governance Framework

The Governance Framework has been in place for the year ended 31st March 2008 and up to the date of approval of the statement of accounts.

The Council's powers and duties of Council Committees and Panels require the Corporate Governance Panel (among other things) to –

- ensure that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions including arrangements for the management of risk; and
- consider the Council's Code of Corporate Governance and approving the annual statement in that respect.

In turn the Council's Director of Central Services & Monitoring Officer (note this post is currently vacant and interim arrangements have been put in place whereby the Chief Executive and Head of Legal and Estates will exercise these delegations) has been given responsibility for –

- overseeing the implementation and monitoring the operation of the Code;
- reviewing the operation of the Code in practice; and
- reviewing and reporting annually to the Corporate Governance Panel on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

2. Communicating vision and purpose

The Council has in place a Community Strategy which sets out a vision shared with partners for Huntingdonshire. The Strategy currently is under review. In addition the Council has a Corporate Plan – "Growing Success" which sets out our vision and our purpose. The Council has recently reviewed "Growing Success" by identifying and prioritising community and Council objectives, which will help to achieve the vision. The Council has put in place a communications plan to ensure the vision and priorities are clearly communicated to local residents and stakeholders. The Council undertakes an annual survey of residents based on measures and targets in Growing Success to gauge levels of satisfaction of local residents and users of services. This is supplemented by other surveys, such as the Place Survey and Quality of Life survey.

The results of these surveys are made available to help service planning. There was extensive consultation in developing the first Community Strategy and the Huntingdonshire Strategic

Partnership has developed a programme to ensure the new Sustainable Community Strategy is representative of the views of local communities.

The Council's Communications & Consultation Strategy is used to promote and guide two-way communications with local residents. A review of this approach has been undertaken and a communications and marketing strategy and a strategy for consultation and engagement have been developed – both of which will enhance the existing practices and support good governance.

Work on incorporating arrangements in respect of partnerships - as identified by the Audit Commission's report on the governance of partnerships - in the Council's overall governance arrangements is now taking place and the 'partnership framework' is being used to evaluate and assess the risk of strategic and other partnerships.

3. Roles & responsibilities

Cabinet

The Council's Constitution provides a comprehensive explanation of the Council's administrative and managerial processes. Designed to illustrate the statutory division between executive and non-executive roles and responsibilities within the Council, the Constitution also defines the relationship between the Council and its citizens by means of a series of articles, procedure rules and codes of practice.

Articles and tables list the functions of the Executive, Scrutiny and Standards Committee arrangements as defined by the Local Government Act 2000 and explain how the Council has delegated its non-executive decision making to Committees and Panels. The role of Statutory Officers is defined, together with the management structure of the authority, and the Scheme of Delegation contains a comprehensive summary of all decision making powers delegated to Officers by the executive and non-executive parts of the Council. A series of procedure rules demonstrate clearly the inter-relationship between those various elements.

Overview & Scrutiny Panels

The Council has appointed 3 Overview and Scrutiny Panels (Service Delivery, Service Support and Corporate and Strategic Framework) which discharge the functions conferred by Section 21 of the Local Government Act 2000 in relation to the matters set out in Article 6 of the constitution.

Within their terms of reference, the Overview and Scrutiny Panels will:-

- review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- make reports and/or recommendations to the full Council and/or the Cabinet and/or any joint committee in connection with the discharge of any functions;
- review the performance of the Council and the achievement of performance indicators and targets;
- consider any matter affecting the area or its inhabitants; and

- exercise the right of call-in, for reconsideration, of decisions made but not yet implemented by the Cabinet, an individual member of the Cabinet, a committee of the Cabinet or a key decision made by an officer.

An annual report of the activities of the Overview & Scrutiny Panels is prepared and an action plan to enhance and improve the scrutiny process is in place

Governance Panel

The Council has established a Corporate Governance Panel to consider the issues of audit, governance and finance including:

- Ensuring that the financial management of the Council is adequate and effective.
- Approving the Council's statement of accounts
- Ensuring that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions including arrangements for the management of risk.
- Considering the Council's Code of Corporate Governance and approving the annual statement in that respect
- Determination of the Council's complaints procedure, monitoring compliance with the procedure, compensatory payments to complainants and formulation of recommendations to the Cabinet or Council on any action to be taken as a consequence
- Receiving and considering the external auditor's annual management letter

4. Codes of conduct defining standards of behaviour

A Members' Code of Conduct provides the statutory framework for the ethical conduct and behaviour of Members of the Council and persons appointed or co-opted to Committees. Training is provided by the Monitoring Officer to ensure Members are thoroughly aware of the standards expected of them and to embed the principles set out in the Code into the culture of the Council. Notwithstanding the absence of a statutory model, an Employees' Code of Conduct defines the behaviour that the Council expects of its employees, with training provided as part of the induction process and annual reminders issued to both Members and employees of the need to register any new or changed interests. A protocol for relations between Members and employees establishes the principles to be observed in the relationships at both an individual level and between executive and non-executive bodies and employees. A further protocol on community leadership by Members and Codes of Good Practice for both planning and licensing explain to Members the high standards of behaviour and conduct expected of them in carrying out their constituency and quasi-judicial decision making roles. Published on the Council's Internet and Intranet, the Codes and protocols are supplemented by training to ensure a thorough understanding and compliance with the principles and standards that they establish. Responsibility for receiving complaints and carrying out the preliminary assessment of what action, if any, is required, transferred from the Standards Board for England to local authority Standards Committees in May 2008. The Council has made the necessary changes to its Constitution and put in place the appropriate procedures to deal with this additional responsibility

5. Review of the Constitution

The Council's Constitution, which incorporates the Council procedure rules (Standing Orders), Code of Financial Management (financial regulations), Code of Procurement (Standing Orders as to Contracts) etc., is reviewed formally at biennial intervals, with an opportunity provided for both the executive and non-executive, as well as individual Members and senior management, to reflect on its robustness and operation in practice over the previous two years. Interim changes may be made from time to time that are necessitated by legislative developments, reviews of working practices or alteration to decision making responsibilities. Any such change is communicated by updating the Constitution both electronically on the Internet and Intranet and in hard copy.

Arrangements have been made to ensure that reports to Members are subject to completion of a template that requires authors to certify that they have had regard to the implications implicit in the report, including legal, financial and risk issues.

6. Development needs

Members

A training and development programme has been designed for Members that embraces the professional, organisational and behavioural knowledge and skills that they require to enable them to perform their roles both internally and within the community. Skills and needs audits are undertaken periodically and personal development plans will be prepared for individual Members. A record of all training undertaken is held on Members' individual files. Training is provided both internally by senior management and by external consultants and specialists.

A Members' induction scheme is in place for new Members. Specific training is provided for Members who sit on the –

- Licensing Committee/Panel
- Development Control Panel
- Standards Committee
- Overview & Scrutiny Panels
- Corporate Governance Panel.

Officers

The Council is committed to developing the skills of employees to enable roles to be carried out effectively and enhance career progression. Skills of employees are assessed as part of the annual appraisal process and an appropriate personal training and development plan is agreed. In addition, an annual Management Development training programme is in place.

7. Internal Audit

Internal audits are undertaken in accordance with the CIPFA Code of Audit Practice. The Director of Commerce & Technology is accountable for the Council's internal audit arrangements. A risk-based strategic plan detailing the risks and activities of the Council is

prepared, from which the annual audit plan is drawn. Written reports are prepared for all audits: these include an opinion on the degree of risk perceived and the assurance that can be obtained from the system.

8. Whistleblowing

A Whistleblowing Policy and Procedure have been adopted, and is available on the Council's Website and Intranet. They are reviewed annually and publicised widely. A 'phone line and 'web form' are available for complainants' use at all times.

9. Complaints Procedure

A complaints procedure is in place to identify and deal with failure in service delivery. Complaints can be made, in person at the Council offices, via telephone, fax, e-mail or the Council's website.

10. RIPA

A policy has been adopted by the Council dealing with covert surveillance under the Regulation of Investigatory Powers Act 2000 and is published on the intranet. A group of officers has been established and meets on a regular basis to discuss surveillance issues and appropriate training is provided to staff and members. The 3rd Inspection Report of the Office of Surveillance Commissioners, published in June 2008 described the Council's use of RIPA as 'exemplary'.

11. Risk Management

The Council maintains a risk register which contains the significant corporate and operational risks which are likely to affect the achievement of corporate objectives. The register is reviewed by a Risk Management Group, who report to the Chief Officers' Management Team and the Corporate Governance Panel. The Cabinet are responsible for formally deciding the acceptability of the highest levels of residual risk or if additional mitigation is required. Amendments to the risk management strategy were approved in June 2007 and the Council is working towards raising their Use of Resources Assessment score for risk management to '3'. The Risk Register is in place and Risk software has been purchased and regular reports are submitted to the Corporate Governance Panel. Training has been provided to Corporate Governance Panel and other Members.

12. System of Internal Control

Central to the governance environment is a system of 'Internal Control' designed to manage risk to a reasonable level rather than to eliminate all risk. The system is based on a continuing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood of those risks occurring and the impact should they occur; and to manage them proportionately and effectively.

The effectiveness of the system of internal control is informed by –

- the Internal Audit Manager's annual opinion on the internal control environment;

- the Council's performance management framework which has recently been revised and refreshed in conjunction with a review of the Corporate Plan "Growing Success";
- the consideration and monitoring by the Chief Officers' Management Team of reports and decisions prepared for, and taken by, Cabinet;
- reviews of the Constitution which have included variations to the Council's overview and scrutiny processes;
- the 2007/08 Audit and Inspection Letter from the Audit Commission; and
- the Council's Improvement Plan – incorporating the Use of Resources Assessment Action Plan.

The Council's responsible Finance Officer, the Director of Commerce & Technology, is of the opinion that the system's of internal control are adequate and that no significant weaknesses were identified during 2007/08 or since.

13. Review of Effectiveness – Assurance Framework

To ensure that the Council is complying with it's Governance arrangements and meeting the requirement's of the code (as set out in the principles, core principles and specific requirements) an annual cycle is in place which includes:

- an annual review of governance arrangements;
- preparation of an Annual Governance Statement (AGS);
- implementation of an action plan associated with the AGS;
- a half yearly review of progress against the action plan; and
- continued reference to systems and reporting as necessary to provide assurance and support for good governance.
- the Audit Manager's annual report and comments by the external auditors and other inspections

This cycle is designed to reflect good practice in delivering a framework of assurance for Members and employees in terms of governance arrangements and to help to ensure accountability and transparency for local people and other stakeholders such as the Council's external auditors and Government inspectors.

The Corporate Governance Panel has overall responsibility within the Council for ensuring that the assurance framework is in place and operating effectively. To that end, it has considered its own effectiveness to ensure that it was receiving all the information necessary to fulfil its terms of reference and fulfil its 'charged with governance' role. An action plan has been prepared to deal with issues that were highlighted by the review.

14. Governance of Partnerships

Increasingly the Council is seeking to promote joint working and partnership to deliver local objectives. Having developed a Partnership evaluation framework (including the good Governance of partnerships as identified in the Audit Commission's report on the governance of partnerships) and undertaken an initial assessment of our strategic partnerships a programme is being implemented to continue to review strategic partnerships (3 year programme) and

operational partnerships. In addition the Council is actively involved in a review of the structure and governance of county wide partnerships, supporting the delivery of the Local Area Agreement.

15. Annual Audit and Inspection Letter: (March 2008)

The Annual Audit and Inspection Letter provides a summary of the Audit Commission's assessment of the Council. It draws on findings from inspections during the year including the 'Direction of Travel' report and the external auditor's assessment of how well the Council has managed their resources – the Use of Resources Assessment.

The main messages of this letter were –

“The Council is making improvement in many priority areas. Recycling and composting performance remains amongst the best nationally. Access to services has improved. The Council continues to perform well in the use of resources and value for money”.

The Annual Audit and Inspection Letter highlighted one area where action is needed by the council:

“Maintain focus on service performance in order to improve the rate of improvement and tackle areas of comparative under performance”.

The Annual Audit and Inspection Letter is available on the Council's website and from the Director of Central Services.

The **Use of Resources Assessment** is designed to assess how well local authorities manage and use their financial and other resources. The Assessment focuses on the importance of having available sound and strategic financial and resource management to ensure that resources are available to support the Council's priorities and to improve services.

The Use of Resources Assessment covers five themes, each of which were assessed on a 1 – 4 scale, 1 representing inadequate performance, 2 adequate performance, 3 good performance and 4 innovative practice. The Council's scores for each of the five themes are reproduced in the following table:-

Theme	2006/07
Financial reporting	3
Financial management	3
Financial standing	3
Internal control	2
Value for money	3

This level of performance equates to the Council performing well and consistently above minimum requirements on the Audit Commission scale.

From 2007/08 the criteria for assessing compliance against some of the Key Lines of Enquiry in the assessment have been raised, as a result of which the Council will have to perform to a higher standard to maintain or improve previous scores. Similar raising of standards is likely in future years.

Development areas identified by other external organisations or by the Council are incorporated into the Council's overall Improvement Plan. Progress on the achievement of this Plan is monitored by both the Overview & Scrutiny Panels and by the Cabinet.

16. Governance Issues Previously Identified

In last year's statement, and as a result of other considerations, the Council identified their perception of the need to develop aspects of the governance arrangements. These are highlighted in bold, together with information on the progress in dealing with these issues:

- **developing and implementing the Partnership framework;**

A health check has been approved, evaluation of strategic partnerships completed and an ongoing review procedure being established. Also, Partnership arrangements in place with other Cambridgeshire authorities and partners to implement the Local Area Agreement (Cambridgeshire Together) and the associated scrutiny arrangements (Joint Accountability Committee).

- **budget monitoring processes;**

The most significant areas (identified in the risk assessment) were the monitoring of the achievement of the turnover allowance and refinements to the monitoring of recharges from revenue to capital. These have now been introduced.

Budget variations were identified much earlier in 2007/08 than previous years

- **reporting on planned savings and efficiency gains;**

Identified spending adjustments are deducted from relevant budgets so that monitoring is mainstreamed into budget monitoring. The target for further spending adjustments in 2009/10 was partly identified within the 2008/09 budget and the remainder will be identified before the 2009/10 budget is finalised

- **monitoring compliance with constitution;**

Inclusion of explanatory information in employee induction. Introduction of report checklist for committee reports which requires authors to certify compliance with constitution. Programme of regular updates in Team News to be implemented

- **further development to the approach to equalities, specifically implementing arrangements to facilitate progress in relation to the Local Government Standard for Equalities;**

Making progress in delivering the Equality Impact Assessment programme and actions identifies in the Corporate Equality Policy action plan.

- **ensuring capacity is in place to enable sustained service improvement while managing major projects;**

Corporate training programme (CTP) in place, supplemented by specific professional/management training identified from annual performance development reviews. Successful MTP bid will increase the CTP from 2008/09 to cater for the new skills that will be required. Where appropriate additional resources have been available to support capacity while implementing new

- **developing consultation and engagement with local communities;**

Consultation and Engagement strategy developed and adopted by Cabinet in February 2008, an annual consultation exercise with local residents undertaken in March 2008, a system of e-petitions has been introduced to encourage greater access to democratic process and arrangements for public speaking at meetings of Development Control Panel introduced.

- **Improving the overall Assurance opinion on the System of Internal Control;**

The percentage of agreed audit actions introduced has increased throughout the year and the number of "slightly late" introductions show that there is a realistic potential for achieving the target in the current year. Paragraph 12 above concludes that the overall system of control is adequate.

- **Put in place effective arrangements to identify and deal with failure in service delivery;**

The corporate complaints system will be reviewed during 2008/09. Completion by Autumn 2008

- **Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained;**

A protocol has been developed.

17. Governance Issues

While generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the Council has identified the following issues for attention in the forthcoming year -

- Put in place effective arrangements to identify and deal with failure in service delivery.
- Tackle areas of comparative under performance
- Maintain the high profile of delivering agreed audit actions on time by effective monitoring, and reviewing achievements when Chief Officer Management Team consider Heads of Service quarterly performance reports.

- Delivery of the Review of Council structure being led by Cabinet Member
- Biennial review of the constitution will be undertaken in spring 2009 to address any issues not dealt with in the structural review.
- Delivery of Improvement plan, (external inspection action plans incorporated into Council Improvement plan i.e. Use of Resources, Value for Money, Data Quality etc).
- Undertake Partnership review programme

During the coming year steps will be taken to address these issues to further enhance the Council's Governance arrangements. In these circumstances we are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation through the Council's Improvement Plan and as part of our next annual review.

Signed:

Ian Bates
Leader of the Council

Signed:

David Monks
Chief Executive

Signed:

Terry Parker
Director of Commerce & Technology

I hereby confirm that the Councils Corporate Governance Panel have approved the Governance Statement

Signed:

Councillor C J Stephens
Chairman of the District Council's Corporate Governance Panel

Pathfinder House
St Mary's Street
HUNTINGDON
Cambs PE29 3TN
September, 2008

**APPROVAL FOR PUBLICATION OF THE 2007/08 ACCOUNTS
(Report by the Head of Financial Services)**

1. PURPOSE

- 1.1 To complete the processes for finalising and publishing the Council's accounts for 2007/08.

2. BACKGROUND

- 2.1 At its June meeting the Panel approved the draft accounts for audit. The remaining steps to the process are:

- Approving the Corporate Governance Statement (item on your agenda)
- Approving the Council's Letter of Representation
- Receiving the Auditor's report
- Approving the revised accounts

- 2.2 All but the Corporate Governance Statement are being finalised with the auditors and will be circulated as soon as they are available.

3. APPROVING THE COUNCIL'S LETTER OF REPRESENTATION

- 3.1 Each year a letter has to be given to the auditor by the Council which explains what the Council has done to ensure its financial records are accurate. It is best practice for the Panel to approve the content of this letter.

4. RECEIVING THE AUDITOR'S REPORT

- 4.1 This will be presented to the meeting by Paul Winrow, a Director at Grant Thornton UK LLP.

- 4.2 As usual, the auditors have found a number of changes, mainly very minor, that need to be made to the accounts. Their report may also propose some actions for the future and give the Council's response.

- 4.3 It is expected that we will receive an unqualified audit opinion on the final accounts.

5. APPROVING THE REVISED ACCOUNTS

- 5.1 The revised set of accounts which include the changes requested by the Auditor's is currently being finalised and will be circulated as soon as they are available.
- 5.2 It is best practice for the Panel to approve the revised accounts for publication.

6. RECOMMENDATIONS

- 6.1 It is recommended that the Panel:
- Approve the Letter of Representation and authorise the Director of Commerce and Technology to sign it on behalf of the Council.
 - Receive the Auditor's report and note the action plan for dealing with the matters highlighted.
 - Approve the revised accounts for publication.

ACCESS TO INFORMATION ACT 1985

Final Accounts and Working Papers held in the Accountancy Section

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

**Grant Thornton UK LLP
Byron House
Cambridge Business Park
Cambridge
CB4 0WZ**

23 September 2008

Dear Sirs

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

We are writing to confirm to the best of our knowledge and belief, and having made appropriate enquiries of other officers of the authority, the following representations given to you in respect of your audit of the above financial statements for the year ended 31 March 2008.

- i We acknowledge our responsibilities for ensuring that financial statements are prepared which present fairly the financial position of the authority and for making accurate representations to you
- ii As far as we are aware:
 - a. there is no relevant audit information of which you are unaware; and
 - b. we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that you are aware of that information
- iii All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the authority have been properly reflected and recorded in the accounting records
- iv All other records and related information, including minutes of all authority and Committee meetings, have been made available to you
- v We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the 2007 SORP, we selected the estimation technique considered to be the most appropriate to the authority's particular circumstances for the purpose of giving a presents fairly view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:

- a. to reduce debtors to their estimated collectable amounts;
 - b. for any impairment losses identified in relation to tangible fixed assets

- vi On the basis of the process we established to enable us to include the information required by FRS 17 "Retirement benefits" in our financial statements, and having made appropriate enquiries, we confirm that we are satisfied that the actuarial assumptions underlying the valuation of scheme liabilities are consistent with our knowledge of the business. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for unfunded commitments

- vii The financial statements are free of material misstatements, including omissions

- viii We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud

- ix We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud

- x We are not aware of any irregularities, including fraud, involving management or employees of the authority; nor are we aware of any instances of actual or possible non-compliance with laws, regulations, contracts, agreements or the authority's constitution that might result in the authority suffering significant penalties or other loss. No allegations of such irregularities, including fraud, or such non-compliance have come to our notice

- xi We have disclosed to you all related parties and there were no transactions with officers, members or other related parties which should be disclosed in the financial statements. We are aware that not all officers and members have confirmed their interests/related parties for 2007/8 and have taken appropriate action to address obtain this information.

- xii Except as stated in the accounts:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the authority has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

- xiii There are no employee or other claims, legal proceedings or other matters which may lead to a loss falling on the authority or which could result in the creation of an unrecorded asset, that should be

disclosed in the financial statements

- xiv The authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance
- xv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements
- xvi No significant events having an effect on the financial position of the authority have taken place since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto
- xvii We believe that the authority's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the authority's needs. We believe that as at 23 September 2008 no further disclosures relating to the authority's ability to continue as a going concern need to be made in the financial statements.
- xviii We have adjusted the misstatements brought to our attention on the audit differences and adjustments summary, attached to this letter, where they are material to the results of the authority and financial position at the year-end

The financial statements have been fully explained to and discussed with us.

Approval

The approval of this letter of representation was minuted by the Corporate Governance Panel at its meeting on 23 September 2008.

Signed on behalf of Huntingdonshire District Council.

Terry Parker
Director of Commerce and Technology
23 September 2008

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Huntingdonshire District Council

Annual report to those charged with governance 2007/08

September 2008

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1 Introduction

Background and purpose of the report

- 1.1 Huntingdonshire District Council ('the Council') is responsible for the preparation of accounts which record its financial position as at 31 March 2008 and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Council's accounts 'present fairly' the financial position of the Council. Our detailed findings are set out in section two.
- 1.2 Under the Audit Commission's Code of Audit Practice we are also required to reach a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion'). The pieces of work that have informed our VFM conclusion, and our detailed findings, are set out in section three.
- 1.3 The Audit Commission's Statement of Responsibilities, which sets out the respective responsibilities of the Council and the auditor in relation to the accounts and arrangements for securing economy, efficiency and effectiveness in the use of resources, have been re-produced in full in Appendices E and F and reflects the scope of our audit.
- 1.4 This report summarises the principal matters arising from our audit. The issues raised have been discussed with the Head of Financial Services and his team and other officers as appropriate. Auditing standards require us, as the Council's external auditors, to report to those charged with governance certain matters before giving an opinion on the accounts and the Code of Audit Practice requires us to report key matters relating to our VFM conclusion. For the Council, this function will be carried out by the Corporate Governance Panel at its meeting on 23 September 2008.

The accounts opinion

- 1.5 We have performed our audit of the 2007/08 accounts in accordance with the Audit Commission's Code of Audit Practice and applicable auditing standards. Our approach follows that set out in the Audit and Inspection Plan 2007/08, agreed with the Council.
- 1.6 At the time of reporting to the Corporate Governance Panel, the audit is substantially complete and we expect to issue an **unqualified opinion on the Council's accounts** by the 30 September deadline.
- 1.7 As was the case in 2006/07 the Council continues to prepare accounts that are free from material error and misstatements and are supported by adequate working papers.

- 1.8 However, audit procedures did identify that the Council had not accounted for £540,000 of revenue expenditure in its net cost of services. This related to money transferred from an earmarked S106 reserve which was spent on housing services. The adjustment is significant and has increased the in-year deficit on the income and expenditure account by the same amount. It has not, however, impacted on the general fund balance as because of the nature of the transaction, the amount is required by statute to be excluded when determining the movement on the General Fund balance.
- 1.9 One area where the draft accounts did not comply with the 2007 SORP was that the Council had not prepared disclosure notes for its financial instruments. This was raised with the Council and these adjustments have now been made as set out in section 2.
- 1.10 There were no further significant adjustments identified that require amendment to the accounts or that require reporting to you, as those charged with governance.
- 1.11 We are required to provide an audit opinion on the consolidation pack that is to be completed as part of Whole of Government Accounts. This work is not covered by our opinion on the Council's accounts. The deadline for the submission of the Whole of Government Accounts for audit was 31 August 2008. However, the Council has not yet submitted this return to use. As a result, there is a risk that we may not meet the deadline for the completion of this work (1 October).
- 1.12 We recommended a number of changes to the Annual Governance Statement ('AGS') to ensure that is aligned with the Delivering Good Governance In Local Authorities Framework as published by SOLACE and CIPFA. These changes have been processed by the Council.
- 1.13 Further details of our accounts audit are given in section two.
- 1.14 Finally, we would like to draw to the attention of those charged with governance further significant changes that will happen to the Statement of Accounts in future years. The most significant of which is the full implementation of International Financial Reporting Standards ('IFRS') in 2010/11. Although this may seem a long way off, it is important that Council's start planning now, as there will be significant changes to the accounts, and our experience in other sectors shows that audited bodies that are well planned for the transition to IFRS have fewer amendments to their accounts and would not be charged additional audit fees, compared to those that are not well planned. We would be happy to share our experiences of working with CIPFA in this area, as well as involving our Financial Reporting Advisory Group who are specialists in planning for IFRS.

Value for Money Conclusion

- 1.15 We have substantially completed our work on the Council's arrangements for achieving economy, efficiency and effectiveness in its use of resources and we expect to issue an **unqualified VFM conclusion** by the 30 September deadline.

- 1.16 In giving our VFM conclusion, we have also considered emerging findings from our 2008 use of resources key lines of enquiry (KLoE) assessment. Following national submission of our KLoE scores and Audit Commission quality assurance, we will write to the Council confirming 2008 KLoE scores, in November 2008.
- 1.17 Key messages from this year's Use of Resources work are summarised in section three.

Use of this report

- 1.18 This report has been prepared solely for use by the Council to discharge our responsibilities under the Audit Commission Code of Audit Practice and relevant auditing standards and should not be used for any other purpose. No responsibility is assumed by us to any other person. This report should be read in conjunction with the Council's draft letter of management representation.
- 1.19 This report includes only those matters that have come to our attention as a result of performance of the audit. An audit of the accounts and Use of Resources is not designed to identify all matters that may be relevant to those charged with governance. Accordingly the audit does not ordinarily identify all such matters.
- 1.20 We would like to take this opportunity to remind the Corporate Governance Panel of the need to monitor implementation of the recommendations arising out of this report (see Appendix A) and other reports issued during the year (see Appendix C).

Independence

- 1.21 We are able to confirm our independence and objectivity as auditors and note the following:
- we are independently appointed by the Audit Commission
 - the firm has been assessed by the Audit Commission as complying with its required quality standards
 - the appointed auditor and client service manager are subject to rotation after a period of no longer than five years
 - we comply with the Auditing Practices Board's Ethical Standards. We have not undertaken any non-audit work for the Council in 2007/08 (Appendix D).

Acknowledgements

- 1.20 We would like to record our appreciation for the co-operation and assistance provided to us by the Council's officers and members during the course of our audit.

Grant Thornton UK LLP
September 2008

2 The accounts opinion

Introduction

- 2.1 We summarise in this section matters arising from our audit of the Council's 2007/08 accounts which we are required, under auditing standards, to report to those charged with governance.

Approach to the audit

- 2.2 We carry out work to enable us to report to the Council our opinion as to whether the financial statements 'present fairly' the financial position of the Council in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 ('the SORP').
- 2.3 Our approach to the audit was set out in our 2007/08 Audit and Inspection plan. We have planned our audit in accordance with auditing standards and the Audit Commission's Code of Audit Practice.
- 2.4 Other key factors to highlight include:
- we consider the materiality of items in the accounts both in determining the audit approach and in determining the impact of any errors
 - we have been able to place reliance on the key accounting systems operating at the Council for final accounts audit purposes
 - we have been able to place reliance on the work of internal audit in respect of the key accounting systems covered by their review.
 - no significant changes have been made to our audit approach in the year and as outlined in our Audit Strategy Document issued to the Council in May 2008.

Financial Performance

- 2.5 The Council has reported a deficit on the Income and Expenditure account of £10,305,000. The Council recorded an underspend against the budget of £2.5m in 2007/08, comprised of a number of positive and negative variances. Variances from the original budget included Local Authority Business Growth Incentive (LABGI) grant totalling £371,000 received in year from DCLG and an additional £244,000 of planning development grant. Taking advantage of favourable interest rate movements and the impact of this on investment income resulted in an additional £157,000 of income which had not been budgeted for.

- 2.6 As a result of this, the Council has added £1,170,000 (of which £280,000 is to fund delayed projects) to the general fund balance which now stands at £20,410,000. We have reviewed the Council's medium term plan which forecasts that by 2013/14, the balance of this fund will have been reduced to £3,000,000 through supporting forecast revenue expenditure.

Key audit findings

2.7 We summarise our key audit findings below:

Area	Key messages
Accounting policies and practices	<p>The Council has adopted appropriate accounting policies, in accordance with the 2007 SORP.</p> <p>There was one key area in which the draft accounts did not comply with the 2007 SORP, relating to financial instruments disclosures which were a new requirement for 2007/8. The Council had not included disclosures in the draft accounts. Management have now prepared and included appropriate disclosures in the revised Statement of Accounts so that they comply with the SORP.</p> <p>A number of other presentational changes were required to the accounting policies to ensure that they were compliant with the SORP and that they fitted the definition of principles, bases, conventions, rules and practices applied by the Council which specify how the effects of transactions and other events are reflected in its financial statements.</p> <p>We reviewed the Annual Governance Statement and proposed a number of changes to it to ensure that it complies with the Delivering Good Governance in Local Authorities framework.</p> <p>These details are also included in Appendix B.</p> <p>We are satisfied that the relevant financial information disclosed in the Explanatory Foreword is consistent with the accounts.</p>
Material risks and exposures	<p>The Council has confirmed in its draft letter of representation that it has no material risks and exposures, to date, which should be reflected in the accounts.</p> <p>Our audit procedures have not identified any significant risks and exposures to the Council, to date, which should be reflected in the accounts.</p> <p>This review will be updated on the date the Council signs the final letter of representation and we sign our audit opinion.</p>

Area	Key messages
Audit adjustments	<p>One significant adjustment was made to the accounts.</p> <p>The Council had not accounted for £540,000 of revenue expenditure in its net cost of services. This related to money transferred from an earmarked S106 reserve which was spent on housing services. The adjustment is significant and has increased the in-year deficit on the income and expenditure account by the same amount. It has not, however, impacted on the general fund balance.</p> <p>We also recommended a number of presentational adjustments, including misclassifications of balances and to improve clarity of disclosure of leases and financial instruments. Details are included in Appendix B.</p>
Unadjusted errors	<p>Management agreed to process all proposed adjustments, detailed in Appendix B. There are no unadjusted errors to report to the Corporate Governance Panel.</p>
Other matters	<p>The overall quality of the Council's working papers to support the 2007/08 accounts remain adequate; however, not all working papers were available at the start of the audit, for instance, the financial instruments disclosures and there were some delays in obtaining additional information.</p> <p>We were presented with draft accounts on 18 June 2008. The Corporate Governance Panel approved the draft accounts on 24 June 2008.</p> <p>The appointed day for electors to ask the auditor questions on the accounts this year was 4 September 2008. We received no questions or objections from the public in relation to the accounts.</p> <p>Having considered the Council's medium term financial strategy and 2008/09 budgets it is appropriate for the Council to account on a going concern basis.</p> <p>We have not identified any matters, that we have not already reported, that require the attention of the Corporate Governance Panel.</p> <p>Where we have identified control issues as a result of our work on the 2007/8 accounts audit we have discussed these with the Head of Financial Services and his team and have reflected their responses to the matters raised in the Action Plan attached at Appendix A.</p>

Next steps

- 2.8 We will continue to work with the Council to ensure that outstanding finalisation issues are completed in time for the accounts opinion to be formally signed in accordance with the statutory deadline of 30 September 2008.

- 2.9 Subject to satisfactory resolution of the above issues, we expect to issue an **unqualified opinion on the Council's accounts**.
- 2.10 We are required to provide an audit opinion on the consolidation pack that is to be completed as part of Whole of Government Accounts. This work is not covered by our opinion on the Council's accounts. The deadline for the submission of the Whole of Government Accounts for audit was 31 August 2008. However, the Council has not yet submitted this return to use. As a result, there is a risk that we may not meet the deadline for the completion of this work (1 October).
- 2.11 The Corporate Governance Panel should monitor implementation of the recommendations arising from this report.

3 The VFM conclusion

Introduction

- 3.1 Under the Audit Commission's Code of Audit Practice we are required to reach a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion'). In meeting this responsibility we review evidence that is relevant to the Council's corporate performance management and financial management arrangements, which are assessed against twelve criteria specified in the Code of Audit Practice.

Approach to the audit

- 3.2 The following pieces of work have informed our assessment against the Code criteria:
- review of relevant findings from the Council's Direction of Travel Statement issued in March 2008
 - assessment of the Council's data quality management arrangements, using criteria prescribed by the Audit Commission
 - assessment of the Council's arrangements for financial reporting, financial management, financial standing, internal control and value for money, using the Commission's key lines of enquiry (KLoE)
- 3.3 The key findings from each of these pieces of work are summarised in this section of the report.

VFM conclusion

- 3.4 We have substantially completed our work on the Council's arrangements for achieving economy, efficiency and effectiveness in its use of resources and we expect to issue an **unqualified VFM conclusion** by the 30 September deadline.

3.5 Our conclusions for each of the 12 Code criteria are set out in the table below:

Code area	Source of evidence	Arrangements adequate?
Setting, reviewing and implementing strategic and operational objectives	Direction of travel statement	Yes
Communication with service users and other stakeholders and partners	Direction of travel statement	Yes
Management of performance against strategic objectives	Direction of travel statement	Yes
Monitoring the quality of published performance information	Data quality audit	Yes
Maintaining a sound system of internal control	Use of Resources audit	Yes
Managing significant business risks objectives	Use of Resources audit	Yes
Managing and improving value for money	Use of Resources audit	Yes
Maintaining a medium-term financial strategy	Use of Resources audit	Yes
Ensuring that spending matches available resources	Use of Resources audit	Yes
Managing performance against budgets	Use of Resources audit	Yes
Managing the asset base	Use of Resources audit	Yes
Promoting and ensuring probity and propriety in the conduct of business	Use of Resources audit	Yes

Direction of travel statement

- 3.6 We are required to review the Council's latest direction of travel statement in order to satisfactorily conclude on three of the Code criteria (see table above). In completing this work we are not required to re-perform the work of the corporate assessment team and the Relationship Manager rather we are looking to place reliance on this work.
- 3.7 Our assessment is based on the latest direction of travel statement published in March 2008. Based on this work, we assess the Council as having at least adequate arrangements for objective setting, consultation and performance management.

Data quality audit

- 3.8 The audit work that we have used to reach our conclusion in respect of Code criterion on published performance information is our audit of the Council's corporate management arrangements for data quality.
- 3.9 Our review of data quality management arrangements has not identified any significant issues and supports our conclusion that the Council's arrangements are adequate for monitoring the quality of published performance information. We will report more fully on data quality at the December Corporate Governance Panel.

Use of resources

- 3.10 The audit work that we have used to reach our conclusion in respect of the remaining VFM Code criteria is our audit of the Council's Use of Resources.
- 3.11 The results of this work confirm that that, for 2007/08, the Council have at least adequate arrangements in place in the areas covered by the Use of Resources assessment.
- 3.12 We are not able to formally report scores to the Council until after the Audit Commission's national quality assurance processes are complete. We will report the results of our work and confirm scores with the Council in November 2008.

KLoE 2009

- 3.13 There have been significant changes to the use of resources assessment criteria for 2009, as part of the new Comprehensive Area Assessment. The Council's management arrangements for the 2008/09 financial year will be assessed against the new criteria that represent a 'harder test.'
- 3.14 Whilst we will not formally assess the Council against the new criteria until Summer 2009, as part of next year's plan, we will continue to carry out our use of resources work with reference to revised requirements to help the Council prepare for future assessments.

Next steps

- 3.15 We will carry out our final review against any emerging findings and will then issue our VFM conclusion by the 30 September deadline.
- 3.16 The Corporate Governance Panel should monitor implementation of the recommendations included in this report.

Appendix A Action plan

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Finding	Actions required	Management response	Implementation details
<p><u>Journals</u> We noted as part of the audit that an amount of £438k had incorrectly been posted to the sales ledger. It should have been posted to reserve debtors. This has resulted in an increase in receipts in advance of £438k and a decrease in debtors of the same amount.</p> <p>We note that there is no authorisation or review process in place at the Council in respect of journals which can be posted by all accountancy staff.</p> <p>There is therefore an increased risk of errors or other misstatement arising from journal processing.</p>	<p>All journal entries should be reviewed and signed off by an independent officer prior to processing.</p>	<p>Despite the error highlighted it is still considered that general independent checking of journals is not appropriate given:</p> <ul style="list-style-type: none"> • the experience and knowledge of the accountancy team • only the accountancy team can create journals. <p>Consideration will be given to whether there are any particular types of journals (e.g. significant impact on the final accounts) that should be checked or subsequently reviewed.</p>	<p>Consideration and any resulting implementation by end of October 2008.</p>
<p><u>Declaration of Interests</u> As part of our audit procedures it has been identified that not all Members or senior officers of the Council had submitted an annual declaration of interests return.</p>	<p>All Members and Senior Officers should be reminded of their responsibility to submit an annual declaration of their interests and missing declarations be obtained from existing Members and Officers.</p>	<p>Already actioned.</p>	

Appendix B Accounts adjustments agreed

Accounting adjustments that affect the reported surplus / deficit on the I&E account	
Finding	Impact
The Council had not accounted for £540,000 of revenue expenditure on housing services. This related to money transferred from an earmarked S106 reserve which was spent on housing services. The adjustment is significant has increased the in-year deficit on the income and expenditure account by the same amount. It has not, however, impacted on the general fund balance as because of the nature of the transaction	Increase in deficit on I&E account by £540,000 from £9,765k to £10,305k.

Accounting adjustments that do not affect the reported surplus / deficit on the I&E account	
Finding	Impact
Note 13: Tangible Fixed Assets: Amounts included in the adjustments line of the Table have been incorrectly classified and require amendment.	No impact on total value of adjustments - misclassifications.
Note 20: Debtors An amount of £438,000 was incorrectly posted to the sales ledger and subsequently included in the debtors disclosure within the draft financial statements. This amount should have been included as a receipt in advance.	General debtors to increase to £2,896k Receipts in Advance to increase to £1,300k
Note 29: Contingent Assets and Liabilities A contingent liability has been included in the accounts in respect of VAT payable on off-street parking. The Council has also included a creditor in its accounts in respect of this for the sum of £315k. As the Council has accounted for the sum it is not considered appropriate to also include it as a contingent liability. This should be removed from the note.	No impact on reported financial results.
Financial Instruments No disclosures were included in the approved accounts in respect of financial instruments. The Council has now produced these disclosures.	No impact on reported financial results.

Disclosure adjustments

A number of disclosure adjustments have been agreed to improve the clarity and presentation of the accounts that do not affect the reported financial position.

Appendix C Reports issued

External audit reports issued during the year are listed in the table below.

Report title	Date issued
Audit and inspection plan 2007/08	May 2007
Use of Resources audit report 2006/07	January 2008
Data Quality audit report 2006/07	March 2008
Audit Strategy Document	May 2008
Annual report to those charged with governance (accounts and use of resources)	September 2008

Appendix D Audit fees update

Audit area	Planned fee 2007/08 £	Actual fee 2007/08 £
Financial Statements - includes fee for audit of leisure centres	59,810	59,810
Use of Resources, including Data Quality	34,400	34,400
Whole of Government Accounts	2,870	2,870
Total	97,080	97,080

Code of Practice audit

As shown in the table above, the 2007/08 actual fee equalled the planned fee.

Grant claims certification

Grant claim certification work will be completed between September and December 2008. The certification fee was originally estimated at £25,000.

Our work is charged to the Council based on the cost of certifying each claim and the overall fee normally varies from estimate, depending on the number and complexity of claims to be certified, as well as the quality of claim compilation and supporting documentation.

We will update the Council on the final fee charged for 2007/08, in the grant claims report that we will produce in January 2009.

Non Code work

We have not carried out audit work outside of the Code of Audit Practice audit in 2007/08.

Appendix E Statement of responsibilities - accounts

The accounts, which comprise the published accounts of the audited body, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources.

It is the responsibility of the audited body to:

- put in place systems of internal control to ensure the regularity and lawfulness of transactions
- maintain proper accounting records
- prepare accounts that present fairly the financial position of the body and its expenditure and income.

The audited body is also responsible for preparing and publishing with its accounts a statement on internal control.

Auditors audit the accounts and give their opinion, including:

- whether they present fairly the financial position of the audited body and its expenditure and income for the year in question
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

Subject to the concept of materiality, auditors provide reasonable assurance that the accounts:

- are free from material misstatement, whether caused by fraud or other irregularity or error
- comply with statutory and other applicable requirements
- comply with all relevant requirements for accounting presentation and disclosure.

Auditors examine selected transactions and balances on a test basis and assess the significant estimates and judgements made by the audited body in preparing the statements.

Auditors evaluate significant financial systems, and the associated internal controls, for the purpose of giving their opinion on the accounts. Where auditors identify any weaknesses in such systems and controls, they will draw them to the attention of the audited body, but they cannot be expected to identify all weaknesses that may exist.

Auditors review whether the Annual Governance Statement has been presented in accordance with relevant requirements and report if it does not meet these requirements or if it is misleading or inconsistent with other information of which the auditor is aware. In doing so auditors take into account the knowledge of the audited body gained through their work in relation to the audit of the accounts and through their work in relation to the body's arrangements for securing economy, efficiency and effectiveness in the use of its resources. Auditors are not required to consider whether the statement on internal control covers all risks and controls, nor are auditors required to form an opinion on the effectiveness of the audited body's corporate governance procedures or risk and control procedures.

Appendix F Statement of responsibilities - VFM

It is the responsibility of the audited body to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them. Such corporate performance management and financial management arrangements form a key part of the system of internal control and comprise the arrangements for:

- establishing strategic and operational objectives
- determining policy and making decisions
- ensuring that services meet the needs of users and taxpayers and for engaging with the wider community
- ensuring compliance with established policies, procedures, laws and regulations
- identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working
- ensuring compliance with the general duty of best value, where applicable
- managing its financial and other resources, including arrangements to safeguard the financial standing of the audited body
- monitoring and reviewing performance, including arrangements to ensure data quality
- ensuring that the audited body's affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption.

The audited body is responsible for reporting on these arrangements as part of its annual statement on internal control.

Auditors have a responsibility to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In meeting this responsibility auditors should review and, where appropriate, examine evidence that is relevant to the audited body's corporate performance management and financial management arrangements, as summarised above, and report on these arrangements.

Auditors are responsible for reporting annually their conclusion, having regard to relevant criteria specified by the Audit Commission, as to whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Auditors report if significant matters have come to their attention that prevent them from concluding that the audited body has put in place proper arrangements. However, auditors are not required to consider whether aspects of the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources are effective.

In planning their audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, auditors consider and assess the relevant significant business risks. These are the significant operational and financial risks to the achievement of the audited body's statutory functions and objectives, which apply to the audited body and are relevant to auditors' responsibilities under the Code, and the arrangements it has put in place to manage these risks. The auditor's assessment of what is significant is a matter of professional judgement and includes consideration of both the quantitative and qualitative aspects of the item or subject matter in question. Auditors discuss their assessment of risk with the audited body.

When assessing risk auditors consider:

- the relevance and significance of the potential business risks faced by all bodies of a particular type
- other risks that apply specifically to individual audited bodies
- the audited body's own assessment of the risks it faces
- the arrangements put in place by the body to manage and address its risks.

In assessing risks auditors have regard to:

- evidence gained from previous audit work, including the response of the audited body to previous audit work
- the results of assessments of performance carried out by the Commission
- the work of other statutory inspectorates
- relevant improvement needs, identified in discussion with the Commission or other statutory inspectorates.

Where auditors rely on the reports of statutory inspectorates as evidence relevant to the audited body's corporate performance management and financial management arrangements, the conclusions and judgements in such reports remain the responsibility of the relevant inspectorate or review agency.

In reviewing the audited body's arrangements for its use of resources, it is not part of auditors' functions to question the merits of the policies of the audited body, but auditors may examine the arrangements by which policy decisions are reached and consider the effects of the implementation of policy. It is the responsibility of the audited body to decide whether and how to implement any recommendations made by auditors and, in making any recommendations, auditors should avoid any perception that they have any role in the decision making arrangements of the audited body.

While auditors may review audited bodies' arrangements for securing economy, efficiency and effectiveness in the use of resources, they cannot be relied on to have identified every weakness or every opportunity for improvement. Audited bodies should consider auditors' conclusions and recommendations in their broader operational or other relevant context.

Auditors are not required to report to audited bodies on the accuracy of performance information that the audited bodies publish. Auditors' work is limited to a review of the systems put in place by the audited body to collect, record and publish the information, in accordance with guidance issued by the Commission.

Audit work in relation to the audited body's arrangements to ensure that its affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption, does not remove the possibility that breaches of proper standards of financial conduct, or fraud and corruption, have occurred and remained undetected. Nor is it auditors' responsibility to prevent or detect breaches of proper standards of financial conduct, or fraud and corruption, although they will be alert to the possibility and will act promptly if grounds for suspicion come to their notice.



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Statement of Accounts For the year ended 31 March 2008

Chairman of the Council 2007/08	Councillor P Swales
Leader of the Council 2007/08	Councillor I C Bates
Executive Councilor for Finance 2007/08	Councillor T V Rogers
Chief Executive	Mr D Monks
Director of Commerce and Technology	Mr T Parker
Auditors	Grant Thornton UK LLP

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Introduction and Financial Summary

In order to ensure that the financial accounts of local authorities are reliable the Statement of Recommended Practice (SORP) has been created which sets out how they should be prepared and what they must include. Huntingdonshire's accounts comply with the SORP.

The SORP is updated annually to reflect the latest developments in accountancy – there are some significant changes this year and an explanation of the main changes can be found on page 6.

This booklet presents the accounts of Huntingdonshire District Council for the period from 1 April 2007 to 31 March 2008. 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 2008) 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	2007/08 Actual £000
Services	
Gross Expenditure	69,891
Income including fees and charges and the government reimbursement of benefits.	-37,830
Net Cost	32,061
Other Items	
Investment Income	-2,742
Trading undertakings surplus	-580
Required adjustments relating to items such as pensions, capital and financing costs.	-11,290
Total to be funded	17,449
Funding	
Council Tax	-6,326
Collection Fund adjustment	7
Revenue Support Grant	-1,674
NNDR from national pool	-9,976
LABGI	-371
	-18,340
	-891
Movement on Council Reserves	
General Fund Balance	1,171
Delayed Projects Reserve	-280
	891

When the Council set its budget for 2007/08 in February 2007 it made provision to use up to £1,565k from reserves to fund revenue expenditure. Over the course of the year the Council has again been successful in raising additional income and keeping expenditure down.

Overall income was £1,512k higher than expected. This included £371k of Local Authority Business Growth Incentive (LABGI) Grant to reward the Council for achieving business growth in the district over and above the Government's target threshold and £254k of Planning Delivery Grant which reflected the Council's success in achieving Government targets. There were also increases in investment interest (£159k), a higher recharge to capital (£578k) due to more spending on assets together with additional income from charges including leisure centres (£155k) and planning (£107k).

Expenditure was £854k lower than expected. This included savings on utility bills and running costs at leisure centres (£261k), an unexpected relaxation of the rules for recovering VAT (£138k), the general contingency not being required (£140k), lower maintenance costs on refuse freighters (£85k) and an increase in the value of projects that were deferred to next year (£169k).

Gross expenditure includes £4,748k which is impairment on the new operations centre, Eastfield House. This arose because the building was designed to match the Council's need for a particular balance of depot and office facilities, but the capital cost was greater than the market value. However the cost is offset in the adjustments line in the summary table above.

The net result is that it has been possible to add £891k to reserves this year resulting in a total revenue reserve of £20.7m 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 investment in assets of £16.5m has taken place during the year. Projects included leisure centre refurbishments (£0.6m), a new Creative Enterprise Centre at St Neots (£0.7m), a new pavilion with extended changing rooms at Priory Park (£0.5m), Eastfield House, new customer service centre and offices (£8.4m), environmental improvements (£0.4m), housing (£3.0m), further investment in information technology (£1.0m) and operational vehicles (£0.2m). These were funded partly from grants and contributions (£2.6m) with the remainder from Capital Reserves.

Capital Reserves (accumulated capital receipts from the sale of land and buildings) started the year at £28.7m and the net impact of funding capital expenditure and the proceeds from asset sales means the position at the end of the year is £16.0m

The Council is thus left with the following Reserves:

Reserves at 31 March 2008	£m
Revenue**	20.7
Capital	16.0
Total	36.7

** including Delayed Projects Reserve of £335k

Council Tax and Collection Fund

The Council, in line with its long-term financial strategy, set a Council Tax of £109.91 for 2007/08. This tax level was the 18th lowest of all the 238 English District Councils (average £155, highest £290) and was a cash increase of just £5.22 per year; or 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 £1,306.

The Council Tax due increased to £75.3m, £236k (0.3%) more than originally budgeted, as improved collection rates allowed the provision for bad debts to be reduced. After the payments to the County (£53.6m), Police (£8.6), Fire (£3.0m), District (£6.3m) and Town and Parishes (£3.5m) are made a surplus of £163k will be left to be distributed between the principal authorities in proportion to their 2008/09 Council Tax with £21k being credited to this Council. The surplus is mostly due to a reduction in the provision for bad debts.

Pensions

The accounts show that the Council had a future pension deficit of £23.7m 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 again fallen significantly over the last year to £18.3m as a result of better investment returns, increased contributions and some changes to the scheme.

However, in calculating the scheme assets the fund's actuary has made assumptions about future investment returns. These returns are significantly affected by the performance of equities and so, if the current uncertainty in the financial markets continues, this could lead to a significant change in the value of the fund at the next valuation. This, together with movements in interest rates will be considered in the annual review of the Council's financial plan.

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 successfully obtains grant funding from the Government and other bodies, and looks for opportunities to increase income from charges and is careful to avoid any unnecessary spending. This maximises the Council's revenue reserves giving flexibility to ensure that the expected financial pressures in coming years can be successfully managed to minimise the impact on service provision.

Terry Parker BA(Hons) FCA
Director of Commerce & Technology
23rd September 2008

Statement of Accounts approved by the Corporate Governance Panel
Chairman: Cllr. C. J. Stephens
23rd September 2008

CHANGES TO THE STATEMENT OF RECOMMENDED PRACTICE FOR THE 2007/08 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, two significant changes have been introduced that affect this year's financial accounts:

- The treatment of financial instruments
- Capital accounting adjustments

Wherever possible the 2006/07 accounts have been restated to provide meaningful comparative figures with these new approaches.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset in one organisation and a financial liability in another organisation. Examples include:

- Goods received but payment not yet made
- Loans
- Investments
- Services delivered but payment not yet received

The main changes that impact on the Council's accounts relate to:

1. **Loans at less than market rate.** When the Council gives home improvement loans there is a need to recognise the financial impact of them being interest free.
2. **Non recoverable debts.** The new guidance contains more detailed requirements for estimating the amounts that may not be collected.
3. **Additional information.** The new guidance requires further information to be included on the significance of financial instruments and the nature and extent of any risks relating to financial instruments and how these will be managed.

Capital accounting

Two new accounts are required:

1. **Capital adjustment account.** This shows the difference between the cost of fixed assets (e.g. buildings) and the sums provided to pay for them. It is created from merging the fixed assets restatement account and the capital financing account
2. **Revaluation reserve.** This reserve records the net gain or loss from the change in value of assets since 1 April 2007.

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 2008

The Responsibilities of the Director of Commerce and Technology

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

- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the SORP
- Kept proper accounting records which were up to date
- Taken into account, where appropriate, any post-balance sheet events
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

Terry Parker BA (Hons) FCA
Director of Commerce and Technology
Dated 23rd September 2008

Annual Statement on Governance

Huntingdonshire District Council is responsible for ensuring that –

- its business is conducted in accordance with the law and proper standards; and
- public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In carrying out these duties, Members and senior Officers are responsible for putting in place proper arrangements for governance of the Council's affairs and the stewardship of the resources at their disposal. To that end, the Council has approved and adopted a Code of Governance, which reflects the principles and requirements of the Chartered Institute of Public Finance and Accountancy/Society of Local Authorities Chief Executives ("CIPFA/SOLACE"). The Code is published on the Council's website at www.huntingdonshire.gov.uk and hard copies are available on request from the Head of Policy and Strategic Services.

The Code of Governance was updated in August 2007 to reflect the framework for "Good Governance in Local Government" published by CIPFA/Solace in June 2007 and adopted, by the Corporate Governance Panel, in September 2007.

The principles and the Code sets out and describes the way in which the Council carries out its functions and complies with the principles of openness, integrity and accountability. The principles apply to elected Members and employees alike, and they are reflected in the Council's working procedures and processes in the interests of establishing and maintaining public confidence.

The Council's Code of Governance recognises that effective governance is achieved through the following **core principles**:

- 1) focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for Huntingdonshire.
- 2) Members and employees working together to achieve a common purpose with clearly defined functions and roles.
- 3) promoting the values of the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- 4) taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- 5) developing the capacity and capability of Members and employees to be effective.
- 6) engaging with local people and other stakeholders to ensure robust local public accountability.

In the Code these six core principles have a number of **supporting principles** which, in turn, have **specific requirements**. These principles and requirements apply across the work of the Council and define the Governance Framework.

1. The Governance Framework

The Governance Framework has been in place for the year ended 31st March 2008 and up to the date of approval of the statement of accounts.

The Council's powers and duties of Council Committees and Panels require the Corporate Governance Panel (among other things) to –

- ensure that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions including arrangements for the management of risk; and
- consider the Council's Code of Corporate Governance and approving the annual statement in that respect.

In turn the Council's Director of Central Services & Monitoring Officer (note this post is currently vacant and interim arrangements have been put in place whereby the Chief Executive and Head of Legal and Estates will exercise these delegations) has been given responsibility for –

- overseeing the implementation and monitoring the operation of the Code;
- reviewing the operation of the Code in practice; and
- reviewing and reporting annually to the Corporate Governance Panel on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

2. Communicating vision and purpose

The Council has in place a Community Strategy which sets out a vision shared with partners for Huntingdonshire. The Strategy currently is under review. In addition the Council has a Corporate Plan – “Growing Success” which sets out our vision and our purpose. The Council has recently reviewed “Growing Success” by identifying and prioritising community and Council objectives, which will help to achieve the vision. The Council has put in place a communications plan to ensure the vision and priorities are clearly communicated to local residents and stake holders. The Council undertakes an annual survey of residents based on measures and targets in Growing Success to gauge levels of satisfaction of local residents and users of services. This is supplemented by other surveys, such as the Place Survey and Quality of Life survey.

The results of these surveys are made available to help service planning. There was extensive consultation in developing the first Community Strategy and the

Huntingdonshire Strategic Partnership has developed a programme to ensure the new Sustainable Community Strategy is representative of the views of local communities.

The Council's Communications & Consultation Strategy is used to promote and guide two-way communications with local residents. A review of this approach has been undertaken and a communications and marketing strategy and a strategy for consultation and engagement have been developed – both of which will enhance the existing practices and support good governance.

Work on incorporating arrangements in respect of partnerships - as identified by the Audit Commission's report on the governance of partnerships - in the Council's overall governance arrangements is now taking place and the 'partnership framework' is being used to evaluate and assess the risk of strategic and other partnerships.

3. Roles & responsibilities

Cabinet

The Council's Constitution provides a comprehensive explanation of the Council's administrative and managerial processes. Designed to illustrate the statutory division between executive and non-executive roles and responsibilities within the Council, the Constitution also defines the relationship between the Council and its citizens by means of a series of articles, procedure rules and codes of practice.

Articles and tables list the functions of the Executive, Scrutiny and Standards Committee arrangements as defined by the Local Government Act 2000 and explain how the Council has delegated its non-executive decision making to Committees and Panels. The role of Statutory Officers is defined, together with the management structure of the authority, and the Scheme of Delegation contains a comprehensive summary of all decision making powers delegated to Officers by the executive and non-executive parts of the Council. A series of procedure rules demonstrate clearly the inter-relationship between those various elements.

Overview & Scrutiny Panels

The Council has appointed 3 Overview and Scrutiny Panels (Service Delivery, Service Support and Corporate and Strategic Framework) which discharge the functions conferred by Section 21 of the Local Government Act 2000 in relation to the matters set out in Article 6 of the constitution.

Within their terms of reference, the Overview and Scrutiny Panels will:-

- review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- make reports and/or recommendations to the full Council and/or the Cabinet and/or any joint committee in connection with the discharge of any functions;
- review the performance of the Council and the achievement of performance indicators and targets;
- consider any matter affecting the area or its inhabitants; and

- exercise the right of call-in, for reconsideration, of decisions made but not yet implemented by the Cabinet, an individual member of the Cabinet, a committee of the Cabinet or a key decision made by an officer.

An annual report of the activities of the Overview & Scrutiny Panels is prepared and an action plan to enhance and improve the scrutiny process is in place

Governance Panel

The Council has established a Corporate Governance Panel to consider the issues of audit, governance and finance including:

- Ensuring that the financial management of the Council is adequate and effective.
- Approving the Council's statement of accounts
- Ensuring that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions including arrangements for the management of risk.
- Considering the Council's Code of Corporate Governance and approving the annual statement in that respect
- Determination of the Council's complaints procedure, monitoring compliance with the procedure, compensatory payments to complainants and formulation of recommendations to the Cabinet or Council on any action to be taken as a consequence
- Receiving and considering the external auditor's annual management letter

4. Codes of conduct defining standards of behaviour

A Members' Code of Conduct provides the statutory framework for the ethical conduct and behaviour of Members of the Council and persons appointed or co-opted to Committees. Training is provided by the Monitoring Officer to ensure Members are thoroughly aware of the standards expected of them and to embed the principles set out in the Code into the culture of the Council. Notwithstanding the absence of a statutory model, an Employees' Code of Conduct defines the behaviour that the Council expects of its employees, with training provided as part of the induction process and annual reminders issued to both Members and employees of the need to register any new or changed interests. A protocol for relations between Members and employees establishes the principles to be observed in the relationships at both an individual level and between executive and non-executive bodies and employees. A further protocol on community leadership by Members and Codes of Good Practice for both planning and licensing explain to Members the high standards of behaviour and conduct expected of them in carrying out their constituency and quasi-judicial decision making roles. Published on the Council's Internet and Intranet, the Codes and protocols are supplemented by training to ensure a thorough understanding and compliance with the principles and standards that they establish. Responsibility for receiving complaints and carrying out the preliminary assessment of what action, if any, is required, transferred from the Standards Board for England to local authority Standards Committees in May 2008. The Council has made the necessary changes to its Constitution and put in place the appropriate procedures to deal with this additional responsibility

5. Review of the Constitution

The Council's Constitution, which incorporates the Council procedure rules (Standing Orders), Code of Financial Management (financial regulations), Code of Procurement (Standing Orders as to Contracts) etc., is reviewed formally at biennial intervals, with an opportunity provided for both the executive and non-executive, as well as individual Members and senior management, to reflect on its robustness and operation in practice over the previous two years. Interim changes may be made from time to time that are necessitated by legislative developments, reviews of working practices or alteration to decision making responsibilities. Any such change is communicated by updating the Constitution both electronically on the Internet and Intranet and in hard copy.

Arrangements have been made to ensure that reports to Members are subject to completion of a template that requires authors to certify that they have had regard to the implications implicit in the report, including legal, financial and risk issues.

6. Development needs

Members

A training and development programme has been designed for Members that embraces the professional, organisational and behavioural knowledge and skills that they require to enable them to perform their roles both internally and within the community. Skills and needs audits are undertaken periodically and personal development plans will be prepared for individual Members. A record of all training undertaken is held on Members' individual files. Training is provided both internally by senior management and by external consultants and specialists.

A Members' induction scheme is in place for new Members. Specific training is provided for Members who sit on the –

- Licensing Committee/Panel
- Development Control Panel
- Standards Committee
- Overview & Scrutiny Panels
- Corporate Governance Panel.

Officers

The Council is committed to developing the skills of employees to enable roles to be carried out effectively and enhance career progression. Skills of employees are assessed as part of the annual appraisal process and an appropriate personal training and development plan is agreed. In addition, an annual Management Development training programme is in place.

7. Internal Audit

Internal audits are undertaken in accordance with the CIPFA Code of Audit Practice. The Director of Commerce & Technology is accountable for the Council's internal audit arrangements. A risk-based strategic plan detailing the risks and activities of the Council is prepared, from which the annual audit plan is drawn. Written reports are prepared for all audits: these include an opinion on the degree of risk perceived and the assurance that can be obtained from the system.

8. Whistleblowing

A Whistleblowing Policy and Procedure have been adopted, and is available on the Council's Website and Intranet. They are reviewed annually and publicised widely. A 'phone line and 'web form' are available for complainants' use at all times.

9. Complaints Procedure

A complaints procedure is in place to identify and deal with failure in service delivery. Complaints can be made, in person at the Council offices, via telephone, fax, e-mail or the Council's website.

10. RIPA

A policy has been adopted by the Council dealing with covert surveillance under the Regulation of Investigatory Powers Act 2000 and is published on the intranet. A group of officers has been established and meets on a regular basis to discuss surveillance issues and appropriate training is provided to staff and members. The 3rd Inspection Report of the Office of Surveillance Commissioners, published in June 2008 described the Council's use of RIPA as 'exemplary'.

11. Risk Management

The Council maintains a risk register which contains the significant corporate and operational risks which are likely to affect the achievement of corporate objectives. The register is reviewed by a Risk Management Group, who report to the Chief Officers' Management Team and the Corporate Governance Panel. The Cabinet are responsible for formally deciding the acceptability of the highest levels of residual risk or if additional mitigation is required. Amendments to the risk management strategy were approved in June 2007 and the Council is working towards raising their Use of Resources Assessment score for risk management to '3'. The Risk Register is in place and Risk software has been purchased and regular reports are submitted to the Corporate Governance Panel. Training has been provided to Corporate Governance Panel and other Members.

12. System of Internal Control

Central to the governance environment is a system of 'Internal Control' designed to manage risk to a reasonable level rather than to eliminate all risk. The system is based

on a continuing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood of those risks occurring and the impact should they occur; and to manage them proportionately and effectively.

The effectiveness of the system of internal control is informed by –

- the Internal Audit Manager's annual opinion on the internal control environment;
- the Council's performance management framework which has recently been revised and refreshed in conjunction with a review of the Corporate Plan "Growing Success";
- the consideration and monitoring by the Chief Officers' Management Team of reports and decisions prepared for, and taken by, Cabinet;
- reviews of the Constitution which have included variations to the Council's overview and scrutiny processes;
- the 2007/08 Audit and Inspection Letter from the Audit Commission; and
- the Council's Improvement Plan – incorporating the Use of Resources Assessment Action Plan.

The Council's responsible Finance Officer, the Director of Commerce & Technology, is of the opinion that the system's of internal control are adequate and that no significant weaknesses were identified during 2007/08 or since.

13. Review of Effectiveness – Assurance Framework

To ensure that the Council is complying with its Governance arrangements and meeting the requirements of the code (as set out in the principles, core principles and specific requirements) an annual cycle is in place which includes:

- an annual review of governance arrangements;
- preparation of an Annual Governance Statement (AGS);
- implementation of an action plan associated with the AGS;
- a half yearly review of progress against the action plan; and
- continued reference to systems and reporting as necessary to provide assurance and support for good governance.
- the Audit Manager's annual report and comments by the external auditors and other inspections

This cycle is designed to reflect good practice in delivering a framework of assurance for Members and employees in terms of governance arrangements and to help to ensure accountability and transparency for local people and other stakeholders such as the Council's external auditors and Government inspectors.

The Corporate Governance Panel has overall responsibility within the Council for ensuring that the assurance framework is in place and operating effectively. To that end, it has considered its own effectiveness to ensure that it was receiving all the information necessary to fulfil its terms of reference and fulfil its 'charged with governance' role. An action plan has been prepared to deal with issues that were highlighted by the review.

14. Governance of Partnerships

Increasingly the Council is seeking to promote joint working and partnership to deliver local objectives. Having developed a Partnership evaluation framework (including the good Governance of partnerships as identified in the Audit Commission's report on the governance of partnerships) and undertaken an initial assessment of our strategic partnerships a programme is being implemented to continue to review strategic partnerships (3 year programme) and operational partnerships. In addition the Council is actively involved in a review of the structure and governance of county wide partnerships, supporting the delivery of the Local Area Agreement.

15. Annual Audit and Inspection Letter: (March 2008)

The Annual Audit and Inspection Letter provides a summary of the Audit Commission's assessment of the Council. It draws on findings from inspections during the year including the 'Direction of Travel' report and the external auditor's assessment of how well the Council has managed their resources – the Use of Resources Assessment.

The main messages of this letter were –

“The Council is making improvement in many priority areas. Recycling and composting performance remains amongst the best nationally. Access to services has improved. The Council continues to perform well in the use of resources and value for money”.

The Annual Audit and Inspection Letter highlighted one area where action is needed by the council:

“Maintain focus on service performance in order to improve the rate of improvement and tackle areas of comparative under performance”.

The Annual Audit and Inspection Letter is available on the Council's website and from the Director of Central Services.

The **Use of Resources Assessment** is designed to assess how well local authorities manage and use their financial and other resources. The Assessment focuses on the importance of having available sound and strategic financial and resource management to ensure that resources are available to support the Council's priorities and to improve services.

The Use of Resources Assessment covers five themes, each of which were assessed on a 1 – 4 scale, 1 representing inadequate performance, 2 adequate performance, 3 good performance and 4 innovative practice. The Council's scores for each of the five themes are reproduced in the following table:-

Theme	2006/07
Financial reporting	3
Financial management	3
Financial standing	3
Internal control	2
Value for money	3

This level of performance equates to the Council performing well and consistently above minimum requirements on the Audit Commission scale.

From 2007/08 the criteria for assessing compliance against some of the Key Lines of Enquiry in the assessment have been raised, as a result of which the Council will have to perform to a higher standard to maintain or improve previous scores. Similar raising of standards is likely in future years.

Development areas identified by other external organisations or by the Council are incorporated into the Council's overall Improvement Plan. Progress on the achievement of this Plan is monitored by both the Overview & Scrutiny Panels and by the Cabinet.

16. Governance Issues Previously Identified

In last year's statement, and as a result of other considerations, the Council identified their perception of the need to develop aspects of the governance arrangements. These are highlighted in bold, together with information on the progress in dealing with these issues:

- **developing and implementing the Partnership framework;**
A health check has been approved, evaluation of strategic partnerships completed and an ongoing review procedure being established. Also, Partnership arrangements in place with other Cambridgeshire authorities and partners to implement the Local Area Agreement (Cambridgeshire Together) and the associated scrutiny arrangements (Joint Accountability Committee).
- **budget monitoring processes;**
The most significant areas (identified in the risk assessment) were the monitoring of the achievement of the turnover allowance and refinements to the monitoring of recharges from revenue to capital. These have now been introduced.
Budget variations were identified much earlier in 2007/08 than previous years
- **reporting on planned savings and efficiency gains;**
Identified spending adjustments are deducted from relevant budgets so that monitoring is mainstreamed into budget monitoring. The target for further spending adjustments in 2009/10 was partly identified within the 2008/09 budget and the remainder will be identified before the 2009/10 budget is finalised
- **monitoring compliance with constitution;**

Inclusion of explanatory information in employee induction. Introduction of report checklist for committee reports which requires authors to certify compliance with constitution. Programme of regular updates in Team News to be implemented

- **further development to the approach to equalities, specifically implementing arrangements to facilitate progress in relation to the Local Government Standard for Equalities;**

Making progress in delivering the Equality Impact Assessment programme and actions identifies in the Corporate Equality Policy action plan.

- **ensuring capacity is in place to enable sustained service improvement while managing major projects;**

Corporate training programme (CTP) in place, supplemented by specific professional/management training identified from annual performance development reviews. Successful MTP bid will increase the CTP from 2008/09 to cater for the new skills that will be required. Where appropriate additional resources have been available to support capacity while implementing new

- **developing consultation and engagement with local communities;**

Consultation and Engagement strategy developed and adopted by Cabinet in February 2008, an annual consultation exercise with local residents undertaken in March 2008, a system of e-petitions has been introduced to encourage greater access to democratic process and arrangements for public speaking at meetings of Development Control Panel introduced.

- **Improving the overall Assurance opinion on the System of Internal Control;**

The percentage of agreed audit actions introduced has increased throughout the year and the number of "slightly late" introductions show that there is a realistic potential for achieving the target in the current year. Paragraph 12 above concludes that the overall system of control is adequate.

- **Put in place effective arrangements to identify and deal with failure in service delivery;**

The corporate complaints system will be reviewed during 2008/09. Completion by Autumn 2008

- **Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained;**

A protocol has been developed.

17. Governance Issues

While generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the Council has identified the following issues for attention in the forthcoming year -

- Put in place effective arrangements to identify and deal with failure in service delivery.
- Tackle areas of comparative under performance
- Maintain the high profile of delivering agreed audit actions on time by effective monitoring, and reviewing achievements when Chief Officer Management Team consider Heads of Service quarterly performance reports.
- Delivery of the Review of Council structure being led by Cabinet Member
- Biennial review of the constitution will be undertaken in spring 2009 to address any issues not dealt with in the structural review.
- Delivery of Improvement plan, (external inspection action plans incorporated into Council Improvement plan i.e. Use of Resources, Value for Money, Data Quality etc).
- Undertake Partnership review programme

During the coming year steps will be taken to address these issues to further enhance the Council's Governance arrangements. In these circumstances we are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation through the Council's Improvement Plan and as part of our next annual review.

Signed:

Ian Bates
Leader of the Council

Signed:

David Monks
Chief Executive

Signed:

Terry Parker
Director of Commerce & Technology

I hereby confirm that the Councils Corporate Governance Panel have approved the Governance Statement

Signed:

Councillor C J Stephens
Chairman of the District Council's Corporate Governance Panel

September 2008

Auditor's Report

Independent auditors' report to the Members of Huntingdonshire District Council

Opinion on the financial statements

We have audited the Authority accounting statements and related notes of Huntingdonshire District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Huntingdonshire District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Authority accounting statements and related notes.

Opinion

In our opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit

Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, We are satisfied that, in all significant respects, of Huntingdonshire District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

We have issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 on 14 December 2007. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

GRANT THORNTON UK LLP
Byron House
Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

23 September 2008

Accounting Policies

1. **General**

The Statement of Accounts summarises the council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice 2007* (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. **Amounts due (Debtors) and amounts payable (Creditors)**

In the accounts, income and expenditure items are included in the year to which they relate, rather than the year in which cash payments are made or received, by the creation of debtors and creditors. Most of these sums are based on detailed records so no material estimates have had to be included.

4. **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.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only. Gains arising before that date have been consolidated into the Capital Adjustment Account.

5. Impairment of assets

Impairment is a change in events or circumstances that results in a reduction in an asset's value. Where this can be attributed to the use of the asset (consumption of economic benefits), rather than a general change in prices, it is charged to service revenue accounts. Otherwise, it is set off against any revaluation gains relating to that asset included in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

A full review of impairment of assets is combined with the five year revaluation. Material impairments between revaluations are reflected in the accounts each year

6. 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.

7. 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.

8. 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.

9. 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.

10. Depreciation

Assets are depreciated over their useful economic life. Straight line depreciation is used for all assets except vehicles and plant which are depreciated over 4 years. The value of each asset is shown net of cumulative depreciation in the balance sheet.

11. Deferred Grants and Contributions

For operational assets, contributions and grants to finance capital expenditure are credited to the deferred grants account and credited to services over the life of the asset. This is a change to the accounting policy where previously the grant and contribution had been netted off capital expenditure in the year of receipt. Grants relating to deferred charges are credited to the asset account in the year in which it is received.

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 2007/08 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 49 to 52.

17. Revenue 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 2008. Government grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the Income and Expenditure Account.

18. 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.

19. 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.

20. 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.

21. 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.

22. Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets with a fixed or determinable payment but not quoted in an active market (i.e. trade debtors, fixed term investments)
- Available for sale assets – assets with a quoted market price and no fixed determinable payment (i.e. equity investments)

Loans and receivables are initially measured at fair value and carried at their amortised costs. The Council has the following loans and receivables:

Debtors

Debtors are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end, taking into account the nature, value and age of debts and historic losses for similar

groups of assets. Bad debts are written off when they are identified. Debtors falling due after more than one year are classified as long-term assets, which include housing improvement loans and housing advances.

Cash and equivalents

Cash and equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash. Due to their nature and short-term maturity, the fair values for debtors and cash and equivalents are estimated using their carrying values.

Investments

The Council has both long and short-term investments with various financial institutions. Investments are carried at their amortised cost. The fair value of investments is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same investment from a comparable institution, available at the balance sheet date.

The Council has no available-for-sale assets

Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at their amortised cost. The Council has the following liabilities measured at amortised cost.

Creditors

Creditors are carried at their original invoice amount

Bank overdrafts

Bank overdrafts comprise amounts owed to banks and similar institutions and are repayable on demand

Due to their nature and short-term maturity, the fair values for creditors and bank overdrafts are estimated using their carrying values

23. Accounting for home improvement loans

There has been a change in accounting policy in 2007/08 relating to home improvement loans to individuals which in the past have been treated as capital expenditure; from 2007/08 they are accounted for as long-term debtors with a contra entry in the capital adjustment account. The 2006/07 balance sheet has been restated to reflect this change. The loans are included in the balance sheet at fair value.

Income and Expenditure Account

2006/07		Note	2007/08		
Net Expenditure £000			Gross Expenditure £000	Income £000	Net Expenditure £000
	Net Cost of Services				
	Cultural, Environmental & Planning Services				
5,570	Leisure	1	6,393	-841	5,552
5,870	Environmental Services		7,580	-1,448	6,132
3,258	Refuse Collection		3,624	-313	3,311
2,453	Planning and Development	2	5,460	-2,801	2,659
	Housing Services				
2,756	Housing General Fund		27,361	-23,719	3,642
81	Local Taxation Benefits		6,303	-6,146	157
983	Highways and Transportation		2,507	-1,239	1,268
	Central Services				
801	Local Taxation Collection		1,614	-553	1,061
110	Other Central Services		667	-415	252
0	Exceptional item	3	4,748	0	4,748
2,847	Corporate and Democratic Core		3,389	-326	3,063
255	Non-distributed costs		245	-29	216
24,984	NET COST OF SERVICES		69,891	-37,830	32,061
	Corporate Income and Expenditure				
-102	Gain on disposal of assets				-46
3,401	Parish Precepts				3,555
-498	Trading undertakings surplus	4			-580
72	Interest payable				55
-2,922	Interest and investment income	5			-2,797
23	Amounts payable into the Housing Capital Receipts Pool				9
137	Pensions interest cost and expected return on assets	12			-57
25,095	NET OPERATING EXPENDITURE				32,200
	Principal Sources of Finance				
-9,288	Demand on the Collection Fund				-9,874
-1,762	General Government Grants				-1,674
-9,129	Distribution from the Non-domestic rate pool				-9,976
-887	Local Authority Business Growth Incentive Grant				-371
4,029	DEFICIT FOR THE YEAR				10,305

Statement of Movement on the General Fund Balance

2006/07 £000		2007/08 £000
-18,102	General Fund Balance brought forward	-19,240
4,029	Deficit for the year (Income and Expenditure Account)	10,305
-5,167	Net amount required by statute and non-statutory proper practices to be credited to the General Fund	-11,475
-1,138	Increase in General Fund Balance for the year	-1,170
-19,240	General Fund Balance carried forward	-20,410

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

2006/07 £000		2007/08 £000	2007/08 £000
	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		
-3,674	Depreciation and impairment of fixed assets	-9,090	
103	Government grants deferred amortisation	169	
-2,467	Write downs of deferred charges to be financed from capital resources	-2,084	
1,532	Net gain on sale of fixed assets	734	
-3,354	Net charges made for retirement benefits in accordance with FRS17	-2,893	
0	Amount by which finance costs calculated in accordance with the SORP are different from those required by statute	-173	
-7,860			-13,337
	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		
-160	Commutation adjustment	-171	
-23	Transfer from usable capital receipts to meet payments to the Housing Capital Receipts Pool	-9	
1,996	Employer's contributions payable to the Cambridgeshire County Council Pension fund and retirement benefits payable direct to pensioners	2,411	
1,813			2,231
	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		
880	Net transfer to or from earmarked reserves**		-369
-5,167	Net additional amount required to be credited to the General Fund Balance for the year		-11,475

** excluding Collection Fund

Statement of Total Recognised Gains and Losses

2006/07		2007/08
£000		£000
4,029	Deficit on the Income and Expenditure Account	10,305
-1,054	Surplus arising from the revaluation of assets	-942
-7,043	Actuarial gains (-) and losses on Pension Fund assets and liabilities	-5,863
-75	Deficit/ surplus (-) on the Collection Fund	-31
-4,143	Total recognised gain (-) / loss for the year	3,469

The movement of £3,469k in 2007/08 represents the reduction in reserves as shown on the balance sheet during the year.

Balance Sheet as at 31 March

2007 restated			2008	
£000		Note	£000	£000
2,864	Intangible assets	13,14		2,503
	Tangible fixed assets			
	Operational assets			
22,721	Land and buildings		23,566	
6,814	Vehicles and plant		6,709	
8,336	Infrastructure		8,589	
1,396	Community asset		1,406	
	Non-operational assets			40,270
18,836	Investment properties		19,528	
5,588	Assets under construction		8,420	
615	Surplus assets, held for disposal		615	28,563
67,170	Total fixed assets			71,336
47,107	Investments	17	10,100	
1,322	Long-term debtors	18	1,184	11,284
115,599	Total long-term assets			82,620
	Current assets			
108	Cash		96	
91	Stock	19	134	
6,907	Debtors	20	7,025	
6,000	Short-term investments		30,250	
403	Payments in advance		455	
13,509			37,960	
	Current liabilities			
-5,800	Creditors	21	-4,634	
-1,384	Receipts in advance		-1,300	
-1,446	Cash overdrawn		-2,050	
-8,630			-7,984	
4,879	Net current assets			29,976
	Long-term liabilities			
-183	Deferred credits (including capital receipts)		-160	
-408	Deferred grants and contributions		-1,399	
-23,683	Pension scheme liability		-18,302	
-24,274				-19,861
96,204	Total assets less liabilities			92,735
	Financed by:			
68,481	Capital adjustment account	23	70,163	
0	Revaluation reserve	24	942	
28,157	Usable capital receipts reserve	25	16,023	
0	Financial instruments adjustment account		-173	
4,009	Earmarked reserves	26	3,672	
19,240	General Fund balance	26	20,410	
-23,683	Pensions reserve	27	-18,302	
96,204				92,735

Cash Flow Statement

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

	2006/07		2007/08	
	£000	£000	£000	£000
Revenue Activities				
<i>Cash outflows</i>				
Employment costs	21,460		23,018	
Other operating cash payments	6,337		10,467	
Precepts paid out	64,469		68,723	
Contribution to the NNDR pool	45,589		47,157	
Housing benefits	20,252		21,903	
<i>Cash inflows</i>				
Council tax receipts	-65,301		-69,388	
Non-domestic rate receipts	-46,248		-47,444	
Non-domestic rate receipts from national pool	-10,337		-9,641	
Revenue support grant	-1,762		-1,674	
Local Authority Business Growth Incentive Grant	-487		-771	
DSS grants for benefits	-25,364		-27,487	
Other Government grants	-2,641		-2,000	
Cash received for goods and services	-3,447		-2,977	
Other operating cash receipts	-5,556	-3,036	-3,550	6,336
Returns on Investments and Servicing of Finance				
<i>Cash outflows</i>				
Interest paid	170		55	
<i>Cash inflows</i>				
Interest received	-1,795	-1,625	-2,797	-2,742
Capital Activities				
<i>Cash outflows</i>				
Purchase of fixed assets	14,285		12,895	
Long-term investments	0		0	
Other capital cash payments	3,236	17,521	2,018	14,913
<i>Cash inflows</i>				
Sale of ex-Council houses	-1,481		-688	
Sale of other assets	-79		-481	
Long-term investments	-26,522		-37,007	
Capital grants received	-1,762		-2,630	
Other capital cash receipts	-1,194	-31,038	-1,335	-42,141
Net cash inflow before financing		-18,178		-23,634
Management of liquid resources				
Net increase in short-term deposits		17,100		24,250
Financing				
<i>Cash outflows</i>				
<i>Cash inflows</i>				
	0	0		
Change in balance at bank (- is reduced overdraft)		-1,078		616

Notes to the Main Financial Statements

Notes to the Income and Expenditure Account

1. Cost of services - leisure

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

	2006/07		2007/08	
	£000	£000	£000	£000
St Ivo	827		754	
Huntingdon	654		663	
St Neots	596		638	
Ramsey	539		368	
Sawtry	526	3,142	442	2,865
Other leisure services	397		471	
Parks	2,273		2,164	
Other	184		52	
Less capital charges included above	-426	2,428		2,687
Net cost of leisure services		5,570		5,552

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 3 years.

	2006/07	2007/08
	£000	£000
Income	-491	-508
Expenditure	460	410
Surplus (-)/deficit	-31	-98
Cumulative surplus (-)/deficit (3 years)	-13	-141

3. Exceptional item (£4,748k)

There has been material impairment of the Authority's buildings because the valuation of the replacement depot, Eastfield House, is less than the capital cost of building due to the fact that it has been specifically designed to match the Council's need for a particular balance of depot and office facilities. There is no significant market for this particular balance of uses which results in a low valuation. The valuation was carried out externally and independently by LM Catley ARICS.

Impairment would normally be charged to services as part of accommodation overheads, however due to the nature and size of the adjustment it is included in the Income and Expenditure account as an exceptional item. The cost is reversed out in the Statement of Movement on General Fund Reserve so there is no impact on the council tax.

4. Trading Undertakings

The following items are defined as trading undertakings by the SORP. The SORP 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 the notional interest is taken into account.

	2006/07		2007/08	
	Turnover £000	Surplus £000	Turnover £000	Surplus £000
Markets				
Huntingdon	63	19	55	13
Ramsey	4	-1	5	1
St Ives	139	91	136	76
Management	0	-63	1	-62
	206	46	197	28
Industrial properties	505	293	625	390
Commercial properties	202	159	225	162
Total before interest	913	498	1047	580

5. 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

6. 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

7. Expenditure on Publicity

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

	2006/07 £000	2007/08 £000
Recruitment advertising	105	143
Other advertising	180	200
	285	343

8. Members' Allowances

The total paid in 2007/08 was £345k (2006/07 £337k)

9. 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

	2006/07	2007/08
£50,000 - £60,000	3	4
£60,000 - £70,000	10	10
£70,000 - £80,000	2	2
£80,000 - £90,000	1	1
£90,000 - £100,000		2
£130,000 - £140,000	1	
£140,000- £150,000		1

10. Audit and Inspection Fees

	2006/07 £000	2007/08 £000
External audit	75	77
Grant claim certification	22	20
Statutory inspections	6	6
	103	103

11. 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.

12. Pension Costs

Details of pension costs are included in the statement of pension costs, assets and liabilities on page 51.

Notes to the Balance Sheet

13. Assets

All assets held at current value were revalued at 1 April 2004; revaluations are made every five years. 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 10 explains the depreciation policy adopted.

As at 31 March 2008 the Council was contractually committed to capital works valued at approximately £10.4m of which £9.4m 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	£000	£000
Net book value 1 April 2007	22,721	6,814	8,336	1,396	18,836	5,588	615	2,864	67,170
Movements in 2007/08									
Additions	7,003	1,316	600	10	68	2,998		899	12,894
Disposals	-56	-9			-220				-285
Revaluations	267				675				942
Depreciation	-852	-1,412	-422					-1,260	-3,946
Impairment losses	-5,430					-9			-5,439
Adjustment	-87		75		169	-157			0
Net book value 31 March 2008	23,566	6,709	8,589	1,406	19,528	8,420	615	2,503	71,336

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 Pathfinder House site has received planning permission for housing.

Major assets held at 31 March 2008	Number
Offices	3
Depots	1
Leisure centres	5
Markets	2
Bus stations	2
Public conveniences	9
Car parks	25
Mobile home park	1
Country parks and recreation grounds	7
Vehicles and plant	130
Investment properties	132
Surplus assets held for disposal	7

14. Financing of Capital Expenditure

	2006/07 £000	2007/08 £000
Capital receipts	17,598	13,888
External contributions and capital grants	1,693	2,631
Revenue	0	0
Total financed	19,291	16,519

15. Deferred Charges

	Balance 1.4.07 £000	Expenditure £000	Grants £000	Depreciation £000	Balance 31.3.08 £000
Grants for leisure projects	0	164		-164	0
Improvement grants	0	1,387	-745	-642	0
Housing Association grants	0	850		-850	0
Grants for community projects	0	317		-317	0
Other	0	45		-45	0
	0	2,763	-745	-2,018	0

16. Leases

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

	2007	2008
	£000	£000
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	1	1
Future commitments as at 31st March	0	0

17. Long-term Investments

	2007	2008
	£000	£000
Long-term investments held at 31 March		
Investec Investment Fund	21,496	0
Alliance Bernstein Investment Fund	11	0
City Deposit Brokers Investment Fund	25,500	10,000
Other (net of provision for losses)	100	100
	47,107	10,100

Most surplus cash held in the Council's reserves was invested through the services of external fund managers, Investec and CDCM. In July 2007 the Council provided the required notice to Investec and requested the return of £21.5m long term investments to the Council. These are managed in-house to meet the Council's cash flow requirements over the next two years.

The funds managed by CDCM and those returned by Investec are all invested in 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. The interest rate risk exposure resulting from these investments is minimal because all the investments are at fixed rates.

Other long-term investments at 31 March 2008 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.

18. Long-term Debtors

	Balance 1.4.07 £000	Repayments /new advances £000	Balance 31.3.08 £000
Loans – St Neots Town Council	125	-9	116
Housing advances	636	-20	616
House improvement loans *	498	-120	378
House mortgages	49	-14	35
Employee loans	14	25	39
	1322	-138	1,184

* Balance at 1/4/07 restated due to change in accounting policy to treat house improvement loans as long-term debtors rather than capital expenditure. They are then valued at fair value to meet the requirements of SORP 2007

19. Stock

	31.3.07 £000	31.3.08 £000
Diesel	7	43
Printing	16	26
Refuse sacks	37	22
Rail passes	7	19
Car park tickets	8	11
Other	16	13
	91	134

20. Debtors

	31.3.07 £000	31.3.08 £000
Amounts falling due in one year:		
Government Departments	1,008	1,049
NNDR National Pool	25	360
Cambridgeshire County Council	223	232
Other Public Authorities	99	149
Huntingdonshire Housing Partnership	1,475	779
Housing tenants	320	215
Local taxation	1,808	1,922
NNDR payers	361	299
Investment interest	1,538	1,050
General debtors	1,417	2,896
Loans to employees of less than 1 year	58	13
Total debtors	8,332	8,964
Less provision for bad debts	-1,425	-1,939
Net Position	6,907	7,025

21. Creditors

	31.3.07	31.3.08
	£000	£000
Government Departments *	1,655	641
Local Authorities	247	468
Leisure Centre Management Committees	304	15
Other	3,594	3,510
	5,800	4,634

* This includes a creditor of £315k which is VAT due on off-street parking. However the question of whether or not VAT is payable on off-street car parking is not resolved and is currently being considered by the European Court of Justice. Depending on the outcome this sum may not be payable.

22. Reserves

The Council maintains 6 types of reserves, some are available to meet expenditure and others are not:

- Capital reserves (revaluation reserve and the capital adjustment 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
- Financial instruments adjustment account represents the difference in the carrying value of home improvement loans and the fair value taking into account the loss of interest due to the loans being interest-free; it does not affect the Authority's resources
- 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. Capital Adjustment Account

The credit balance on the Fixed Asset Restatement Account (£23,194k) has been combined with the balance on the Capital Financing Account (£91,675k) to create the new Capital Adjustment Account with an opening balance of £68,481k.

	2007/08	
	£000	£000
Balance as at 1st April		68,481
Financing of capital expenditure		
Capital receipts	13,888	
External grants and contributions	2,630	16,518
	<hr/>	
Provision for depreciation	-3,921	
Deferred charges and debtors	-5,300	
Commutation adjustment	-171	
Impairment	-5,169	
Disposal	-275	-14,836
	<hr/>	
Balance as at 31st March		70,163

24. Revaluation Reserve

The Balance Sheet figures for 31 March 2007 have been adjusted to reflect the implementation of the Revaluation Reserve. It has been included in the Balance Sheet with a zero opening balance. The Revaluation Reserve therefore only shows revaluation gains since 1 April 2007.

25. Usable Capital Receipts

	2006/07		2007/08	
	£000	£000	£000	£000
Balance as at 1st April		29,445		28,157
Receipts				
Sale of Council houses	1,439		688	
Sale of land and other buildings	79		392	
Repayment of loans	41		43	
Improvement grants	49		46	
Non-specified investments	14,633	16,241	585	1754
	<hr/>		<hr/>	
Receipts applied during the year		-17,529		-13,888
		<hr/>		<hr/>
Balance as at 31st March		28,157		16,023

26. Revenue Reserves

	Balance 1.4.07 £000	Movement £000	Balance 31.3.08 £000
Earmarked reserves:			
S106 agreements	1,257	-379	878
Commutated S106 payments reserve	1,055	29	1,084
Repairs and renewals funds	948	163	1,111
Delayed projects reserve	615	-280	335
Other reserves	144	99	243
	4,019	-368	3,651
Collection Fund	-10	31	21
	4,009	-337	3,672
General fund balance	19,240	1,170	20,410

27. Pensions reserve

	Balance	Movement	Balance
	1.4.07		31.3.08
	£000	£000	£000
Pensions reserve (see page 51)	-23,683	5,381	-18,302

28. Contingent Assets and Liabilities

Contingent Assets

1. The Authority has settled a claim for negligence from an ex-employee and with legal costs the claim totals £218k as at 31 March 2008. 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.

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 DCLG. 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 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 2008 the maximum clawback is £574k.
4. Her Majesty's Revenue and Customs has indicated that all VAT will be recoverable including that which previously was irrecoverable relating to the provision of exempt services. The accounts have been based on recovering this VAT but as a statutory notice to this effect has not been received it is included as a contingent liability. The revenue impact is estimated to be £138k and capital impact £106k

5. 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

29. Financial Instruments
Financial instruments by category

The financial assets and liabilities included on the balance sheet comprise the following categories of financial instruments

31 March 2007		31 March 2008
£000		£000
	Financial assets by class	
	<i>Loans and receivables</i>	
6,907	Debtors due within one year	7,025
1,322	Debtors due after one year	1,184
47,107	Long-term investments	10,100
6,000	Short-term investments	30,250
108	Cash and equivalents	96
<u>61,444</u>	<i>Total loans and equivalents</i>	<u>48,655</u>
61,444	Total financial assets	48,655
	Financial liabilities by class	
	<i>Other liabilities at amortised cost</i>	
5,800	Creditors payable within one year	4,634
1,446	Bank overdrafts	2,050
<u>7,246</u>	<i>Total other liabilities at amortised cost</i>	<u>6,684</u>
7,246	Total financial liabilities	6,684

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets are recorded on the Balance Sheet at their amortised cost. Their fair value can be assessed by calculating the present value of the cash flows.

The fair values of the Council's financial instruments, together with the carrying amounts included on the balance sheet are analysed as follows:

31 March 2007			31 March 2008	
Carrying amount	Fair value		Carrying amount	Fair value
£000s	£000s		£000s	£000s
		Financial assets		
		<i>Loans and receivables</i>		
8,229	7,831	Total debtors	8,209	7,826
53,107	51,048	Total investments	40,350	39,481
108	108	Cash and equivalents	96	96
61,444	58,987	Total	48,655	47,403
		Financial liabilities by class		
		<i>Other liabilities at amortised cost</i>		
5,800	5,800	Total creditors	4,634	4,634
1,446	1,446	Bank overdrafts	2,050	2,050
7,246	7,246	Total	6,684	6,684

Nature and extent of risks arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay sums due
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments

Credit risk

Credit risk arises from investments with banks and other financial institutions, as well as credit exposures to the Council's customers.

In relation to investments the Authority has adopted CIPFA's *Code of Practice on Treasury Management in the Public Services*, has an agreed Treasury Management Strategy which addresses risk, and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code. These documents address the risks associated with investments

In relation to the sums owed by the Council's customers and contractual debtors, the Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts.

Liquidity risk

A substantial proportion of its investments are short-term deposits which mature within a year. In addition, as the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year

Notes to the Cash Flow Statement

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

	2006/07		2007/08	
	£000	£000	£000	£000
Net revenue activities cash flow		-3,036		6,336
Net interest received	-2,850		-2,742	
Depreciation	3,674		3,920	
Adjustment for stock, debtors and creditors	4,027		1,118	
Deferred charges	2,467		2,018	
Sale of council houses	-1,439		-688	
Capital grants	-103		-102	
Pensions appropriation	1,358		482	
Surplus on sale of fixed assets	-92		-46	
Housing capital receipts pool	23	7,065	9	3,969
Income and Expenditure Account deficit		4,029		10,305

31. Reconciliation of net cash flow to the movement in net funds

	1.4.07 £000	Movement £000	31.3.08 £000
Cash in hand	108	-12	96
Cash overdrawn	-1,446	-604	-2,050
Short-term borrowing	0	0	0
Short-term investments	6,000	24,250	30,250
	4,662	23,634	28,296

32. Analysis of change in management of liquid resources and financing

	1.4.07 £000	Movement £000	31.3.08 £000
Short-term borrowing	0	0	0
Short-term investments	6,000	24,250	30,250
	6,000	24,250	30,250

Liquid resources are loans and investments of less than 1 year which are used to manage the cash flow of the Authority. The increase in short-term investments is due to the cash requirements of the Council and is reflected in a decrease in long-term investments.

33. Analysis of Government Grants

	2006/07		2007/08	
	£000	£000	£000	£000
Revenue support grant		1,762		1,674
Benefits grants:				
Council tax benefits	5,543		5,831	
Rent allowances	<u>19,821</u>	25,364	<u>21,656</u>	27,487
Other:				
Local Authority Business Growth Incentive Grant	487		771	
Other capital grants	1,138		1,429	
Benefits administration	887		979	
Other	<u>1,266</u>	3,778	<u>1,124</u>	4,303
		30,904		33,464
Debtor		<u>488</u>		<u>-66</u>
		31,392		33,398

Collection Fund

2006/07		Note	2007/08	
£000	£000		£000	£000
	-646	Balance brought forward 1st April		-73
65,665		Council tax income	69,196	
74		Transfers from General Fund	-7	
5,485		Council tax benefits	5,776	
-221	71,003	Change provision for non-collection	306	75,271
		Less Precepts on the Fund		
-50,181		Cambridgeshire County Council	-53,575	
-8,040		Cambridgeshire Police Authority	-8,584	
-2,847		Cambridgeshire Fire Authority	-3,009	
-5,961		Huntingdonshire District Council:		
		General expenses	-6,312	
-3,401	-70,430	Parish Precepts	-3,555	-75,035
	-73	Deficit-/surplus on council tax		163
45,813		NNDR collectable	47,382	
-224		less Government contribution to cost of collection	-225	
-45,589	0	less payment due to National Pool	-47,157	0
	-73	Deficit- /surplus carried forward at 31st March		163

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 surplus on the Collection Fund is split between that relating to Huntingdonshire District Council (£21k surplus) which is included in the earmarked reserves on page 40 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 2008/09
- (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

	2006/07	2007/08
	£000	£000
Cambridgeshire County Council	50,181	53,557
Cambridgeshire Police Authority	8,040	8,581
Cambridgeshire Fire Authority	2,847	3,009
St Neots Town Council	669	696
Huntingdon Town Council	540	570
St Ives Town Council	474	469

4. Council Tax

	2006/07		2007/08	
	£000	£000	£000	£000
Base debit	79,390		83,877	
Add MOD contribution	506	79,896	527	84,404
<i>Deduct</i> Property exemptions	-3,507		-3,786	
Disability exemptions	-84		-87	
Discounts	-5,155		-5,559	
Write offs	-153		-131	
Provision for non-collection	-68	-8,967	437	-9,126
		70,929		75,278

Taxbase at 31 March 2008				
Tax band	Properties	Exemptions & discounts	Band D multiplier	Band D equivalent
A	10,849	2,101	0.67	5,861
B	17,945	2,350	0.78	12,130
C	16,687	1,737	0.89	13,289
D	10,915	993	1.00	9,921
E	8,167	712	1.22	9,112
F	3,294	263	1.44	4,378
G	1,608	116	1.67	2,487
H	140	21	2.00	238
Total	69,605	8,293		57,416

	2006/07	2007/08
Council tax charge per band D property	£1,245	£1,306
Actual taxbase used (Band D equivalent)	57,137	57,402
Estimated taxbase	56,939	57,434

5. National Non-domestic Rates (NNDR)

	2006/07		2007/08	
	£000	£000	£000	£000
NNDR based on uniform business rate	52,193		54,948	
Adjustment to previous years	-373		-1,098	
Less Mandatory relief	-5,875	45,945	-6,292	47,558
Less Discretionary relief	-85		-92	
Add Charity relief from General Fund	22	-63	23	-69
Net yield		45,882		47,489
Less Collection costs & interest on refunds	-235		-273	
Less irrecoverables & provision for bad debts	-58	-293	-59	-332
Contribution to National Pool		45,589		47,157

The uniform business rate set by the Government for 2006/07 was 44.4p (2006/07 43.3p)

Total ratable value at 31 March 2007 £123.2m

Total ratable value at 31 March 2008 £125.3m

6. Irrecoverables and Provisions for bad debts

Council Tax

	2006/07	2007/08
Change in Bad Debt provision	68	-437
Irrecoverables	153	131
Total	221	-306

NNDR

	2006/07	2007/08
Change in Bad Debt provision	-157	-59
Irrecoverables	215	118
Total	58	59

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.

However, as explained below, the fund's actuary made various assumptions about future investment returns in calculating the scheme assets. These returns are significantly affected by the performance of equities and so, if the current uncertainty in the financial markets continues, this could lead to a significant change in the value of the fund at the next valuation.

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 2007/08

In 2007/08 the Council paid an employer's contribution of £2.23m representing 14.3% of employees' pensionable pay into Cambridgeshire County Council's Pension Fund (£1.83m and 12.1% in 2006/07), 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 £186k representing 1.2% of pensionable pay (£170k and 1.1% in 2006/07).

There were no capital costs of discretionary increases in pension payments agreed by the authority during 2007/08 (£34,800 in 2006/07).

5 Valuation of Pension Fund

The contribution rate is determined by the Fund's actuary based on triennial valuations. The rate for 2007/08 was determined on the basis of contribution rates set in the 2004 valuation. The latest (2007) valuation of the Pension Fund concluded that to meet future funding required higher rates 16.3% (from 1 April 2008), 18.4% (from 1 April 2009) and 20.4% (from 1 April 2010) to meet estimated liabilities in accordance with Government regulations.

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 2007 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 2008.

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 2007	31 March 2008
- rate of inflation	3.2%	3.6%
- rate of increase in salaries	4.7%	5.1%
- rate of increase in pensions	3.2%	3.6%
- rate of discounting scheme liabilities	5.4%	6.9%

In accordance with CIPFA guidance the discount rate employed for the 2007/08 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 included an allowance 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.

The actuary in preparing the balance sheet at 31 March 2008 and the revenue account to 31 March 2008, has made allowance for the removal of the 'Rule of 85' for new entrants from 1 October 2006 where any new entrants were included in the membership data for the formal valuation at 31 March 2007. No allowance has been made for the effect of the abolition of the 'Rule of 85' for new entrants since 31 March 2007.

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

	2006/07 £000	2007/08 £000
Share of assets in County Council Fund	75,939	70,795
Present value of scheme liabilities	-96,873	-86,278
Present value of discretionary pensions	-2,749	-2,819
Net pension liability	-23,683	-18,302

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 2007	31 March 2008	31 March 2007	31 March 2008
Equity Investments	7.8%	7.7%	74%	70%
Bonds	4.9%	5.7%	11%	13%
Property	5.9%	5.7%	13%	12%
Cash	4.9%	4.8%	2%	5%
Total Fund Assets	7.2%	7.0%	100%	100%

9 Movement in Net Pension Liabilities

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

	2006/07		2007/08	
	£000	£000	£000	£000
Deficit as at 1 April		-29,370		-23,683
Current service cost	-3,182		-2,950	
Employer Contributions	1,828		2,232	
Contributions for Unfunded Benefits	168		179	
Past service costs	0		0	
Impact of settlements and curtailments	-35		0	
Net return on assets	-137	-1,358	57	-482
Actuarial gains/losses (-)		7,045		5,863
Deficit as at 31 March		-23,683		-18,302

The charge to the Income and Expenditure Account is reduced by £482k appropriation to the pension reserve.

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

	2006/07	2007/08
	£000	£000
Actual return less expected return on pension scheme assets	726	-9175
Change in financial assumptions underlying the present value of liabilities	6,038	15,699
Experience gains and losses arising on the scheme liabilities	281	-661
Actuarial gain/loss(-) in pension plan	7,045	5,863
Actuarial gain/loss(-) as a percentage of net pension liability	29.7%	32.0%

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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PROTOCOL BETWEEN LEADER AND CHIEF EXECUTIVE

(Report by Head of Administration)

1. Background

- 1.1 The CIPFA/Solace publication on 'Good Governance in Local Government' forms the framework for the Council's Code of Governance. It recommends the development of a protocol to ensure that the Leader and Chief Executive (as Head of the Council's Paid Service) negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.
- 1.2 The adoption of a protocol is an issue outstanding from the Council's Governance Statement. A draft has therefore been prepared, a copy of which is attached as an annex to this report, which has been provisionally agreed by both the Leader and the Chief Executive.
- 1.3 The protocol describes the shared values necessary to a successful working relationship between the occupants of the two positions and summarises their respective roles.

2.0 Conclusion and Recommendation

- 2.1 The adoption of a protocol is good practice. Once adopted, it can be reviewed by the Panel in the light of experience and subsequent legislative change. It is therefore

Recommended

that the Panel approve the attached protocol for the relationship between the Leader of the Council and the Chief Executive

Background Papers:

CIPFA/Solace publication on 'Good Governance in Local Government'
Council's Governance Statement

Contact:

Roy Reeves, Head of Administration
Tel: (01480) 388003

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HUNTINGDONSHIRE DISTRICT COUNCIL

Protocol for the relationship between the Leader of the Council and the Chief Executive

1. The Need for a Protocol

- 1.1 The CIPFA/Solace publication on 'Good Governance in Local Government' forms the framework for the Council's Code of Governance. It recommends the development of a protocol to ensure that the Leader and Chief Executive (as Head of the Council's Paid Service) negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.
- 1.2 The Council acknowledges that a successful working relationship is critical to its success and the achievement of its policies and strategies both in terms of the authority itself and its relationship with partners. Both roles are defined in legislation and in the Council's constitution which should be read in conjunction with this protocol. A mutual understanding of each other's responsibilities, especially as incumbents change, is key to the development of respect, tolerance and a shared appreciation of their respective roles both individually and to set the tone for good member/employee relationships throughout the authority.

2. Shared Values

- 2.1 The Nolan Committee's Report on Standards of Conduct in Local Government which provides the backdrop for improved standards of conduct in local government saw a need for a written statement or protocol governing relations between members and officers. The Committee commented in their final report that 'one particular area that gave us cause for concern was the potential for improper behaviour if the normal professional relationship between member and officer became unsatisfactory by being too comfortable or too combative'. That is especially appropriate in the case of the Leader and Chief Executive.
- 2.2 Member standards of conduct are now governed by the Members Code of Conduct based upon the statutory model code. Employee standards are set by the Employees Code of Conduct contained in the Council's constitution which, although not based upon a statutory model, reflects the same principles as the members' code. A protocol on member/employee relations, again embodied in the constitution, sets out the importance of effective relationships but there is a danger that these will founder if a good example is not set at the highest level by the Leader and Chief Executive.
- 2.3 Mutual respect and trust should be founded on the ten principles of public life which the Leader and Chief Executive have undertaken to uphold. The principles, which apply equally to members and employees and are reproduced in the preamble to the Members Code of Conduct in the constitution, are
 - Selflessness
 - Honesty and Integrity
 - Objectivity
 - Accountability

- Openness
 - Personal Judgement
 - Respect for Others
 - Duty to Uphold the Law
 - Stewardship
 - Leadership
- 2.4 In addition, the Council has adopted a series of policies that apply equally to the roles of the member and employee which includes a dignity at work policy and corporate equality policy.
- 2.5 The Leader and the Chief Executive subscribe to those general principles and policies which underpin the high standards of behaviour and relationships necessary for the Council to offer effective leadership in the community and fulfil its statutory functions.
- 2.6 All dealings between the Leader and the Chief Executive should be conducted with mutual respect, trust, honesty and courtesy. Neither should place inappropriate pressure on the other and, in their dealings with each other, they should not do anything that brings the Council into disrepute, cause any embarrassment either to themselves or the Council or lead to a breakdown in member/employee relations.
- 2.7 The roles of each are defined in legislation but it is the sum of the parts that makes the unique partnership that is effective local government. In furtherance of that principle, the Leader and Chief Executive undertake to recognise –
- The need for a close working relationship
 - The requirement for an understanding of each other's roles and responsibilities
 - The desirability of regular liaison through both formal and informal means
 - The importance of effective communication
 - A respect for each other's views, advice, guidance and integrity
 - The need for openness and mutual understanding
 - The desirability of maintaining impartiality and independence of role
 - The need to avoid bias and prejudice
 - The need to demonstrate effective leadership and their responsibility to set an example for others
 - That any tensions that arise in their relationship need to be resolved swiftly and amicably
- 2.8 In addition, they acknowledge –
- The Leader's position as leader of the majority political party group
 - The Chief Executive's wider role to serve the Council and members as a whole, irrespective of political party.
- 2.9 To assist in that mutual recognition of each other's roles and responsibilities, these are summarised below.

3. The Role of the Leader

- 3.1 The Council has chosen to adopt the executive leader and cabinet model of executive arrangements under the Local Government Act 2000, as amended by the Local Government and Public Involvement in Health Act 2007.
- 3.2 Under these arrangements, the Leader is elected by the Council from among its membership for a four year term or until his term of office comes to an end as a councillor or he is removed from office by the Council, whichever is the earliest. The Leader's primary functions are to –
- Arrange for the discharge of the executive functions of the Council, including the arrangements for executive responsibilities
 - Appoint a Deputy Leader of the Council
 - Determine the size and membership of the Cabinet
 - Act as chairman of meetings of the Cabinet
 - Provide the political leadership of the Council
 - Act as the leader of his (usually the majority) political party group
- 3.3 These are explained in greater detail in Article 7 and the Cabinet Procedure Rules contained in the Council's constitution.
- 3.4 The Leader is responsible for ensuring that the Council promotes the economic, social and environmental well being of Huntingdonshire and its inhabitants and its development through the effective exercise of collective and individual responsibilities within the Council's decision making processes.
- 3.5 Through the effective operation of the Cabinet, the Leader is accountable for -
- Proposing the Council's policy framework and setting priorities and objectives
 - Overseeing the implementation of policies and strategies to achieve priorities and objectives
 - Proposing the Council's budget to achieve its objectives
 - Managing the process for allocating resources to policy priorities
 - Ensuring the Council fulfils its statutory duties
 - Creating strategic frameworks for effective partnership working
 - Publishing a Forward Plan of future executive decisions
 - Making policy decisions in an open and accountable way
 - Ensuring continuous improvement in service standards and monitoring performance
 - Providing political leadership of the Council
 - Communicating and advocating the Council's priorities, objectives and decisions.
- 3.6 The Chief Executive, as principal policy adviser, will ensure that the Leader and Cabinet are provided with the appropriate advice and information to enable them to take informed decisions and they will have regard to such advice in reaching their decisions.

- 3.7 As leader of a party political group, the Leader will not seek advice from the Chief Executive in relation to party political business and will not expect the Chief Executive nor any of his staff to attend a meeting of the political group.
- 3.8 The Leader has no line management responsibilities for Council employees who are responsible to the Council as a whole. Any concerns over the performance of employees either individually or collectively will be referred by the Leader to the Chief Executive to address as he considers appropriate. Matters relating to the appointment, dismissal and disciplinary action in respect of employees is contained in the Officer Employment Procedure Rules set out in the Council's constitution. However the Leader, in conjunction with other leading Members, is responsible for the annual assessment of the Chief Executive's performance and in the award of performance related salary increments.

4. The Role of the Chief Executive

- 4.1 The Chief Executive has overall corporate management and strategic responsibility for the Council and its delivery of services as defined in Article 12 of the Council's constitution. He is responsible for the provision of professional and impartial advice to all aspects of the decision making process and is accountable to the Council for the implementation of strategies, policies and decisions.
- 4.2 As the Head of the Paid Service of the Council, the Chief Executive has certain defined responsibilities under the Local Government and Housing Act 1989 to report on –
- The co-ordination of the discharge of the Council's functions
 - The level, organisation, grades and management of employees required to discharge those functions.
- 4.3 The Chief Executive acts as the Council's proper officer under the Local Government Act 1972 and a variety of other legislation and as the Electoral Registration Officer for the purposes of electoral administration arrangements. He also carries the separate appointment of Returning Officer for the purpose of elections to the Council.
- 4.4 The Chief Executive is accountable to the Council as a whole. His post is politically restricted inasmuch as he is not permitted to be an elected member of another authority. While this does not prevent the Chief Executive from being a member of a political party, it is recognised that this is inadvisable if the Chief Executive is to maintain a politically impartial role in advising the Council. As such, the Chief Executive is required to work effectively with all elected members within the Cabinet and Scrutiny system of governance and to be able to demonstrate political sensitivity and an ability to interpret political will.
- 4.5 The Chief Executive's performance will be monitored annually by the Leader and other leading members under the Council's performance related pay scheme and his terms and conditions of employment are defined in the Officer Employment Procedure rules.

- 4.6 The Chief Executive has responsibility for promoting community cohesion and undertaking an overview of the Council's strategies by translating them into service plans and practical actions, gaining corporate support and ensuring compliance. The Chief Executive has leadership responsibility for overseeing the Council's statutory responsibilities under the Race Relations (Amendment) Act 2000 to eliminate unlawful discrimination, promote equal opportunities and promote good relations between people from different racial groups.
- 4.7 The Chief Executive is responsible for ensuring that the following key values and behaviours approved by the Council are upheld and complied with both personally and by the Council's employees –
- Putting the customer first, both internally and externally
 - Valuing, respecting and protecting dignity
 - A willingness to challenge and change
 - Delivering excellence and value for money

5. Publicity

- 5.1 The Council has a Communications and Marketing Strategy that deals with relations with the media and its customers. It is acknowledged that one of the intentions of the current legislative requirements for governance arrangements is to raise the profile of the executive and make the Leader and Cabinet accountable for their decisions and actions. It follows that media presentation and media support will reflect this. Advice to the Leader in relation to the media will be provided on a confidential basis if requested. Any employee assisting the Leader with media relations will act at all times in the interests of the whole Council and in a politically impartial manner.
- 5.2 In particular, the Leader and the Chief Executive will have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

6. Approval

- 6.1 This protocol has been approved by the Corporate Governance Panel as part of the Council's governance arrangements. Its content will be reviewed from time to time by the Panel and amended as necessary in the light of practical experience and legislative change.

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**RISK MANAGEMENT UPDATE
(Report by the Audit & Risk Manager)**

1. PURPOSE

- 1.1 To update the Panel on the work carried out by the risk management group and in the risk management area generally.

2. RISK MANAGEMENT GROUP

- 2.1 The risk management group met three times in the last year and considered a wide range of issues. These have included:

- Review and robust challenge of risk register entries
- Review and robust challenge of risk treatment option forms
- Raising awareness of Council policies
- Partnership risks
- Insurance claims information
- Approach to self insurance and the insurance re-tendering process

Risk register software

- 2.2 The risk register software - 4risk – was successfully launched in September 2007. Meetings are held quarterly between the Insurance & Risk Officer and Heads of Service to discuss current register entries and identify new risks. Focus on new risks is linked to the issues listed in the performance reports submitted by Heads of Service to Chief Officers' Management Team. This ensures that significant issues and risks are identified. Over the coming year this programme of meetings will be extended to include Activity Managers and the identification of operational risks.

Training

- 2.3 Training for Members of the Panel, Scrutiny Panel Chairman and those members of Cabinet who had not attended training previously was provided in December.

- 2.4 Cllr Rodgers has remained as the nominated Member risk champion.

CPA Use of Resources

- 2.5 The External Auditors are currently undertaking their review of the Key Lines of Enquiry. The Internal Control score for 2006/07, which includes risk management, was 2. Work has been completed during 2007/08 on addressing outstanding Level 3 areas and it is felt by the Group that this Level should be achieved.

- 2.6 The 2008/09 UoR assessment criteria are challenging and are attached at Annex A. Level 2 criteria are considered to be achievable or have been achieved as the majority of the requirements are already in place. The Group believe that the Council should strive to achieve Level 3, although they realise that this may not be possible in 2008/09.

3. OTHER INITIATIVES

- 3.1 The Council has been working with its insurers over the past year to enhance the Service Recovery Plan, in terms of its business critical activities and recovery priorities. An internal audit review of the Council's business continuity arrangements has also been undertaken. The implications and suggested actions have been discussed by Chief Officers Management Team. A desk top exercise to test the Plan has been undertaken which has highlighted a number of key issues that require attention.
- 3.2 Action is being taken by the Service Recovery Team to address the issues raised, within the constraints of existing resources. The Plan itself has been updated and re-issued and will be revised again in the context of the move to the new accommodation. The new accommodation itself provides the Council with greater resilience in the event of a loss of premises and services and an analysis of the Council's various establishments and elsewhere is being undertaken to assess their capability to accommodate staff in an emergency situation.
- 3.3 A Flu Pandemic Plan has been produced and has been revised in the event of the latest guidance on the impact and likelihood of a pandemic. The situation will be monitored and further revisions made in the light of the latest advice from the Cabinet Office and the World Health Organisation.
- 3.4 Following the introduction of the Corporate Manslaughter & Corporate Homicide Act 2007, the Group commissioned Zurich (one of our Insurers) to carry out a review of the Council's health and safety management arrangements in line with the key elements of the Health and Safety Executive's Code of Practice; HSG 65 "Successful Health and Safety Management". Chief Officers' Management Team received the Zurich report and, in accordance with one of its recommendations, approved a draft Strategic Plan and 3 year Action Plan for the management of the Council's health and safety. The Plans were considered by the Safety Advisory Group for consideration at their 17 September meeting. The Action Plan will be monitored bi-annually by COMT and otherwise addressed through the Comprehensive Performance Management Framework.
- 3.5 Insurance claims associated with tree management and associated subsidence issues have potentially, the highest financial costs associated with them. A group, led by the Head of Operations has reviewed this issue and an awareness raising seminar was been delivered by our insurers to representatives of Operations, Planning and Financial Services.
- 3.6 The risks associated with the loss of data and information held on laptops and USB data pens has recently been highlighted by the media. There are a number of entries on the risk register which also raise similar concerns. An Information Security Project has been set-up with the aim of controlling these risks through, amongst others:
- Encryption and control software for all portable IT devices and portable datasets which need suitable protection
 - Ensuring the security configuration of the proposed flexible working solutions and other external business systems
 - Ensuring the secure external transfers of data; and
 - Developing Information/Data Sharing Protocols.

- 3.7 An internal audit review of the risk management process was conducted in July 2008 by the Council's internal audit partner, Deloitte's. The report gave an 'adequate' opinion on the risk management procedures that have been introduced. Actions have been agreed to deal with the three issues identified.

4. RISK MANAGEMENT STRATEGY

- 4.1 The risk management strategy is required to be reviewed annually. The risk management group considered the strategy at its meeting in August and concluded that the Council's risk appetite is greater than set out in the strategy. A review of the Likelihood/Frequency and Impact assessment model within the strategy is therefore required.
- 4.2 The Group also wished to see a change to the Risk Option form process. 33 forms have been prepared to date. The intentions behind the introduction of this form – making Cabinet and/or Directors aware of Very High and High risks and asking them to decide if they wish these risks to be mitigated further – remain valid. The production and review of the form has proved to be unwieldy and the Group wished to see a simpler solution introduced .
- 4.3 It is proposed that changes that the Group have requested to the risk management strategy, are considered at the Group's November meeting, prior to being presented to the December Panel meeting.

5. Recommendation

- 5.1 It is recommended that the Panel note the report and the work that is being undertaken to embed risk management across the authority.

BACKGROUND INFORMATION

Risk Management Group papers
Risk Management Strategy

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UoR KLOE – 2008/09

The organisation has a robust approach to managing its risks and a sound system of internal control.

Level 2: All considered to have been achieved or achievable	Level 3	Current Position
<p>The board ensures that corporate business risks are being identified and effectively managed in line with its risk management strategy.</p> <p>The organisation maintains and regularly reviews a register of its corporate and operational business risks, including the risk of fraud and corruption, which:</p> <ul style="list-style-type: none"> • links risks to strategic objectives • assesses the risks for likelihood and impact • assigns named individuals to lead on actions identified to mitigate each risk <p>Risk management considers risks in relation to significant partnerships, including the risk of fraud and corruption, and provides for assurances to be obtained about the management of those risks.</p> <p>All those involved in the organisation's risk management arrangements are given relevant training and guidance.</p> <p>The organisation has a sound system of internal control which includes:</p> <ul style="list-style-type: none"> • delivering the core functions of an audit committee; • providing effective internal audit in accordance with relevant requirements; • an assurance framework informing transparent governance reporting • standing orders, standing financial instructions and a scheme of delegation • ensuring compliance with relevant laws and regulations and that expenditure is lawful • sound internal financial control with up to date procedure notes for key systems. <p>The organisation has a business continuity plan in place which is reviewed and tested on a regular basis.</p> <p>There are effective governance arrangements for significant partnerships.</p>	<p>The organisation can demonstrate that it has embedded risk management in its business processes, including:</p> <ul style="list-style-type: none"> • strategic planning • financial planning • policy making and review • performance management • project management. <p>All board members receive risk management awareness training appropriate to their needs and responsibilities.</p> <p>The organisation can demonstrate that partnerships embed risk management, as part of setting priorities, policy making, financial planning and performance management.</p> <p>Effective risk management supports the organisation in taking and managing significant risks to <u>successfully deliver innovative and challenging projects.</u></p> <p>The audit committee can demonstrate the impact of its work in providing:</p> <ul style="list-style-type: none"> • effective challenge across the organisation; and • assurance on the risk management framework and associated internal control environment to the board and the public. <p>The organisation obtains assurance on a risk basis of the viability of its significant contractors' and partners' business continuity plans.</p> <p>Reports to support strategic policy decisions, and initiation documents for <u>all major projects</u>, require a risk assessment including a <u>sustainability impact appraisal.</u></p>	<p>?</p> <p>✓</p> <p>?</p> <p>✗</p> <p>✓</p> <p>✓</p> <p>✗</p> <p>✗</p>