

A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in the **CIVIC SUITE 0.1A, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN** on **TUESDAY, 28 SEPTEMBER 2010** at **6:30 PM** and you are requested to attend for the transaction of the following business:-

**Contact
(01480)**

APOLOGIES

1. MINUTES (Pages 1 - 4)

To approve as a correct record the Minutes of the meeting of the Panel held on 30th June 2010.

**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. VALUE FOR MONEY CONCLUSION 2009/10 (Pages 5 - 26)

To receive a report from the Head of Law, Property and Governance on the external auditor's Value for Money Conclusion for 2009/10.

**H Thackray
388035**

4. DEMOCRATIC STRUCTURE WORKING GROUP (Pages 27 - 32)

To consider a report from the Democratic Structure Working Group.

**Miss H Ali
388006**

5. FORMAT OF THE COUNCIL'S EXECUTIVE - THE CHOICE OF EXECUTIVE LEADER OR ELECTED MAYOR (Pages 33 - 44)

To receive a report from the Head of Democratic and Central Services on the outcome of a consultation on the format of the Council's Executive.

**R Reeves
388003**

6. ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT (Pages 45 - 64)

To consider a report by the Audit and Risk Manager detailing the outcome of a review of the effectiveness of the system of internal audit.

**D Harwood
388115**

7. GOVERNANCE STATEMENT (Pages 65 - 84)

To consider a report by the Head of Law, Property & Governance seeking endorsement of the Council's Governance Statement for 2009/10.

**H Thackray
388035**

8. APPROVAL FOR PUBLICATION OF THE 2009/10 ACCOUNTS
(Pages 85 - 182)

To consider a report by the Head of Financial Services setting out the process to enable the Council's accounts for 2009/10 to be published.

S Couper
388103

9. EXCLUSION OF THE PUBLIC

To resolve:-

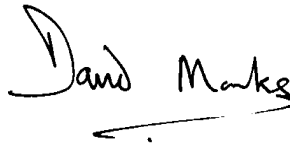
that the public be excluded from the meeting because the business to be transacted contains exempt information relating to individuals.

10. COUNCIL TAX COMPLAINT : AWARD OF COMPENSATION
(Pages 183 - 184)

To consider a report by the Head of Customer Services seeking approval of a compensation payment made under the Council's internal complaints system.

Mrs J Barber
388105

Dated this 20 day of September 2010



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 Mrs C Bulman, Democratic Services Officer, Tel No 01480 388234 / e-mail: Claire.Bulman@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.

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Agenda Item 1

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in the Civic Suite 0.1 B, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN on Wednesday, 30 June 2010.

PRESENT: Councillor T D Sanderson – Chairman.
Councillors P L E Bucknell, K J Churchill,
S J Criswell, T V Rogers and
C M Saunderson.

APOLOGY: An Apology for absence from the meeting was submitted on behalf of Councillor M G Baker.

4. MINUTES

The Minutes of the meetings of the Panel held on 24th March and 19th May 2010 were approved as a correct record and signed by the Chairman.

5. MEMBERS' INTERESTS

No declarations were received.

6. FINAL ACCOUNTS 2009/10

With the aid of a presentation by the Head of Financial Services, the Panel considered the draft Statement of Accounts for the year ended 31st March 2010 (a copy of which is appended in the Minute Book). Having had their attention drawn to a series of amendments which were tabled at the meeting (a copy of which is also appended in the Minute Book), Members were acquainted with a number of issues arising, which included variations relating to the recovery of VAT, extra government grants, debt repayments and employee savings, together with issues concerning the treatment of capital, the collection fund and the pension fund.

In response to questions concerning the presentation of information such as that relating to "impairment", it was agreed that where appropriate further clarification on the reasons for impairment should be included.

Having questioned why the Council's previous insurer was able to claw back claims payments made to the Council since September 1993, it was confirmed that the Council had entered into a Scheme of Arrangement which enabled this to happen.

In recognising the significant level of audit and inspection fees, which were set by the Audit Commission and outside the Council's control, it was noted that this would be kept under close scrutiny in the light of changes to the external inspection regime.

Having commended Officers, in particular the Head of Financial Services and his team on the compilation of the accounts, the Panel

RESOLVED

that, subject to the amendments circulated at the meeting and minor textural amendments, the draft Statement of Accounts for the year ended 31st March 2010 be approved.

At this point, Councillor P L E Bucknell left the meeting (7.00pm).

7. EXTERNAL AUDIT - PROGRESS REPORT

With the aid of a report by the Head of Financial Services (a copy of which is appended in the Minute Book) the Panel received a progress report from the Council's external auditor's explaining the current situation with regard to the Use of Resources Assessment and the audit of the Financial Statements for 2009/10.

RESOLVED

that the contents of the report be noted.

8. INTERNAL AUDIT SERVICE: TERMS OF REFERENCE AND INTERNAL AUDIT STRATEGY

The Panel received and noted a report by the Audit and Risk Manager (a copy of which is appended in the Minute Book) seeking approval of changes made to the Terms of Reference and Internal Audit Strategy.

RESOLVED

that the changes to the Internal Audit Terms of Reference and Strategy now submitted be approved.

9. INTERNAL AUDIT SERVICE: INTERNAL AUDIT 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 2010. Having been acquainted with background to the resourcing of the Plan, the Panel

RESOLVED

that the Audit and Assurance Plan be approved.

10. MONEY LAUNDERING AVOIDANCE POLICY & PROCEDURE

Consideration was given to a joint report by the Head of Law, Property and Governance and the Audit and Risk Manager (a copy of which is appended in the Minute Book) seeking approval of changes made to the Money Laundering Avoidance Policy which had been prompted by legislation. In noting the suggestion to incorporate the Policy within the Anti-Fraud and Corruption Strategy, the Panel

RESOLVED

- (a) that the changes made to the Money Laundering Avoidance Policy now submitted be approved; and
- (b) that the Policy be integrated within the Anti-Fraud and Corruption Strategy.

11. ANTI-FRAUD AND CORRUPTION FRAMEWORK

By means of a report by the Audit and Risk Manager (a copy of which is appended in the Minute Book) the Panel was acquainted with the outcome of a review of the Council's Anti-Fraud and Corruption Framework.

RESOLVED

- (a) that the responses to the Anti-Fraud and Corruption Framework be noted; and
- (b) that the revised Anti-Fraud and Corruption Framework Action Plan be endorsed.

12. COMPLAINTS

(a) Annual 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 2009/10.

RESOLVED

that the report be received and noted.

(b) 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 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.

Chairman

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**VALUE FOR MONEY CONCLUSION 2009/10
(Report by the Head of Law, Property & Governance)**

1. INTRODUCTION

1.1 The purpose of this report is to inform the Panel of our external Auditors (Grant Thornton) Value for Money (VFM) conclusion

2. Background

2.1 Under the Audit Commission's Code of Audit Practice our external auditors are required to reach a conclusion on whether Huntingdonshire District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

3. Key findings and action required by the Council

3.1 The VFM conclusion is informed by the use of resources work which, in Councils, is based on the Audit Commission Use of Resources (UoR) assessment. The attached report sets out Grant Thornton's findings from these pieces of work to arrive at the unqualified conclusion


3.2 The wider requirements of the Use of Resources (UoR) assessment have recently been abolished and will not be formally scored for this year. However, set out in the attached report are discussions of each theme and areas for improvement based on the work Grant Thornton had completed at the time the arrangements ceased.

3.3 Paul Winrow or Liz Sanford from Grant Thornton will present the report to the Corporate Governance Panel

4. RECOMMENDATION

4.1 The Panel is recommended to note the content of the report; and

4.2 Agree the action plan in Annex A

Contact Officer: Howard Thackray, Policy & Strategic Services Manager
 (01480) 388035

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Huntingdonshire District Council

Value for Money Conclusion 2009/10

September 2010

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1 Executive Summary

Background and purpose of the report

- 1.1 Under the Audit Commission's Code of Audit Practice we are required to reach a conclusion on whether Huntingdonshire District Council ('the Council') has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').
- 1.2 We described in our Audit Plan (December 2009) the areas of audit work that provide us with the assurance that contributes to our annual VFM conclusion. This report sets out our findings from these pieces of work to arrive at the unqualified conclusion

Key findings and action required by the Council

- 1.3 The wider requirements of the Use of Resources (UoR) assessment have recently been abolished and will not be formally scored for this year. However, we set out in this report discussions of each theme and areas for improvement based on the work we had completed at the time the arrangements ceased.
- 1.4 The headline findings are as follows:
 - The Council has identified weaknesses in compliance with its Code of Procurement and contract management. A number of actions were implemented which have resulted in improvements.
 - In common with many local authorities, the Council is experiencing significant financial pressures and having to revisit its short to medium term financial plans. The Council has already planned to meet its budget deficits over the next three years from its revenue reserves; however, it is anticipated that reduced funding is likely to increase the gap that needs to be met. This means that unless resulting gaps are addressed through savings or other means, reserves will be used up more quickly than planned. It is imperative that the Council reviews its medium term financial plans in light of public sector spending pressures.
 - The Council remains a strong performer in preventing and stopping housing benefit fraud and in August 2009 the Fraud Team was short-listed as a finalist for an award in 'Excellence in Anti-Fraud' by the Institute of Revenues Rating and Valuation (IRRV). In the current economic climate it remains as important as ever for the Council to demonstrate publicly its commitment both to stopping fraud and to dealing quickly with identified fraudsters.

- To support our conclusions in the good governance theme, spot-checks of two performance indicators have been undertaken. No significant data quality issues were identified as a result of this work. We also considered the results of our mandatory work on housing benefits, which did not give rise to any significant data quality concerns.
- 1.5 The key actions for the Council, relevant to the areas covered by our audit, are as follows:
- the Council should take immediate action to review its short to medium term plans for using its revenue reserves to support spend, identify revised budget deficits and how these will be met if reserves are not available to fund the gaps, and
 - the Council should develop detailed and realistic savings plans. These plans should be developed to include the findings of service reviews and the outcomes of the budget consultation which is currently in progress.

Way forward

- 1.6 As the Use of Resources framework has now been abolished the weaknesses identified will not be followed up specifically through an assessment process. The Council should look to develop action plans on those weaknesses that link directly with Corporate Priorities.
- 1.7 Given the scale of the pressures facing public bodies in the current economic climate, the Audit Commission has reviewed its work programme for 2010/11 onwards. As part of this exercise, the Audit Commission has been discussing possible options for a new approach to local value for money (VFM) audit work with key national stakeholders.
- 1.8 From 2010/11 auditors will look to apply a new, more targeted and better value approach to their local VFM audit work. This will be based on a reduced number of reporting criteria specified by the Audit Commission, concentrating on:
- o securing financial resilience; and
 - o prioritising resources within tighter budgets to achieve VFM.
- 1.9 Scored judgements will no longer be made in relation to local VFM work.

Grant Thornton UK LLP
September 2010

2 Scope of our work

Introduction

- 2.1 In carrying out our audit work we comply with the statutory requirements governing our duties, set out in the Audit Commission Act 1998, in accordance with the Code of Audit Practice (the Code). The Code requires us to issue a conclusion on whether Huntingdonshire District Council ('the Council') has proper arrangements in place for securing economy, efficiency and effectiveness in the use of its resources ('VFM conclusion').
- 2.2 Our VFM conclusion is informed by our use of resources work which, in Councils, is based on the Audit Commission Use of Resources (UoR) assessment. However, prior to conclusion of our work the new Coalition Government abolished the Comprehensive Area Assessment (CAA), which included the requirement for a scored UoR assessment.
- 2.3 Notwithstanding this, although we are not able to report scores for 2009/10 it is important to provide feedback on the work that we have completed to date. We set out below improvements identified since the previous year and assessed where there are opportunities to address areas of weakness.

Approach to the audit

- 2.4 The assessment was carried out between December 2009 and May 2010. We reviewed the Council's arrangements against eight KLoEs within the three UoR themes prescribed by the Audit Commission. Our work was based on review of written evidence and meetings with senior management and officers.
- 2.5 The key findings in each of the themes, and areas for improvement, are set out below.

Acknowledgements

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

Use of this report

- 2.7 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.
- 2.8 This report includes only those matters that have come to our attention as a result of performance of the audit. An audit of 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.

3 Managing finances

3.1 The managing finances assessment covers the following areas:

- planning finances to deliver priorities and sound financial health
- sound understanding of costs and performance / achieving efficiencies
- timely and reliable financial reporting and meeting stakeholder needs.

Planning finances to deliver priorities and sound financial health

3.2 The Council regularly reviews its Corporate Plan to ensure it incorporates all of the Council's policies and strategies. The Plan sets priorities and objectives together with targets. The Council's Medium Term Plan (MTP) is focussed on this with all proposals for additional spending being required to demonstrate which objectives they relate to and what their impact will be. The Council can demonstrate that it has reviewed its MTP to take into account the current economic conditions.

3.3 However, since our review there have been significant changes announced in relation to government grant allocations and future funding. The Council will need to ensure that the impact of these and the requirement to find savings beyond those that had been anticipated and planned for as part of the MTP are taken into account in all future financial planning. The Council also needs to ensure that there are realistic plans to ensure the savings required are delivered without significantly impacting on the quality of services provided. We note that the Council is in the process of consulting on future spend and priorities with residents as part of a budget consultation exercise. The findings of this consultation will also need to inform future financial plans.

3.4 The Council's current medium term financial plan relies on reserves to fund deficits against its planned budget until 2013/14 when revenue reserves will be at a level of £3m, the amount agreed by the Council that revenue reserves should not fall below. With a view that RSG allocations are set to fall by 25% over a period of four years from 2011/12, the Council should take immediate action to review its plans for using its reserves and identify revised budget deficits and how these will be met if reserves are not available to fund the gaps.

Sound understanding of costs and performance/achieving efficiencies

3.5 Whilst there are processes in place for costs and activity to be taken into consideration when planning service delivery, the Council did not demonstrate this effectively and provided limited information on how it is working to understand its cost drivers and the factors that influence these. Given the financial pressures faced by the Council, developing a better understanding of cost drivers so that informed decisions can be made about future service planning and delivery is key.

- 3.6 The Council has a good track record in achieving its annual savings targets and has processes in place for identifying savings that can be reported against NI179. However, an Internal Audit of NI179 Cashable Efficiency Savings gave limited assurance to the processes in place to calculate this figure. The review looked at the rationale and robustness of the calculations used to produce the reported savings. Whilst carrying out this scrutiny function, the need to make various improvements to the Council's processes became apparent and recommendations have been made to improve arrangements.
- 3.7 The Council has a significant target for spending adjustments that it is seeking to achieve through a number of actions including removing any spare budget provision, increasing fees and charges and service reductions, for instance. It is therefore focussed on achieving these rather than efficiency items in isolation. These are considered on an-ongoing basis as well as part of the annual budget setting process.
- 3.8 The Council was able to demonstrate how its Business Analysts routinely use Business Processing Re-Engineering techniques to change the way services work. The Electronic Data Management project has resulted in increased productivity of processing Housing/Council Benefit forms. As part of this, the Council now allows customers to make payments using the Internet. Whilst this is at an early stage there has been a shift of 10% from phone to internet payments. Around 25% of Officer time in the Call Centre is occupied taking payments, so the opportunity for saving is significant. This project is in the early stages of implementation so whilst there is some evidence of improved productivity, savings have not yet been quantified. The Council need to ensure it is fully exploiting all opportunities to make such efficiency savings to increase productivity and reduce its costs.

Timely and reliable financial reporting and meeting stakeholder needs

- 3.9 The Council's financial reporting is timely and reliable. There have been no instances in recent years of forecast and actual outturn varying significantly. Spending is controlled and the Council has under-spent in the last four years. The reports to Executive give high level information on performance against revenue budget through the year. However, Members are given the opportunity to contribute to the content of these reports so it is considered that the content of the reports is fit for their purposes. Given future financial constraints and pressures, the Council needs to ensure, however, that it is giving sufficient levels of information in its financial reports to allow Members to gain a clear understanding of the Council's financial position and the significant risks faced.
- 3.10 The Council has taken steps during the year to improve integration of financial and non-financial performance reporting. A working group was formed during 2009/10 to look at performance against strategic priorities and the linkages with budget allocations. This indicates that the Council is taking steps towards gaining a greater understanding of how budgets are linked to corporate objectives and how this then ties into the Council's performance.

- 3.11 The Council prepares its accounts in accordance with statutory guidelines. However, in 2009/10, a number of number of significant adjustments were required to be made to the accounts following the audit. As in the prior year, these were mainly around the accounting for fixed assets.
- 3.12 With the transition to IFRS accounting there will be significant changes to the way fixed assets are accounted for. The Council needs to identify and address all the issues that are likely to impact upon it and have adequate systems and processes in place to ensure that the transition is a smooth process. Restating the 2009/10 accounts to an IFRS basis will assist in this process and should ensure that all major issues are identified prior to the 2010/11 financial statements being prepared.

4 Governing the business

4.1 Governing the business theme considers four areas:

- commission and procure quality services tailored to local need
- produce relevant and reliable data and information to support decision making and manage performance
- promotion and demonstrating the principles and values of good governance
- managing risks and maintaining a sound system of internal control.

Commission and procure quality services tailored to local need

4.2 An internal audit review undertaken in 2009/10 on contract management identified a number of breaches of the Council's Code of Procurement. Breaches included:

- non-compliance with EU procurement regulations;
- obtaining only single tenders where competition could have been achieved; and
- not retaining tender documentation.

4.3 An action plan to address the issues identified was approved and implemented by the Council. A subsequent review of procurement practice was completed during summer 2010. This concluded that whilst there are still breaches of Code procedures occurring, these are not considered to be similar in scale or magnitude to those previously identified. The Council will need to ensure that it continues to monitor compliance with the Code.

Produce quality data and information to support decision making

4.4 The Council has a detailed Data Quality Strategy which outlines the aims and arrangements for ensuring good data quality. This covers partnership arrangements and the Council has also taken a lead role in developing a Partnership Data Quality Strategy to ensure that, for example, shared data for National Indicators (NIs) is accurate and reliable. Heads of Service are required to provide assurance statements on the accuracy of data used in reports and compliance with the Council's data quality procedures.

4.5 The Council has been able to provide clear examples of how it uses information to support the decisions it makes and how this has resulted in improved service delivery. An example of this is how data from the Customer Call Centre has been used to identify areas of the district from where lots of enquiries are made. Analysis and sharing of this data led to the deployment of Benefits Officers to local offices within these areas

- 4.6 The Council has taken measures to produce integrated financial and non-financial performance reports. There is also clear evidence of the Council using RAG reporting to address underperformance. For instance, there has been a marked improvement in the time taken to process planning applications following the introduction of a targeted improvement plan which resulted from reporting of underperformance.
- 4.7 Internal audit have undertaken a review of national indicators during the year. Three were specifically reviewed based on a risk assessment of outturn.

Table 2: Results of performance indicator spot-checking

PI ref	Description	Significant concerns?
NI 156	Number of households living in temporary accommodation	No
NI 195a	% of Streets that have unacceptable levels of litter	No
Local	The number of dwellings improved by the actions of the Council.	No

Promote and demonstrate principles and values of good governance

- 4.8 There is evidence that the Council promotes and demonstrates the principles and values of good governance both within its own organisation and in the partnerships that is involved in. There are supportive working relationships in place between officers and Members and the nature of these relationships are governed by terms of reference and agreed protocols. A Member Development Officer has been appointed by the Council and around 20% of Members now have Personal Development Plans with Plans under development for all Members. The Council has received external funding to support this process.
- 4.9 There are links from the Sustainable Community Strategy through to the Council's corporate plan. To support the achievement of its aims, the Council is in the process of establishing six neighbourhood forums open to the public to enable local people to raise issues of concern in their communities with representatives of relevant authorities and agencies.
- 4.10 The Council has progressed its plan to get independent people on its Scrutiny Panels and therefore involving more stakeholders in the local democracy process. Other enhancements have been made to the Scrutiny function at the Council including regular meetings of chairs and vice-chairs of Committees to monitor performance and reshaping of the function to more closely align with the Council's aims.
- 4.11 There is also a budget consultation currently underway which will inform future service planning.

Manage risks and maintain a sound system of internal control

- 4.12 The Council continues to develop its reporting arrangements in respect of risk management. A recent development has been providing Corporate Governance Panel with details of when controls relating to risks were last reviewed by risk owners to ensure that they are still in place and continue to be effective. Training is provided to all staff and members and support is provided to Heads of Service on a quarterly basis to assist in the review of their risk registers.
- 4.13 The Council has sound counter fraud and corruption arrangements in place. A Member approved counter fraud and corruption strategy is available to all staff. A copy of the Strategy is has been posted to the internal audit intranet site. The Strategy is supported by a Framework (action plan) to ensure the Strategy is being effectively delivered.
- 4.14 The Council has made good progress in processing its NFI matches from the 2008/9 exercise. It has good processes in place for managing this and there is further evidence of the Council improving processes and taking pro-active steps to further manage the risk of fraud occurring at the Council and increasing the likelihood of it being detected. For instance, the Council has purchased further data-matching software which will allow it to data-match across all areas of Council activity to identify potential fraud and error affecting benefits as well as other council services. In August 2009 the Fraud Team was short-listed as a finalist for an award in 'Excellence in Anti-Fraud' by the Institute of Revenues Rating and Valuation (IRRV).

5 Managing resources

Making effective use of natural resources

5.1 This KLOE was assessed for the first time in 2009/10 across three areas of activity:

- understanding and quantifying the use of natural resources
- managing performance to reduce its impact on the environment
- managing environmental risks and working effectively with partners to do so.

Understanding and quantifying the use of natural resources

5.2 The Council has an Environment Strategy: 'Growing Awareness - A plan for our Environment'. One of the two roles this highlights is 'Greening the Council' which recognises itself as a community leader and how it plans to manage its resource use issues within its estate and lead by example.

5.3 The Council has calculated its carbon footprint and has baseline figures in place for consumption levels of all of its natural resources at its operational sites. It has produced an action plan to assist in the reduction of operational CO₂ emissions. The Council is working with the Carbon Management Trust to progress a number of initiatives.

5.4 For instance, a comprehensive strategic review of energy and water use at all 'One Leisure' sites was scheduled to take place in the summer of 2010. The aim of this was to identify where major savings in both energy and water can be made and budgets were in place to implement the projects identified throughout 2010/11. A similar review is scheduled for other major office locations, to be delivered to the same timescales

5.5 The Council has already adopted a corporate Travel Plan and a site specific plan for the headquarters site with the intention of reducing the amount of work related travel by single occupant private car and encouraging a shift to other transport modes. Low emission and petrol/electric hybrid pool cars have been made available for business travel in order to reduce the need for employees to use private cars for travel to work where alternatives are available.

Managing performance to reduce the Council's impact on the environment

5.6 The Council has an Environmental Management Steering Group which meets on a quarterly basis to review the progress of projects in the Council's environment strategy. 'Growing Awareness' includes a range of targets and indicators for the Council to achieve in terms of reducing its own environmental impact. These are fed into the Council's performance scorecard and performance management arrangements.

- 5.7 Through use of travel plans and monitoring performance against targets contained within it, the Council is able to demonstrate positive changes in the way employees travel to work.
- 5.8 When the Council is planning to redevelop or construct new buildings, there is a policy of ensuring these are sustainable. This is evidenced through the BREEAM Excellent design ratings achieved for Pathfinder House. Initiatives included in the build have been energy saving and sustainable. e.g low energy fittings and recycling grey water. Other buildings have been similarly designed. The provision of recycling facilities at Pathfinder House has resulted in a decrease in levels of waste from this building being taken as landfill.
- 5.9 We note, however, that the Council's current Code of Procurement does not specifically cover sustainable procurement.

Managing the environmental risks faced and working effectively with partners

- 5.10 The Council worked in partnership to develop workspace for start up creative businesses and secured £700,000 in growth area funding (GAF II) from Communities and Local Government (CLG) for the project. The building won the British Construction Industry Award for best Local Authority Building 2009. Sustainability was an integral part of the design brief and the building incorporated materials with low embodied carbon, high energy efficiency, rainwater harvesting and a solar thermal hot water system.
- 5.11 The Council has also secured funding from Salix Finance, an independent company funded by the Carbon Trust. One of the forms of funding Salix Finance provides is a loan which, when match funded by local authorities and can be used to develop a local 'invest to save' ring fenced fund. The Council will be establishing a ring fenced fund which will allow it to invest, and reinvest in energy efficient and low carbon technologies to reduce its carbon emissions and energy costs.
- 5.12 As a member of the Cambridgeshire Climate Change Partnership, the Council works closely with partners to develop strategic responses to adaptation. At a local level the Huntingdonshire Environment Forum provides the focus for dissemination of best practice, covering issues such as Energy Management, Community Engagement and Adaptation to Climate Change

Appendix A Action Plan

This action plan includes recommendations intended to assist the Council in improving its performance in key areas of its activity. Our priority system grades the most significant recommendations as High priority (on a scale of High to Low).

Ref.	Recommendation	Priority	Management response	Implementation details
Exec Summ.; 3.3 -3.4	The Council should take immediate action to review its short to medium term plans for using its revenue reserves to support spend and identify revised budget deficits and how these will be met if reserves are not available to fund the gaps.	High	In hand	Will form part of this year's budget reports in November and February. Head of Financial Services
Exec Summ.; 3.3 -3.4	The Council should develop detailed and realistic savings plans. These plans should be developed to include the findings of service reviews and the outcomes of the budget consultation which is currently in progress	High	In hand	Will form part of this year's budget reports in November and February. Head of Financial Services

Ref.	Recommendation	Priority	Management response	Implementation details
3.3 - 3.4	The Council needs to ensure that its medium term financial planning and annual budget setting processes result in flexible, responsive financial plans being developed that allow the Council to meet its statutory service requirements and its corporate priorities.	High	In hand	Will form part of this year's budget reports in November and February. Head of Financial Services
3.6	The Council should ensure that the improvements identified by internal audit in respect of NI179 are fully implemented in order to provide assurance that savings are properly monitored.	High	This NI is of questionable value and has a greater level of subjectivity than other NIs.	The Council will endeavour to report an accurate result without allocating excessive resources to the task. Head of Financial Services
3.9	Given future financial constraints and pressures, the Council needs to ensure that members receive sufficient levels of information in its financial reports to allow them to gain a clear understanding of the Council's financial position and the significant risks faced.	High	In hand	Will form part of this year's budget reports in November and February. Head of Financial Services

Ref.	Recommendation	Priority	Management response	Implementation details
3.12	The Council should ensure that its 2009/10 financial statements are restated in accordance with the requirements of IFRS by December 2010. This restatement exercise should be independently reviewed to ensure that the Council has identified and addressed the key issues.	Medium	Agreed	Accountancy Manager will prepare and discuss with new external auditors when completed. December 2010
3.12	The Council needs to ensure that its preparation for the transition to reporting under IFRS includes a full review of how it accounts for its fixed assets which includes how it maintains its fixed asset records and the adequacy of the systems and processes it has in place to do this. .	High	Agreed	Accountancy Manager will undertake review and discuss with new external auditors when completed. February 2010
4.2	The Council should continue to monitor compliance with the Code of Procurement. Progress against and compliance with the approved action plan should be reported to COMT. Where non-compliance with the Code is identified explanations should be provided.	High	The Procurement Manager has introduced systems which should result in him being involved earlier in the procurement process and thus able to ensure that the Code is complied with.	Ongoing

Ref.	Recommendation	Priority	Management response	Implementation details
5.9	The Council's Code of Procurement should be revised to include guidance on sustainable procurement	Medium	Agreed	Procurement Manager will include in next review of Code January 2011



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DEMOCRATIC STRUCTURE WORKING GROUP (Report of the Working Group)

1. INTRODUCTION

- 1.1 The Democratic Structure Working Group met on Tuesday, 6th July 2010 to consider the membership of Employment Panel, a matter which had been deferred by the Council when considering the Working Group's initial proposals relating to the democratic structure review. The Working Group also considered a proposal to introduce the title of Honorary Aldermen and Alderwomen to past Members of the Council and Honorary Freemen and Freewomen to local citizens.
- 1.2 Councillors Mrs M Banerjee, K J Churchill (Chairman), S J Criswell, G S E Thorpe and R G Tuplin were present at the meeting.

2. EMPLOYMENT PANEL AND EMPLOYEE LIAISON ADVISORY GROUP (ELAG)

- 2.1 In considering the membership of the Employment Panel, the Working Group was reminded that as the terms and conditions of employees and other employee related issues were defined as not being an executive function of the Council, the only means of addressing such matters was either in full Council or by delegating the function to a committee or an Officer. At present, the Employment Panel comprised 8 Members, whom one was a Cabinet Member and was politically proportionate.
- 2.2 In recognising the need for there to be an appropriate forum in which to deal with employment issues, the Working Group concurred with its original suggestion that the present arrangements were working satisfactorily and that any alternative approaches would not be suitable, given that it would be inappropriate for staffing matters to be discussed at full Council meetings or for issues such as the negotiation of an annual salary award to be delegated to Officers. It was therefore proposed that no change should be made to the terms of reference, composition, etc of the Employment Panel.
- 2.3 In noting reservations had been made by the Employment Panel in recent months with regard to the scheduling and membership of ELAG, the Working Group acknowledged that the present arrangements were cumbersome and offered little opportunity for constructive dialogue between Members and employees in advance of Employment Panel meetings.
- 2.4 Having been acquainted with revised terms of reference for ELAG which had been approved at its May 2010 meeting, Members were advised that the Group had increased the employee side representation from 8 to a maximum of 15. Additionally, Members were advised of a recent decision to

increase representation on the Group from 4 to 8 Members as it had been felt at the time that it was inappropriate for only half of the membership of the Panel to attend ELAG. However, it was reported that since the new arrangements came into effect, this has further added to the duplication of business being discussed at meetings.

2.5 In discussing a way forward, Members suggested that in terms of the membership of ELAG, 4 Members was regarded as being sufficient, irrespective of the number of employee side representatives. With regard to the scheduling of meetings, Members concurred with a suggestion that ELAG meetings should be held approximately 4 weeks before the Employment Panel which would enable issues to be discussed in advance of Panel meetings and allow employees a better opportunity to contribute towards the formulation of any employment related reports.

2.1 **The Working Group therefore recommends that no change be made be made to the terms of reference, composition, etc of the Employment Panel and that with effect from 1st December 2010 the Employee Liaison Advisory Group comprises 4 Members of the Employment Panel, with meetings of ELAG being held approximately 4 weeks before meetings of the Employment Panel.**

3. HONORARY ALDERMEN AND ALDERWOMEN & HONORARY FREEMEN AND FREEWOMEN

3.1 Following recent changes introduced by The Local Democracy, Economic Development and Construction Act 2009, the Working Group considered the introduction of the title Honorary Aldermen and Alderwomen to past Members of the Council and Honorary Freemen and Freewomen to local citizens. Although the ability to confer the title of Honorary Alderman has existed for some time, the recent change reflects a recommendation by the Councillors Commission to limit the length of service of Councillors and Leaders/Mayors, thereby encouraging new persons to stand for election. One of a range of options to make it easier for Councillors to stand down was a public recognition of past service. Although the recommendation regarding a maximum length of service was not pursued by the previous Government, the promotion of a public recognition of past service was followed up in a subsequent White Paper.

3.2 The title of Honorary Aldermen and Alderwomen can be conferred on persons who have, in the opinion of the Council, rendered eminent services to the Council as past Members of the authority. It can only be conferred after a person has left the Council. If that person subsequently is re-elected to the Council, he or she is no longer entitled to be addressed as an Alderman or Alderwoman, nor can they take part in any civic ceremonies in that capacity.

3.3 An Honorary Alderman or Alderwoman can attend and take part in such civic ceremonies as the Council may from time to time decide but does not have the right to attend meetings of the Council, other than as a member of the public, nor to receive any financial allowances.

- 3.4 The conferment of the title would be a very public way of recognising the contribution of a former Member to public life. This could be for long service (service with pre-reorganisation authorities before 1974 also would apply), for leadership or chairmanship or for any significant act on behalf of the Council. The honorary title grants no specific rights to an individual, other than to be able to use the title and to attend civic ceremonies by invitation of the Council. The latter are limited in number in Huntingdonshire, but could include the Chairman's Ball, Reception, Civic Carol Service, etc. to which former Chairmen are usually invited at the moment.
- 3.5 The Working Group has expressed its support for the proposal and suggests that the titles of Honorary Aldermen and Alderwomen be introduced by the Council. In discussing the criteria to be established to assess the qualifying length of service, the Working Group felt that four terms of office might be appropriate which would equate to a period of say 15 years to allow for by-elections. The Working Group recognised that the honour should be used sparingly. In the context of the Council's current membership, only 3 Councillors currently have attained this length of service, with a further 2 having achieved 14 years.
- 3.6 The option of offering recognition for length of service for chairmanship and leadership has also been discussed but the Working Group felt that such criteria should not be set to avoid any complexity with the scheme. This would not preclude the Council from honouring a retired Member in exceptional circumstances on an ad hoc basis where this was considered appropriate.
- 3.7 The Working Group has also considered whether the titles should be awarded to Councillors who have already left the authority. On balance, the Working Group decided against retrospective awards, having been informed that 5 former Members had in excess of 20 years service each with probably more being eligible if the term was set at 15 years.
- 3.8 **The Working Group therefore recommends that the titles of Honorary Aldermen and Honorary Alderwoman be introduced for current and future Members of the Council who cumulatively have served a minimum of 15 years as an elected Councillor on the District Council.**
- 3.9 With regard to the idea of Honorary Freemen and Freewomen, the Council could confer the honours on such persons of distinction who have, in the opinion of the Council, rendered eminent public service in Huntingdonshire. The criteria for admission would need to be reasonably objective, although clearly some subjectivity would be involved in assessing the eligibility of the person or service. Such titles are distinct from the hereditary rights of other freemen and freewomen that derive from a charter and can be passed on to dependents, such as the Huntingdon Freemen. As with Honorary Aldermen and Alderwomen, the same principles apply in that there is no right for Honorary Freemen and Freewomen to attend meetings of the Council or receive any financial allowances. **In the absence of any formal recognition currently for the Council to demonstrate its appreciation publicly to persons who have contributed to public life or the community in Huntingdonshire, the Working Group therefore**

recommends the introduction of Honorary Freeman and Honorary Freewoman titles.

3.10 A resolution to confer the title of Honorary Alderman and Alderwoman and Honorary Freeman and Freewoman must be passed by not less than two-thirds of the Members voting at a special meeting of the Council specifically convened for that purpose. This must be the only item on the agenda but such a meeting could be convened either immediately before or after another scheduled Council meeting. To enable this to happen effectively, it is suggested that a cross party group or the leaders of the political parties would need to agree informally the identification of suitable individuals to ensure the necessary two-thirds majority at the specially convened meeting of the Council. **The Working Group suggests that the Council Programme meeting, which was introduced as part of the Working's Group's initial proposals for the democratic structure review and comprises representatives of all political parties, would currently serve this purpose and therefore recommends accordingly.**

3.11 The legislation makes provision for the Council to spend such reasonable sum as it thinks fit for the purpose of presenting an address or a casket containing an address to a person on whom a title is conferred. The Working Group has discussed the form of memento to be awarded to qualifying individuals. Formal addresses and caskets produced by companies supplying civic regalia are expensive, but the Working Group are conscious of the need to avoid what could be conceived as excessive expenditure in the current financial climate. Although such awards would not occur frequently if the system is introduced and would need to be measured against the contribution to public life that past Members and individuals have made to the authority and the District, **the Working Group recommends that a more modest address or memento should be awarded which can be produced in house by the authority.**

4. REVIEW OF DEMOCRATIC STRUCTURE - IMPLEMENTATION

4.1 The Working Group is currently in the process of reviewing the changes to the democratic structure since its implementation in May 2009. Members' views on the changes have already been sought via an electronic survey conducted over the August period. The Working Group has met on two occasions in September to consider the feedback received, the findings of which will be submitted to the Council's October meeting.

5. CONCLUSION AND RECOMMENDATIONS

5.1 At the request of the Council, the Working Group has undertaken a review of the membership of the Employment Panel, whilst also taking into account the present arrangements in respect of Panel Members meeting with Employee Side representatives. Whilst the Working Group has expressed their satisfaction with the membership of the Employment Panel, Members have expressed their opinion that some changes would be required in respect of the membership and scheduling of ELAG meetings.

5.2 Additionally, the Working Group proposes the introduction of honorary titles which would create a very public recognition of the contribution that

recipients have played in public service in Huntingdonshire whilst also helping to promote the profile of the District.

The Working Group therefore

RECOMMENDS

- (a) that no change be made be made to the terms of reference, composition, etc of the Employment Panel;**
- (b) that with effect from 1st December 2010, the Employee Liaison Advisory Group comprises 4 Members of the Employment Panel, with meetings of ELAG being held approximately 4 weeks before meetings of the Employment Panel;**
- (c) that the titles of Honorary Aldermen and Honorary Alderwomen be introduced for current and future Members of the Council who cumulatively have served a minimum of 15 years as an elected Councillor on the District Council;**
- (d) that, in the absence of any formal recognition currently for the Council to demonstrate its appreciation publicly to persons who have contributed to public life or the community in Huntingdonshire, the titles of Honorary Freemen and Honorary Freewoman be introduced by the Council;**
- (e) that the Council Programme meeting, which was introduced as part of the Working's Group's initial proposals for the democratic structure review and comprises representatives of all political parties, be responsible for the identification of suitable individuals to the honorary titles referred to in recommendations (c) and (d) above; and**
- (f) that a modest address or memento be awarded to qualifying individuals of honorary titles and produced in house by the authority.**

BACKGROUND INFORMATION

Agenda and Reports of the Democratic Structure Working Group held on 6th July 2010.

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**CABINET
CORPORATE GOVERNANCE PANEL
COUNCIL**

**16th SEPTEMBER 2010
28th SEPTEMBER 2010
29th SEPTEMBER 2010**

FORMAT OF THE COUNCIL'S EXECUTIVE THE CHOICE OF EXECUTIVE LEADER OR ELECTED MAYOR

(Report by the Head of Democratic and Central Services)

1. Introduction

- 1.1 A review of the democratic structure of the Council was undertaken by a working party chaired by Councillor K J Churchill in the autumn of 2008 which reported to the Council in April 2009. Most of the recommendations were determined at that meeting, although some were deferred until the June meeting of the Council. A review of the changes implemented is currently underway and the working party will be reporting to a meeting of the Council to be held on 3rd November 2010.
- 1.2 One aspect of the working party's review concerned the choice of executive for the District Council with legislative change having narrowed the choice of executive to two – an executive leader or an elected mayor – with the change being required by May 2011. The Council agreed to consult on the options with a view to an early implementation of the final choice. Further examination of the legislation before the consultation took place however resulted in an acknowledgement that the change could not be implemented before May 2011, with a final decision due by the end of December 2010. As a result, the consultation exercise was delayed until this summer with a closing date of 30th July.
- 1.3 The purpose of this report is to inform the Council of the result of the consultation and to invite Members to determine the choice of executive for Huntingdonshire.

2. Current Arrangements

- 2.1 Before turning to the outcome of the consultation, it may be useful to explain the background to the choices available and the implications of the legislative change.
- 2.2 The Council currently operates under the provisions of the Local Government Act 2000 which requires the Council to have one of three types of executive – an elected mayor and cabinet, an elected mayor and council manager, or a leader and cabinet. Under the latter, the cabinet is chosen either by the leader (referred to as the 'strong leader' model) or by the Council (the 'weak leader' model). The Council operated the latter, until the annual meeting in May 2010 when a change was made to the strong leader model. Inclusive of the mayor or leader, a cabinet must have a minimum of 2 and a maximum of 10 councillors.
- 2.3 The vast majority of councils operate under the leader and cabinet model. Despite consistent Government support for directly elected mayors, there are

only 12 currently throughout the country. Only one authority operated the mayor and manager model but has reverted back to a leader and cabinet. If 5% of the electorate sign a petition in favour of an elected mayor, the Council must hold a referendum to obtain the public's reaction. In the event of a majority voting in favour of a mayoral system at the referendum, the Council must introduce that form of administration. Once a mayoral system had been introduced, it was not possible, prior to the Local Government and Public Involvement in Health Act 2007, for an authority to return to a leader and cabinet system.

3. Local Government and Public Involvement in Health Act 2007

- 3.1 The 2007 Act has narrowed the choice of executive arrangements open to local authorities to
- an elected mayor and cabinet appointed by him, or
 - an executive leader appointed by the Council from amongst its membership and a cabinet appointed by that leader.
- 3.2 In either case the cabinet still must comprise between 2 and 10 councillors inclusive of the mayor or executive leader.
- 3.3 The Act has introduced significant changes to the leader and cabinet system which are explained in the following paragraphs.
- 3.4 The executive leader must be elected at the first annual meeting of the Council following the transition to the new executive leader and cabinet executive model in May 2011. He or she holds office until the annual meeting after his normal date of retirement as a councillor. In the case of an authority operating partial-council elections such as Huntingdonshire, that period could therefore be up to 4 years in length or such lesser period when the leader's term of office as a councillor comes to an end. If an executive leader would normally have ceased to be a councillor when his term of office comes to an end (because he has decided not to stand again or is not elected), he nevertheless will remain as executive leader and a councillor until the ensuing annual meeting when a new executive leader is appointed.
- 3.5 The Council can resolve to remove an executive leader from office at any time and appoint a replacement either when the executive leader is removed from office or at a later meeting.
- 3.6 The executive leader must appoint one of the members of the cabinet executive to be the deputy executive leader who shall serve for the same period of office as the executive leader, unless he resigns as either deputy executive leader or as a councillor in the interim or he is removed as deputy executive leader by the executive leader. The deputy executive leader will act in place of the executive leader if the latter position is vacant or the executive leader is unable to act. If both are unable to act or both positions are vacant, the cabinet must act in the place of the executive leader or can appoint a member of the cabinet to do so.

- 3.7 The Act effectively gives the executive leader the same powers as a mayor in terms of the discharge of the executive functions of the Council. The leader can discharge any of those functions himself or can arrange for them to be discharged by the cabinet, by a member of the cabinet, by a committee of the cabinet or by an officer. That choice is his and not the Council's. The Act enables the cabinet, a committee of the cabinet or an executive member to further delegate any executive power delegated to them to an officer but gives the leader a right of veto over any such further delegation.
- 3.8 The Council must decide which form of executive it wishes to operate by the end of the transitional period specified in the Act. In the case of district councils, a resolution to change the governance arrangements must be made no later than 31st December 2010 with the new arrangements coming into effect no later than the third day after the day of elections to the Council in May 2011. If a resolution is not passed by the due date, the Council must implement the executive leader and cabinet executive arrangements. The Council's existing arrangements remain in place until the new arrangements are implemented.
- 3.9 The Council can change governance arrangements subsequently only during a permitted resolution period which extends from the date of the annual meeting in 2014 until the end of that year and a similar period every 4 years thereafter. The change would come into effect on the third day after the day of election in 2015 and any fourth year thereafter. It is open now for an authority to move back from an elected mayor and cabinet system to an executive leader and cabinet executive system.
- 3.10 Before passing a resolution as to which new form of executive to adopt, the Council must take reasonable steps to consult the electorate and other interested parties. The Council must then draw up proposals for change in order to secure continuous improvement in the way in which the Council's functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Council had the discretion to make a decision on the choice of executive the subject of approval by a referendum but chose not to do so.
- 3.11 The change introduced by the Act does not affect the opportunity for the electorate to petition for the introduction of a mayor and cabinet under the 2000 Act which would not follow the above timetable. However where a change to a mayoral system has been made as a result of a referendum, either as a result of a petition or by choice on the part of the authority, the Council cannot resolve to change governance arrangements again without another referendum being held. If a referendum is held as a result of a petition, another referendum cannot be held until a period of 10 years has elapsed.

4. Democratic Structure Working Party

- 4.1 The Council accepted a recommendation from the working party not to hold a referendum on the choice of executive on the basis that this would lengthen the timescale for the consultation exercise and there was thought to be little enthusiasm locally for an elected mayor to justify the cost of a referendum.

4.2 It was the view of the working party -

- that there was a lack of support nationally for the mayoral model,
- that the public consultation that was undertaken on the choice of executive in Huntingdonshire when the 2000 Act was implemented favoured the leader and cabinet model,
- that the County Council (which had to move to the new arrangements earlier in the statutory timescale) had adopted the executive leader model with effect from May 2009 in response to its public consultation on the choice,
- that there was an apparent lack of enthusiasm both in Huntingdonshire and elsewhere within Cambridgeshire for an elected mayor, and
- that the Council's existing leader and cabinet arrangements are understood and have been embedded in the organisation since their initial implementation.

4.3 The working party recognised that the mayoral system enables an individual person to become elected, potentially on the basis of a populist electoral campaign or a single contentious issue of concern, without the benefit of support from one of the political parties. This has the potential to lead to tensions between the mayor and elected councillors from whom the cabinet would be chosen and to consequential operational and practical difficulties in terms of working relationships. Members felt that there was little to be gained and potentially much to be lost if a mayoral system was introduced.

5. The Consultation Exercise

5.1 An extensive consultation exercise has been undertaken, commencing in mid May and with a closing date of 30th July.

5.2 An article was included in the June edition of District Council which is delivered to all households in Huntingdonshire. Information was included on the Council's website and letters sent to a range of organisations, including town and parish councils, chambers of trade, town centre partnerships, Hunts Forum and other LSP partners. Flyers were distributed at the neighbourhood forums throughout Huntingdonshire in July and an item included on the agenda for the forum meetings, drawing attention to the consultation. The consultation exercise was reported in the local media.

5.3 A copy of an explanatory leaflet which was available on the website and which accompanied the consultation letter is attached as Appendix A.

5.4 Subsequent to the start of the consultation, the coalition government has begun announcing their plans for alternative choices for the way in which local authorities take decisions, including 'super mayors' for the largest cities and the option of a return to the committee system which applied before 2000. The government recognises that, until such time as alternative forms of administration are approved in the forthcoming Localism Bill, authorities are required to comply with the timetable set by the 2007 Act. The Government has therefore asked that Councils do not incur any significant expenditure on the consultation exercise, especially in today's economic climate and that this need be no more than a small newspaper advertisement or article and notice

on the website. The consultation exercise undertaken by the Council has therefore been more than sufficient under the circumstances.

6. Outcome of the Consultation

- 6.1 Few responses were received to the consultation exercise, notwithstanding an editorial by one of the local newspapers earlier in the year advocating the choice of an elected mayor for Huntingdonshire.
- 6.2 Twelve parish councils replied to say that they had resolved to support the choice of an executive leader, with one town council replying to say that its members had been unable to reach a consensus. Two parish councillors wrote separately to support an executive leader, as did one charitable organisation in the District. Four members of the public wrote in support of an executive leader and four in favour of an elected mayor.
- 6.3 The clear preference of those who responded therefore was for an executive leader.

7. Conclusion

- 7.1 The government has indicated that it is committed to allowing councils to return to the committee system, should they wish, or have elected mayors. The government also intends to remove the necessity to elect a leader for four years. The changes will be contained in the Localism Bill which may mean that any change that the Council implements in May 2011 may be of short duration and may need to be changed again within a year or so.
- 7.2 Until the Bill is passed, the Council must operate within the existing legislation which requires a decision to be made on the choice of executive leader or elected mayor by the end of December 2010 for implementation in May 2011. It was the view of the Democratic Structure Working Party that the Council should move to an executive leader and this has been supported by the great majority of the comments received in response to the public consultation.

8. Next Stage

- 8.1 Having carried out the consultation exercise, the Council must draw up proposals for the change in executive arrangements which must include a timetable and details of transitional arrangements (if any). Copies of the proposals must be made available for inspection and must be advertised in one or more local newspapers. The proposals are set out in Appendix B attached.
- 8.2 A resolution to change governance arrangements must be passed at a meeting of the Council specially convened for the purpose. Once a resolution has been passed, a document setting out the proposals must be made available for inspection and a notice published in one or more local newspapers.

9. Recommendation

9.1 It is therefore

Recommended

that the Council approves the proposals for a change in governance arrangements in accordance with the Local Government and Public Involvement in Health Act 2007 as set in Appendix B attached to this report.

APPENDIX A

LEADER OR MAYOR – THE CHOICE FOR HUNTINGDONSHIRE

The following questions and answers are intended to explain the main differences between the new types of executive which will be introduced in local authorities in England and Wales (other than small district and parish councils) and the decision which the council needs to make in choosing which system to adopt.

What's in the legislation?

The Local Government Act 2000 swept away the old committee style of administration in county and larger district councils in England and Wales, replacing it with three types of executive –

- An elected mayor with a cabinet appointed by the mayor from among the elected councillors or
- An elected mayor with a council manager who is an officer of the council or
- A leader and cabinet comprising the councillors elected by the voters for that authority.

The role of the executive, irrespective of whichever form it takes, is to undertake most of the functions and responsibilities of the authority within a policy and budgetary framework adopted by the council as a whole. The principal exceptions are regulatory functions such as planning and licensing which continue to be dealt with by elected councillors.

Which system operates in Huntingdonshire now?

Following public consultation when the Act came into force in 2002, the council has operated with a leader who is a councillor elected each year at the annual meeting by the council as a whole. Three councillors have been leader since that time.

The council also appoints a number of overview and scrutiny panels whose role it is to challenge the leader and cabinet in a constructive way and hold them to account for their decision making.

At any time, a petition signed by 5% of the electorate (currently 6,270 electors) can be submitted asking for a referendum to be held in Huntingdonshire on whether there should be an elected mayor. The result of the referendum is binding on the council.

Why consult on change now?

Another piece of legislation, the Local Government and Public Involvement in Health Act 2007, has reduced the choice of executive to two –

- An elected mayor with a cabinet appointed by the mayor from among the elected councillors, or
- An executive leader who is a councillor and who is elected to that position by the other councillors. The executive leader then appoints a cabinet from those councillors.

All authorities (with the exception of smaller districts and parishes) must move to one or other of the new types of executive. In the case of county councils, the change had to be made by May 2009 and Cambridgeshire County Council already has adopted the executive leader and cabinet model. In the case of district councils such as Huntingdonshire, the change must be implemented by May 2011.

Before adopting a new form of executive, the council must consult locally before drawing up proposals to implement the new arrangements. A decision on which form of executive to adopt must be made at a full meeting of the council convened for that purpose by the end of December this year.

What's the difference between an executive leader and an elected mayor?

The principal difference is the way in which they are elected and can be removed from office.

An executive leader would be a councillor who has already been elected for one of the wards in Huntingdonshire. The executive leader is then elected at an annual meeting of the council by the other councillors for a four year period or until his term of office as a councillor comes to a close, whichever is the shorter. The leader then appoints up to nine councillors to form a cabinet. At any time during that four year term, the leader can resign or be removed from office by the council. If that happens, the council will elect another leader for a new term of four years or until he ceases to be a councillor.

By contrast, an elected mayor is directly elected at a district-wide election which may or may not be held in conjunction with another election. The term of office is also four years. Once elected, the mayor appoints up to nine councillors to form a cabinet. The mayor cannot be removed from office during his four year term but if he or she resigns or dies during that period, a further district-wide election will be need to be held to elect a new mayor.

Once elected, the functions and responsibilities of the leader and mayor are broadly similar. Both are responsible for the executive functions and responsibilities of the council and decide who sits on the cabinet to assist them in that role. Both are responsible for formulating policy and its implementation within the broad policy and budgetary framework set by the council. Both are held to account for their actions by the council itself and the overview and scrutiny structure. Neither is responsible for the regulatory functions of the council such as the determination of planning and licensing applications, although they can sit on the relevant committees.

So what's the advantage of an executive leader?

The executive leader is a councillor who has already been elected by voters for one of the wards in Huntingdonshire and who is then elected as leader by the council as a whole. The election of leader does not involve any additional cost, as he or she has already been elected as a councillor in the normal way. If an executive leader proves unpopular, he can be removed from office by the council and a replacement chosen. Whenever a vacancy occurs, whether by removal from office, death in service, resignation or dismissal, no additional election costs are involved, as the successor will already be an elected councillor.

Conversely, the cost of an election for a mayor in Huntingdonshire would be in excess of £125,000 every four years, although this could be less if the election is

held jointly with another election being held on that day. Any vacancy would have to be filled by a fresh election but this would be unlikely to coincide with another election, resulting in the full cost having to be met by the council.

An executive leader is likely to be a member of the same political party as the majority of councillors on the council. The leader will therefore have the general support of the majority of the electorate in the district, even if he has not been elected directly by them. The leader is also likely to be able to work with the majority of his fellow councillors and especially those that he has appointed to the cabinet.

And what's the advantage of an elected mayor?

The mayor is likely to be a high profile figure who is popular locally. He or she may be a local politician or may be completely unconnected with local politics. The mayor may be better able to focus decision making in one person and be able to be held accountable for decisions. The Mayor of London is the most obvious example, although the Greater London Authority is not directly comparable with other local authorities. An elected mayor might encourage greater interest in local politics and a higher turnout at elections.

Conversely an elected mayor may deter people from standing as a councillor or cause a reduction in turnout at council elections as people think the role of a councillor has become less important.

The mayor may or may not be a member of a political party and a few that have been elected elsewhere are wholly independent. However once elected, the mayor still has to form a cabinet from councillors with a potential for disagreement and conflict if they are members of a different party. The mayor also has to propose a budget and policies that have to be approved by the council as a whole.

What's happened elsewhere?

Since the option of an elected mayor first was introduced in 2000, it has not proved as popular as some of the political parties nationally had envisaged. To date, there have been 37 referenda in England and Wales on whether to elect a mayor. Of those, 12 have resulted in a majority in favour of a mayor and in 25, the proposal has been rejected. 22 of the referenda were promoted by councils themselves, 14 were the result of a public petition and 1 was called by the government. The cost of a referendum is roughly the same as a whole district election which in Huntingdonshire is about £125,000.

There are currently 12 directly elected mayors in England. There has been some public reaction recently about what is perceived to be the excessive power of directly elected mayors. Campaigns have been held in four of the twelve areas to hold a referendum to abolish the post and, following a vote in Stoke-on-Trent, that authority has already returned to a leader and cabinet system.

Elsewhere in Cambridgeshire, all of the authorities have a leader and cabinet system. A referendum in Fenland in 2005 resulted in an overwhelming rejection of an elected mayor by a 3:1 majority. Cambridgeshire County Council which had to choose between an executive leader and elected mayor earlier than the districts has already moved to the executive leader arrangements with effect from 2009.

What happens to elected councillors?

The role of the 52 ward councillors in Huntingdonshire remains unchanged, whichever system is chosen. Councillors remain responsible collectively for the budget and policy framework and those functions that parliament has defined as non-executive such as planning and licensing. Councillors also form the basis of the overview and scrutiny arrangements with responsibility to hold the executive and partner organisations to account, not dissimilar to the parliamentary select committees. Some will be appointed to the cabinet to take executive decisions and they all undertake constituency work on behalf of the residents of their wards.

Which option does the Council favour?

Huntingdonshire District Council believes the executive leader and cabinet system is the more easily understood and flexible option. Elected mayors might be confused with the wholly different position of mayors in each of the five town councils in the district. Cambridgeshire County Council has already implemented the executive leader arrangements and none of the other district councils in the County have elected mayors. Leaders can be chosen without the additional cost of a separate election and can be removed from office if they become unpopular. At a time of financial restraint when savings need to be made in the public sector, the cost of electing a mayor every four years at £125,000 is high, even if it's possible that this might be shared with another election from time to time.

What's the next step in the process?

The council is currently consulting the public on which option they think should be adopted. In addition to the council's website, information has been published in District Wide, the council's own in-house magazine, which is delivered to all households throughout the district. The views of other public sector and business interests in Huntingdonshire are also being sought.

The council has rejected the idea of a referendum asking the public for their views on the basis of cost. Although this would have enabled everyone to express their views individually, there is no guarantee of a high turnout and the cost is the same as a whole district election. A yes vote in a referendum followed by a mayoral election would cost £250,000 which could only be funded at the expense of local services.

That doesn't mean that the electorate won't have an opportunity to ask for a mayor in the future. At any time a petition signed by 5% of the electorate can ask for a referendum to be held and the council is obliged to comply.

Where can I send my comments?

You can let us have your views either by e-mail to democratic.services@huntsdc.gov.uk or by writing to the Head of Democratic & Central Services, Huntingdonshire District Council, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN.

The closing date for comments is 31st July 2010.

APPENDIX B

HUNTINGDONSHIRE DISTRICT COUNCIL

PROPOSALS FOR CHANGE IN GOVERNANCE ARRANGEMENTS

1. Governance Arrangements

1.1 The Local Government and Public Involvement in Health Act 2007 requires Huntingdonshire District Council to resolve to adopt a new form of executive arrangements by 31st December 2010 that comprises –

- an elected mayor and two or more councillors appointed to the cabinet executive by the mayor, or
- a councillor who is elected as executive leader by the Council and two or more councillors appointed to the cabinet executive by the executive leader.

1.2 These proposals have been drawn up by the Council in compliance with Section 33E of the Local Government Act 2000 with respect to the change in governance arrangements of the Council.

1.3 Prior to drawing up these proposals, the Council has taken reasonable steps to consult the local government electors of Huntingdonshire and other interested parties on the choices available to it by way of information on its website, an article in its magazine delivered to all households in the District, information presented at the neighbourhood forums in the District and targeted correspondence to local councils and representative groups.

1.4 Having regard to –

- the majority of the consultation responses favouring a leader and cabinet executive form of governance;
- there is a lack of support nationally for the mayor and cabinet executive format;
- previous consultation in Huntingdonshire when the 2000 Act was implemented having favoured the leader and cabinet model;
- consultation undertaken by Cambridgeshire County Council in 2008 having resulted in that authority adopting a leader and cabinet executive;
- the Council's existing leader and cabinet arrangements having been in existence since 2002 with minimal public interest locally in changing those arrangements; -

Huntingdonshire District Council proposes to change its governance arrangements to an executive leader and cabinet executive.

1.5 In so doing, the Council has considered the extent to which the proposals are likely to assist in securing continuous improvement in the way in which the authority's functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The effect of the proposals will be to –

- authorise the Council to elect an executive leader from among the councillors that have been elected;
 - make the executive leader responsible for the discharge of all the executive functions of the authority which he can discharge himself or arrange to be discharged by the cabinet, another member of the cabinet, a committee of the cabinet or by an officer of the authority;
 - enable the executive leader to appoint a deputy executive leader; and
 - enable the executive leader to appoint a cabinet comprising between 2 and 10 councillors, inclusive of himself and the deputy executive leader.
- 1.6 The executive leader will be appointed for a period of four years, unless he ceases to be a councillor before the end of that period, he resigns from office or he is removed from office by the Council. If the Council removes the executive leader from office, it will elect another councillor to that position.

2. Timetable

- 2.1 The consultation exercise undertaken prior to the drawing up of these proposals was undertaken from mid May to 21st July 2010.
- 2.2 A report on the outcome of the consultation exercise and the choices available to the Council was considered at a meeting of the Council held on 29th September 2010. These proposals were attached as an appendix to that report.
- 2.3 Following approval of the proposals, public notice will be given in a local newspaper circulating in the District and on the Council's website.
- 2.4 A special meeting of the Council will be held on 3rd November 2010 to formally approve the proposals. A report iteming the consequential changes to the Council's constitution will be submitted to that meeting and adjourned in accordance with the Council Procedure Rules without discussion until the meeting of the Council to be held on 15th December 2010.
- 2.5 Public notice of the approval of the proposals will be given in a local newspaper circulating in the District and on the Council's website.
- 2.6 Having been adjourned without discussion at the Council meeting on 3rd November 2010, the report iteming the consequential changes to the Council's constitution will be considered in accordance with the Council Procedure Rules at the meeting of the Council to be held on 15th December 2010.
- 2.7 The proposals will be implemented with effect from the annual meeting of the Council to be held on 18th May 2011.

ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

(Report by the Audit & Risk Manager)

1. INTRODUCTION

- 1.1 The Accounts & Audit Regulations 2003 (A&AR) require the Council to undertake an annual review of the effectiveness of its system of internal audit. This report informs the Panel of the outcome of that review.

2. SYSTEM OF INTERNAL AUDIT

- 2.1 The Panel at its March 2009 meeting accepted the CIPFA definition of the system of internal audit that was published in January 2009.

The framework of assurance available to satisfy a local authority that the risks to its objectives and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation.

- 2.2 CIPFA consider that the review should examine, as a minimum, the following four key elements and the paragraphs below each item describe how the Council has addressed each one:

a. The process by which the control environment and key controls have been identified - the Council's risk management system.

The Council has a risk management strategy. In summary, Managers are required to identify those risks that will hinder their achievement of the Council's Aims and Objectives. This is done in a structured way against the key activities within the Council's objectives and its service delivery operations. Once a risk has been identified, it is recorded on the risk register and evaluated in terms of likelihood and severity. Controls (if available) to reduce the likelihood or severity of adverse events are identified and recorded and the risk re-evaluated. The evidence available to support the controls is also identified and evaluated.

b. The process by which assurance has been gained over controls – its coverage of the key controls and key assurance providers.

Every six months Managers are required to review the controls entered on the register and give a view (the level of assurance) as to how effective those controls are in managing the risk. The manager's view can be either self-assurance or obtained from a third party (internal/external audit or similar review body).

Risks recorded in the register are reviewed by the Internal Audit & Risk Manager and, where applicable, included in the internal audit strategic plan. The inherent/residual risk, controls and level of assurance are considered by internal audit when the risk area is reviewed. The annual audit plan refers to specific risk register entries. At the conclusion of an internal audit review, any changes to entries on the risk register are discussed with the appropriate Manager and if necessary, changes made to the risk register.

c. The adequacy and effectiveness of the remedial action taken where there are deficits in controls, which will be led by the Corporate Governance Panel and implemented by management.

This Panel considers all external audit reports. It has access via the intranet to all internal audit reports. Reports are submitted twice a year to the Panel by the Internal Audit & Risk Manager that highlight any significant concerns and, where appropriate, management responses. Managers' progress in implementing agreed audit actions is also reported. Poor levels of performance in this area have been previously commented upon by the Panel and the target is now regularly exceeded. The Panel seek assurance, as part of their consideration of the annual governance statement, that controls are operating effectively. This assurance is obtained primarily from the work of internal and external audit.

Significant control weaknesses in the area of procurement were reported to the Panel by the Internal Audit & Risk Manager in September 2009 and included in the Annual Governance Statement. Panel have been updated with the progress made to improve controls.

d. The operation of the audit committee and the internal audit function to current codes and standards.

The Council established the Corporate Governance Panel in 2004. Its terms of reference were reviewed in 2009 and align with current best practice. The Panel undertook a self assessment exercise in August 2008. The results of that process were discussed at the September 2008 Panel meeting. The self assessment was attended by the External Auditor who felt that the Panel, at that time, was generally effective and open to changes that improved assurance and the governance of the Council. The Panel felt that an annual review was not necessary and agreed to a further review in 2011 prior to the approval of the governance statement.

Both the internal audit strategy and terms of reference documents were reviewed during the year and considered by the Panel in June 2010. The internal audit service undertook a self-assessment review against the CIPFA Code of Practice for Internal Audit in 2007 and 2008. The June 2008 review was supplemented by a peer review by Cambridgeshire County Council. Minor issues were identified for improvement. Panel noted the general effectiveness of the service in meeting the requirements of the Code and agreed that the next review of Internal Audit against the Code of Audit Practice be conducted in 2011.

The external auditors also assessed the internal audit service as compliant with the Code in their 2007/08 review. They have reviewed all audit reports issued that cover the period 2009/10 as well as reviewing a number of internal audit files in respect of the Council's key financial systems for the same period. No issues have been raised from these reviews.

They have reported in their 2009/10 Annual Report to those Charged with Governance that "We have reviewed the work of internal audit and concluded that the scope and conduct of internal audit work was appropriate to provide adequate assurance on the effective operation of controls. We have therefore taken assurance from the work of internal audit in our evaluation of controls where appropriate".

3. RISK REGISTER UPDATE

- 3.1 In support of paragraphs 2.2 a & b above, Annex A provides details of the Council's current risk assessment matrix together with information in respect of:
- the reduction in risk achieved through the controls managers have in place for both Corporate and Operational risks (*section 1 & 2*);
 - the changes made to the risk register since the last report to Panel in March 2010 (*section 3*);
 - the assurance levels, as at 31 August, for all "very high" inherent risks (*section 4*); and
 - those risks that have not yet had any controls identified against them and the actions being considered to mitigate them (*section 5*).
- 3.2 The risk management strategy requires the Cabinet to consider each of the very high residual risks to identify whether they should be further mitigated by cost-effective and affordable actions. Cabinet considered the four very high residual risks in July and agreed to accept the current level of residual risk.
- 3.3 423 significant controls are recorded in the register as at 31 August, in respect of 147 individual risk entries, covering both corporate and operational risks. The levels of assurance are as follows.

Total No of Controls	Assurance Level			
	Substantial	Adequate	Limited	None
423	256	148	19	0
	61%	35%	4%	0%

All the assurances associated with those controls have been updated in the last nine months and 96% within six months.

4. ANNUAL INTERNAL AUDIT REPORT

- 4.1 In support of paragraphs 2.2 c & d above, Annex B provides details of the work of the internal audit service in the period ending 31 August, including:
- the delivery of the annual audit plan, audit reports issued and issues of concern (*section 6*);
 - implementation of agreed actions (*section 7*);
 - internal audit's performance (*section 8*).
- 4.2 In accordance with the CIPFA Code of Audit Practice for Internal Audit in the United Kingdom, the Internal Audit Manager is required to provide an annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes. This opinion is based upon the work carried out by Internal Audit during the relevant period (Annex B) and, for the first time, the assurances made available by external assessors and similar providers (Annex C).

Audit Opinion

It is my opinion, 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 **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 2010

The definitions of limited and adequate are given at the end of Section 6 in Annex B

5. CONCLUSION

- 5.1 The Audit & Risk Manager has reviewed the assurance entries. Like all systems, these only provide a snap-shot in time and do not guarantee that the controls will continue to operate. No specific gaps in assurance have been identified.
- 5.2 The Panel should be satisfied that the system of internal audit process is working as expected and that the process by which assurance has been gained over controls is effective and that evidence is readily available to show that the controls are operating as intended. Where weaknesses have been identified they have been reported to management and in the majority of cases action has already been taken to address the shortfalls.

6. RECOMMENDATION

That the Panel take the information and the Audit and Risk Manager's opinion contained in this report into account when considering the Corporate Governance statement later on the Agenda.

BACKGROUND INFORMATION

The Risk Management Strategy and Register
The Accounts & Audit Regulations 2003
Internal Audit Reports
Internal Audit Performance Management Information

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

Risk Assessment Matrix.

		5	High	Very High	Very High	Very High
		4	High	High	Very High	Very High
Likelihood / Frequency	Occasional	3	Medium	High	High	Very High
	Unlikely	2	Low	Low	Medium	High
	Improbable	1	Low	Low	Medium	High
		1	2	3	4	5
		Trivial	Minor	Significant	Major	Critical
		Impact				

Note: Health & Safety risks are plotted against the smaller inset matrix.

Operational Risks

section 2

Inherent Risks before controls August 2010

5		1	5	6	1
4		7	14	7	2
3	1	7	31	22	3
2	3	5	2	1	1
1					1
	1	2	3	4	5
					Impact

Residual risk scores rely on the identified controls working effectively.

CGP and COMT rely on internal audit and managers' 'assurance' statements to judge whether this is the case.

Residual Risks after controls August 2010

5	1				
4	2	3	6		
3	2	16	11	4	
2	1	20	32	12	2 ^c
1		2	3	1	1
	1	2	3	4	5
					Impact

total
119

+ 10

Total
109

February 2010

5	1				
4	1	2	8		
3		18	7	4	
2	1	14	30	14	2
1		2	3	1	1
	1	2	3	4	5
					Impact

	'Very High' Residual Risks	Feb 2010	Aug 2010	Accepted by Cabinet
15 c	ICT security is breached			July 2010
58 c	Information or data is lost			July 2010

Operational

**Summary of Risk Register Amendments
1 March – 31 August 2010**

section 3

	Additions	Deletions	Total
Corporate	0	- 1	- 1
Operational	11	- 1	10

Corporate

Risk Ref	Risk Title	Deleted	Inherent Risk Priority	Residual Risk Priority
131	Failure to produce water cycle study that prioritises growth areas.	01/07/10	Very High	Medium

Operational

Risk Ref	Risk Title	Created	Inherent Risk Priority	Residual Risk Priority
211	Milder, wetter winters and frequency of intense downpours of rain result in the district being unable to cope with the increased rainfall and the speed of run-off leading to localised surface water and fluvial flooding.	05/03/10	High	High
212	Higher wind speeds and storminess causes widespread damage and disruption across the District.	05/03/10	Low	Low
213	Prolonged periods of increased average temperatures, leading to summer heat waves impacting upon people and the environment.	05/03/10	Low	Low
214	Warmer, wetter winters and hotter summers with reduced rainfall resulting in an increased likelihood of subsidence and ground heave.	05/03/10	Low	Low
215	Warmer summer weather and outdoor lifestyle increases the scope for outdoor activity leading to an increase in tourism and increased opportunity for leisure. [opportunities as well as risks are included in the register]	05/03/10	Low	Low
216	A significant interruption to ResourceLink may lead to salaries not being paid correctly or on time.	09/03/10	Medium	Low

**Summary of Risk Register Amendments
1 March – 31 August 2010**

section 3

Risk Ref	Risk Title	Created	Inherent Risk Priority	Residual Risk Priority
217	Personal data is not processed in accordance with the rights of data subjects, and the Council's Notification of processing purposes to the Information Commissioner under the Data Protection Act, resulting in complaints or litigation against the Council	14/06/10	Very High	High
219	Working practices and time may not be monitored leading to errors not being identified and non-compliance with the Working-time Directive and other legislative regulations	17/06/10	High	Medium
220	International Financial Reporting Standards (IFRS) is not fully adopted and complied with leading to the accounts not being certified	23/06/10	High	Medium
221	Failure to maintain building could result in disrepair and consequent injury/death to staff, customer or contractor and adverse effects.	12/08/10	High	Medium
222	Increased risk that key staff are attracted by improving opportunities in the private sector as the public sector becomes more uncertain and under increasing financial constraints.	12/08/10	High	Medium

		Deleted		
5	The Council does not deliver the new HQ within budget or the timescales agreed.	01/07/10	Very High	Medium

Assurance Details

section 4

Corporate Objective	Risk No	Inherent Risk	No of Controls	Residual Risk	Assurance Level				Assurance Provider		Assurance shortfall	Risk Type	
					Substantial	Adequate	Limited	None	Management	Other		Corporate	Operational
A clean, 'green' and attractive place													
Loss of vehicle fleet operating licence	192		3		3				3				✓
Council Carbon Management Plan	205		1		1				1				✓
Failure to deliver environmental policy/strategy	30		7		4	3			7		a	✓	
Climate change strategy	146		2			2			2		a	✓	
Developing communities sustainably													
Changes to house prices	52		2			1	1		2			✓	
Housing that meets individuals' needs													
Increasing Housing Benefit claims	143		1		1					1	h		✓
Emergency re-housing of expatriates	149		2			2			2			✓	
Increased homelessness	148		1			1			1			✓	
Secure GSCx disconnected unable to process HB	155		1			1			1		c	✓	
To improve our systems and practices													
ICT security breached	15		8		6	2			8		g		✓
Theft	140		4		4				4		g		✓
Power loss to main servers	177		6		4	2			6				✓
Fraud occurs	75		6		3	3			6		g		✓
Breach of Data Protection Act	217		4		2	2			2	2			✓
Corporate Objectives not achieved	12		3		2		1		2	1	a	✓	
Loss of access/structure: Pathfinder House	145		3		2	1			3		g		✓
Project management ineffective	48		3		2	1			3		e		✓
Unencrypted data is sent externally	122		3			2	1		2	1	g		✓
Increasing insurance premiums	126		3		1	1			3				✓
Sensitive HB info e-sent via insecurely means	191		1		1				1				✓

¹ The areas that Panel require specific assurance upon are listed at the end of this section.

section 4

Assurance Details

Corporate Objective	Risk No	Inherent Risk	No of Controls	Residual Risk	Assurance Level				Assurance Provider		Area of Panel Assurance ¹	Assurance shortfall		Risk Type	
					Substantial	Adequate	Limited	None	Management	Other		Corporate	Operational		
														1	2
Strict Government Connect rules restrict flexibility	163		1			1			1						✓
Information or data is lost	58		4			2	2		2	2	g				✓
Service recovery/business continuity ineffective	6		3			3			3		g				✓
Assets not properly maintained	186		3			3			3						✓
Ineffective site security	32		3			3			3		g				✓
Partnerships are not effective	74		3			3			3		k			✓	
e-marketplace delayed	164		1			1			1						✓
To learn and develop															
Reliance on key IT staff	25		6			3	3		6		g				✓
Staff training & development	2		3			3			3						✓
Bailiff contract (Health & Safety)	31		3			1	2		3						✓
To maintain sound finances															
Investment decisions not appropriate	47		9			9			8	1	d				✓
Failure to achieve financial savings	130		3			3			3		d				✓
Budget estimates are inaccurate	24		3			2	1		3		d				✓
Reduced land charges income	153		1			1			1						✓
S106 Agreements are not monitored	208		2				2		2						✓

- a. Delivery of the Council's corporate objectives
- b. The effectiveness of the Constitution
- c. Ability to identify, assess and respond to legislation, meeting statutory obligations
- d. Effectiveness of financial management arrangements
- e. Robustness of the performance management system
- f. The effectiveness of the risk management strategy
- g. Robust systems of internal control & the effectiveness of key controls
- h. Actions plans to address significant weaknesses are prepared, acted & reported on
- j. Adequacy of the internal audit service
- k. Partnerships are efficient and effectively delivering service objectives

Risk Register entries : No Controls

section 5

Risk Ref	Risk Title	Inherent Risk Priority	Residual Risk Priority	Actions being considered
Head of Environmental Management				
154	Lack of skilled/trained staff and funds mean failure to deliver expanding environmental agenda	High	High	Identify skills required & target resource to key environmental areas and projects.
214	Warmer, wetter winters and hotter summers with reduced rainfall resulting in an increased likelihood of subsidence and ground heave.	Low	Low	Complete regular inspections and maintenance of the existing HDC tree stock to try to reduce potential damage from subsidence. Sufficient consideration to be given to the location and species of new tree planting, ensuring they are at a sufficient distance from existing buildings and infrastructure to reduce subsidence risk. Does any new major project or development which includes landscaping give due consideration to the suitability of trees and shrubs to reduce subsidence risk? Is there a programme in place to identify buildings susceptible to subsidence risk? Is there a schedule of regular maintenance checks to identify any damage? Is preventative work carried out where required?
215	Warmer summer weather and outdoor lifestyle increases the scope for outdoor activity leading to an increase in tourism and increased opportunity for leisure	Low	Low	Opportunities to promote development in and around the market towns
Head of Planning Services				
152	Economic downturn and the related potential shortfall in anticipated developer activity due to reduced market liquidity and availability of credit undermines the delivery of new homes, new employment opportunities and community facilities.	High	High	None

INTERNAL AUDIT SERVICE : ANNUAL AUDIT REPORT

1. Delivery of Audit Plan: August 2009 to July 2010

- 1.1 The internal audit plan, approved by the Director of Commerce & Technology, contained 34 audit reviews. The audit plan is not a static document but is amended to reflect changing circumstances. A number of changes were made during the year. This resulted in five audits being omitted from the plan (arts & cultural services [loss of the service], the delivery of the environmental strategy including the Green House project [a review in this area was carried out by the external auditors as part of the Use of Resources assessment], post implementation reviews, wireless networks and ICT security and data loss, but replaced by reviews of the revenue and benefits IT system and supermarket car park cost recovery.
- 1.2 31 audits have been undertaken against the 34 planned. Staffing issues (maternity leave and retirement) as reported to the Panel in June, coupled with the Council's financial position, meant that the use of agency staff to complete the plan were considered but discounted. The three areas that have not been reviewed have been carried forward to future years.
- 1.3 Of the 31 audits undertaken, all but 3 have been completed to the draft reporting stage. These are CCTV, budgetary control and management information and supermarket car park cost recovery.
- 1.4 The Internal Audit & Risk Manager has had no constraints placed upon him in respect of overall audit coverage, audit methodology or delivery of the audit plan.

2. Internal Audit Reports issued

- 2.1 A summary of the audit reports issued during the period 1 September 2009 to 31 August 2010 are listed in the table below.

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							
Customer Services : Income & Receipting	✓✓				---	---	
Council Tax	✓✓				0	1	
NNDR	✓✓				0	1	
Main Accounting System	✓✓				0	2	
Housing Benefits		✓			---	---	
Loans & Investments		✓			0	5	
Payroll & HR				xx	5	4	1
Other systems reviews							
Housing Benefit Fraud & NFI	✓✓				---	---	
Local Transport Issues	✓✓				0	3	
Street Cleaning	✓✓				0	3	
Economic Development	✓✓				0	3	
Staff Training & Development		✓			0	5	
Bank Reconciliation		✓			0	5	
Purchasing & Corporate Cards		✓			0	5	

section 6

Audit area	Level of assurance				Agreed action status		
	Substantial	Adequate	Limited	Little	Red	Amber	The risk identified has been accepted by the Manager ¹
Feedback Procedures		✓			0	6	
Staff Allowances		✓			0	6	
Staff Travel & Subsistence ²			x		0	7	
Freedom of Information & Data Protection		✓			0	7	
Equality		✓			0	8	
One Leisure		✓			0	11	
Information Management		✓			0	14	
Printing		✓			1	5	
Improvement in Procurement Practice			x		0	3	
Cashable Efficiency Savings NI 179			x		0	4	
Service Developed ICT systems ²			x		1	3	
Staff Work/Life Balance			x		1	6	
National Performance Indicators ²			x		3	0	
Quotation Selection Procedures				xx	4	0	
Job Evaluation ²				xx	6	2	
Computer Audit							
Data Consistency		✓			0	1	
The Green Agenda		✓			0	2	
Software Licensing		✓			0	2	
Revenue & Benefits Application		✓			0	3	
Telecoms/VOiP contract		✓			0	7	
Network Infrastructure			x		3	13	

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 any such instances.

² Draft report issued as at 31 August 2010.

All the audit reports listed in the table above can be accessed by Members via the Internal Audit intranet site.

- 2.2 In addition to the reviews listed above, examinations have also been completed of a number of final accounts submitted for payment in respect of building and civil engineering contracts. These identified overpayments of £14k. £3k has been recovered. £11k is unlikely to be recovered in full, as it was paid in error to a company who were in administration. The Council is registered as an unsecured creditor in respect of this debt.

Code of Procurement

- 2.3 Following the highlighting of issues in my 2009 annual report, the Panel requested reassurance from the Directors of Commerce & Technology and Central Services that steps would be taken to improve the level of compliance with the provisions of the Code of Procurement. A report on the improvements to be made was presented to the December 2009 Panel meeting.

A further review of compliance with the Code was conducted in June 2010. This showed that breaches of the Code are still occurring. The majority of the breaches relate to the award of work after seeking one quotation only without obtaining the permission of the Director of Central Services. Having reviewed

section 6

these breaches, and considered the reasons why the decisions were made, it is my view that a number of these would have been accepted for single pricing by the Director. There have been no breaches identified similar in scale or magnitude to those reported upon last year.

After conducting the review and noting the comments received, I am satisfied that compliance with the Code is improving, notwithstanding the single tender/quotation breaches identified. Three actions have been agreed to further improve compliance.

Data encryption

- 2.4 The Information Commissioner has the ability to fine organisations up to £500k for serious breaches of the Data Protection Act. As Panel will recall 15 laptops were stolen from Pathfinder House in 2009 following a burglary. Since that date, one further laptop has been lost. Internal audit made a number of recommendations to improve both data and building security. Whilst the majority of the recommendations have been introduced, one of the most important, regarding the introduction of data encryption is still outstanding.

It was reported to Panel last year, that the encryption of laptops and all portable IT devices would be completed by February 2010. This did not happen due to problems with the encryption software. These issues have apparently been solved and encryption is expected to be completed by December. Until encryption has been introduced there remains the risks that personal data may be compromised if a laptop or data stick is lost or stolen.

Fraud issues

- 2.5 Whilst internal audit completed a piece of work in 2009 that verified employees on the payroll, no reports are issued to managers to allow them to undertake their own checks. Controlling the accuracy of the payroll to reduce the opportunity for fraud is a key issue. This matter was raised in the Payroll reports issued in December 2007 and July 2010. HR have agreed that by the end of September 2010 managers will receive establishment information at regular intervals for review purposes.
- 2.6 In addition to delivery of the audit plan a number of fraud based reviews and initiatives have been undertaken – these include preparing and reviewing information received from the national fraud data matching initiative, reviewing whistleblowing concerns raised and the issue of a guide to the Council's anti-fraud and corruption framework.

Guidance has also been provided on an ad-hoc basis on a wide variety of control and fraud issues.

Issues outstanding from previous years

- 2.7 Audit reviews that have had either an assurance opinion of 'limited' or 'little' in previous years 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>Limited</i>	1	0	Internet Monitoring 2007-08 The red action is outstanding. Monitoring software is due to be replaced by March 2011 which should allow the action to be introduced.	➔ <i>Limited</i>
<i>Limited</i>	1	5	Income Generation - External Grant Funding All 6 actions have been introduced.	↑ <i>Adequate</i>
<i>Limited</i>	1	5	IT Project Management All 6 actions have been introduced.	↑ <i>Adequate</i>
<i>Limited</i>	2	4	ICT Strategy All 6 actions have been introduced.	↑ <i>Adequate</i>
<i>Limited</i>	4	2	Business Continuity & Disaster Recovery All 6 actions have been introduced.	↑ <i>Adequate</i>
<i>Limited</i>	3	13	Network Infrastructure All 13 actions have been introduced.	↑ <i>Adequate</i>

Improving the Internal Audit Opinion

2.8 Subject to no significant additional issues emerging, moving from the “limited” assurance opinion included within the main report to “adequate” assurance would require the following:

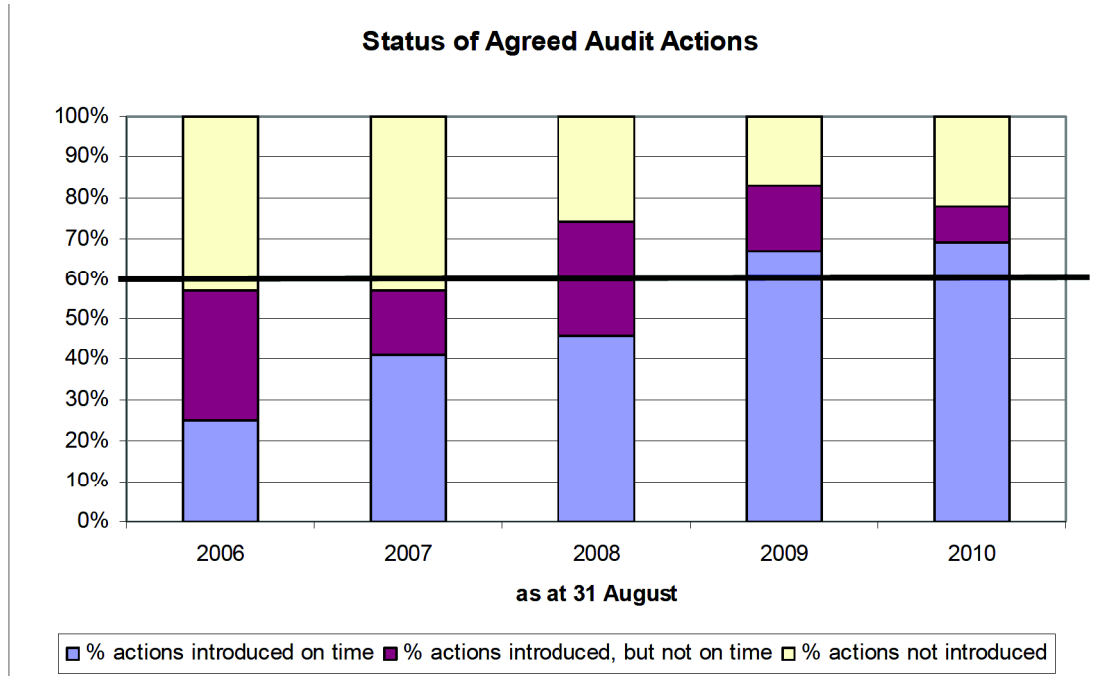
- Continued compliance with the Code of Procurement
- Encryption of laptops and portable IT devices
- Regular issue of establishment information to managers for checking and agreement

Assurance definitions : for information

<i>Substantial Assurance</i>	✓✓	<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>
<i>Adequate Assurance</i>	✓	<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>
<i>Limited Assurance</i>	✗	<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>
<i>Little Assurance</i>	✗✗	<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>

3. Implementation of Agreed Actions

3.1 Management Team have set a target of 60% of agreed actions should be implemented on time, based on a rolling 12 month approach. The figures for the year ending 31 August 2010 are shown below.



Summary of the Actions Database as at 31 August 2010

	Status of Action						TOTAL
	Introduced on time		Introduced Late		Not introduced		
Red Action	16		0		1		17
Amber Action	97		15		34		146
Total	113		15		35		163
% age	69%		9%		22%		
	<i>Red</i>	<i>Amber</i>	<i>Red</i>	<i>Amber</i>	<i>Red</i>	<i>Amber</i>	
Central Services	6	33	0	4	0	16	59
Commerce & Technology	10	63	0	10	1	11	95
Operational Services	0	1	0	1	0	7	9
Total	16	97	0	15	1	34	163

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

If during the review of actions introduced it is found that the action taken does not fully deal with the risk then the action that has been taken to address the risk identified is discussed with the appropriate manager and if necessary, changes to the database are made to reflect the actual position.

3.3 One 'red' action has not yet been implemented, which is detailed below.

Audit	Head of Service	Action Agreed	Agreed Implementation Date	Head of Service's statement re current position
Asset Register	Head of Financial Services	The Information Manager would prepare a project/plan to include all of the Authority's assets within the CAPS Uniform system. This software system would address residual risks (actions) 1, 2, 4, and 5.	30/04/2010	Following investigation by IMD there is no business case for converting all asset records to Uniform. The closure of the 2010/11 final accounts under the new IFRS accounting rules will highlight what records will be required in the future and will clarify what new systems or modifications to existing systems will be necessary for the future. Review to be completed by Accountancy Manager in light of 2010/11 accounts closure by 30 September 2011.

4. Internal Audit Performance

4.1 External audit view of internal audit

Target : Adequate or better
 Achieved: Satisfied

The external auditor continues to be satisfied with the work of the internal audit service.

4.2 Customer Satisfaction

Target: 85% or more of customers rating service quality as good or better.
 Achieved: 12 months to August 2010 - 100%

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 Head of Financial Services has also undertaken his annual customer satisfaction survey with senior managers. The April 2010 figure showed 69% (88% previous year) of managers felt audit provided a good or very good service. The scoring mechanism changed this year with the category below Good changing from average to acceptable. It is suspected that this may have resulted in some of last year's "goods" changing to acceptable.

4.3 Service delivery targets

Target: 80% or more of service delivery targets achieved.
 Achieved: 12 months to August 2010 – 73%

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

Performance indicators are prepared monthly. The targets are also reflected in staff's 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.

4.4 Service Developments

A review of the internal audit service against the Cipfa Code of Practice is planned. e-learning fraud material is to be prepared to support the ethics and fraud booklet. Continuous auditing of systems susceptible to fraud is to be investigated.

External Assurance

Date	Report from	Area covered	Assessment
2009			
September	EMQC Ltd	Sawtry & Ramsey Community Information Centres	Both CiC's meet the Customer Service Excellence Standard.
October	Ofsted	One Leisure: Sawtry	Registration on the childcare register to continue.
November	Ofsted	One Leisure: St Ives	Registration on the childcare register to continue.
December	EMQC Ltd	Call Centre	Call Centre meets the Charter Mark Standard.
	Deloitte LLP	Government Connect Network Infrastructure	34 security weaknesses identified. Nine are high priority, nine medium, 16 low.
2010			
January	Ofsted	One Leisure : Ramsey	Registration on the childcare register to continue.
February	RoSPA	One Leisure – all sites	“Gold” level for Occupational Health and Safety.
March	Grant Thornton	Information Systems Controls	Review to assess the adequacy of the design of general security administration and program maintenance controls over information systems. Where controls are adequate they were not commented upon. 3 issues raised and action agreed.
July	BSI	Building Control	Quality Management system. Areas assessed were found to be effective. No areas of non-conformity were identified.
September	Grant Thornton	Value for Money 2009/10	Unqualified opinion.
		ISA 260 : Audit of Accounts 2009-10	Unqualified opinion on the Council's financial statements.
	Siemens Enterprise Communications Limited	GCSX Code of Connection Re-assessment	6 month extension for retaining the GCSX connection.

**GOVERNANCE STATEMENT
(Report by the Head of Law, Property & Governance)**

1. INTRODUCTION

- 1.1 The purpose of this report is to provide an opportunity for the Panel to review and endorse the Governance Statement on arrangements for the Council's corporate governance activities.

2. CODE OF GOVERNANCE

- 2.1 In its simplest form, Corporate 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. It relates to both financial and non-financial matters.

- 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 and a copy is available at <http://www.huntsdc.gov.uk/Councils+and+Democracy/Council/Code+of+Corporate+Governance.htm> or on request from the Policy & Strategic Services Manager.

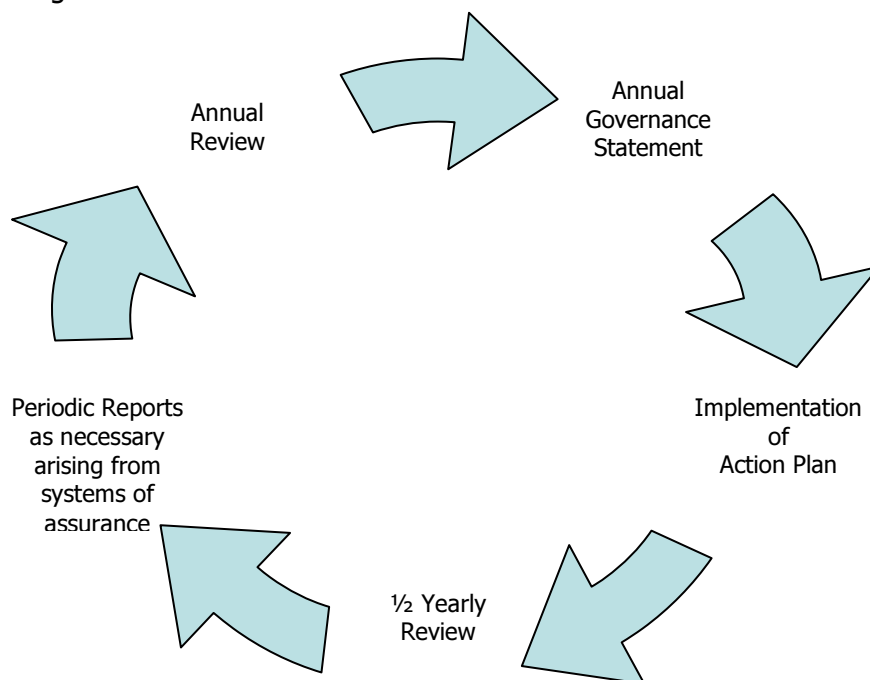
3. ASSURANCE FRAMEWORK

- 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 –

- review of the effectiveness of the system of internal audit (agreed by this Panel on the 25 March 2009).
- review and endorsement of a Governance Statement, appended.
- 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 reflects good practice in delivering a framework of assurance for Members and employees in terms of governance arrangements and helps to 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 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 carries out a review of governance arrangements. The purpose of the review is to conclude and re-start the cycle of review in accordance with the assurance framework – specifically to assess that governance arrangements are adequate and operating effectively and to identify action which is needed to ensure continuous improvement in effective governance.

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 managers responsible for the implementation of the Governance Code/framework (a full copy of the code is available upon request). In addition, the Chairman and Vice-Chairman of the Panel, together with the Executive Councillors with responsibility for financial and non-financial governance, have been given an opportunity to take part in and contribute towards that annual review

4.3 The review is informed by the Council improvement plan; relevant service managers; 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 Governance Statement prepared on behalf of the Leader of the Council and the Chief Executive (Appended). 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 Audit" and the findings from that review considered as part of the consideration of the systems of governance "in accordance with proper practices".

5. CONCLUSIONS

- 5.1 The Governance Statement for 2010 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.
- 5.2 Following a review of the effectiveness of the system of internal audit, the system is considered to be satisfactory and there are no significant omissions in the processes that have been introduced

6. RECOMMENDATION

- 6.1 The Panel is recommended to note the outcomes of governance arrangements; and
- 6.2 Endorse the Governance Statement for 2010 and to authorise the Chairman to countersign it.

BACKGROUND INFORMATION

The Council's Code of Corporate Governance
Review of the code, August 2010 – available from the Policy & Research Manager
Council Improvement plan - available from the Policy & Research Manager
System of Internal Audit
The Governance Statement, September 2010
The CIPFA/SOLACE framework "Good Governance in Local Government 2007"
The CIPFA Finance Advisory Network Annual Governance Statement – Rough Guide

Contact Officer: Howard Thackray, Policy & Strategic Services Manager
☎ (01480) 388035

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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 employees 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

<http://www.huntingdonshire.gov.uk/Councils%20and%20Democracy/Council/Page/Code%20of%20Corporate%20Governance.aspx>

and hard copies are available on request from the Policy & Strategic Services Manager.

The Code describes the way in which the Council will carry out its functions and how it complies with the principles of openness, integrity and accountability. The Code applies 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**:

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

The Governance Framework

A Governance Framework has been in place for the year ended 31st March 2010 and up to and including 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 Audit 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 approve the annual statement in that respect.

In turn the Council's Head of Law, Property & Governance and Monitoring Officer 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 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.

The key elements of the systems and processes that comprise the authority's governance arrangements are as follows:

1. Communicating vision and purpose

The Council has in place a Community Strategy, "Growing Our Communities", which sets out a vision, shared with partners, for Huntingdonshire, published on the Council's website at

http://www.huntingdonshire.gov.uk/SiteCollectionDocuments/HDCCMS/Documents/Business%20and%20Economic%20Development%20Documents/Huntingdonshire%20Strategic%20Partnership/hps1017_-_sustainable_community_strategy_booklet_web.pdf

The Strategy was reviewed and re-adopted by the Council in September 2008. In addition the Council's Corporate Plan, "Growing Success", sets out our vision and our purpose in the context of the Community Strategy. The Council has recently reviewed "Growing Success" by identifying and prioritising community and Council objectives, which will help to achieve the vision. In turn, both "Growing Our

Communities” and “Growing Success” are supported by a series of Plans and policies to achieve the vision and aims for Huntingdonshire. These Plans are supported by a comprehensive performance management framework which monitors the achievement of targets and measures.

The Council’s Communications & Marketing and Consultation & Engagement Strategies are used to promote and guide communications and engagement with local residents and to ensure that the vision and supporting plans are shared with local residents and other stakeholders. Extensive consultation and engagement has been used to develop the plans and regular surveys are carried out to gauge satisfaction with the achievement of the vision.

2. Roles & responsibilities

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 local residents 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.

A Member-led cross party review of the Council’s democratic arrangements was undertaken in 2008/09 that evaluated the Council’s performance since the adoption of the current structure, the implications of change necessitated by the Local Government and Public Involvement in Health Act 2007 and the emerging themes of strengthening local democracy in recent Government consultation documents and guidance.

The review concluded that the existing structure had worked well since its inception and the principles of the executive/scrutiny split had become embedded in the organisation. Nevertheless, the Council agreed various changes to promote local democracy and community engagement in the process, involving –

- a new look to Council meetings with headline debates, Cabinet ‘white paper’ proposals, monitoring of LAA performance, public question time and evening meetings;
- public consultation on a move to an executive leader in 2011;
- restructuring of the role of the Deputy Leader to improve support for the Leader and other executive councillors;

- a move to evening Cabinet meetings to assist executive councillors in full time employment;
- a refocusing of overview and scrutiny to enhance scrutiny of LSP priorities, partners and general well-being;
- co-option of independent persons to Overview and Scrutiny Panels to promote community engagement and widen experience;
- establishment of neighbourhood forums to promote community local democracy and community engagement;
- role descriptions for holders of special responsibility allowances, all councillors and group leaders; and
- signing of the IDeA Member Development Charter to enhance support for elected councillors.

A review of the changes to the Council's democratic structure, which have been in place for over a year, has recently been initiated.

Cabinet

Chaired by the Leader of the Council, the Cabinet has responsibility for all executive functions of the authority. Having moved to monthly evening meetings following the review of the democratic structure, the Cabinet is now better placed to consider reports and recommendations from Overview and Scrutiny Panels that meet earlier in the month.

Portfolios of executive responsibilities are allocated by the Leader to seven executive councillors with the Deputy Leader now concentrating on a supportive function with specific responsibility for Member development and achievement of the IDeA Member Development Charter.

Key decisions, defined as issues involving income/expenditure of £50,000 plus or that affect two of more wards, are listed in a Forward Plan publicised four months in advance with executive decisions published within three days to facilitate potential call-in by scrutiny.

The arrangements for delegated decision making, the conduct of business at meetings etc. are defined in Cabinet procedure rules contained in the Council's constitution.

Overview & Scrutiny Panels

The Council has appointed 3 Overview and Scrutiny Panels (Social Well-Being, Environmental Well-Being, and Economic Well-Being) 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. The composition of the three Panels reflect the three main principles of the Sustainable Community Strategy.

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;
- scrutinise the performance of partnerships in relation to LAA targets and crime and disorder;
- exercise the Councillor "call for action" arrangements;
- 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 for 2009/10 was completed and approved by the Panels in June. It has been publicised in the Council's website and sent to interested parties

Corporate 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;
- overall responsibility within the Council for ensuring that the assurance framework is in place and operating effectively
- determination of the Council's feedback 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; and
- receiving and considering the external auditor's reports including the Annual Report to those charged with Governance and the Annual Audit Letter.

3. 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 about standards of behaviour 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. Since May 2008 the monitoring officer has received and dealt with 32 complaints (five cases have involved District Councillors and the remainder Parish Councillors) of which 5 were referred for further investigation. No action was necessary in 18 cases and the remainder were referred to the monitoring officer for other action, such as training and the submission of an apology to the complainant. The Council has made the necessary changes to its Constitution and put in place the appropriate procedures to deal with this additional responsibility.

Allowances

Councillors' allowances are set by the Council based on the recommendations of an Independent Remuneration Panel as required by the legislation. Allowances can be fixed for a 4 year period with an agreed formula to deal with annual adjustments without the need for further review. Regulation 10 of the Local Authorities (Members' Allowances) (England) Regulations 2003 (SI 2003/1021) refers. The Council's allowances were set by the Council in February 2007 to come into effect in May of that year. A further review by the Independent Remuneration Panel is therefore not required until 2011.

During the year £379,000 was paid as allowances to 52 Councillors, the basic allowance being £4,235.04 per annum. In addition Councillors can claim a limited range of travel and sundry expenses. This amounted to £23,886.23 in the year. Therefore, a total of £402,886.23 was paid during the year

The Chief Executive and Directors incurred travel and subsistence costs in the course of their duties. No taxable expenses were reimbursed. Car fuel costs were reimbursed at rates ranging between 10p & 17p per mile. In total £10,600 of expenses were reimbursed.

4. 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 employees, 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. A biennial review of the constitution was undertaken in 2009, together with a Member led review of the Council's democratic arrangements which resulted in a number of changes.

5. Capacity and Capability

Members

The Council has signed the IDeA Member Development Charter and is preparing an Action Plan to achieve Charter status. Role descriptions have been introduced for all Executive Councillors, other Councillors in receipt of special responsibility allowances, political group leaders and Ward Councillors

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 Management Panel
Standards Committee
Overview & Scrutiny Panels
Corporate Governance Panel.

Employees

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 corporate training programs

such as Management and Leadership, Equality and Diversity, and Health and Safety training are in place.

6. Treasury Management

Treasury Management is the process by which the Council:

- ensures it has sufficient cash to meet its day-to-day obligations
- borrows when necessary to fund capital expenditure, including borrowing in advance when rates are considered to be low
- invests any surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest.

The Council's Treasury Management Strategy provides clear objectives for the management of its borrowing and investments. It emphasises the need for effective management and control of risk. The Strategy for 2010/11 was approved in January 2010

Risks associated with investments

The risk is managed by:

High credit quality:

- Investing in institutions with a high credit quality which takes into account factors in addition to credit ratings including credit default swap prices
- Specifying the minimum credit rating of the counterparty in the value of the investment according to the size even though many do not have a credit rating because the regulatory framework means that deposits from local authorities would be paid before retail deposits
- Reacting immediately to any changes to credit ratings which often results in the counterparty being removed from the approved list

Spreading the risk

- Spreading the investments by counterparty taking into account where institutions are linked to the same group
- By having country limits
- By imposing limits for non-specified investments (time deposits of more than one year and corporate bonds)

Duration of investments

- A maximum duration of 5 years

Additional Restrictions

In order to manage risk whilst maintaining acceptable returns the following additional limitations have been introduced:

- Even if borrowing rates appear to be particularly good value compared with current and expected trends, any additional forward borrowing to finance the Council's MTP will only be undertaken after considering how acceptably safe counterparties would be identified to cover the investment of such sums pending their use.
- Maximum use will be taken of investment call accounts, where we can recover our funds in less than 24 hours, with highly rated banks as long as their rates continue to be reasonable.

Budget

The Council needs to achieve £8 million savings that our medium term financial plan suggests is required by 2014/15. A Budget Plan is being implemented which has identified service efficiency savings and potential income through increased charges.

A resident, stakeholder and staff budget consultation exercise has been undertaken throughout July and August, via face to face interviews, a survey on our web site and paper based surveys at Library's, Customer Service Centres and Leisure Centres. The results will be considered by Chief Officer Management Team and Members in this Autumn.

A voluntary redundancy scheme is currently being developed and will be open to all members of staff from September 2010

7. Internal Audit

Internal audit work is 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. An annual report is submitted to the Corporate Governance Panel by the Internal Audit & Risk Manager in which he expresses his opinion on the Council's internal control environment based upon the work the internal audit service has completed.

In respect of the 12 month period ending 31st August 2010, the opinion expressed was that the "Council's internal control environment and systems of internal control provide limited assurance over the effective exercise of its functions. In respect of these systems that refer to, or are substantially related to, internal financial control, the controls operated by management are adequate"

8. Whistleblowing and Benefit Fraud

A Whistleblowing Policy and Procedure have been adopted, and are 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.

The Fraud Team undertakes investigation of allegedly fraudulent applications for housing and council tax benefit. This work complies with various legislative requirements. In addition the team also conduct investigations into fraudulent housing applications, council tax discounts and exemptions made by local taxation customers.

The Council participate in the National Fraud Initiative and a summary of the outcomes of the latest data matching exercise was reported to the Corporate Governance Panel in December 2009.

9. Complaints Procedure

The Council has adopted a feedback procedure which is in place to identify and deal with failure in service delivery. Complaints, or feedback to help service improvement, can be made in person at the Council offices, via telephone, fax, e-mail or the Council's website.

The revised procedure has been in place for over a year. In that period there has been an increase in the number of complaints that the Council receives and complainants now tend to pursue their complaints further through the process. There is no suggestion that there are more service failures as the number of complaints examined by the Ombudsman which have lead to a local settlement remains negligible and no findings of maladministration have been found. There are, nevertheless, greater demands on senior managers to respond to complaints.

10. RIPA and FOI

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 the 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 December 2009. A risk register is in place which is used to inform the internal audit plan and the review of the system of internal audit. Regular reports on the risks facing the Council are reported to the Corporate Governance Panel.

12. 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 Assurance Framework in the form of 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;
- continued reference to systems and reporting as necessary to provide assurance and support for good governance; and
- 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.

13. Assurance

In March 2009 the CGP in taking account of the guidance issued by CIPFA in January 2009 agreed that the annual review of Governance arrangements will include the annual review of the effectiveness of the system of internal audit. The system of internal audit provides the framework of assurance necessary to satisfy the Council that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation.

Sources of assurance can be taken from:

- the Internal Audit Manager's annual opinion on the internal control environment;
- the risk register and assurance on the operation of key controls;

- the Council's performance management framework revised and refreshed in conjunction with a review of the Corporate Plan "Growing Success" in January 2010;
- the consideration and monitoring by the Chief Officers' Management Team of reports and decisions prepared for, and taken by, Cabinet;
- arrangements which 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;
- reviews of the Constitution which have included variations to the Council's overview and scrutiny processes;
- the 2008/09 Audit and Inspection Letter from the Audit Commission; and
- the Council's Improvement Plan – incorporating the actions from external audits.

14. Governance of Partnerships

Increasingly the Council is seeking to promote joint working and partnership to deliver local objectives, improve efficiency and achieve savings. A Partnership evaluation framework, including the criteria for the good governance of partnerships identified by the Audit Commission report "Governing Partnerships: Bridging the Accountability Gap" has been developed. The framework balances the need for appropriate governance of partnerships which reflect their cycle of development to ensure that innovation and new ways of working are not stifled by over-burdensome procedures, while at the same time ensuring that arrangements exist which are compatible with the governance needs of the Council. Using the framework the Council has undertaken an initial assessment of partnerships and a (3 year) programme is being implemented to continuously review and develop strategic and operational partnerships.

In addition the Council is actively involved in developing governance of County-wide partnerships, supporting the delivery of a Local Area Agreement (LAA). There is a continuing debate and review to ensure that Cambridgeshire Together and supporting structured – the partnership charged with ensuring the LAA - has appropriate governance arrangements.

15. Annual Audit and Inspection Letter: (March 2009)

The Annual Audit & Inspection Letter for 2008/09, provides a summary of our external Auditors (Grant Thornton) assessment of the Council.

The key findings of this letter for the Council to address being; the introduction of accounting under International Financial Reporting Standards (IFRS); improve contract management arrangements and procurement processes; ensure that its medium term financial planning takes account of the current economic climate and

the likely restrictions in public spending. All these findings are currently being addressed.

The Annual Audit and Inspection Letter is available on the Council's website; http://www.huntsdc.gov.uk/NR/rdonlyres/6334B36A-3B71-46E3-B56D-514364A0FE21/0/audit_inspection_letter_march_2009.pdf and from the Head of People, Performance & Partnerships.

External Inspection. In October 2009 the Council were advised, by the Audit Commission, that our Organisational Assessment (part of Comprehensive Area Assessment relating to 2008/09) had been assessed at level 3 'performing well'. The Organisational assessment consisted of two external assessments; the Use of Resources and Managing Performance assessments, both of which are scored on a scale of 1 to 4 and then merged into an Organisational assessment score by the Audit Commission.

The Organisational assessment ceased when the Coalition Government abolished CAA in May of this year

16. Governance Issues Previously Identified

- **Code of Procurement.** There have been a number of occasions during the year where internal audit reviews have identified examples of breaches of the Code of Procurement. Steps will be taken to improve the level of compliance

Progress to date:

Directors reported back to CGP in December 2009 with an action plan. The following items have been delivered against that plan.

- Projected procurement dates have been supplied by managers for current and next year.
 - Revised procurement strategy has been delayed due to the introduction of the E-marketplace but will be completed by end of September.
 - First cycle of modular training completed. Further cycle to commence in November 2010.
 - Procurement Code reviewed and approved by Council.
 - Review of suppliers/groups- categories is a permanent ongoing review. Savings have already resulted on stationery, printing and clothing.
 - Improvements to the Contract Register and the Procurement website have been completed.
 - E-Marketplace up and running for stationery. Further products will be rolled out over the coming months.
- **Huntingdonshire Strategic Partnership Evaluation.** New guidance has been issued by the Audit Commission to help in the assessment of the Governance arrangements and effectiveness of the Local Strategic Partnerships. Consideration will be given to how this guidance can be implemented in conjunction with the Councils own Partnership framework

Progress to date:

The Huntingdonshire Strategic Partnership regularly looks at performance against the Sustainable Community Strategy and important part of the achievement of the partnership's vision and objectives. Regular quarterly reports are submitted to the partnership and an annual report is currently being prepared. In light of current budget reductions across partner organisations, a review of partnership and the effects on services is currently underway

- **Annual Audit and Inspection Letter recommendations, March 2009**
 - Maintain focus on service performance in order to improve the rate of improvement and tackle areas of comparative under performance; and
 - Develop a stronger focus on outcomes measures

Progress to date:

Performance reports detailing progress against objectives continue to be reported to Chief Officer Management Team, Overview and Scrutiny Panels and Cabinet on a quarterly basis.

A review of targets and measures in our corporate plan "Growing Success" was undertaken with Heads of Service during January 2010 and reported to the Corporate Plan working group in February 2010. The review also included targets and measures at divisional level with the emphasis on outcomes.

Progress against our targets in 'Growing Success' have been published in the September edition of District Wide.

- **Scrutiny Annual Report.** To ensure an Overview and Scrutiny annual report, reflecting their work during 2009/10, is prepared to for publication

Progress to date:

The annual report of the Overview & Scrutiny Panels for 2009/10 was completed and approved by the Panels in June. It has been publicised on the Council's website and sent to interested parties

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 –

- Identifying budget savings in order to balance the budget, as identified in the Financial Forecast report which considers the Council position until 2024/2025.
- Complaints – Number of complaints and time taken to resolve.
- The continued need to ensure that the code of Procurement is fully complied with.

- Preparing for any new inspection regime.

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:	Signed:
Ian Bates Leader of the Council	David Monks Chief Executive

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

Signed: Date:
Councillor T D Sanderson
Chairman of the District Council's Corporate Governance Panel

Pathfinder House
St Mary's Street
HUNTINGDON
Cambridgeshire
PE29 3TN
September, 2010

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**CORPORATE GOVERNANCE
PANEL**

28TH SEPTEMBER 2010

**APPROVAL FOR PUBLICATION OF THE 2009/10 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 2009/10.

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

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 and it is attached as Annex A.

4. RECEIVING THE AUDITOR'S REPORT

- 4.1 This will be presented to the meeting by our External Auditors, Grant Thornton and is attached at Annex B.

- 4.2 The main issues they have raised relate to:
- Assets – classification and treatment in the accounts
 - Restatement of the Collection Fund due to new accounting rules.
 - An extra note to reflect the Government’s proposed changes to public service pensions.
 - The need for effective budgetary control and the identification of detailed and realistic savings plans.
- 4.3 All of the changes that Grant Thornton have asked for have been made and, as usual, none affect the Council’s general fund as they are either presentational or result in compensating statutory adjustments. An unqualified audit opinion is expected.
- 4.4 An action plan shows the Council’s response to the issues that are relevant to the current or future years.

5. APPROVING THE REVISED ACCOUNTS

- 5.1 It is best practice for the Panel to approve the revised accounts for publication. These are attached as Annex C.

6. RECOMMENDATIONS

- 6.1 It is recommended that the Panel:
- Approve the Letter of Representation at Annex A and authorise the Director of Commerce and Technology to sign it on behalf of the Council.
 - Receive the Auditor’s report (Annex B) and note the action plan for dealing with the issues identified.
 - Approve the revised accounts (Annex C) 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

LETTER OF REPRESENTATION

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

28 September
2010

Dear Sirs

Financial Statements for the Year Ended 31 March 2010

We confirm to the best of our knowledge and belief that the following representations are made on the basis of appropriate enquiries of other officers and members with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you in respect of your audit of the above financial statements

- i We acknowledge our responsibilities for ensuring that financial statements are prepared which give a true and fair view of the financial position of the Council in accordance with the SoRP 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
 - 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 We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iv All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly recorded in the accounting records and reflected in the financial statements.
- v All other records and related information, including minutes of all Council and Committee meetings, have been made available to you
- vi 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 2009 SoRP, we selected the estimation technique considered to be the most appropriate to the Council's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgment 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.

- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for FRS 17 disclosures are consistent with our knowledge. 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 (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded)
- viii The financial statements are free of material misstatements, including omissions
- ix We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud
- x 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
- xi We are not aware of any irregularities, including fraud, involving management or employees of the Council. We are not aware of any instances of actual or possible non-compliance with laws, regulations, contracts, agreements or the Council's constitution that might result in the Council suffering significant penalties, other loss or affecting the financial statements. No allegations of such irregularities, including fraud, or such non-compliance have come to our notice
- xii 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 except as disclosed in note 10
- xiii Except as stated in the accounts:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Council 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
- xiv There are no claims, legal proceedings or other matters which may lead to a loss falling on the Council or which could result in the creation of an unrecorded asset, that should be disclosed in the financial statements
- xv The Council 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

- xvi We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements, other than as required by the restatement of accounts under International Financial Reporting Standards in accordance with the 2010 Code.

- xvii No significant events having an effect on the financial position of the Council 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

- xviii We believe that the Council'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 Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

- xix We have compiled our accounts in accordance with FRS 5 Application note G ('revenue recognition'). We have recognised income when we have obtained the right to consideration following the fulfilment of contractual obligations concerning the supply of goods and services

- xx The Council has determined the fair values of derivatives and other financial instruments through the calculation of the present value of the cash flows that will take place over the remaining term of the instruments using assumptions as detailed in note 35 to the accounts.

- xxi We have disclosed to you the likely outcomes of litigation or uncertain situations, which have been disclosed in the financial statements where appropriate.

Approval

The approval of this letter of representation was minuted by the Corporate Governance Panel at its meeting on 28 September 2010

Signed on behalf of Huntingdonshire District Council

Terry Parker
Director of Commerce and Technology
28 September 2010

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AUDITOR'S REPORT



Huntingdonshire District Council

Audit of Accounts 2009-10
Annual Report to those Charged with Governance

28 September 2010

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1 Executive Summary

Purpose of the report

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the objectivity of the engagement team
- nature and scope of the audit work
- the form of reports expected.

- 1.1 This report has been prepared for the benefit of discussion between Grant Thornton UK LLP and the Corporate Governance Panel of Huntingdonshire District Council (the Council). The purpose of this report is to highlight the key issues arising from the audit of the Council's financial statements for the year ending 31 March 2010.
- 1.2 This report meets the mandatory requirements of International Standard on Auditing 260 (ISA 260) to report the outcome of the audit to 'those charged with governance', designated as the Corporate Governance Panel. The requirements of ISA260, and how we have discharged them, are set out in more detail at Appendix A.
- 1.3 The Council is responsible for the preparation of financial statements which record its financial position as at 31 March 2010, 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 financial statements present a true and fair view of the financial position.
- 1.4 Under the Audit Commission's Code of Audit Practice we are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Audit conclusions

Financial Statements Opinion

- 1.5 The Council produced its draft 2009/10 accounts in advance of the 30 June 2010 deadline and presented them to the Corporate Governance Panel on 30th June 2010. As in previous years, the working papers were of a good standard.
- 1.6 Our audit highlighted a number of issues in respect of accounting for fixed assets including revaluations and the classification of assets in the Council's records. Accounting for fixed assets will be a key audit issue in 2010/11 with the transition to IFRS accounting. The Council should use the exercise of restating its 2009/10 accounts to IFRS to address these issues.
- 1.7 We anticipate providing an unqualified opinion on the Council's financial statements, following approval of the accounts by the Corporate Governance Panel on 28 September 2010.
- 1.8 Further details of the outcome of our financial statements audit are given in Section Two and Appendix B (adjustments to the financial statements).

Value for Money Conclusion

- 1.9 In providing our opinion on the financial statements, we are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion). We are pleased to report that we propose to issue an unqualified Value for Money conclusion.
- 1.10 The key messages arising from our review of the Council's arrangements are:
- The Council has identified weaknesses in compliance with its Code of Procurement and contract management. To address these it instigated a number of actions which have resulted in improvements.
 - In common with many local authorities, the Council is experiencing significant financial pressures and having to revisit its short to medium term financial plans. The Council has already planned to meet its budget deficits over the next three years from a combination of revenue reserves and savings; however, it is now anticipated that reduced government funding is likely to increase the gap that needs to be met. This means that further savings need to be found before revenue reserves meet minimum levels. It is imperative that the Council reviews its medium term financial plans in light of public sector spending pressures.
- 1.11 Further information on the outcome of our Value for Money audit is contained in Section 2.

The way forward

- 1.12 Matters arising from the financial statements and Value for Money audit have been discussed with the Director of Commerce and Technology and the Head of Financial Services. We have made a number of recommendations, which are set out in the action plan at Appendix C.

Use of this report

- 1.13 This report has been prepared solely for use by the Council to discharge our responsibilities under ISA260, and should not be used for any other purpose. We assume no responsibility to any other person. This report should be read in conjunction with the Statement of Responsibilities and the Council's Letter of Representation.

Acknowledgements

- 1.14 We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP

28 September 2010

2 Detailed Findings

Introduction

- 2.1 This section provides a summary of findings arising from our audit of the financial statements and Value for Money (VFM) audit.

Financial Statements Audit

Status of the audit

- 2.2 We carried out our audit in accordance with the final Accounts Audit Plan presented to the Director of Commerce and Technology on 10 December 2009 and the Audit Approach Memorandum issued in July 2010. Our audit is substantially complete, subject to the following finalisation procedures:
- review of the final version of the financial statements
 - obtaining and reviewing the Council's Letter of Representation
 - updating our post balance sheet events review, to the date of signing the accounts.

Key risks

- 2.3 Our 2009/10 Accounts Audit Plan set out the key risks relating to the audit of the financial statements. As part of our final accounts audit, we completed work in a number of areas to consider the audit risks identified, and have set out in Exhibit One the outcome of work completed. Our review of the risks facing the Council has not identified any additional risk areas.

Exhibit One: 2009/10 Key audit risks

Key audit risk	Conclusion
Risk 1	
<p>Investment balances</p> <p>There remains a risk of financial institutions becoming insolvent. This could potentially lead to overstatement of investment balances. In addition, interest rates remain low and impact on the support the investment income provides to the Council Fund.</p>	<p>We have reviewed the Council's investments and have gained assurance that these have been made in accordance with its Treasury Management Strategy.</p> <p>On-going discussions are held with the Council on the level of income it anticipates from its investments. We are satisfied that the Council's plans are reasonable.</p>

Risk 2	
<p>Current economic climate</p> <p>The current economic climate brings a variety of risks to the audit of the Council's accounts. The revaluations undertaken on land and buildings remain a key area and will be considered in detail as part of the audit process. In addition to this, pressure on businesses leads to a higher risk of default on national non-domestic rates payments to the Council, as higher levels of unemployment lead to an increased risk of default in paying Council Tax. Other implications include a reduction in the level of capital receipts as sales of assets fall.</p>	<p>We have considered the revaluations undertaken by the Council during the year and identified audit adjustments.</p> <p>We have reviewed the Council's bad debt provisions as part of detailed audit procedures. No issues were identified.</p> <p>The Council had no material disposals of fixed assets during the 2009/10 financial year and will be reviewing the levels and timing of capital receipts that it has assumed in its Medium Term Plan.</p>
Risk 3	
<p>Members allowances</p> <p>There continues to be significant local public interest in the level of members allowances.</p>	<p>We have reviewed the Members Allowances disclosures in the financial statements and have gained assurance that these are not mis-stated.</p>
Risk 4	
<p>SORP requirements</p> <p>The 2009 SORP has changed the arrangements for accounting for Council Tax and NNDR debtors and creditors. The prior year adjustment as a result of these changes will be considered alongside current year treatment of balances.</p>	<p>From our audit procedures and adjustments to the financial statements we have gained assurance that the requirements of the SORP have been followed and that Council Tax and NNDR debtors have been correctly restated for 2008/09.</p>
Risk 5	
<p>Revaluation</p> <p>A number of adjustments were required to the 2008/09 accounts as a result of a full revaluation of land and property assets. The revaluation has a continuing impact on future transactions specifically relating to the Council's Revaluation Reserve and Capital Adjustment Account.</p>	<p>We have considered the revaluations undertaken by the Council during the year and identified audit adjustments.</p>

- 2.4 The Corporate Governance Panel should confirm that it is not aware of any additional material risk areas facing the Council, including significant fraud risks.

Matters arising from the financial statements audit

- 2.5 We were presented with the draft financial statements on 28th June 2010, in advance of the statutory deadline of 30 June 2010. The supporting working papers were

provided in accordance with the agreed timetable for audit and the requirements highlighted in our Arrangements Letter.

- 2.6 Regular liaison meetings were held between the audit team and key finance officers prior to the preparation of the draft accounts, and throughout the audit fieldwork. This enabled early resolution of emerging issues.
- 2.7 Matters arising from the financial statements audit are set out below. Where appropriate, we have made recommendations for improvement, as set out in the agreed action plan at Appendix C.

Fixed Asset Revaluations - Leisure Centres

- 2.8 Our audit procedures identified a number of issues in relation to the accounting for the Council's leisure centre assets, in particular, highlighting an inconsistency between the records for these assets held by the Finance department and those held by the Estates department.
- 2.9 A significant amount of development work was undertaken at the Council's five leisure centres during 2009/10. As a result of this, the Estates Department commissioned a professional valuer to establish the revised value of the centres as at 1 April 2010. Only three of the five centres were revalued based on the Estates Department assessment of the completion status of the development work at the various centres. The Council then applied a series of adjustments with the intention of achieving an equivalent valuation across the other two centres
- 2.10 Our investigations showed that there were a number of problems with the completeness, consistency and comparability of both the professional valuations and the Council's own adjustments. All of the adjustments have therefore been reversed to remove them from the financial statements and the next revaluation will need to be organised in a way that ensures these criteria are met
- 2.11 In addition, the Council's own review of the previous valuations of the leisure centres highlighted that some components of the assets had not been included in valuations performed as at 1 April 2009 or 1 April 2010.
- 2.12 The valuer had not been instructed to perform the valuation on the same basis that it had been performed prior to 1 April 2009 resulting in components of the assets valued at £940k not being revalued in 2009 and 2010. The valuations were not, therefore, consistent or comparable with those undertaken prior to 1 April 2009 and the revised values have been removed from the financial statements.
- 2.13 This resulted in a reduction in the value of fixed assets of £2.3m, with a reduction in impairment charges to the income and expenditure account of £1.6m and £0.7m to the revaluation reserve respectively. However balancing statutory adjustments mean that these changes have no impact on the reported General Fund balance as at 31 March 2010.

Classification of Non-Operational Assets

- 2.14 The Council reclassified £1.3m of surplus assets held for disposal as investment properties. The reclassification had been performed to meet IFRS requirements; however, for 2009/10 UK GAAP categorisations still apply. The reclassification has been reversed with no impact on the closing balance sheet position. The Council should review the classification of its non-operational assets as part of its IFRS restatement exercise to ensure that they are accounted for in accordance with the appropriate accounting standards.

Restatement of Council Tax and NNDR Balances

- 2.15 The 2009 SORP changed the arrangements for accounting for Council Tax and NNDR debtors and creditors.
- 2.16 In order to comply with UK GAAP, only the Council's share of council tax debtors and creditors should be included in the statement of accounts. This required the restatement of the 2008/09 accounts to remove other major preceptors' shares of the debtors previously accounted for in the Council's balance sheet. As part of this restatement £96k was incorrectly recorded against cash. This adjustment has therefore been restated against creditors.
- 2.17 Amendments required to restate amounts owed to/from the National NNDR pool had been performed incorrectly. Adjustments of £691k have therefore been processed to restate opening balances.

Other accounts issues arising

- 2.18 In its budget on 22 June 2010 the Government announced its proposals to move to using the Consumer Price Index (CPI) as the measure of price inflation for public sector schemes from April 2011. Currently the Retail Price Index (RPI) is the measure used. This change will affect the valuation of the pension fund liability included on the Council's balance sheet.
- 2.19 FRS21, Events after the Balance Sheet Date, requires audited bodies disclose the nature of any material non-adjusting post balance sheet event and provide an estimate of its financial effect. It is considered that the announcement constitutes a non-adjusting post balance sheet event for the 2009/10 financial statements. The Council has included an estimate as provided by the Scheme's Actuary of the likely impact on its FRS17 liabilities as a non-adjusting post balance sheet event.
- 2.20 In addition to the matters raised above, there were a number of other minor misclassification and presentational changes that arose during the course of our audit and these have been made to the accounts.

Adjusted misstatements

- 2.21 All identified adjustments have been processed by management. Details of these are included at Appendix B. The overall effect of the adjustments is to reduce the income and expenditure deficit by £1.6m and increase the Council's net worth by £2.271m. The capital nature of these adjustments means that they have no impact on the Council's General Fund balance.

- 2.22 The Council also identified a number of adjustments relating to balance sheet classifications subsequent to the approval of the accounts. None of these adjustments had an impact on the Council's General Fund balance.

Unadjusted misstatements

- 2.23 There are no unadjusted misstatements to report.

Financial Statements Opinion

- 2.24 We anticipate providing an unqualified opinion on the Council's financial statements, following approval of the accounts by the Corporate Governance Panel on 28 September 2010.

Financial performance

- 2.25 The Council reported an underspend of £1.9m primarily due to extra interest and one-off additional items relating to government specific grants and recovery of VAT against its agreed 2009/10 budget, which it has placed in a special Reserve intended to meet any future one-off costs of achieving the savings required over the next few years. After the creation of this reserve the Council has reported a favourable variance of £74k (£470k in 2008/09). The revenue budget monitoring report as presented to the July Cabinet meeting highlights that an unfavourable variance of £68k is forecast against the agreed 2010/11 budget which increases the amount of revenue expenditure to be funded from general reserves to £4.738m. It is essential that the Council closely monitors its financial performance throughout 2010/11 and takes appropriate and timely action to address any adverse variances to planned spending that occur.
- 2.26 The current economic climate has placed significant pressure on the public sector and local government in particular, to generate efficiencies and operate within reduced resources. The Council has already planned to meet its budget deficits over the next three years from its revenue reserves and savings; however, it is anticipated that reduced funding is likely to increase the gap that needs to be met. This means that unless resulting gaps are addressed through savings or other means, reserves will be used up more quickly than planned. It is imperative that the Council reviews its medium term financial plans in light of public sector spending pressures.

Evaluation of key controls

- 2.27 We have undertaken sufficient work on key financial controls for the purpose of designing our programme of work for the financial statements audit. Our evaluation of the Council's key financial control systems did not identify any control issues that present a material risk to the accuracy of the financial statements.
- 2.28 Our testing of additions to fixed assets identified a minor issue resulting from a small number of invoices not being passed to the Finance team promptly and, therefore, the potential for them not being included in the correct accounting period. The Council needs to ensure that all departments are aware of the requirements around cut-off and provide financial information to the Finance team on a timely basis, particularly at or around year-end.

- 2.29 We performed a high level review of the general IT control environment as part of the overall review of the internal control system and concluded that there were no material weaknesses within the IT arrangements that could adversely impact on our audit of the accounts, but some minor recommendations were identified and these are included at Appendix C.
- 2.30 The IT issues identified relate to the Council's current network access security arrangements and represent findings where an immediate action should be considered by the Council.
- 2.31 We have reviewed the work of internal audit and concluded that the scope and conduct of internal audit work was appropriate to provide adequate assurance on the effective operation of controls. We have therefore taken assurance from the work of internal audit in our evaluation of controls where appropriate.

Annual Governance Statement

- 2.32 We have examined the Council's arrangements and processes for compiling the Annual Governance Statement (AGS). In addition, we read the AGS to consider whether the statement is in accordance with our knowledge of the Council.
- 2.33 We have concluded that the Council has good arrangements in place to compile the AGS and provide an adequate audit trail for the Chief Executive and Leader to sign the statement.

Transition to IFRS

- 2.34 We have discussed the Council's progress with the transition to IFRS and consider that appropriate progress is being made. However, as noted elsewhere in this report., the Council should ensure that it thoroughly reviews the accounting treatment of fixed assets under IFRS, in particular the adoption of an appropriate component accounting basis. Further, the Council should restate its 2009/10 accounts under IFRS as soon as possible and obtain independent review of the restated accounts.

Value for Money

- 2.35 The Audit Commission's Code of Audit Practice requires us to assess whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In discharging this responsibility, we are required to review and, where appropriate, examine evidence that is relevant to the Council's corporate performance management and financial management arrangements.
- 2.36 Our 2010 Value for Money conclusion has been informed by work carried out on Use of Resources up until the abolition of Comprehensive Area Assessment.
- 2.37 On the basis of the work completed, we propose to issue an unqualified Value for Money conclusion.

2.38 The key developments in the Council's arrangements include:

- An internal audit review undertaken in 2009/10 on contract management identified a number of breaches of the Council's Code of Procurement. Breaches included non-compliance with EU procurement regulation and only obtaining only single tenders where competition could have been achieved. An action plan to address the issues identified was approved and implemented by the Council. A subsequent review of procurement practice was completed during summer 2010. This concluded that whilst there are still breaches of Code procedures occurring, these are not considered to be similar in scale or magnitude to those previously identified. The Council will need to ensure that it continues to monitor compliance with the Code.
- The Council has taken steps during the year to improve integration of financial and non-financial performance reporting. A working group was formed during 2009/10 to look at performance against strategic priorities and the linkages with budget allocations. This indicates that the Council is taking steps towards gaining a greater understanding of how budgets are linked to corporate objectives and how this then ties into the Council's performance. This is a good example of understanding the linkages between financial and non-financial performance.

2.39 The main areas where further action is required by the Council include:

- the Council should continue to regularly review its short to medium term plans for using its revenue reserves to support spending, and
- developing detailed and realistic savings plans which include the findings of service reviews and the outcomes of the budget consultation which is currently in progress.

Next steps

2.40 The Corporate Governance Panel is required to approve the financial statements for the year ended 2009-10. In forming its conclusions the Committee's attention is drawn to the adjustments to the accounts and the required Letter of Representation.

A Reporting requirements of ISA 260

The principal purpose of the ISA 260 report is:

To reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and those charged with governance.

To share information to assist both the auditor and those charged with governance fulfil their respective responsibilities.

To provide to those charged with governance constructive observations arising from the audit process.

ISA260 reporting requirement	Key messages
Independence	<p>We are able to confirm our independence and objectivity as auditors and draw attention to the following points:</p> <ul style="list-style-type: none"> • 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 in line with the Audit Commission's requirements. • We comply with the Auditing Practices Board's Ethical Standards. • We have not provided any non audit services in 2009-10.
Audit Approach	<p>Our approach to the audit was set out in our 2009-10 audit plan. We have planned our audit in accordance with auditing standards and the Audit Commission's Code of Audit Practice. Other key factors to highlight include:</p> <ul style="list-style-type: none"> • We consider the materiality of items in the financial statements in determining the audit approach and in determining the impact of any errors. • We have been able to place appropriate reliance on the key accounting systems operating at the Council for financial statement audit purposes. • In 2009-10 we have been able to take assurance from the work of internal audit in respect of the key accounting systems.

ISA260 reporting requirement	Key messages
Accounting Policies	<p>The Council has adopted appropriate accounting policies in the areas covered by our testing. Accounting policies are in accordance with the SoRP 2009.</p> <p>The Corporate Governance Panel should confirm that it is satisfied that the accounting policies adopted are the most appropriate, as required by FRS 18.</p> <p>We have considered the Council's financial plans and consider it appropriate for the Council to continue to account on a going concern basis.</p>
Material Risks	<p>The Corporate Governance Panel should confirm that it is not aware of any additional material risk areas facing the Council, including significant fraud risks.</p> <p>We have requested from the Council a Letter of Representation, to state that there are no additional material risks and exposures as at 28 September 2010, which should be reflected in the financial statements.</p> <p>We will also perform our own audit procedures to ensure that all significant risks and exposures to the Council have been recognised in the accounts as at 28 September 2010. We will focus on accounting provisions and cash flow forecasting over the next 12 months.</p>
Audit Adjustments	<p>We have discussed with management the adjustments to the accounts, primarily to improve the true and fair presentation of the financial statements, as well as the clarity and presentation of disclosure notes.</p> <p>These adjustments are summarised at Appendix B.</p>
Unadjusted Errors	<p>We have identified no unadjusted errors to the accounts which require reporting to those charged with governance.</p>
Other Matters	<p>We have made recommendations in respect of some areas for improvement in internal control. Recommendations and agreed action are listed in the Action Plan at Appendix C.</p>

B Adjustments to the financial statements

The table below lists all significant audit adjustments which have been processed and agreed with the Director of Commerce and Technology.

Adjustment Type

Misstatement - A change to the value of a balance presented in the financial statements.

Classification - The movement of a balance from one location in the accounts to another.

Disclosure - A change to the way in which a balance is disclosed or presented in an explanatory note.

Adjustment type	£000	Accounts balance	Impact on financial statements
Misstatement	2,156	<p>Tangible Fixed Assets - Land and Buildings</p> <p>Our investigations showed that there were a number of problems with the completeness, consistency and comparability of both the professional valuations and the Council's own adjustments. All of the adjustments have therefore been reversed to remove them from the financial statements and the next revaluation will need to be organised in a way that ensures these requirements are met.</p>	<p>Reduction of I&E deficit of £1,600k and a reversal of £671k reduction in reserves.</p> <p>The net impact on the closing balance sheet is an increase of £2,271k relating to the valuation of tangible fixed assets.</p> <p>No impact on the General Fund balance.</p>

Adjustment type	£000	Accounts balance	Impact on financial statements
Misstatement	139 (2009)	Earmarked Reserves - Leisure Centres As at 31 March 2009, the accounts of the Leisure Centre Management Committees were reported independently from the Council's accounts. The Management Committees ceased to exist from 1 April 2009 and all income and expenditure is now accounted for by the Council. Balance sheet amounts relating to the Council's leisure centres were originally included as part of the opening balance sheet restatement. The correct treatment of this restatement is as an in year movement appropriately disclosed within the STRGL.	Removal of £139k net assets from the opening balance sheet. No impact to amounts recorded in the closing balance sheet or overall movement in net worth. No impact on the General Fund balance.
Classification	691 (2009)	Creditors / Debtors As part of the opening balance sheet restatement required by the 2009 SoRP, the amendments required to restate amounts owed to/from the National NNDR pool had not been performed correctly. Adjustments have therefore been processed to restate opening balances accordingly.	Net nil impact to the opening balance sheet. No impact on the General Fund balance.
Classification	96 (2009)	Cash / Creditors As part of the opening balance sheet restatement required by the 2009 SoRP, an amendment to restate amounts owed to Council Tax preceptors was incorrectly recorded against cash. The adjustment has therefore been restated against creditors.	Net nil impact to the opening balance sheet. No impact on the General Fund balance.

Adjustment type	£000	Accounts balance	Impact on financial statements
Disclosure	1,271	Tangible Fixed Assets Cr - Investment Properties Dr- Surplus Assets Held for Disposal	Net nil impact to the closing balance sheet. No impact on the General Fund balance.
Disclosure	5,000	Cash flow statement A series of disclosure adjustments have been performed to ensure appropriate disclosure of cash flow movements as part of revenue activities, capital activities and management of liquid resources as required by the 2009 SoRP.	No net impact to other financial statements. No impact on the General Fund balance.

The overall effect of the above misclassifications is to reverse £1.6m of the Council's income and expenditure deficit. The net impact on the closing balance sheet is an increase of £2.271m relating to the valuation of tangible fixed assets. Due to the statutory reversals of defined items there is no impact on the General Fund balance.

C Action Plan

Rec. No.	Para Ref	Recommendation	Priority H/M/L	Council response	Implementation date and responsibility
1	2.11	<p>Accounting for Fixed Assets - IFRS Restatement</p> <p>As part of the transition to IFRS accounting, the Council should undertake a thorough review of its fixed asset register to ensure that the restated financial statements accurately present the Council's fixed assets on an appropriate component basis.</p>	High	Agreed	<p>Accountancy Manager</p> <p>By January 2011</p>
2	2.11	<p>Accounting for Fixed Assets - Valuation</p> <p>All instructions to valuers should be agreed between the Finance Department and the Estates Department to ensure that they meet IFRS accounting requirements and are consistent with previous instructions.</p>	High	Agreed	<p>Accountancy Manager</p> <p>By February 2011</p>
3	2.11	<p>Accounting for Fixed Assets - Classification</p> <p>The Council should review the classification of its assets as part of its IFRS restatement exercise to ensure that they are accounted for in accordance with the appropriate accounting standards.</p>	High	Agreed	<p>Accountancy Manager</p> <p>By October 2010</p>

4	2.28	<p>Cut Off</p> <p>Our testing of additions to fixed assets identified an issue relating to the cut-off of expenditure. Invoices had not been provided to the Finance team promptly and, therefore, had not been included in the correct accounting period. The Council needs to ensure that all departments are aware of the requirements around cut-off and provide financial information to the Finance team on a timely basis, particularly at or around year-end.</p>	Medium	Agreed	<p>Accountancy Manager</p> <p>By March 2011</p>
5	2.29	<p>Cedar eFinancials administrative access</p> <p>Management should consider the feasibility of removing powerful administrative access from operational users of Cedar eFinancials to ensure appropriate segregation of duties is maintained in the system.</p> <p>If this is not feasible, then management should consider issuing each super-user two identities. The first identity should have the appropriate access restrictions for the user to perform their day-to-day operational duties. The second administrator identity should be assigned to the user and monitored to ensure actions performed are appropriate and authorised.</p>	High	<p>It is not feasible for the super user role to be moved away from Accountancy and therefore the super users will also have to carry out operational functions.</p> <p>Having two separate IDs will not help because system audit reports are not by user but by activity.</p> <p>The Accountancy Manager will:</p> <ul style="list-style-type: none"> • Regularly review the available system audit reports which highlight relevant changes, • consider the need for further controls and monitoring 	<p>Accountancy Manager</p> <p>By: October 2010</p>

6	2.29	<p>Network intrusion detection and prevention</p> <p>The Council should consider implementing an intrusion detection or prevention system.</p>	Medium	<p>An Intrusion Detection system is estimated to cost in excess of £50k and if installed would require almost a full time person to monitor, manage and maintain. This is not practical for the council financially and in terms of resources. This view has been discussed with our Government Connect assessor (most recently on 13/08/10) and it was agreed that IMD will continue to investigate what can be done with existing network infrastructure i.e. our Alcatel Lucent network switches and internal resources.</p>	<p>IMD Operations Manager</p> <p>Investigations will run over the next 12 months.</p>
7	2.29	<p>Encryption of wireless networks</p> <p>Management should ensure that plans to upgrade the encryption of the wireless networks from WEP to WPA2 are completed promptly.</p>	Medium	<p>Agreed. Discussions are underway with Nigel Arkle as to the best procurement route for a upgrade of our wireless network. It is hoped that we will replace the stand alone wireless boxes with a WAM box which will allow us to meet the needs of Government Connect in terms of security and encryption</p>	<p>IMD Operations Manager</p> <p>Installation of a solution by April 2011.</p>



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Statement of Accounts For the year ended 31 March 2010

Chairman of the Council 2009/10	Councillor J Davies
Leader of the Council 2009/10	Councillor I C Bates
Executive Councillor for Finance 2009/10	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

INTRODUCTION

In order to ensure that the financial accounts of local authorities are reliable, comparable and understandable a Statement of Recommended Practice (SORP) has been created which sets out how they should be prepared and what they must include. The Council's external auditors, appointed by the Audit Commission, ensure that Huntingdonshire's accounts comply with this SORP and that they present a true and fair view of the financial position and transactions of the Council.

The SORP is updated annually to reflect the latest national and international developments. The section on Accounting Policies gives some explanation of the main aspects. The change this year is significant in relation to the treatment of the Collection Fund and where relevant the figures have been restated for last year to allow comparability.

This booklet presents the accounts of Huntingdonshire District Council for the period from 1 April 2009 to 31 March 2010. It includes an Annual Statement on Governance which describes how the Council ensures that proper standards are maintained and that there is effective stewardship of public money.

The first account is the Income and Expenditure Account which shows the total costs of providing the Council's services and how they were funded. This is based on the SORP but the Government has defined certain adjustments, mainly relating to pensions and capital financing, that shall be made to reduce the amount that Council Tax payers must pay and these are shown in the Statement of Movement on the General Fund Balance. The Statement of Total Recognised Gains and Losses brings together all the gains and losses in the various activities of the Council and shows the aggregate change in net worth.

The Balance Sheet summarises the Council's assets and liabilities at the end of the year (31 March 2010) and the Cash Flow Statement sets out where the money came from and how it was spent. Explanatory notes give greater detail.

There is a separate account for the Collection Fund which shows the amounts collected from Council Tax and Business Rate payers. It identifies the sums passed to the Government (business rates) the County Council, the Fire and Police authorities and Town and Parish Councils together with any surplus or deficit.

A section is also included which explains the current position on the Pension Fund.

FINANCIAL SUMMARY 2009/10

The paragraphs below highlight the key points relating to the Council's financial position recorded in the accounts. They are followed by a simplified version of the Income and Expenditure account.

Revenue Spending

The original budget had a deficit of £3.8m which it was planned to fund from reserves. The Council has spent £1.9m less than expected, though £0.3m of spending on projects has been deferred to 2010/11. The opportunity has been taken to place this £1.9m in a Special Reserve to be used to meet any one-off costs of achieving the significant reduction in net expenditure required over the next few years. This counts as expenditure and so there is no change to the £3.8m needed from general reserves.

The main items leading to the lower spending this year were lower provision for debt repayments net of interest (-£499k), extra specific government grant (-£579k), recovery of VAT (-£696k), housing benefits (-£130k), savings on management units (-£469k), items slipping to the following year in excess of the provision (-£96k). These savings have been partly offset by extra spending and reduced income on development control (£280k) and One Leisure (£194k).

2008/09	Revenue spending	2009/10		
		Budget	Outturn	Variation
Outturn		£000	£000	£000
19,950	Net Expenditure	23,380	21,393	-1,987
	Contribution to Special Reserve		1,913	+1,913
19,950	Total Net Expenditure	23,380	23,306	-74
	Funded from:			
-12,158	Government Support (RSG + NNDR)	-12,572	-12,572	0
-6,668	Council Tax	-7,023	-7,023	0
28	Collection Fund Deficit	-27	-49	22
0	Deferred projects reserve	0	96	-96
-1,152	Deficit funded (-) from Reserves	-3,758	-3,758	0
-19,950		23,380	23,306	-74

Capital Spending

The original net budget was for £17.8m and assumed that there would be schemes brought forward from 2008/09 of £0.7m. However, reduced contributions towards schemes in 2008/09 resulted in a negative brought forward amount of £1.1m. A combination of reductions and delays in the Capital Programme in 2009/10, mainly as a result of the economic situation, has resulted in a net £5.1m of schemes being either removed or deferred to 2010/11 and beyond.

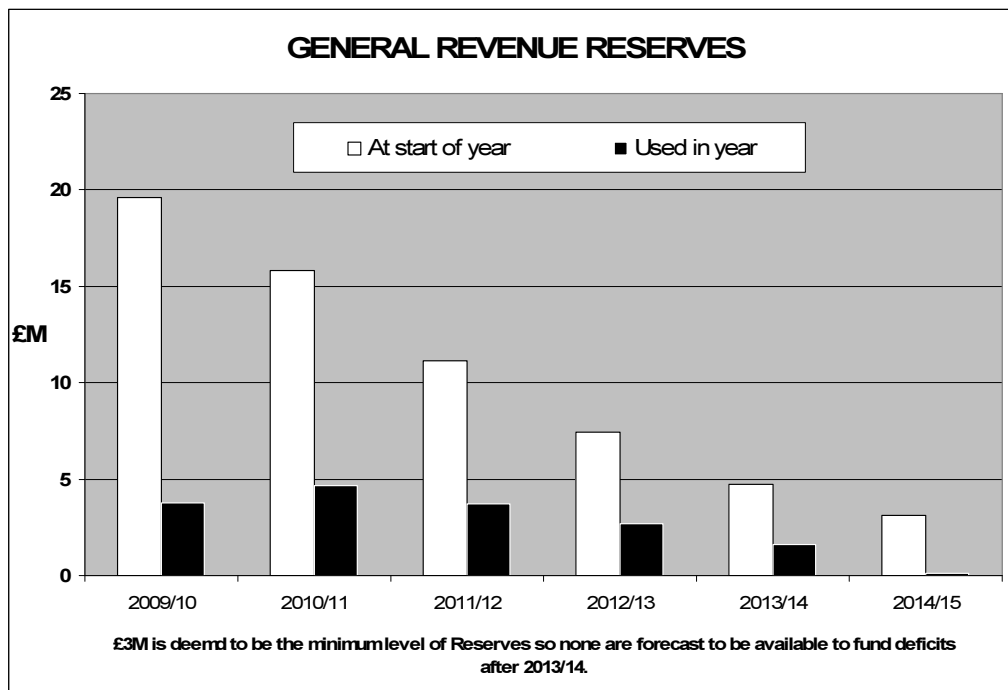
Capital Spending	2009/10 £000
Environmental Services	292
Industrial and Economic Development	677
Parks and Countryside	712
Leisure Centres	2,425
Community Grants	65
Housing	2,198
Community Safety	8
Highways and Transportation	763
Vehicles and Plant	593
Office accommodation (new Customer Services Centre and Offices in St Mary's Street)	5,969
IT	904
Other	39
Gross	14,645

Less external contributions and capital grants		-3,013
	Net	11,632
Funded from		
Capital Reserves (capital receipts)		895
Borrowing		10,737

Reserves

General Revenue reserves are now down to £15.6m and Capital reserves are effectively nil with any capital receipts being used to fund expenditure in the year they are received.

The Council's last financial forecast was produced in February and it plans for revenue reserves to fall to £3m (our current estimate of the minimum level required) over the next few years as shown in the chart below:



The forecast will be reviewed again in September to take account of the latest information including the 2009/10 outturn.

Pension Fund

The pension fund's actuary reviews the adequacy of the fund to meet future liabilities each year. This year, 2009/10, he has changed the post-retirement mortality assumptions as a result of longer life expectancies which has increased the expected liabilities on the fund. He has also taken account of the additional employees' contributions and the impact on the funds investments from falls in the stock market resulting from the recession. The net effect is that the forecast deficit has risen from £30m to £68m. In the short and medium term there are adequate funds to meet all pension payments.

Such calculations tend to be, rightly, cautious but investments are predominantly in the stock market because, over the long term, returns have been good. If this continues to be true then future valuations will improve. There are more detailed valuations of the Pension Fund every three years and these result in changes to the employer's contribution rate so that the Fund will become sufficient in the long term. The rate for 2009/10 was 18.4% and the Council's MTP already provides for increases in 2010/11 (20.4%) and future years. The valuation this autumn based on the position as at 31 March 2010 will confirm the employer's contributions for 2011/12 and the following two years.

Treasury Management

In June 2010 the Council received a report on Treasury Management activity during 2009/10. It explained how the Council has continued to be prudent in its investment policy whilst still attempting to get reasonable returns. Instant notice liquidity accounts, banks with high credit ratings and UK building societies have been used in order to create a strategy that beats base rate at a very low risk of non-repayment. The report also highlighted that the Council's investments exceeded their benchmark by 3.7% mainly due to some longer term investments that were made before interest rates fell.

SIMPLIFIED REVENUE INCOME AND EXPENDITURE ACCOUNT

The following table shows a simplified combination of the Income and Expenditure Account and the Statement of Movement on the General Fund Balance. It shows the financing of the revenue expenditure having removed the statutory items that are included in the Income and Expenditure Account

2008/09 Actual	Revenue Income and Expenditure	2009/10 Actual	
£000		£000	£000
88,145	Gross Expenditure #	84,822	
	Contribution to Special Reserve	1,913	
-24,030	Less government prescribed adjustments**	-8,076	
64,115			78,659
	Income and other items		
-8,313	Fees and charges #	-13,343	
-32,800	Government grants including reimbursement of housing and council tax benefits	-40,409	
-2,491	Investment Income	-1,044	
-363	Trading undertakings surplus (-)	-557	
-43,967			-55,353
20,148	Total to be funded		23,306
	Funding		
-6,640	Council Tax	-7,072	
-1,685	Revenue support grant	-2,357	
-10,671	NNDR from national pool	-10,215	
-18,996			-19,644
-1,152	Surplus to or deficit (-) met from reserves		-3,662
	Revenue Reserves used (-)		
-1,091	General Revenue Reserves	-3,758	
-61	Provision for delayed projects	96	
-1,152			-3,662

The 2008/09 figures are net of leisure centre income and expenditure

**The most significant of the Government prescribed adjustments are the removal of:

- the depreciation, impairment and deferred charges relating to capital assets
- extra costs included for retirement benefits in excess of the normal employer's contributions.

CHANGE IN ACCOUNTING POLICY

COUNCIL TAX AND NATIONAL NON DOMESTIC RATES (NNDR)

A change to the SORP for the 2009/10 accounts relating to accounting for council tax and NNDR has meant that the collection of council tax and NNDR must be accounted for as an agency arrangement. This has had an impact on the Income and Expenditure Account and the Balance Sheet. The detail is included in the accounting policies (no.20).

CONCLUSION

Under the Comprehensive Performance Assessment (CPA) the Council was independently judged as "excellent" overall and continues to perform well in its use of resources despite the test becoming more difficult. It continues to focus its service developments on those areas that local people see as a priority.

It has a robust Medium Term Plan and Financial Forecast until 2024/25 to ensure that it manages its resources proactively and allows the long term impact of any decision to be carefully considered. A medium term need for significant spending reductions from efficiency improvements and service adjustments, offset by increased fees, charges and government grants, has been identified.

Lower spending than expected in 2009/10 has enabled a Special Reserve of £1.9m to be created that will be used to fund up-front costs relating to achieving savings. Consultation with the public will be carried out on the options for achieving these savings.

Terry Parker

Director of Commerce & Technology

28 September 2010

Statement of Accounts approved by the Corporate Governance Panel

Chairman: **Cllr. C Stephens**

28 September 2010

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 2010

The Responsibilities of the Director of Commerce and Technology

In preparing this Statement of Accounts which presents a true and fair view of the financial position of the Authority at 31 March 2010 and its income and expenditure for the year ended 31 March 2010, I have:

- Selected suitable accounting policies and applied them consistently
- Made judgments 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
Director of Commerce and Technology
28 September 2010

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 employees 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 <http://www.huntingdonshire.gov.uk/Councils%20and%20Democracy/Council/Pages/Code%20of%20Corporate%20Governance.aspx> and hard copies are available on request from the Policy & Strategic Services Manager.

The Code describes the way in which the Council will carry out its functions and how it complies with the principles of openness, integrity and accountability. The Code applies 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**:

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

- 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.

The Governance Framework

A Governance Framework has been in place for the year ended 31st March 2010 and up to and including 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 Audit 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 approve the annual statement in that respect.

In turn the Council's Head of Law, Property & Governance and Monitoring Officer 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 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.

The key elements of the systems and processes that comprise the authority's governance arrangements are as follows:

1. Communicating vision and purpose

The Council has in place a Community Strategy, "Growing Our Communities", which sets out a vision, shared with partners, for Huntingdonshire, published on the Council's website at

http://www.huntingdonshire.gov.uk/SiteCollectionDocuments/HDCCMS/Documents/Business%20and%20Economic%20Development%20Documents/Huntingdonshire%20Strategic%20Partnership/hps1017_-_sustainable_community_strategy_booklet_web.pdf

The Strategy was reviewed and re-adopted by the Council in September 2008. In addition the Council's Corporate Plan, "Growing Success", sets out our vision and our purpose in the context of the Community Strategy. The Council has recently reviewed "Growing Success" by identifying and prioritising community and Council objectives, which will help to achieve the vision. In turn, both "Growing Our Communities" and "Growing Success" are supported by a series of Plans and policies to achieve the vision and aims for Huntingdonshire. These Plans are supported by a comprehensive performance management framework which monitors the achievement of targets and measures.

The Council's Communications & Marketing and Consultation & Engagement Strategies are used to promote and guide communications and engagement with local residents and to ensure that the vision and supporting plans are shared with local residents and other stakeholders. Extensive consultation and engagement has been used to develop the plans and regular surveys are carried out to gauge satisfaction with the achievement of the vision.

2. Roles & responsibilities

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 local residents 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.

A Member-led cross party review of the Council's democratic arrangements was undertaken in 2008/09 that evaluated the Council's performance since the adoption of the current structure, the implications of change necessitated by the Local Government and Public Involvement in Health Act 2007 and the emerging themes of strengthening local democracy in recent Government consultation documents and guidance.

The review concluded that the existing structure had worked well since its inception and the principles of the executive/scrutiny split had become embedded

in the organisation. Nevertheless, the Council agreed various changes to promote local democracy and community engagement in the process, involving –

- a new look to Council meetings with headline debates, Cabinet ‘white paper’ proposals, monitoring of LAA performance, public question time and evening meetings;
- public consultation on a move to an executive leader in 2011;
- restructuring of the role of the Deputy Leader to improve support for the Leader and other executive councillors;
- a move to evening Cabinet meetings to assist executive councillors in full time employment;
- a refocusing of overview and scrutiny to enhance scrutiny of LSP priorities, partners and general well-being;
- co-option of independent persons to Overview and Scrutiny Panels to promote community engagement and widen experience;
- establishment of neighbourhood forums to promote community local democracy and community engagement;
- role descriptions for holders of special responsibility allowances, all councillors and group leaders; and
- signing of the IDeA Member Development Charter to enhance support for elected councillors.

A review of the changes to the Council’s democratic structure, which have been in place for over a year, has recently been initiated.

Cabinet

Chaired by the Leader of the Council, the Cabinet has responsibility for all executive functions of the authority. Having moved to monthly evening meetings following the review of the democratic structure, the Cabinet is now better placed to consider reports and recommendations from Overview and Scrutiny Panels that meet earlier in the month.

Portfolios of executive responsibilities are allocated by the Leader to seven executive councillors with the Deputy Leader now concentrating on a supportive function with specific responsibility for Member development and achievement of the IDeA Member Development Charter.

Key decisions, defined as issues involving income/expenditure of £50,000 plus or that affect two of more wards, are listed in a Forward Plan publicised four months in advance with executive decisions published within three days to facilitate potential call-in by scrutiny.

The arrangements for delegated decision making, the conduct of business at meetings etc. are defined in Cabinet procedure rules contained in the Council's constitution.

Overview & Scrutiny Panels

The Council has appointed 3 Overview and Scrutiny Panels (Social Well-Being, Environmental Well-Being, and Economic Well-Being) 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. The composition of the three Panels reflect the three main principles of the Sustainable Community Strategy.

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;
- scrutinise the performance of partnerships in relation to LAA targets and crime and disorder;
- exercise the Councillor "call for action" arrangements;
- 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 for 2009/10 was completed and approved by the Panels in June. It has been publicised in the Council's website and sent to interested parties

Corporate 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;
- overall responsibility within the Council for ensuring that the assurance framework is in place and operating effectively
- determination of the Council's feedback 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; and
- receiving and considering the external auditor's reports including the Annual Report to those charged with Governance and the Annual Audit Letter.

3. 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 about standards of behaviour 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. Since May 2008 the monitoring officer has received and dealt with 32 complaints (five cases have involved District Councillors and the remainder Parish Councillors) of which 5 were referred for further investigation. No action was necessary in 18 cases and the remainder were referred to the monitoring officer for other action, such as training and the submission of an apology to the complainant. The Council has made the necessary changes to its Constitution and put in place the appropriate procedures to deal with this additional responsibility.

Allowances

Councillors' allowances are set by the Council based on the recommendations of an Independent Remuneration Panel as required by the legislation. Allowances can be fixed for a 4 year period with an agreed formula to deal with annual adjustments without the need for further review. Regulation 10 of the Local Authorities (Members' Allowances) (England) Regulations 2003 (SI 2003/1021) refers. The Council's allowances were set by the Council in February 2007 to come into effect in May of that year. A further review by the Independent Remuneration Panel is therefore not required until 2011.

During the year £379,000 was paid as allowances to 52 Councillors, the basic allowance being £4,235.04 per annum. In addition Councillors can claim a limited range of travel and sundry expenses. This amounted to £23,886.23 in the year. Therefore, a total of £402,886.23 was paid during the year

The Chief Executive and Directors incurred travel and subsistence costs in the course of their duties. No taxable expenses were reimbursed. Car fuel costs were reimbursed at rates ranging between 10p & 17p per mile. In total £10,600 of expenses were reimbursed.

4. 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 employees, 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. A biennial review of the constitution was undertaken in 2009, together with a Member led review of the Council's democratic arrangements which resulted in a number of changes.

5. Capacity and Capability

Members

The Council has signed the IDeA Member Development Charter and is preparing an Action Plan to achieve Charter status. Role descriptions have been

introduced for all Executive Councillors, other Councillors in receipt of special responsibility allowances, political group leaders and Ward Councillors

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 Management Panel
Standards Committee
Overview & Scrutiny Panels
Corporate Governance Panel.

Employees

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 corporate training programs such as Management and Leadership, Equality and Diversity, and Health and Safety training are in place.

6. Treasury Management

Treasury Management is the process by which the Council:

- ensures it has sufficient cash to meet its day-to-day obligations
- borrows when necessary to fund capital expenditure, including borrowing in advance when rates are considered to be low
- invests any surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest.

The Council's Treasury Management Strategy provides clear objectives for the management of its borrowing and investments. It emphasises the need for effective management and control of risk. The Strategy for 2010/11 was approved in January 2010

Risks associated with investments

The risk is managed by:

High credit quality:

- Investing in institutions with a high credit quality which takes into account factors in addition to credit ratings including credit default swap prices
- Specifying the minimum credit rating of the counterparty in the value of the investment according to the size even though many do not have a credit rating because the regulatory framework means that deposits from local authorities would be paid before retail deposits
- Reacting immediately to any changes to credit ratings which often results in the counterparty being removed from the approved list

Spreading the risk

- Spreading the investments by counterparty taking into account where institutions are linked to the same group
- By having country limits
- By imposing limits for non-specified investments (time deposits of more than one year and corporate bonds)

Duration of investments

- A maximum duration of 5 years

Additional Restrictions

In order to manage risk whilst maintaining acceptable returns the following additional limitations have been introduced:

- Even if borrowing rates appear to be particularly good value compared with current and expected trends, any additional forward borrowing to finance the Council's MTP will only be undertaken after considering how acceptably safe counterparties would be identified to cover the investment of such sums pending their use.
- Maximum use will be taken of investment call accounts, where we can recover our funds in less than 24 hours, with highly rated banks as long as their rates continue to be reasonable.

Budget

The Council needs to achieve £8 million savings that our medium term financial plan suggests is required by 2014/15. A Budget Plan is being implemented which has identified service efficiency savings and potential income through increased charges.

A resident, stakeholder and staff budget consultation exercise has been undertaken throughout July and August, via face to face interviews, a survey on our web site and paper based surveys at Library's, Customer Service Centres and Leisure Centres. The results will be considered by Chief Officer Management Team and Members in this Autumn.

A voluntary redundancy scheme is currently being developed and will be open to all members of staff from September 2010

7. Internal Audit

Internal audit work is 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. An annual report is submitted to the Corporate Governance Panel by the Internal Audit & Risk Manager in which he expresses his opinion on the Council's internal control environment based upon the work the internal audit service has completed.

In respect of the 12 month period ending 31st August 2010, the opinion expressed was that the "Council's internal control environment and systems of internal control provide limited assurance over the effective exercise of its functions. In respect of these systems that refer to, or are substantially related to, internal financial control, the controls operated by management are adequate"

8. Whistleblowing and Benefit Fraud

A Whistleblowing Policy and Procedure have been adopted, and are 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.

The Fraud Team undertakes investigation of allegedly fraudulent applications for housing and council tax benefit. This work complies with various legislative requirements. In addition the team also conduct investigations into fraudulent housing applications, council tax discounts and exemptions made by local taxation customers.

The Council participate in the National Fraud Initiative and a summary of the outcomes of the latest data matching exercise was reported to the Corporate Governance Panel in December 2009.

9. Complaints Procedure

The Council has adopted a feedback procedure which is in place to identify and deal with failure in service delivery. Complaints, or feedback to help service improvement, can be made in person at the Council offices, via telephone, fax, e-mail or the Council's website.

The revised procedure has been in place for over a year. In that period there has been an increase in the number of complaints that the Council receives and complainants now tend to pursue their complaints further through the process. There is no suggestion that there are more service failures as the number of complaints examined by the Ombudsman which have lead to a local settlement remains negligible and no findings of maladministration have been found. There are, nevertheless, greater demands on senior managers to respond to complaints.

10. RIPA and FOI

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 the 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 December 2009. A risk register is in place which is used to inform the internal audit plan and the review of the system of internal audit. Regular reports on the risks facing the Council are reported to the Corporate Governance Panel.

12. 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 Assurance Framework in the form of 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;
- continued reference to systems and reporting as necessary to provide assurance and support for good governance; and
- 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.

13. Assurance

In March 2009 the CGP in taking account of the guidance issued by CIPFA in January 2009 agreed that the annual review of Governance arrangements will include the annual review of the effectiveness of the system of internal audit. The system of internal audit provides the framework of assurance necessary to satisfy the Council that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation.

Sources of assurance can be taken from:

- the Internal Audit Manager's annual opinion on the internal control environment;
- the risk register and assurance on the operation of key controls;
- the Council's performance management framework revised and refreshed in conjunction with a review of the Corporate Plan "Growing Success" in January 2010;
- the consideration and monitoring by the Chief Officers' Management Team of reports and decisions prepared for, and taken by, Cabinet;

- arrangements which 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;
- reviews of the Constitution which have included variations to the Council's overview and scrutiny processes;
- the 2008/09 Audit and Inspection Letter from the Audit Commission; and
- the Council's Improvement Plan – incorporating the actions from external audits.

14. Governance of Partnerships

Increasingly the Council is seeking to promote joint working and partnership to deliver local objectives, improve efficiency and achieve savings. A Partnership evaluation framework, including the criteria for the good governance of partnerships identified by the Audit Commission report "Governing Partnerships: Bridging the Accountability Gap" has been developed. The framework balances the need for appropriate governance of partnerships which reflect their cycle of development to ensure that innovation and new ways of working are not stifled by over-burdensome procedures, while at the same time ensuring that arrangements exist which are compatible with the governance needs of the Council. Using the framework the Council has undertaken an initial assessment of partnerships and a (3 year) programme is being implemented to continuously review and develop strategic and operational partnerships.

In addition the Council is actively involved in developing governance of County-wide partnerships, supporting the delivery of a Local Area Agreement (LAA). There is a continuing debate and review to ensure that Cambridgeshire Together and supporting structured – the partnership charged with ensuring the LAA - has appropriate governance arrangements.

15. Annual Audit and Inspection Letter: (March 2009)

The Annual Audit & Inspection Letter for 2008/09, provides a summary of our external Auditors (Grant Thornton) assessment of the Council.

The key findings of this letter for the Council to address being; the introduction of accounting under International Financial Reporting Standards (IFRS); improve contract management arrangements and procurement processes; ensure that its medium term financial planning takes account of the current economic climate and the likely restrictions in public spending. All these findings are currently being addressed.

The Annual Audit and Inspection Letter is available on the Council's website; <http://www.huntsdc.gov.uk/NR/rdonlyres/6334B36A-3B71-46E3-B56D->

[514364A0FE21/0/audit_inspection_letter_march_2009.pdf](#) and from the Head of People, Performance & Partnerships.

External Inspection. In October 2009 the Council were advised, by the Audit Commission, that our Organisational Assessment (part of Comprehensive Area Assessment relating to 2008/09) had been assessed at level 3 'performing well'. The Organisational assessment consisted of two external assessments; the Use of Resources and Managing Performance assessments, both of which are scored on a scale of 1 to 4 and then merged into an Organisational assessment score by the Audit Commission.

The Organisational assessment ceased when the Coalition Government abolished CAA in May of this year

16. Governance Issues Previously Identified

- **Code of Procurement.** There have been a number of occasions during the year where internal audit reviews have identified examples of breaches of the Code of Procurement. Steps will be taken to improve the level of compliance

Progress to date:

Directors reported back to CGP in December 2009 with an action plan. The following items have been delivered against that plan.

- Projected procurement dates have been supplied by managers for current and next year.
 - Revised procurement strategy has been delayed due to the introduction of the E-marketplace but will be completed by end of September.
 - First cycle of modular training completed. Further cycle to commence in November 2010.
 - Procurement Code reviewed and approved by Council.
 - Review of suppliers/groups- categories is a permanent ongoing review. Savings have already resulted on stationery, printing and clothing.
 - Improvements to the Contract Register and the Procurement website have been completed.
 - E-Marketplace up and running for stationery. Further products will be rolled out over the coming months.
- **Huntingdonshire Strategic Partnership Evaluation.** New guidance has been issued by the Audit Commission to help in the assessment of the Governance arrangements and effectiveness of the Local Strategic Partnerships. Consideration will be given to how this guidance can be implemented in conjunction with the Councils own Partnership framework

Progress to date:

The Huntingdonshire Strategic Partnership regularly looks at performance against the Sustainable Community Strategy and important part of the

achievement of the partnership's vision and objectives. Regular quarterly reports are submitted to the partnership and an annual report is currently being prepared. In light of current budget reductions across partner organisations, a review of partnership and the effects on services is currently underway

- **Annual Audit and Inspection Letter recommendations, March 2009**
 - Maintain focus on service performance in order to improve the rate of improvement and tackle areas of comparative under performance; and
 - Develop a stronger focus on outcomes measures

Progress to date:

Performance reports detailing progress against objectives continue to be reported to Chief Officer Management Team, Overview and Scrutiny Panels and Cabinet on a quarterly basis.

A review of targets and measures in our corporate plan "Growing Success" was undertaken with Heads of Service during January 2010 and reported to the Corporate Plan working group in February 2010. The review also included targets and measures at divisional level with the emphasis on outcomes.

Progress against our targets in 'Growing Success' have been published in the September edition of District Wide.

- **Scrutiny Annual Report.** To ensure an Overview and Scrutiny annual report, reflecting their work during 2009/10, is prepared to for publication

Progress to date:

The annual report of the Overview & Scrutiny Panels for 2009/10 was completed and approved by the Panels in June. It has been publicised on the Council's website and sent to interested parties

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 –

- Identifying budget savings in order to balance the budget, as identified in the Financial Forecast report which considers the Council position until 2024/2025.
- Complaints – Number of complaints and time taken to resolve.
- The continued need to ensure that the code of Procurement is fully complied with.
- Preparing for any new inspection regime.

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

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

Signed:

Councillor T D Sanderson
Chairman of the District Council's Corporate Governance Panel

Date:

Pathfinder House
St Mary's Street
HUNTINGDON
Cambridgeshire
PE29 3TN
September, 2010

Auditor's Report

Independent auditor's report to the Members of Huntingdonshire District Council

Opinion on the accounting statements

We have audited the accounting statements and related notes of Huntingdonshire District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council, 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 accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice is set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting 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 accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of 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

accounting 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 accounting statements, and consider whether it is consistent with the audited 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 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 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 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 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 accounting statements and related notes.

Opinion

In our opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 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.

Auditor's 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 for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. 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 May 2008 and updated in October 2009, and the supporting guidance. We are satisfied that, in all significant respects, Huntingdonshire District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

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.

Paul Winrow
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

28 September 2010

Income and Expenditure Account

2008/09		Note	2009/10		
Net Expenditure £000			Gross Expenditure £000	Income £000	Net Expenditure £000
	Net Cost of Services				
	Cultural, Environmental & Planning Services				
5,905	Leisure	3	11,841	-6,033	5,808
6,715	Environmental Services		7,523	-1,265	6,258
3,257	Refuse Collection		3,120	-128	2,992
7,452	Planning and Development	1	5,800	-3,099	2,701
	Housing Services				
4,384	Housing General Fund		34,876	-31,241	3,635
221	Local Taxation Benefits		7,994	-7,794	200
2,360	Highways and Transportation		3,071	-1,912	1,159
	Central Services				
929	Local Taxation Collection		1,376	-486	890
364	Other Central Services		575	-283	292
12,168	Exceptional item	2	4,422	0	4,422
3,005	Corporate and Democratic Core		3,832	-630	3,202
272	Non-distributed costs		392	-923	-531
47,032	NET COST OF SERVICES		84,822	-53,794	31,028
	Corporate Income and Expenditure				
-363	Gain (-) on disposal of assets				-567
3,737	Parish Precepts				3,915
467	Trading undertakings surplus(-)/deficit	4			-523
222	Interest payable				476
-2,713	Interest and investment income				-1,521
6	Amounts payable into the Housing Capital Receipts Pool				3
1,199	Pensions interest cost and expected return on assets				2,352
49,587	NET OPERATING EXPENDITURE				35,163
	Principal Sources of Finance				
-10,377	Income from the Collection Fund				-10,986
-1,685	General Government Grants	11			-2,541
-10,672	Distribution from the Non-domestic rate pool				-10,215
26,853	DEFICIT FOR THE YEAR				11,421

Statement of Movement on the General Fund Balance

2008/09 £000		2009/10 £000
-20,410	General Fund Balance brought forward	-19,319
26,853	Deficit for the year (Income and Expenditure Account)	11,421
-25,762	Net amount required by statute and non-statutory proper practices to be credited to the General Fund	-7,663
1,091	Increase(-)/Decrease in General Fund Balance for the year	3,758
-19,319	General Fund Balance carried forward	-15,561

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

2008/09 £000		2009/10 £000	2009/10 £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		
-1,034	Amortisation of intangible assets	-839	
-21,574	Depreciation and impairment of fixed assets	-7,191	
83	Government grants deferred amortisation	64	
-2,338	Revenue funded from capital under statute	-1,411	
363	Net gain on sale of fixed assets	567	
-4,328	Net charges made for retirement benefits in accordance with FRS17	-4,263	
0	Amount by which Council Tax income included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	1	
-41	Amount by which finance costs calculated in accordance with the SORP are different from those required by statute	15	
-28,869			-13,057
	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		
-102	Commutation adjustment	-17	
0	Minimum revenue provision for capital financing	3	
-6	Transfer from usable capital receipts to meet payments to the Housing Capital Receipts Pool	-3	
2,902	Employer's contributions payable to the Cambridgeshire County Council Pension Fund and retirement benefits payable direct to pensioners	3,377	
2,794			3,360
	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		
313	Net transfer to or from earmarked reserves		2,034
-25,762	Net additional amount required to be credited to the General Fund Balance for the year		-7,663

Statement of Total Recognised Gains and Losses

2008/09 £000		2009/10 £000
26,853	Deficit on the Income and Expenditure Account	11,421
-7,601	Change in the revaluation of assets	9
9,634	Actuarial gains (-) and losses on Pension Fund assets and liabilities	37,445
5	Deficit/surplus (-) on the Collection Fund	16
0	Inclusion of leisure centre repairs and renewals fund	-139
28,891	Total recognised gain (-) / loss for the year	48,752

The movement of £48,752k in 2009/10 represents the reduction in reserves as shown on the balance sheet during the year.

Balance Sheet as at 31 March 2010

Restated 2009 £000		Note	2010 £000	2010 £000
2,147	Intangible assets	12		2,036
	Tangible fixed assets	12		
	Operational assets			
30,445	Land and buildings		35,468	
7,766	Vehicles and plant		7,793	
8,465	Infrastructure		8,744	
1,406	Community asset		1,406	53,411
	Non-operational assets			
15,345	Investment properties		15,799	
3,125	Assets under construction		1,020	
1,548	Surplus assets, held for disposal		1,514	18,333
70,247	Total fixed assets			73,780
15,238	Investments	16	10,570	
1,250	Long term debtors	17	1,442	12,012
86,735	Total long-term assets			85,792
	Current assets			
687	Cash		1,394	
107	Stock	19	189	
6,544	Debtors	18	11,979	
27,925	Short term investments	16	10,124	
401	Payments in advance		515	
35,664			24,201	
	Current liabilities			
-8,858	Creditors	20	-7,333	
-1,156	Receipts in advance		-1,001	
-1,879	Cash overdrawn		-1,307	
-6,000	Short term borrowing	21	-4,600	
-17,893			-14,241	
17,771	Net current assets			9,960
	Long-term liabilities			
-10,110	Long term borrowing	21	-10,110	
-140	Deferred credits (including capital receipts)		-241	
-1,050	Deferred grants and contributions	14	-2,616	
-29,716	Pension scheme liability	28	-68,047	
-41,016				-81,014
63,490	Total assets less liabilities			14,738
	Financed by:			
61,506	Capital adjustment account	23	52,752	
8,543	Revaluation reserve	24	8,533	
72	Capital reserve	26	0	
-214	Financial instruments adjustment account	25	-199	
3,987	Earmarked reserves	27	6,137	
-7	Collection Fund adjustment account		1	
19,319	General Fund balance	27	15,561	
-29,716	Pensions reserve	28	-68,047	
63,490				14,738

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

28 September 2010

Cash Flow Statement

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

	2008/09 restated		2009/10	
	£000	£000	£000	£000
Revenue Activities				
Net cash inflow/(outflow) from operating activities		1,479		3,337
Returns on Investments and Servicing of Finance				
<i>Cash outflows</i>				
Interest paid	222		476	
<i>Cash inflows</i>				
Interest received	-2,713		-1,173	
		-2,491		-697
Capital Activities				
<i>Cash outflows</i>				
Purchase of fixed assets	15,257		11,897	
Long-term investments	5,138		0	
Other capital cash payments	517		248	
<i>Cash inflows</i>		20,912		12,145
Sale of ex-Council houses	-240		-593	
Sale of other assets	-242		-233	
Long-term investments	0		-5,037	
Capital grants received	-1,217		-531	
Other capital cash receipts	-119			
		-1,818		-6,394
Net cash inflow before financing		18,082		8,391
Management of liquid resources				
Net increase/decrease in liquid resources		-2,842		-11,070
Financing				
<i>Cash outflows</i>				
Repayment of amounts borrowed				1,400
<i>Cash inflows</i>				
New loans raised		-16,000		
Change in balance at bank (- is reduced overdraft)		-760		-1,279

The cash flow for 2008/09 has been restated to reflect changes to the Collection Fund

Accounting Policies

1. General

The Statement of Accounts summarises the council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice 2009* (the SORP) issued by the Chartered Institute of Public Finance and Accountancy which reflects 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

The underlying concepts of the accounts include the:

- Council being a 'going concern' – all operations continuing
- accrual of income and expenditure – placing items in the year 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 these underlying concepts. The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the authority.

Accounts are prepared under the historic cost convention, modified by the revaluation of land and buildings and the use of fair values for home improvement loans. Investments are included in the balance sheet at market value but their fair value is shown in note 35. Rental deposits for tenants have been treated as soft loans for the first time in 2009/10.

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. Where it is doubtful that bad debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

4. Revenue Expenditure funded from Capital under Statute

Revenue expenditure funded from capital under statute represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Items incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where it has been determined to meet the cost of the item from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then 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.

5. Intangible Fixed Assets

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

6. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Non-operational assets - market value
- Other land and buildings (operational assets used for delivery of services) – market value
- Other land and buildings (specialised properties) - depreciated replacement cost
- Vehicles, plant & equipment and infrastructure assets - depreciated historical cost.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. 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 revenue 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.

Impairment: the values of each category of asset and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for in two ways:

- where attributable to the clear consumption of economic benefits - the loss is charged to the relevant service revenue account

- otherwise - written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal.

Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The balance of receipts is credited to the Capital Reserve, and can then only be used for new capital investment or to repay borrowing. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance (SMGFB).

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the SMGFB.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for land, community assets and non-operational properties), by allocating the value of the asset in the balance sheet over the time periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Operational Buildings - 50 years (less if there is evidence to the contrary)
- Vehicles – 25% reducing balance
- Plant and equipment – straight line basis
- Infrastructure – variable depending on the asset to a maximum of 40 years
- Land – Depreciation not charged
- Community Assets - Depreciation not charged
- Non-operational Assets - Depreciation not charged

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account

- 7 **Grants and contributions:** where grants and contributions are received for operational fixed and intangible assets, the amounts are credited to the Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue

account, in line with the depreciation policy applied to them. For grants and contributions received for non-operational assets or items treated as revenue expenditure funded from capital under statute (see note 4 above) they are credited to the asset account in the year they are received thus reducing the net cost of the asset.

8. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. . Depreciation, impairment losses and amortizations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two

Minimum Revenue Provision (MRP)

The basis for this provision is significantly restricted by legislation and the Council is required to formally approve a policy for the calculation of this provision. This was approved at its meeting in September 2009. The policy for 2009/10 is that MRP is on an annuity basis. This provides annual payments that are the same each year but where the interest element decreases and the principal repayment increases annually.

9. Leases

Finance leases. The Council has no finance leases in primary rental. The leases are for industrial units and certain items of equipment leased 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. The rental payments are apportioned between the finance charge (interest) and the principal element. The finance element of rentals is charged to the revenue account over the term of the lease and the principal element is treated as capital expenditure.

Operating leases. The Council leases cars for individual employees and for pool cars. Operating lease rental is charged to revenue in the year it is payable under the terms of the lease.

10. Stock and Work in Progress

The value of stock is included in the accounts at cost. Work in progress is included at cost

11. Reserves

The Council maintains reserves to meet certain types of expenditure, for future policy purposes and to cover contingencies; they are included in the balance sheet as the General Fund Balance, Capital Reserve and Earmarked Reserves. 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.

However, there are other reserves, the Capital Adjustment Account, Revaluation Reserve, Financial Instruments Adjustment Account, Collection Fund Adjustment Account and Pensions Reserve, that cannot be used to finance expenditure.

- Capital Adjustment Account – these are capital resources set aside to meet past expenditure
- Revaluation reserve – the gains of valuation of assets not yet realised by sales
- Financial Instruments Adjustment Account – balancing account to allow for differences in statutory requirements and accounting requirements for borrowings and investments
- Collection Fund Adjustment Account – holds the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund
- Pensions Reserve – balancing account to allow the pensions liability to be included in the balance sheet

12. Interest Receipts

Interest receipts credited to the General Fund include all amounts received in respect of balances held and invested externally, except for interest earned on the S106 reserve (one of the earmarked reserves) which is credited to that reserve.

13. 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.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the

pension fund and any amounts payable to the fund but unpaid at the year-end.

Details of the Council's expenditure, income, assets and liabilities relating to The Local Government Pension Scheme, are given on pages 65 – 69.

14. 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 2010. Government grants to cover general expenditure are credited to the Income and Expenditure Account. These include the Revenue Support Grant and the Area Based Grant (ABG).

15. 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 2008*. The basis of the charge varies according to the nature of the support service provided (e.g. administrative buildings are apportioned on the basis of area occupied). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation.
- Non-Distributable Costs – for example the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

FRS15 requires part of the overheads relating to staff time spent on capital projects being treated as a revenue charge to the service rather than a charge to the capital project.

16. Value Added Tax

VAT is not included in the income and expenditure accounts (revenue and capital) unless it is not recoverable, in which case it is charged to the relevant service. Historically some VAT relating to exempt services has not been recoverable; full recovery was temporarily permitted in 2007/08 and 2008/09 but reverted to being irrecoverable in 2009/10.

17. 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.

18. Financial Assets

Financial assets that are applicable to the Council are loans and receivables which are assets with a fixed or determinable payment but not quoted in an active market

(e.g. trade debtors, fixed term investments). These 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 made loans for home improvement which are interest-free (soft loans). It gives rental deposits to tenants which are repaid over a period of up to 2 years. A change in accounting policy has treated these as soft loans for the first time in 2009/10. When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Statutory provisions require that the impact of soft loans in the Income and Expenditure Account is managed by a transfer to the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

19. 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.

Long term loan

Loans with the Public Works Loans Board are carried at their amortised cost but with the fair value disclosed as a note

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

20. Collection Fund

From 2009/10 the billing authority for council tax (Huntingdonshire District Council) has been defined as an agent for the precepting authorities.

The collection of national non-domestic rates (NNDR) has also been classified as agency on behalf of central government which has resulted in changes to how NNDR is accounted for.

From 1 April 2009 the council tax included in the Income and Expenditure Account is the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

Cash collected by the billing authority from council tax debtors belongs proportionately to the billing authority and the major precepting authorities. There will be a debtor or creditor position between the billing authority and each major preceptor to be recognised at the year end since the cash paid to each major preceptor will not be its share of cash collected from the council taxpayers.

Cash collected from NNDR taxpayers by billing authorities belongs to the government and the amount not paid to the government at the balance sheet date is included as a creditor; similarly if the cash paid to the government exceeds the cash collected from NNDR taxpayers, the excess is included in the Balance Sheet as a debtor.

This change has had an impact on the Balance Sheet, Cash flow and Collection Fund. There have been prior period adjustments with the 2008/09 statements being restated and a Collection Fund Adjustment Account created.

Notes to the Main Financial Statements

1. 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.

	2007/08 £000	2008/09 £000	2009/10 £000
Income	-508	-422	-405
Expenditure	410	450	397
Surplus (-)/deficit	-98	28	-8
Cumulative surplus (-)/deficit (3 years)	-141	-101	-78

2. Exceptional item

'Impairment' is a technical term for the reduction in the value of an asset other than through it "wearing out" over its natural life. There are two main causes for it. Firstly, during a recession rental values and hence the asset value, on which they are based will fall. Secondly, many local authority buildings include significant bespoke elements (e.g. civic meeting rooms). It is rare for the cost of these to be adequately reflected in the valuation.

In 2009/10 the final phase of the Council's headquarters building was completed and due to a combination of the factors above the independent rental-based valuation was £4.4m less than the actual construction cost. The valuation was undertaken on 1 April 2010 after the building was completed.

This 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 of £4,422k. The cost is reversed out in the Statement of Movement on General Fund Reserve so there is no impact on the council tax.

The valuation was carried out by carried out externally and independently by MG Storey FRICS and MJ Beardall BLE (Hons) MRICS of Barker Storey Matthews

3. Leisure Centres

Up to and including 2008/09 the accounts of the Leisure Centre Management Committees were reported independently from the accounts of Huntingdonshire District Council. The Management Committees ceased to exist from 1 April 2009 and therefore all the income and expenditure has been accounted for by the Council in 2009/10 and included in the Income and Expenditure account.

The earmarked reserves on the balance sheet as at 31 March 2010 includes the leisure centre repair and renewal funds

4. Trading Undertakings

The following items are defined as trading undertakings by the SORP.

The industrial units and commercial properties made a loss in 2008/09 because the expenditure includes impairment on its assets.

	2008/09		2009/10	
	Turnover £000	Surplus (-)/Deficit £000	Turnover £000	Surplus (-)/Deficit £000
Markets				
Huntingdon	-53	-15	-52	-31
Ramsey	-5	-3	-5	-1
St Ives	-120	-77	-134	-99
Management	-1	62	0	85
	-179	-33	-191	-46
Industrial properties	-493	427	-476	-282
Commercial properties	-229	73	-239	-195
Total	-901	467	-906	-523

5. Minimum Revenue Provision

The net amount charged to revenue in compliance with the statutory requirement to set aside a minimum revenue provision for the repayment of external loans is £3k (nil in 2008/09 because the Council had not funded any capital expenditure from borrowing as at 31 March 2008).

6. Members' Allowances and Expenses

	2008/09 £000	2009/10 £000
Allowances	371	379
Expenses	77	67
	448	446

7. Audit and Inspection Fees

	2008/09 £000	2009/10 £000
External audit	78	103
Grant claim certification	26	18
Statutory inspections	6	8
National Fraud Initiative	3	1
	113	130

8. Employee Remuneration

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

	2008/09	2009/10
£50,000 - <£55,000	14	20
£55,000 - <£60,000		1
£60,000 - <£65,000	2	2
£65,000 - <£70,000	1	2
£70,000 - <£75,000	6	6
£75,000 - <£80,000	2	2
£80,000 - <£85,000		
£85,000 - <£90,000	1	
£90,000 - <£95,000	1	
£95,000 - <£100,000	1	
£100,000 - <£105,000		2
£105,000 - <£110,000		1
£110,000 - <£115,000		
£115,000 - <£120,000		
£120,000 - <£125,000		
£125,000 - <£130,000		
£130,000 - <£135,000		
£135,000 - <£140,000		
£140,000 - <£145,000		
£145,000 - <£150,000		
£150,000 - <£155,000		
£155,000 - <£160,000		
£160,000 - <£165,000		
£165,000 - <£170,000	1	
£170,000 - <£175,000		
£175,000 - <£180,000		1
Total	29	37

9. Remuneration for Senior Employees 2009/10

The details of the remuneration of the Senior Employees (Chief Officers) are shown in the table below. They are also included in the table above

Post holder	Salary including allowances £	Election Fees	Salary including allowances and fees	Bonus (1) £	Benefits in kind £	Total remuneration £	Employer pension contributions £	Remuneration including pension contributions £
Chief Executive (David Monks)	149,984	7,812	157,796	8,940	11,039	177,775	28,909	206,684
Director of Central Services	93,191	2,537	95,728	5,418	5,277	106,423	16,695	123,118
Director of Commerce and Technology	94,985		94,985	5,418	1,507	101,910	16,674	118,584
Director of Environment and Community Services	91,727		91,727	5,418	6,475	103,620	16,674	120,294

Note

1. The bonus includes a payment for 2009/10 and a retrospective payment for 2008/09

10. Related Party Transactions

The Council must disclose in the accounts any material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently.

Related parties include Councillors, Chief Officers, Central Government and other Local Authorities. Creditors and debtors with Central Government and Local Authorities are shown in notes 18 and 20, whilst Government grants are analysed in note 33. The Council collects council tax on behalf of the precepting authorities on an agency basis, and similarly acts as an agent in collecting national non domestic rates for Central Government.

In 2009/10 the Council introduced a scheme of allowing Parish Councils to deposit surplus funds with the Council. Only one Parish has deposited £100k and one Member of the Council is also a Councillor of that Parish Council. No other material transactions have been identified for disclosure that are not reported elsewhere in these Accounts.

11. Government Grants Income

Grants not attributable to specific services.

	2008/09 £000	2009/10 £000
Revenue Support Grant	1,486	2,358
Area Based Grant	49	71
Local Authority Business Growth Incentive Grant	150	112
	1,685	2,541

12. Assets

All assets held at current value were revalued at 1 April 2009 and applied to the 2009/10 accounts; revaluations are made every five years. The valuations were carried out externally and independently by MG Storey FRICS and MJ Beardall BLE (Hons) MRICS of Barker Storey Matthews on the basis of market value or depreciated replacement cost as appropriate. Accounting policy 6 explains the measurement of the valuation and the depreciation policy adopted.

The Council offices were revalued as at 1 April 2010 after the completion of the new building during the year, and applied to the 2009/10 accounts. The valuation

of the leisure centres is not current because they are undergoing major developments and they will be revalued once the works are finished.

As at 31 March 2010 the Council was contractually committed to capital works valued at approximately £3.5m.

The useful lives of the assets are estimated as:

Class of asset	Buildings	Plant and equipment	Vehicles	Infrastructure
Useful life by years	30 - 45	3 - 20	3 - 10	10 - 40

	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 (note 3)	
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2009	30,445	10,592	9,325	1,406	15,345	3,125	1,548	4,441	76,227
Additions	8,246	1,454	427		414	691		652	11,884
Disposals	-120	-778	-67					-608	-1,573
Reclassifications	2,210	180	331			-2,796		75	0
Revaluations	-14				40		-34		-8
Impairment losses	-4,488								-4,488
At 31 March 2010	36,279	11,448	10,016	1,406	15,799	1,020	1,514	4,560	82,042

Depreciation and impairments (note 4) at 1 April 2009	0	2,826	860					2,294	5,980
Charge for 2009/10	811	1,573	479				-35	838	3,666
Revaluation gains in respect of accumulated depreciation/adjustments									
Disposals		-744	-67				35	-608	-1,384
At 31 March 2010	811	3,655	1,272				0	2,524	8,262

Balance Sheet amount at 1 April 2009	30,445	7,766	8,465	1,406	15,345	3,125	1,548	2,147	70,247
Balance Sheet amount at 31 March 2010	35,468	7,793	8,744	1,406	15,799	1,020	1,514	2,036	73,780

Notes

1. The Council operates five Leisure Centres provided by the Council on land associated with schools. These are included in the accounts at market value.
2. Investment properties are generally held for economic development purposes, but are required to be shown as investment properties.
3. Intangible assets represent software licenses.
4. Where assets have been fully-depreciated they have been written-out of the accounts as part of disposals in the table of asset values and of depreciation

Major assets held at 31 March 2010	Number
Operational assets	
Offices and depot	4
Leisure Centres	5
Markets	2
Bus stations	2
Public conveniences	7
Car parks	23
Vehicles and plant	111
Eco homes	2
Pavilions	4
Non-operational	
Investment properties	100
Mobile home park	1
Community assets	
Country parks	2
Recreation grounds	6
Surplus assets held for disposal	20

13. Financing of Capital Expenditure

	2008/09 £000	2009/10 £000
Capital receipts	16,433	823
External contributions and capital grants	3,081	3,085
Borrowing	447	10,737
Revenue	1	0
Total financed	19,962	14,645

14. Deferred grants and contributions

	2008/09 £000	2009/10 £000
Balance as at 1 April	1,399	1,050
Increase in deferred grants and contributions	940	1,690
Use of account to fund depreciation	-72	-124
Impairment	-1,217	0
Balance as at 31 March	1,050	2,616

15. Leases

Finance Leases

Historically the Council occasionally used finance leases to meet the cost of industrial units, vehicles, plant and equipment. There are only two leases remaining and they are in a secondary stage. The assets held under finance leases are accounted for as a part of tangible fixed assets; their current value is £267k. There were no finance charges allocated for the period 2009/10

Outstanding obligations (excluding finance costs) at 31 March 2010, accounted for as part of long-term liabilities, are as follows:

	Land & Buildings £000	Vehicles, Plant, Equipment £000
Amounts payable within one year		
Amounts payable between in 2 - 5 years	1	0
Cumulative depreciation as at 31 March 2010	0	0

There were no new obligations taken on before 31.3.10 which did not commence until after year end

Operating leases

Operating lease payments

	2008/09 £000	2009/10 £000
Buildings	0	0
Vehicles	97	98
Total	97	98

The liability in the subsequent financial year for existing operating leases

	2008/09 £000		2009/10 £000	
	Buildings	Other	Buildings	Other
Leases expiring in 1 year	0	23	0	9
Leases expiring in 2 - 5 years	0	46	0	73
Leases expiring in more than 5 years	0	0	0	0
	0	69	0	82

16. Investments

Long term

The long term investments were made in December 2008 when the Authority invested £5m for 4 years and £5m for 5 years at the time when it borrowed £10m from the Public Works Loans Board (PWLB) in anticipation of its need to borrow to finance capital expenditure.

Other long term investments at 31 March 2010 include £0.4m invested with Chancery bank, which is all 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 and there is little likelihood of the recovery of the monies

	2008/09 £000	2009/10 £000
Long-term investments held at 31 March		
CDCM Investment Fund	5,112	0
In-house managed funds	10,126	10,570
	15,238	10,570

Short term

Most long term surplus cash held in the Council's reserves was invested through the services of the external fund manager CDCM, however as funds managed by CDCM mature they are being brought into the in-house portfolio; as at 31 March 2010 the funds with CDCM were all short term and totalled £5.1m. Monies required to meet the Council's cash flow requirements over the next year are managed in-house, and at the year-end amounted to £5m.

The funds managed by CDCM and in-house are all invested in cash instruments. The interest rate risk exposure resulting from these investments is minimal because all the investments are at fixed rates

	2008/09 £000	2009/10 £000
Short term investments held at 31 March		
CDCM Investment Fund	13,293	5,112
In-house managed funds	14,632	5,012
	27,925	10,124

17. Long-term Debtors

	Balance 1.4.09 £000	Repayments/ new advances £000	Revaluation/ Gain/-loss £000	Balance 31.3.10 £000
Loans – St Neots Town Council	106	-10		96
Housing advances	596	-23		573
House improvement loans	479	33	19	531
House mortgages	25	-5		20
Tenants' rental deposits (1)	0	115	-4	111
Employee loans	44	67		111
	1,250	177	15	1,442

Note 1. Tenants' rental deposits greater than 1 year have been transferred from short-term debtors to long-term in 2009/10

18. Debtors

	31.3.09 £000 (Restated)	31.3.10 £000
Amounts falling due in one year:		
Government Departments	2,055	1,567
NNDR National Pool (creditor 2008/09)	0	5,087
Public Authorities	1,728	2,265
Local taxation	1,194	330
General debtors	2,862	4,356
Total debtors	7,839	13,605
Less provision for bad debts		
Local Taxation	-181	-76
General Debtors	-902	-1,109
Other	-212	-441
	-1,295	-1,626
Net Position	6,544	11,979

The local taxation debtor as at 31/3/09 has been restated to take out the council tax due to other precepting authorities. A debtor for NNDR payers has been removed to reflect that the debtor is now part of the NNDR pool

The NNDR pool debtor as at 31 March 2010 is due to the estimated collection of NNDR which forms the basis of on-account payments to the Government, being greater than that actually collected

19. Stock

	31.3.09 £000	31.3.10 £000
Leisure Centres	0	55
Diesel	10	37
Printing	36	24
Refuse sacks	20	18
Other	41	55
	107	189

20. Creditors

	31.3.09 £000 (Restated)	31.3.10 £000
Government Departments	1,032	1,007
NNDR pool (debtor 2009/10)	1,504	0
Public Authorities	1,351	1,260
Leisure Centre Management Committees	158	0
Other	4,813	5,066
	8,858	7,333

The NNDR pool creditor as at 31/3/09 has been restated to reflect that prepayments and NNDR payer debtors should be accounted for as part of the NNDR pool creditor. 'Other creditors' has been reduced to take out the preceptor creditors as a result of changes in accounting for council tax

21. Borrowing

Short-term

In 2009/10 the Council introduced a scheme whereby Parish Councils could invest their surplus funds with the Authority. These are treated as short term loans in the balance sheet, but total just £100k as at the balance sheet date. The rate is the prevailing bank base rate during the life of the loan and the loan is repayable after a minimum of 3 months with a minimum of 30 days notice given by the investor

Long-term

The Council has borrowed £10m from the Public Works Loans Board (PWLB). The Balance Sheet figure includes accrued interest of £110k.

£000	Interest rate	Date borrowed	Repayment date
5,000	3.91	19 Dec 2008	19 Dec 2057
5,000	3.90	19 Dec 2008	19 Dec 2058

22. Reserves

The Council maintains 8 types of reserves, some are available to meet expenditure and others are not:

Available to fund expenditure:

- General Fund balance is available to finance any revenue or capital expenditure.
- Earmarked reserves are available to finance expenditure for specified purposes.
- The Capital Reserve represents the balance of capital receipts and capital contributions that are available to finance capital expenditure.

Not available to fund expenditure:

- Capital Adjustment Account – these are capital resources set aside to meet past expenditure
- Revaluation reserve – the gains of valuation of assets not yet realised by sales
- 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.
- Collection Fund Adjustment Account is a new account in 2009/10 that accounts for the difference between the income from council tax included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund.
- Pension Fund Liability represents the balance on the pension fund, which is an accounting entry to meet the requirements of FRS17.

23. Capital Adjustment Account

	2008/09		2009/10	
	£000	£000	£000	£000
Balance as at 1st April		70,163		61,506
Financing of capital expenditure				
Capital receipts	16,433		823	
External grants & contributions	<u>3,082</u>	19,515	<u>3,070</u>	3,893
Minimum revenue provision	0		3	
Provision for depreciation	-3,736		-3,542	
Deferred charges and debtors	-5,420		-4,409	
Commutation adjustment	-102		-17	
Impairment	-18,872		-4,486	
Disposal	<u>-42</u>	-28,172	<u>-196</u>	-12,647
Balance as at 31st March		61,506		52,752

24. Revaluation Reserve

	2008/09	2009/10
	£000	£000
Balance as at 1st April	942	8,543
Surplus on revaluation	7,601	-10
Balance as at 31st March	8,543	8,533

25. Financial Instruments Adjustment Account

	2008/09	2009/10
	£000	£000
Balance as at 1st April	-173	-214
Adjustment for fair value of private sector housing improvement loans	-41	19
Adjustment for fair value of rental deposits given as loans to tenants	0	-4
Balance as at 31st March	-214	-199

26. Capital Reserve (Usable Capital Receipts and Capital Contributions)

	2008/09		2009/10	
	£000	£000	£000	£000
Balance as at 1st April		16,023		72
Receipts				
Sale of Council houses	240		593	
Sale of land and other buildings	165		155	
Disposal of vehicles	0		15	
Repayment of loans	34		33	
Improvement grants	43		27	
Non-specified investments	0	482		823
Receipts applied during the year		-16,433		-895
Balance as at 31st March		72		0

27. Revenue Reserves

	Balance 1.4.09 (Restated) £000	Movement £000	Balance 31.3.10 £000
Earmarked reserves:			
S106 agreements	1,154	97	1,251
Commutated S106 payments reserve	1,199	-60	1,139
Repairs and renewals funds	1,065	115	1,180
Delayed projects reserve	274	96	370
Special reserve	0	1,913	1,913
Other reserves	272	12	284
	3,964	2,173	6,137
Collection Fund	23	-23	0
	3,987	2,150	6,137
General fund balance	19,319	-3,758	15,561

The Collection Fund as at 1 April 2009 has been restated by transferring £7k to the Collection Fund Adjustment Account. This represents the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund

28. Pensions Scheme Liability and Pensions Reserve

	Balance 1.4.09 £000	Movement £000	Balance 31.3.10 £000
Pensions Reserve	-29,716	-38,331	-68,047

Details included in Pensions section, assets and liabilities, page 67

29. Contingent Assets and Liabilities

Contingent Assets

1. A claim for recovery of tax has been made to the HMRC as the result of a Court of Appeal judgement which allowed claims for VAT refunds to be made back to 1973, when VAT was introduced. The judgement related to income where the treatment of VAT was corrected by HMRC from 1996 but for which they argued there was no entitlement to reclaims pre-1996. Whilst some sums were paid in 2009/10 there is an outstanding claim of £320k which is dependent on a legal judgement on a similar case.

There is a separate legal challenge relating to whether interest would be simple or compound. It is unlikely that a judgment will be made in the next financial year.

2. Claims have been made for the refund of VAT relating to off-street parking but whilst legal cases have not totally removed the possibility of a refund the position is now much less hopeful.

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:
 - i. Necessary associated sewer maintenance in excess of £65k p.a.
 - ii. Environmental pollution arising on the land transferred, though an insurance policy is in place to cover the majority of any liability.
2. 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 2010 the maximum clawback is £601k.
3. The Authority has settled a claim for negligence from an ex-employee. There is a dispute between two insurance companies that covered the Council during the relevant periods over which is liable to meet this claim. The dispute was heard by the High Court and as a result the Council has received a payment from one insurance company of £200k. However, the company has appealed the decision and whilst there is a realistic prospect that the original decision will be upheld, the Court of Appeal or the House of Lords might reverse the decision. The Council would then have to repay the monies but there is a reasonable possibility that the other insurance company would then become liable.
4. The Environmental Protection Act 1990 Part IIA makes the Council liable for the costs of remediation of contaminated land where no other responsible person can be identified. The Council is in discussion with Cambridgeshire County Council over the planning position of a site owned by a company which is currently treating the leachate from a possible orphan site. It is not yet clear whether any financial liability will fall on the Council.
5. The appellants in respect of the former RAF Upwood planning appeal have made a full costs claim against the Council. Whilst it is hoped that this claim will be unsuccessful, the decision as to whether costs may be awarded, is totally outside the control of the Council.

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

	2008/09		2009/10	
	£000	£000	£000	£000
Net revenue activities cash flow		1,479		3,337
Net interest received	-2,491		-1,044	
Depreciation	3,736		3,540	
Impairment	18,873		4,488	
Capital grants and adjustments for soft loans	-32		-15	
Transfer to earmarked reserves			2,261	
Pensions appropriation	1,426		886	
Surplus on sale of fixed assets	-365		-567	
Housing capital receipts pool	6		0	
Changes in:				
Creditors	4,921		-18	
Debtors	-727		-1,365	
Stock	27		-82	
		25,374		8,084
Income and Expenditure Account deficit		26,853		11,421

31. Analysis of changes in cash and liquid resources during the year

	1.4.09 £000 (Restated)	Movement £000	31.3.10 £000
Cash in hand	687	707	1,394
Cash overdrawn	-1,879	573	-1,306
Short-term borrowing	-6,000	1,400	-4,600
Short-term investments	27,926	-17,802	10,124
Amounts Relating to Council Tax and NNDR	-608	6,737	6,129
	20,126	-8,385	11,741

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. The short-term borrowing was a temporary position as at 31 March 2010 before the Council collected council tax instalments in April 2010.

32. Analysis of Government Grants

	2008/09		2009/10	
	£000	£000	£000	£000
Revenue support grant		1,486		2,358
Benefits grants:				
Council tax benefits	6,382		7,456	
Rent allowances	<u>24,287</u>	30,669	<u>29,872</u>	37,328
Other:				
Local Authority Business				
Growth Incentive Grant	150		112	
Other capital grants	1,182		725	
Benefits administration	891		1,010	
Other	<u>1,048</u>	3,271	<u>1,755</u>	3,602
		<u>35,426</u>		<u>43,288</u>

33. Authorised for issue

The audited Statement of Accounts were authorised for issue by the Director of Commerce and Technology on 28th September 2010. This is the date up to which events after the balance sheet date have been considered.

34. Post balance sheet event

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%.

35. 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 2009 £000		31 March 2010 £000
	Financial assets by class	
	<i>Loans and receivables</i>	
6,544	Debtors due within one year	11,979
1,283	Debtors due after one year	1,442
15,238	Long-term investments	10,570
27,927	Short-term investments	10,124
687	Cash and equivalents	1,394
<u>51,679</u>	<i>Total loans and equivalents</i>	<u>35,509</u>
51,679	Total financial assets	35,509
	Financial liabilities by class	
	<i>Other liabilities at amortised cost</i>	
-10,110	Long-term liability at fixed rate of interest	-10,110
-8,858	Creditors payable within one year	-7,333
-6,000	Short-term liability at fixed rate of interest	-4,600
-1,879	Bank overdrafts	-1,307
<u>-26,847</u>	<i>Total other liabilities at amortised cost</i>	<u>-23,350</u>
-26,847	Total financial liabilities	-23,350

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 has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- An estimated interest rate based on 10 year PWLB rates has been used to calculate the fair value of private sector housing improvements loans
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

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 2009		31 March 2010	
Carrying amount	Fair value	Carrying amount	Fair value
£000s	£000s	£000s	£000s
Financial assets			
<i>Loans and receivables</i>			
7,827	7,617	13,421	13,372
43,165	41,763	20,694	21,039
687	687	1,394	1,394
51,679	50,067	35,509	35,805
Financial liabilities by class			
<i>Other liabilities at amortised cost</i>			
-10,110	-9,757	-10,110	-9,514
-8,858	-8,858	-7,333	-7,333
-6,000	-6,000	-4,600	-4,600
-1,879	-1,879	-1,307	-1,307
-26,847	-26,494	-23,350	-22,754

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
- Market risk – the possibility that financial loss might arise as a result of changes in measures such as interest rates

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.

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. There are no investments that as at 31 March 2010 were with institutions that had failed.

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 whilst maintaining a robust approach to the collection of debts. The bad debt provision

has taken into account the current economic climate and the increased likelihood of debtors not being able to settle their 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.

The PWLB loan has the following maturity profile:

£000	Date borrowed	Repayment date
5,000	19 Dec 2008	19 Dec 2057
5,000	19 Dec 2008	19 Dec 2058

Market risk

The Authority has minimal exposure to market risk because its investments and loans are at fixed rates of interest.

Price risk and foreign exchange risk are not applicable.

Collection Fund

2008/09			2009/10	
£000	£000		£000	£000
		INCOME	Note	
-72,950		Council Tax before transfers	5	-75,853
		Transfers from General Fund		
-6,327		- Council Tax benefits		-7,394
-1		- Transitional relief		-1
-50,843		- Income from business ratepayers	6	-51,368
-212		Contribution towards previous years Collection Fund deficit		0
	-130,333			-134,616
		EXPENDITURE		
79,194		Precepts and demands	4	82,709
		Business rate		
50,617		- Payment to national pool		51,140
226		- Costs of collection		228
		Bad and doubtful debts/appeals		
49		- Write-offs		162
300		- Provisions		105
0		Contribution towards previous years estimated collection fund surplus		375
	130,386			134,719
		MOVEMENT ON FUND BALANCE		
-163		Fund balance as at 1 April		-110
-110		Fund balance as at 31 March		-7
	53	Movement on fund balance for year		103

Notes to the Collection Fund

1. Huntingdonshire District Council is a billing authority responsible for collecting Council Tax and NNDR in its area for itself, for major preceptors (the County Council, Police Authority and Fire Authority) and NNDR for Central Government.

Following national consideration of the role performed by billing authorities, it has been confirmed that they act as agent when collecting tax for major preceptors. The Collection Fund is presented in a new format to reflect this change in recommended practice. The accounts for 2008/9 have been restated accordingly.

2. Until it is distributed, the tax collected is held in a statutory Collection Fund which is 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.

Parish and Town Council precepts are transferred to the General fund before being paid to the Parish or Town Council.

Interest is not payable/chargeable to the Collection fund on cash flow variations between it and the General Fund.

3. There is no requirement for a separate Collection Fund balance Sheet. The assets and liabilities of the Collection Fund at the end of the year are apportioned between Huntingdonshire District Council and the major preceptors in proportion to their demand on the fund for the coming year. The major preceptors share of the assets and liabilities of the Collection Fund are shown as a debtor in Huntingdonshire District Council's accounts. Huntingdonshire District Council's share of the assets and liabilities are in the Collection Fund Adjustment Account reserve.

4. Precepts and demands

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

	2008/09	2009/10
	£000	£000
Cambridgeshire County Council	56,578	58,961
Cambridgeshire Police Authority	9,065	9,546
Cambridgeshire Fire Authority	3,146	3,265
Huntingdonshire District Council-General Expenses	6,668	7,022
Huntingdonshire District Council-Parish Precepts	3,737	3,915
	<u>79,194</u>	<u>82,709</u>
Included in the Parish Precepts figure above:		
St Neots Town Council	760	804
Huntingdon Town Council	597	657
St Ives Town Council	480	506

5. Council Tax

Taxbase at 31 March 2010				
Tax band	Properties	Exemptions & discounts	Band D multiplier	Band D equivalent
A	11,174	2,100	6/9	6,046
B	18,495	2,477	7/9	12,459
C	16,910	1,752	8/9	13,474
D	11,084	1,009	9/9	10,075
E	8,272	721	11/9	9,229
F	3,367	294	13/9	4,439
G	1,618	134	15/9	2,474
H	147	23	18/9	249
Total	71,067			58,445

	2008/09	2009/10
Council tax charge per band D property	1,370	1,427
Actual taxbase used (Band D equivalent)	57,846	58,338
Estimated taxbase	57,785	57,960

6. National Non-domestic Rates (NNDR)

The uniform business rate set by the Government for 2009/10 was 48.5p (2008/09 46.2p).

Total ratable value at 31 March 2009 £124.5m
 Total ratable value at 31 March 2010 £124.9m

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 the Pension SORP 'The Financial Reports of Pension Schemes – A Statement of Recommended Practice (2008)', which takes account of the latest relevant Financial Reporting Standards (FRS26 & FRS27), and FRS17.

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 final salary scheme by Cambridgeshire County Council in accordance with LGPS Regulations 1997, as amended. The cost of retirement benefits recognised in the Net Cost of Services is the full value of benefits earned by employees, rather than costs of benefits paid out as pensions each year. The authority and employees pay contributions into a fund, at a level calculated to balance the pension liabilities with investment assets.

3 Valuation of Pension Fund

The contribution rate is determined by the Fund's actuary based on triennial valuations. The rate for 2009/10 was determined on the basis of contribution rates set in the valuation on 31 March 2007. This valuation of the Pension Fund concluded that to meet future estimated liabilities higher rates were required: 16.3% (from 1 April 2008), 18.4% (from 1 April 2009) and 20.4% (from 1 April 2010) in accordance with Government regulations.

Due to reduced returns, the revised contribution rates are not adequate to cover 100% of the liabilities and these notes outline the latest position according to the fund actuary.

4. Transactions relating to Retirement Benefits

Whilst the Net Cost of Services takes account of the cost of retirement benefits accruing to employees, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account, and the Statement of Movement in the General fund Balance during the year:

5. Income and Expenditure Account

	2008/09 £000	2009/10 £000
Net Cost of Services:		
Current Service Cost	2,226	1,897
Past Service Costs	894	0
Losses on Settlements and Curtailments	9	14
Net Operating Expenditure:		
Interest Cost	6,185	6,036
Expected Return on Scheme Assets	-4,986	-3,684
Net Charge to the Income and Expenditure Account	4,328	4,263
Actual Return on Plan Assets	-13,510	18,966
Statement of Movement in the General Fund Balance:		
Reversal of net charges made for retirement benefits in accordance with FRS17	-4,328	-4,263
Actual amount charged against the General Fund Balance for Pensions in the Year:		
Employer's contributions to the scheme	2,902	3,377

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £37.445m (£9.634m actuarial losses 2008/09) were included in the Statement of Total Recognised Gains and Losses (see table below). The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses being £51.964m.

6. Amount recognised in the Statement of Total Recognised Gains and Losses

	31 March 2009	31 March 2010
	£000	£000
Actuarial Gains/Losses (-)	-9,634	-37,445
Cumulative Actuarial Gains/Losses (-)	-14,519	-51,964

7. Assets and Liabilities in relation to pension fund

Reconciliation of present value of the scheme liabilities in respect of Huntingdonshire District Council:

	31 March 2009 £000	31 March 2010 £000
Opening liability	89,097	87,593
Current service cost	2,226	1,897
Interest Cost	6,185	6,036
Contributions by members of scheme	1,093	1,124
Actuarial losses/gains (-)	-8,799	52,727
Estimated benefits paid	-2,930	-3,056
Estimated unfunded benefits paid	-182	-202
Past service costs	894	0
Losses/-gains on curtailments	9	14
Closing liability	87,593	146,133

Reconciliation of fair value of the scheme assets in respect of Huntingdonshire District Council:

	31 March 2009 £000	31 March 2010 £000
Opening fair value of assets	70,441	57,877
Expected return on assets	4,986	3,684
Actuarial losses/ gains (-)	-18,433	15,282
Contributions by the employer	2,720	3,175
Contributions by members of scheme	1,093	1,124
Contributions re unfunded benefits	182	202
Benefits paid	-2,930	-3,056
Unfunded Benefits paid	-182	-202
Closing fair value of assets	57,877	78,086

Asset values are at bid value as required by FRS17.

8. Scheme History

	2005/06	2006/07	2007/08	2008/09	2009/10
	£000	£000	£000	£000	£000
Present value of liabilities	-99,686	-99,622	-89,097	-87,593	-146,133
Fair value of assets	69,964	75,559	70,441	57,877	78,086
Surplus/-Deficit	-29,722	-24,063	-18,656	-29,716	-68,047
Experience gains/ losses (-) on liabilities	-118	281	816	229	-533
Above, as percentage of present value of liabilities	0.12%	-0.28%	-0.92%	-0.26%	0.36%
Experience gains/ losses (-) on assets	9,996	722	-10,626	-18,433	15,282
Above, as percentage of fair value of assets	14.29%	0.96%	-15.08%	-31.85%	19.57%

The impact on the Council's assets and liabilities, as 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 ensure that contributions will be adjusted over the remaining working life of employees to meet the liabilities, as assessed by the scheme actuary.

The Council expects to contribute £3.481m into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2011.

9. Basis for estimating Liabilities and Assets

The estimates, for the purposes of FRS17, have been assessed by Hymans Robertson LLP, the independent firm of actuaries to the County Council Fund.

Liabilities are based on the latest formal valuation as at 31 March 2007, and rolled forward, assessed on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund, dependent on assumptions about mortality rates, salary levels etc. discounted to their present value as at 31 March 2010.

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

County Fund – Main Assumptions		2008/09	2009/10
Rate of inflation		3.1%	3.8%
Rate of increase in salaries		4.6%	5.3%
Rate of increase in pensions		3.1%	3.8%
Rate of discounting scheme liabilities		6.9%	5.5%
<i>Mortality</i>			
Longevity at 65 for current pensioners			
Men		19.6 years	20.8 years
Women		22.5 years	24.1 years
Longevity at 65 for future pensioners			
Men		20.7 years	22.3 years
Women		23.6 years	25.7 years
<i>Expected long-term rate of return on assets</i>			
Equity Investments		7.0%	7.8%
Bonds		5.6%	5.0%
Property		4.9%	5.8%
Cash		4.0%	4.8%
Take-up option to convert pension into tax free lump sum up to HMRC limits	For pre-April 2008 service	25%	25%
	For post-April 2008 service	25%	63%

In accordance with CIPFA guidance the discount rate employed for the 2009/10 financial year is the return available on long-dated, high quality corporate bonds at the FRS17 valuation date.

Pension fund assets are valued at fair value, principally market value for investments, but using the bid price rather than mid-market value, in accordance with latest financial instruments. The table below shows the mix of assets held and the expected rate of return for each category of asset. Actuarial advice on expected return on assets is based on long-term future expected investment return for each asset class as at 31 March 2009 (or date of joining the fund, if later).

	Proportion of Total assets held by the Fund	
	31 March 2009	31 March 2010
Equity Investments	64%	72%
Bonds	17%	15%
Property	10%	8%
Cash	9%	5%
Total Fund Assets	100%	100%

11 Further information

Further information may be found in the Cambridgeshire County Pension Fund Annual Report, available from the Director of Resources, Cambridgeshire County Council, Shire Hall, Castle Hill, Cambridge, CB3 0AP

GLOSSARY OF TERMS

Actuarial Assumptions – these are predictions made for factors that will affect the financial condition of the pension scheme.

Amortisation – the gradual write off of initial costs of intangible assets.

Bad Debt Provision – bad debts are amounts owed to the Council which it does not believe will ever be paid back to them. The Council makes a provision for the amount of bad debt it expects to occur.

Capital Contract – this is a contract the Council has with a company to carry out major building or construction work that will take a significant amount of time.

Capital Adjustment Account – the account which reflects the extent to which the District Council's resources have been applied to finance capital expenditure and to meet future debt redemption or other credit liabilities.

Capital Receipts – income received from selling fixed assets.

CIPFA – this is the Chartered Institute of Public Finance and Accountancy which is an institute that represents accounting in the Public Sector.

Contingent Liabilities – these are amounts that the Council may be, but is not definitely, liable for.

Council Tax – a tax paid by residents of the District that is based on the value of the property lived in and is paid to the Council and spent on local services.

Creditors – these are people or organisations which the Council owes money to for goods or services which have not been paid for by the end of the financial year.

Current Assets – these are assets that are held for a short period of time, for example cash in the bank, stocks and debtors.

Debtors – sums of money owed to the District Council but not received at the year end.

Depreciation – the amount an asset has dropped in value is the amount it has been judged to have depreciated. Accountants use depreciation to demonstrate how much of a fixed asset value has been used and therefore lowered during a financial year, for example because of wear and tear.

Earmarked Reserves – money set aside for a specific purpose.

Finance Lease – a lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. If the person paying the lease owns the asset then this is known as a finance lease (see also operating lease).

Fixed Assets – tangible assets that give benefit to the District Council and the services it provides for more than one year.

FRS – financial reporting standard.

Government Grants Deferred Account – the value of grants and other external contributions towards capital expenditure which has not yet been written down to the revenue account. As the assets are used this account is reduced by a sum equivalent to the annual depreciation of the asset.

Impairment – an asset has been impaired when it is judged to have lost value.

Intangible Assets – purchased intangible assets (e.g. software licences) should therefore be classed as assets.

Liabilities – amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Liquid Resources – current asset investments held as readily disposable stores of value, either readily convertible into cash, or traded in an active market.

Market Value of Assets – the price that an asset can currently be bought or sold at.

National Non Domestic Rates – rates which are levied on business properties. The District Council collects these rates and pays them into a national pool, which is then re-distributed on the basis of population.

Net Asset value – the value of the Council's assets less its liabilities.

Operating Leases – a lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. If the person paying the lease does not own the asset then this is known as an operating lease. In this case the person is paying to borrow an asset (see also Finance Leases).

Precept – a payment to the Council's General fund, or another local authority, from the Council's Collection Fund.

Prior Year Adjustments – these are changes made to the previous year's accounts to show things that were not known until after the prior year accounts were produced.

Revaluation Reserve – the account that reflects the amount by which the value of the District Council's assets has been revised following revaluation or disposal.

Revenue Support Grant (RSG) – a grant from Central Government towards the cost of providing services.

SSAP – Statement of Standard Accounting Practice.

Statement of Movement on the General Fund Balance (SMGFB) – an account that comprises of statutorily defined items to reduce the charge on the Council Tax.

By virtue of paragraph(s) 1, 2 of Part 1 of Schedule 12A of the Local Government Act 1972.

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