A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in the **CIVIC SUITE, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN** on **THURSDAY, 26 SEPTEMBER 2013** at **6:30 PM** and you are requested to attend for the transaction of the following business:-

		Contact (01480)
1.	**MINUTES** (Pages 1 - 6)	
	To approve as a correct record the Minutes of the meeting of the Panel held on 24th July 2013.	**Mrs H J Taylor 388008**
2.	**MEMBERS' INTERESTS**	
	To receive from Members declarations as to disclosable pecuniary, non-disclosable pecuniary or non pecuniary interests in relation to any Agenda item. See Notes below.	
3.	**CORPORATE GOVERNANCE PANEL - PROGRESS REPORT** (Pages 7 - 12)	
	To receive a report by the Head of Legal and Democratic Services.	**Mrs H J Taylor 388008**
4.	**EFFECTIVENESS OF THE PANEL** (Pages 13 - 22)	
	To consider a report by the Internal Audit Manager detailing the outcome of a review of the effectiveness of the Corporate Governance Panel.	**D Harwood 388115**
5.	**RISK REGISTER** (Pages 23 - 36)	
	To consider a report by the Internal Audit Manager on changes made to the Risk Register between the period 6th March to 2nd September 2013 inclusive.	**D Harwood 388115**
6.	**IMPROVING INTERNAL CONTROLS** (Pages 37 - 60)	
	To consider a report by the Internal Audit Manager outlining proposed changes to the Code of Procurement following an internal audit review of procurement procedures.	**D Harwood 388115**
7.	**APPROVAL FOR PUBLICATION OF THE 2012/13 ANNUAL GOVERNANCE STATEMENT AND ANNUAL FINANCIAL REPORT** (Pages 61 - 210)	
	To consider a report by the Assistant Director (Finance and Resources) detailing the draft Auditors ISA 260 report and seeking	**S Couper 388103**

endorsement for the Annual Governance Statement, the Letter of Representation and the Annual Financial Report. **C Mason 388157**

(Copies of the Annual Governance will be sent to Members under separate cover).

8. WORK AND TRAINING PROGRAMME (Pages 211 - 212)

To consider a report by the Internal Audit Manager. **D Harwood 388115**

Dated this 18 day of September 2013

Head of Paid Service

Notes

A. Disclosable Pecuniary Interests

(1) Members are required to declare any disclosable pecuniary interests and unless you have obtained dispensation, cannot discuss or vote on the matter at the meeting and must also leave the room whilst the matter is being debated or voted on.

(2) A Member has a disclosable pecuniary interest if it

(a) relates to you, or
(b) is an interest of -

(i) your spouse or civil partner; or
(ii) a person with whom you are living as husband and wife; or
(iii) a person with whom you are living as if you were civil partners

and you are aware that the other person has the interest.

(3) Disclosable pecuniary interests includes -

(a) any employment or profession carried out for profit or gain;
(b) any financial benefit received by the Member in respect of expenses incurred carrying out his or her duties as a Member (except from the Council);
(c) any current contracts with the Council;
(d) any beneficial interest in land/property within the Council's area;
(e) any licence for a month or longer to occupy land in the Council's area;
(f) any tenancy where the Council is landlord and the Member (or person in (2)(b) above) has a beneficial interest; or
(g) a beneficial interest (above the specified level) in the shares of any body which has a place of business or land in the Council's area.

B. Other Interests

(4) If a Member has a non-disclosable pecuniary interest or a non-pecuniary interest then you are required to declare that interest, but may remain to discuss and vote.

(5) A Member has a non-disclosable pecuniary interest or a non-pecuniary interest where -

(a) a decision in relation to the business being considered might reasonably be regarded as affecting the well-being or financial standing of you or a member of your family or a person with whom you have a close association to a greater extent than it would affect the majority of the council tax payers, rate payers or inhabitants of the ward or

electoral area for which you have been elected or otherwise of the authority's administrative area, or

(b) it relates to or is likely to affect any of the descriptions referred to above, but in respect of a member of your family (other than specified in (2)(b) above) or a person with whom you have a close association

and that interest is not a disclosable pecuniary interest.

Please contact Mrs H Taylor, Senior Democratic Services Officer, Tel No: 01480 388008 / e-mail: Helen.Taylor@huntingdonshire.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Committee/Panel.

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

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

Agenda and enclosures can be viewed on the District Council's website – www.huntingdonshire.gov.uk *(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.

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in 0.1A Civic Suite, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN on Wednesday, 24 July 2013.

PRESENT:	Councillor E R Butler – Chairman.
	Councillors M G Baker, K J Churchill, R Harrison, P Kadewere, P G Mitchell and R J West.
APOLOGY:	An apology for absence from the meeting was submitted on behalf of Councillor G J Harlock.

14. MINUTES

The Minutes of the meeting held on 22nd May 2013 were approved as a correct record and signed by the Chairman.

15. MEMBERS' INTERESTS

No declarations were received.

16. CORPORATE GOVERNANCE PANEL - PROGRESS REPORT

The Panel received and noted a report by the Head of Legal and Democratic Services (a copy of which is appended in the Minute Book) which contained details of actions taken in response to recent discussions and decisions.

17. FILMING AND RECORDING AT COUNCIL MEETINGS

The Panel received and noted the content of a report by the Head of Legal and Democratic Services (a copy of which is appended in the Minute Book) proposing an amendment to paragraph 17A of the Council's Constitution relating to the filming, recording and taking of photographs at meetings that are open to the public and the use of social networking and micro-blogging websites.

Members were advised that the amendment had arisen as a result of new guidance produced by the Department of Communities and Local Government in June 2013 entitled "Your Council's Cabinet – going to meetings, see how it works – a guide for local people". Whilst the guidance relates to meetings of the Cabinet only, Members agreed that it would be reasonable for any new Procedure Rule to apply to all meetings held by the Council which are open to the public.

The Head of Legal and Democratic Services referred to the circumstances surrounding the filming of the Council meeting on 26th June 2013 by a member of the public. In that respect, Members' attention was drawn to correspondence sent to the Panel's Chairman from the individual involved on the proposed variation and the Panel were advised of the representations made.

Members recognised that some members of the public attending meetings may not wish to be filmed. However, they were of the opinion that those making representations would normally expect to be filmed.

Having had their attention drawn to the circumstances in which termination or suspension of filming might occur, the Panel felt that there would be no benefit in halting filming after a defamatory statement has been made. Furthermore, Members suggested that future training for Chairman be adapted to include dealing with such situations.

Members supported a proposal that the Chairman should have the power to require filming to take place from a specific location or locations in appropriate circumstances.

The Panel agreed that it would be preferable for anyone proposing to film, record or take photographs of a meeting to advise the Democratic Services Team in advance of the meeting and to provide their name and contact details.

A discussion then ensued on the streaming of Council meetings live on the internet by the authority and Members requested the Head of Legal and Democratic Services to investigate the possibilities and cost of using such technology.

Other matters discussed included the importance of communicating the rules for filming on agendas, the use of mobile phones at meetings and the definition of a public place. Members also considered whether Members of a committee should expressly be prohibited from texting or tweeting during a meeting, but whilst it was considered such actions would not be appropriate, it was agreed that this should be left to the common sense of individual Members and controlled, if necessary, by the Chairman.

Given that the change requires an amendment to be made to the Council's Constitution, the Panel

RESOLVED

(a) that full Council be recommended to approve the proposed variation to the Council's Constitution as set out in paragraph 3.4 of the report now submitted;

(b) that Annex (vi) be amended to reflect the changes identified by members above; and

(c) that, to avoid any potential difficulty in the interim, the guidelines for filming, recording and taking photographs at meetings open to the public be introduced informally pending their formal approval by the Council on 25th September 2013.

18. COMPLAINTS FEEDBACK ANNUAL REPORT

The Panel received and noted a report by the Head of Legal and Democratic 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 2012/13. Having requested clarification over the recording of complaints to individual services given that Customer Services had experienced nine complaints in 2010/11 but none in the other three years referred to the in report, the Panel

RESOLVED

that the contents of the report now submitted be noted.

19. PREPARING THE ANNUAL GOVERNANCE STATEMENT

With the aid of a report by the Assistant Director, Finance and Resources (a copy of which is appended in the Minute Book) the Panel was apprised of the action taken to review the Code of Corporate Governance.

Members also considered a number of issues identified as significant for inclusion in the Annual Governance Statement. It was anticipated that the draft statement would be finalised shortly. Members would then be given the opportunity to review and comment upon the statement prior to its submission to Panel in September.

In concluding that the supporting principle to the Code of Corporate Governance, which dealt with the use of resources, should refer to providing good value for money rather than excellence, the Panel

RESOLVED

(a) that the following governance issues be recorded as being significant in the annual governance statement:

- ♦ to develop the themes and aims in the Leadership Direction through service plans and performance measures;
- ♦ to improve budgetary control
- ♦ to reinvigorate engagement with stakeholders
- ♦ to introduce a project management methodology; and
- ♦ to prepare an annual report for the 2013/14 financial year.

(b) that the following supporting principle be approved - "Ensure that the Council makes best use of resources and that tax payers and service users receive good value for money."

20. REVIEW OF RIPA POLICIES AND PROCEDURES

Consideration was given to a joint report by the Heads of Legal and Democratic Services and of Customer Services (a copy of which is appended in the Minute Book) to which was appended draft RIPA Policy and Procedure statements for covert surveillance and communications. Members' approval was sought for the adoption of the policies which have been revised to comply with recent changes in legislation, primarily the requirement for all applications to be authorised by a Justice of the Peace and the requisite that all RIPA activity only take place where serious crime was being investigated.

Having noted that the revisions did represent significant variations from previous practices and that further minor changes to the policies may be required, the Panel

RESOLVED

that the Council be recommended to

(a) approve the content of the new RIPA Covert Surveillance Policy and Procedure as appended to the report now submitted;

(b) approve the content of the new RIPA Communications Data Policy and Procedure as appended to the report now submitted;

(c) subject to recommendations (a) and (b) above, approve the consequential amendments to the Constitution ; and

(d) that the Head of Legal and Democratic Services be authorised to make any amendments to the policies in the future after consultation with the Chairman of the Corporate Governance Panel and subject to the matter being reported to the next meeting of the Corporate Governance Panel.

21. INTERNAL AUDIT SERVICE ANNUAL REPORT

By way of a report by the Internal Audit Manager (a copy of which is appended in the Minute Book) the Panel was advised of the requirement under the Public Sector Internal Audit Standards to provide an annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes.

The Internal Audit Manager outlined his view that the Council's internal control environment and systems of internal control as at 30th June 2013 provided limited assurance over key business processes and financial systems, a downturn on the previous classification of adequate. In that respect, Members have expressed their disappointment that one no assurance and seven limited assurance audit reports have been issued. Having queried the reasons why actions were not being introduced on time, the Internal Audit Manager explained that responsibility for these actions were outside of his direct control and lay with service managers. The Assistant Director, Finance and Resources explained that the transfer of HR services to LGSS had resulted in one manager not being aware that agreed actions had been allocated to them as client manager. There was the need to create a culture within the authority whereby actions are undertaken and any failures reported to the Chief Officers' Management Team.

In addition, the lack of compliance with the Code of Procurement remained a concern with Members. Having queried the reasons why procurement practices continued to be ignored in some cases, the Panel stressed that efforts should be made to ensure that the Code was being adhered to across the authority. In response to which the Assistant Director, Finance and Resources reported that all Officers would be reminded of the need to comply with the Code and training provided where required. In acknowledging the need to deliver assurances that procedures are being followed, the Internal Audit Manager suggested that, in light of the recurring nature of the concerns, updates should be received on a regular basis from the Chief Officers' Management Team. Whereupon, it was

RESOLVED

(a) that the content of the report be noted and the opinion of the Internal Audit Manager taken into account when considering the Corporate Governance Statement; and

(b) that the Panel's concerns in respect of the implementation of agreed audit actions and the lack of compliance with the Code of Procurement be relayed to Chief Officer Management Team.

22. WORK PROGRAMME AND TRAINING

By way of a report by the Assistant Director, Finance and Resources (a copy of which is appended in the Minute Book) Members were acquainted with a work programme for the Panel for 2013/14.

Given that Members may have a greater understanding of some areas than others, the Internal Audit Manager encouraged the Panel to feedback to him any areas requiring additional training. Having been advised that the review of the effectiveness of the Panel would consider how to identify and provide relevant training, the Panel

RESOLVED

that the contents of the report now submitted be noted.

23. EXCLUSION OF PRESS AND PUBLIC

RESOLVED

that the public be excluded from the meeting because the business to be transacted contains exempt information relating to the financial or business affairs of any particular person (including the authority holding that information).

24. APPOINTMENT OF PROFESSIONAL ADVISORS

By way of a report by the Internal Audit Manager (a copy of which is appended in the Annex to the Minute Book) the Panel was apprised of the outcome of a review into the procedures followed to appoint a contractor for a major leisure redevelopment scheme. Members were advised that during the review, internal audit had raised a number of concerns.

Members' attention was drawn to a series of recommendations aimed at modifying or reinforcing the Council's processes to minimise the likelihood of such issues arising again. In considering the Internal Audit Manager's conclusions, specifically the need for training/reinforcement on Employees' Code of Conduct and Code of Procurement, Members expressed disappointment that procedures had not been followed. Having stressed the importance of ensuing that the Code of Procurement is fully complied with, the Panel

RESOLVED

(a) that the Internal Audit Manager's intention to review the internal audit plan to ensure adequate contract reviews are undertaken be noted;

(b) that the items identified in the report now submitted and any other procurement related information be taken into account when considering the Annual Governance Statement; and

(c) that any amendments to the Employees' Code of Conduct and Code of Procurement be submitted to the Panel in due course.

Chairman

CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel Date	Decision	Response	Date for Action	Officer Responsible
25/09/12	**Annual report on the Freedom of Information Act, Environmental Information Regulations and Data Protection Act** Agreed that the previous year's statistics on the number of requests received by the Council under the Freedom of Information Act be included in future reports for comparative purposes.		September 2013	Heads of IMD, Legal and Democratic Services
25/09/12	**2010/11 Accounts** The corporate guide to managing projects be reviewed and approved by Chief Officers Management Team and subsequently forwarded on to Managers for their perusal.	A Working Group is being established to undertake this. Timescale will be clarified once they have met.		Assistant Director Finance and Resources
12/12/12	**Corporate Business Continuity Planning** Service Manager, IMD to identify site which would accommodate council services in the event of major incident at Pathfinder House. Details to be included in the 2013 Annual Report to Panel.		December 2013 – Annual Report	Service Manager, IMD
12/12/12	**Fraud Investigation** • Identification of fraud in non welfare work and proposals for the fraud service from April 2015 onwards. • To retain the Fraud Working Group	Fraud Team Business Plan for 2013/2014 outlines areas for non-welfare fraud consideration (including the Cambridgeshire Fraud Hub). Provisional dates included in the 2013/14 municipal calendar to enable the Working Group to meet quarterly.	September 2014 Ongoing	Head of Customer Services Head of Customer Services

CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel Date	Decision	Response	Date for Action	Officer Responsible
12/12/12	**Providing assurance for the Governance Statement** Draft Annual Governance Statement to May/June Panel Meeting	Informal meeting of CGP 1 July 2013 discussed evidence supporting Code of Corporate Governance. Panel subsequently agreed the significant issues to be included in AGS. Informal Panel meeting on 19 July reviewed and suggested amendments to draft AGS.	July 2013	Internal Audit Manager
26/3/13	**Grant Certification** The Assistant Director Finance and Resources to write to the Department of Communities & Local Government, the Department of Works & Pensions and the Audit Commission over the cost of auditing benefit claims and requesting the criteria for taking a second sample be adjusted to require this if the errors are significant.	Letter to be sent	June 2013	Assistant Director Finance & Resources
22/5/13	**Review of the effectiveness of Overview and Scrutiny Panels** Request to the Deputy Executive Leader to update the Panel on the progress made with the pilot Local Joint Committee. Outcome of effectiveness review to be taken into account when considering the annual governance	Email sent to Councillor Guyatt on 24th May 2013.	July 2013 September 2013	Senior Democratic Services Officer Internal Audit Manager

CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel Date	Decision	Response	Date for Action	Officer Responsible
	statement. Effectiveness reviews to be continued with the Licensing and Protection Panel/ Licensing Committee being reviewed next.		May 2014	Internal Audit Manager
24/7/13	**Filming and Recording at Council Meetings** Annex of report to Council to be amended to remove reference to halting filming after a defamatory statement has been made. Head of Legal and Democratic Services to investigate the possibilities and cost of streaming Council meetings live on the internet. Agenda front pages to be amended to reflect the guidelines for filming, recording and taking of photographs at meetings.	Annex amended and report forwarded to Council for approval. Initial enquiries with other authorities revealed a cost for streaming ranging from £13k to £25k p.a plus manpower. The County Council previously streamed their Council meetings at a cost of £30k p.a but no longer do so. Cambridgeshire City are currently looking into the subject and are holding discussions with Public-i, a provider of net services, with a view to having a presentation on social media to which the Chairman and Vice Chairman of CGP will be invited. All agenda front pages have been amended.	September 2013	Senior Democratic Services Officer Head of Legal and Democratic Services Senior Democratic Services Officer

CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel Date	Decision	Response	Date for Action	Officer Responsible
24/7/13	**Complaints Feedback Annual Report** Requested clarification over the recording of complaints to individual services given that Customer Services had experienced nine complaints in 2010/11 but none in the other three years referred to in the report.	Of the nine complaints: • Four related to the actions of an employee; that is, their conduct. Two of these were not upheld; there was one staff instruction and the other member of staff was serving notice to leave the Council anyway. • Two were about difficulties getting post to the Council. This was at the time the Council moved into the new Pathfinder House and members of the public were still getting used to our new ways of working e.g. an individual posted benefits forms through the post box at Centurion House despite our signs about what to do with post. • Two related to more than one activity area so they were classed at the higher level covered by the Head of Service. • One was about the way enforcement had been taken against a Benefits claimant. As the complaint was not about the Benefits Service itself, it was attributed to Customer Services	September 2013	Scrutiny and Review Manager

CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel Date	Decision	Response	Date for Action	Officer Responsible
		generally. Apart from those that were the result of the new HQ building, the above complaints could have been attributed to Benefits or Council Tax. Classification is done by service departments and it looks as though the practice has changed and this is what has been done in the two subsequent years.		
24/7/13	**Preparing the Annual Governance Statement** Identified 5 governance issues for inclusion in the Annual Governance Statement as being significant. Draft statement to be presented to an informal meeting of Panel. Approved the use of the word good instead of excellent in the supporting principle to the Code of Corporate Governance.	Informal Panel meeting on 19th July reviewed and suggested amendments to draft AGS. AGS report on the agenda. To be approved at 25th September Council meeting.	September 2013	Assistant Director Finance and Resources Senior Democratic Services Officer
24/7/13	**Review of RIPA Policies** New RIPA Communications Data Policy and Procedure to be approved by the Council	Recommendation to be submitted to meeting of Council scheduled for 25th September 2013.		Senior Democratic Services Officer
24/7/13	**Internal Audit Service Annual Report** Requested regular updates from Chief Officers	COMT to provide information to Panel		Internal Audit Manager/

CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel Date	Decision	Response	Date for Action	Officer Responsible
	Management Team on procurement practices. Chief Officers Management Team to be advised of the Panel's concerns in respect of the implementation of agreed audit actions and the lack of compliance with Code of Procurement. The opinion of the Internal Audit Manager on the overall adequacy and effectiveness of the Council's internal control and governance processes to be taken into account when considering the Corporate Governance Statement.	on a quarterly basis, commencing November 2013. Discussed at COMT, 2 August 2013. COMT to propose changes to Codes of Conduct and Procurement. Agree internal audit actions – new target, 100% to be introduced on time. Done	27 November 2013	Assistant Director Finance and Resources
24/7/13	**<u>Appointment of Professional Advisors</u>** Any amendments to the Employees' Code of Conduct and Code of Procurement to be submitted to the Panel	Report on actions agreed elsewhere on the agenda		Internal Audit Manager

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Review of the Effectiveness of the Corporate Governance Panel
Meeting/Date:	Corporate Governance Panel – 26 September 2013
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Internal Audit Manager
Ward(s) affected:	All Wards

Executive Summary

The Chairman & Vice-Chairman of the Panel undertook a review of the Panel's effectiveness on the 19 August 2103. They concluded that the Panel was generally acting effectively and fulfilling its terms of reference.

A number of opportunities to further improve the effectiveness of the Panel were identified and are listed below.

1. The approval of the risk management strategy is currently included in the Panel's terms of reference. It is considered to be an executive function and a responsibility of the Cabinet. The Panel should retain responsibility for ensuring that the risk management arrangements are effective.

2. A number of changes are required to the Panel's terms of reference (see Appendix 1) including:
    a. Introducing a brief paragraph that details the scope of the Panel's work; and
    b. Incorporating the functional reporting role of the Panel as required by the Public Sector Internal Audit Standards.

3. The Panel should have the opportunity to have informal meetings with internal and/or external audit and, in specific circumstances, with limited attendance from Council officers;

4. The Internal Audit Manager be asked to present a report to the Panel that explains the terminology associated with individual/annual audit assurance opinions and risk register control assurance statements; internal audit reports should be circulated to Panel members.

5. Members of the Panel complete a skills assessment to identify training needs. A formal induction training plan should be developed and delivered to Members within a reasonable timescale from their initial appointment.

6. The Panel, through the Chairman, should formally provide Council with an annual report on their work.

A proposed action plan to address the issues noted above is included at Appendix 2.

Panel have reviewed their effectiveness on five occasions since 2008. All the reviews have been facilitated by the Internal Audit Manager. As Internal Audit is now required to have an external assessment once every five years, Panel should consider whether they wish to introduce a similar assessment process and if so, the frequency of their own self-assessment reviews.

Financial implications

With the exception of the costs associated with an external assessment (indicative estimates suggest a minimum of £3,000) there are no other financial implications arising from the report.

Recommendations:

It is recommended that the Panel:

1. Note the results of the outcome of the Chairman & Vice-Chairman's review of the effectiveness of the Panel;

2. Recommend to Council that the terms of reference of the Cabinet be amended to include the approval of the risk management strategy;

3. Recommend to Council the adoption of the Panels terms of reference as detailed in Appendix 1;

4. Note and endorse the opportunities that have been identified to further improve effectiveness as contained in the Executive Summary (points 3, 4, 5 and 6); and

5. Determine the frequency and format of future Panel effectiveness reviews.

1. BACKGROUND TO THE REPORT

1.1 Whilst it is not a statutory requirement, it is considered best practice (both in the public and private sectors) that the 'audit committee' review their own effectiveness. The Panel has undertaken such a review in five of the last six years. This report summarises the outcome of the Chairman and Vice-Chairman's review of the effectiveness of the Panel, undertaken on 19th August 2013.

1.2 The Internal Audit Manager reviewed the previous checklist of questions and issues that had been used to assess effectiveness to ensure they remained appropriate and covered all areas of the Panel's terms of reference.

1.3 The questions are based upon the Chartered Institute of Public Finance and Accountancy (CIPFA) and the National Audit Office good practice documentation supplemented by best practice within the private sector, including the revised audit committee guidance issued in September 2012 by the Financial Reporting Council in respect of UK listed companies. This year's review considered 74 questions.

2. OUTCOME OF THE REVIEW

2.1 The Chairman and Vice-Chairman are of the opinion that a checklist type approach to reviewing effectiveness is not able to assess some of the most important features of the relationship that exists between the Panel and those who support and report to it, namely:

- A frank, open working relationship
- A high level of mutual respect
- A willingness to share information freely
- A readiness to listen to each other's views and discuss issues openly.

They consider that the four attributes listed above are present.

2.2 After completing their review, the Chairman and Vice-Chairman are of the view that the Panel was generally acting effectively and fulfilling its terms of reference

2.3 In conducting the review, a number of opportunities to further improve the effectiveness were identified. These are listed below.

Issue	Chairman &Vice-Chairman's view
a. Does the Panel monitor how risk is assessed?	The Panel receives sufficient information to allow it to review how risks are both assessed and managed. The Panel also approves the risk management strategy. The risk management strategy formalised 'risk appetite' in December 2011 and as such, it is now felt that approving the strategy (and risk appetite) should become the responsibility of the Cabinet.

Issue	Chairman &Vice-Chairman's view
b. Are the terms of reference of the Panel still appropriate?	The Terms of Reference need to be amended due to: The adoption of Public Sector Internal Audit Standards in April 2012. A requirement to introduce 'the scope' of the Panel's remit as well as its functional responsibilities to more clearly define Members roles and responsibilities. Panel are aware that the Executive may be proposing amendments to the remit of both the Panel and the Standards Committee. No firm proposals have been submitted however. In these circumstances, it is considered appropriate that the proposed terms of reference (Appendix 1) be adopted.
c. Does the Panel understand the terminology associated with the assurance opinions that it receives from internal audit?	This has not previously been explained. It would benefit the Panel if both the audit opinions and control assurance risk register opinions were explained together with how they link together.
d. Is sufficient information provided to the Panel by the Internal Audit Manager to support the annual internal audit opinion?	The annual internal audit report received by the Panel in July 2013 showed that a number of reports issued during the year had limited or little assurance opinions. No information had been supplied to the Panel to make them aware that such opinions had been issued. Whist accepting that all internal audit reports can be viewed via the intranet, it was felt that it would increase transparency and be of benefit to Panel Members if finalised internal audit reports were circulated to the Panel informally. This would allow them to become aware of significant risk exposures and control issues as they arose as well as providing information to support their fuller understanding of the overall annual audit opinion. If audit reports were not to be provided, greater information on the findings arsing from individual audits should be included in the annual internal audit report.
e. Does the Panel consider, prior to the annual financial accounts being approved by the Chief Financial Officer , a range of issues to feel confident that they have been produced accurately and in compliance with the relevant guidelines?	This question is no longer valid in its current form There is no longer the statutory requirement for the accounts to be approved by the Panel, prior to audit. The first opportunity to question the Chief Financial Officer about the accounts process is when the accounts are presented to Panel for approval, after the external audit has been completed. It is suggested that the Panel meet the external auditor, informally and in private, prior to the meeting that will approve the accounts (see

Issue	Chairman &Vice-Chairman's view
	paragraph 2.4 below).. This will allow Panel to question the external auditor about the accounts process and accounts and enhance the scrutiny/questioning of Officers when the accounts are formally discussed. A similar meeting should be held with the Internal Audit Manager prior to the Panel considering the Internal Audit annual report.
f. Have all Panel Members' skills and experiences been assessed and training given for identified gaps?	It is accepted that governance is both wide ranging and has some specialist areas. Propose that a skills review (linked specifically to governance matters) is completed by Members to identify training requirements.
g. Is there an induction course for new Members?	There is no induction course; one should be developed. All Members of the Panel should attend, not just those who are newly appointed.

2.4 It is accepted best practice that the Panel should have the opportunity to request informal discussions with internal and/or external audit. This may be in the absence of specified officers where the internal or external auditor advises that this would be appropriate.

There will often be occasions when managers will request informal meetings with all or some of the Panel to update, brief or discuss particular issues.

2.5 In November 2011 and 2012 the Chairman of the Panel provided to Council, a brief written summary that outlined the work the Panel had undertaken during the previous year. It is suggested that the submission of this report be formally recognised in the terms of the reference of the Panel.

2.6 The draft annual governance statement proposes that the Council prepares an annual report. Whilst appreciating that no decision had been reached on the content of the report or its relationship with the annual governance statement, the Chairman & Vice-Chairman felt that the report should be reviewed by the Panel before being approved by the Managing Director and/or Executive Leader.

3. FUTURE PANEL REVIEWS

3.1 In considering the four matters listed in paragraph 2.1 above, the options that were available to gain an independent view around these particular relationships issues was discussed.

3.2 An independent review of the internal audit service is required to be conducted at least once every five years, and it was thought that a similar independent review of the effectiveness of the Panel would be beneficial. This would allow the Panel to be challenged by an external assessor against good practice principles, the rigour of their own self-assessment reviews and identify the maturity of the Panel and the benefits it is delivering to the Council. An independent review may also reduce the frequency by which self-assessment reviews were required to be undertaken.

3.3 Informal discussions with private sector providers, indicate that the fee to be paid for an external assessment vary between £3,000 and £20,000. If the Panel consider that it is a corporate priority that there should be an independently led assessment, then an MTP bid would be required, due to the fees being too high to be met from existing budgets.

4. TIMETABLE FOR IMPLEMENTATION

4.1 Appendix 2 contains an action plan that details the actions noted in section 2 above and dates for implementation. A report will be presented to Panel in March 2014 outlining the progress that has been made.

5. ACTIONS AGREED FROM THE 2012 REVIEW

5.1 There were two actions agreed as a result of the 2012 review. Both have been introduced.

Agreed Action	Action Taken
The Panel was to receive a briefing on the overall process for preparing the annual accounts.	A briefing was provided prior to the September 2012 Panel meeting.
In order to keep the Panel members aware of topical legal and regulatory issues or best practice requirements, emails will be sent, as and when appropriate, on emerging governance related issued.	Emails have been sent, covering governance issues in the following areas: National counter fraud developments Public Sector Internal Audit Standards Cipfa Audit Committee update reports Grant Thornton local government governance review Code of Corporate Governance and preparing the annual governance statement.

6. LIST OF APPENDICES INCLUDED

Appendix 1 – Proposed terms of reference
Appendix 2 – Action plan

BACKGROUND PAPERS

Effectiveness of the Corporate Governance Panel, Views of the Panel Chairman and Vice-Chairman at 16 August 2013.

CONTACT OFFICER

David Harwood. Internal Audit Manager
Tel No. 01480 388115

Corporate Governance Panel
Proposed Terms of Reference approved by Council 25 April 2012

(Note. The additions are shown by the *italic text*, deleted text has been struck out).

To discharge the functions of the Council in relation to the Corporate Governance of the Council and to be the Council's "Audit" Committee.

It will undertake these functions by supporting the Council and Managing Director through reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements across the following areas:

~~These responsibilities include:~~

GOVERNANCE

1. Regularly reviewing the Council's Code of Corporate Governance and recommending any changes to the Council.
2. Ensuring that there are systems in place so that all decisions take appropriate account of any significant impact on the Council's system of corporate governance.
3. Approving the annual governance statement and reviewing the achievement of any outstanding improvements.
4. Considering proposals to change the Council's Constitutional arrangements and making appropriate recommendations to the Council.

RISK MANAGEMENT

5. Ensuring there are effective arrangements for the management of risk across the Council. ~~including approving the risk management strategy and risk appetite.~~

INTERNAL AUDIT

6. Ensuring there are effective arrangements for the system of internal audit of the Council including:
   - considering a regular review of its effectiveness
   - reviewing and approving *the* internal audit~~'s terms of reference and strategy~~ *charter*;
   - *approving* ~~commenting on~~ internal audit plans and receiving reports on progress in delivery;

EXTERNAL AUDIT

7. Receiving and considering external audit reports *including the adequacy of management response to issues identified*.

FINAL ACCOUNTS

8. Approving the *accounting policies,* ~~Council's~~ statement of accounts, and considering any matters arising from the *external* audit.

COMPLAINTS AND FEEDBACK

9. Determining the Council's customer 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;

10. Considering reports by the Local Government Ombudsman, approval of compensatory payments to complainants and formulation of recommendations to the Cabinet or Council on any remedial action to be taken as a consequence.

FRAUD AND CORRUPTION

11. Reviewing and monitoring the policy, ~~and~~ procedure *and arrangements for investigating* ~~for~~ disclosure*s* ~~of information~~ under the Public Interests Disclosure Act 1989 (whistleblowing).
12. Monitoring the Anti-Fraud and Corruption Strategy and receive annual updates on countering fraud.

ANNUAL REPORT

13. *Through the Chairman, the Panel will provide the Council with an annual report, timed to support finalisation of the financial statements and the Governance Statement, on how it has discharged its responsibilities*.

RESOURCES

The Panel may

14. ~~may~~ Request relevant Executive Councillors, Panel Chairmen or Senior Officers ~~Managing Directors and Heads of Service~~ to attend Panel meetings in order to assist the Panel in reaching its conclusions.
15. Within budgetary constraints request information or advice from third parties to assist the Panel in reaching its conclusions.

	Agreed actions	To be achieved by:	Responsible Officer:	To be introduced by:
1	The approval of the risk management strategy should become a responsibility of the Cabinet.	Amending the terms of reference of the Corporate Governance Panel and Cabinet.	Head of Legal & Democratic Services	Council, November 2013
2	The Panel's terms of reference to be amended as set out in Appendix 1.	Submitting a report to Council.	Head of Legal & Democratic Services	Council, November 2013
3	The terminology associated with individual and annual audit assurance opinions and risk register control assurance statements to be explained.	Report to Corporate Governance Panel.	Internal Audit Manager	November 2103
4	Internal audit reports are circulated to Panel members.	Emailing reports to Members on a quarterly basis.	Internal Audit Manager	Immediately
5	Members of the Panel to complete a skills assessment to identify training needs.	Circulating to Panel a skills assessment questionnaire.	Internal Audit Manager	December 2013
6	A formal induction training plan should be developed. The training plan be delivered to Members within 3 months of their appointment to the Panel.	Developing a training plan that covers the areas outlined in the terms of reference.	Head of Legal & Democratic Services and Internal Audit Manager.	December 2013
7	The Panel to prepare a formal annual report.	Submitting the report to the Council meeting that receives the annual governance statement.	Head of Legal & Democratic Services and Internal Audit Manager	November 2013

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Agenda Item 5

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Risk Register Update
Meeting/Date:	Corporate Governance Panel – 26 September 2013
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Internal Audit Manager
Ward(s) affected:	All Wards

Executive Summary:

The risk register is regularly reviewed. This report updates the Panel on the changes that have been made to the register in the period, 6 March to 2 September 2013.

Five risks have been added, and three risks removed from the risk register (See Appendix 3). Two of the added risks have retained a 'very high' residual risk priority and will require to be reported to the Cabinet. In addition, two risks that had a residual risk priority of 'high', have been re-assessed as 'very high'. These will also require reporting to the Cabinet.

423 controls are recorded in the register in respect of 154 individual risk entries.

- 90% of the controls have been assessed by management to be either at the substantial or adequate level.
- 96% of the controls have been reviewed and updated in the previous six months.

The risk management system is working effectively. Panel need to take this into account when considering the annual governance statement.

Financial implications
There are no financial implications.

Recommendation:

It is recommended that the Panel note the report.

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1. BACKGROUND TO THE REPORT

1.1 The Panel receive regular reports on the changes that have been made to the risk register. In preparing the annual governance statement, Panel are able to take assurance from the reports that the risk management process is working effectively and contributing to the effective management and delivery of services.

1.2 Panel last received a report on this matter at its March 2013 meeting. Since then, the risk register has been reviewed and updated by both Chief Officer's and Heads of Service. The full risk register is available on the risk management intranet site.

1.3 All significant changes to the register (additions/deletions/risk scores) are reviewed by the Audit & Risk Manager. This allows general over-sight and challenge of the risk entries and the consistency of the inherent and residual scoring.

2. CURRENT REGISTER

2.1 There are 7 appendices to the report that show the current status of risks. The reduction in risk achieved due to the controls that managers have in place for both corporate and operational risks are shown in appendix 1 and 2. Risks with a 'very high' residual risk are listed separately.

2.2 There are currently ten 'very high' residual risks in the register.

2.3 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. Risk option forms have already been considered by Cabinet in respect of six of the risks. Cabinet accepted the residual risk levels. Risk option forms will be submitted to Cabinet in November in respect of the remaining four risks.

2.4 As the risk register has become more robust, the Internal Audit Service have been able to place greater reliance on its content. This in turn has led to them reviewing and challenging both the controls listed and the controls assurance ratings. If the work carried out by internal audit suggests that either the controls listed in the register or the assurance opinions are not appropriate then Heads of Service are requested to re-evaluate the risk register entries. This process helps to maintain a register that is both relevant and reliable and gives the Panel assurance that information presented to it is a fair reflection of the current management of risk.

3. CONTROLS ASSURANCE

3.1 423 controls are recorded in the register as at 2 September in respect of 154 individual risk entries.

The levels of assurance are as follows:

No of Controls	Assurance Level			
	Substantial	**Adequate**	**Limited**	**None**
423	245	137	37	4
	58%	32%	9%	1%

3.2 96% of the assurances have been updated in the past six months (46% at March 2013). 1% of assurances are more than twelve months old (7% at March 2013).

4. LIST OF APPENDICES INCLUDED

Appendix

1	Risk matrix – inherent to residual scoring: Corporate risks
2	: Operational risks
3	Risk register amendments
4	Assurance on controls for very high inherent risks
5	Risks with no controls
6	Risks with controls that are not working effectively
7	Risk assessment model from risk management strategy

BACKGROUND PAPERS

Risk register

CONTACT OFFICER

David Harwood. Internal Audit Manager
Tel No. 01480 388115

Corporate Risks

Appendix 1

Inherent Risks
before controls
September 2013

Likelihood	1	2	3	4	5
5				1	1
4			6	4	4
3			6	6	3
2					
1					

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
September 2013

Likelihood	1	2	3	4	5
5					
4			5		3 a
3		2	4	3	2 b
2			10	1	1 c
1					

Impact

total **31**

+3

March 2013

Likelihood	1	2	3	4	5
5			3		1
4			2		1
3		1	3	2	1
2			11	2	1
1					

Impact

total **28**

	'Very High' Residual Risks	March 2012	Sept 2013	Accepted by Cabinet
		Likelihood X Impact		
130 a	Reducing Govt. financial support	3 / 5	4 / 5	July 2012
47 c	Investment decisions not appropriate	2 / 5	2 / 5	July 2012
237 a	Affordable new homes	4 / 5	4 / 5	Dec 2012
248 a	Failure to achieve financial savings	----	4 / 5	----
239 b	Town Centre redevelopment	2 / 4	3 / 5	----
246 b	Not realising land values	----	3 / 5	----

Corporate

Operational Risks

Inherent Risks
before controls
September 2013

Likelihood					
5		3	5	4	2
4		6	19	10	3
3	1	7	26	19	5
2		4	4	3	1
1					1
Impact	1	2	3	4	5

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
September 2013

Likelihood					
5					
4	1	5	8		1 a
3	3	13	11	4	1 c
2	1	21	34	9	2 b
1		2	4	2	1
Impact	1	2	3	4	5

total
123

-1

March 2013

Likelihood					
5	1	1			
4		2	8		1
3	3	15	10	5	
2	1	22	36	9	2
1		2	4	1	1
Impact	1	2	3	4	5

Total
124

		'Very High' Residual Risks	March 2013	Sept 2013	Accepted by Cabinet
		Likelihood X Impact			
223	a	MMI run-off	4 / 5	4 / 5	July 2012
15	b	ICT security is breached	2 / 5	2 / 5	July 2012
58	b	Information or data is lost	2 / 5	2 / 5	July 2012
241	c	Reduced retained business rates	3 / 4	3 / 5	----

Operational

Summary of Risk Register Amendments 6 March 2013 – 2 September 2013

Appendix 3

	Additions	Deletions	Category Change	Net result
Corporate	+ 4	- 2	+ 1	+ 3
Operational	+ 1	- 1	- 1	- 1

Corporate

Risk	Risk Title	Addition	Deleted	Inherent Risk Priority	Residual Risk Priority
52	Changes in the house price market	05/06/07	31/07/13	High	Medium
238	Reduction in numbers of new affordable homes being built leading to less people being housed; longer stays in temporary accommodation and increased use of B&B.	17/09/12	25/06/13	Very High	Very High
246	Failure to obtain income from land sale at California Road.	22/07/13	----	Very High	Very High
247	Failure to deliver revenue generation opportunities and energy savings through MLEI (Mobilising Local energy Investment).	23/07/13	----	High	High
248	COMT: Non achievement of savings leading to other savings needing to be found at short notice.	30/07/13	----	Very High	Very High
250	Desktop replacement (virtualisation) not delivered by April 2014 resulting in some software not being supported by Microsoft and users using ageing, inefficient systems.	20/08/13	----	Very High	High

Operational

Risk	Risk Title	Addition	Deleted	Inherent Risk Priority	Residual Risk Priority
159	Economic downturn and potential fall in participation levels leads to a reduction in income at all Leisure Centres.	23/07/09	05/08/13	High	Medium
249	S106 funding for grounds maintenance reduces, resulting in increased cost to maintain service levels.	30/07/13	---	High	High

Change of Risk Category

Risk 2	The Council does not invest in or develop its staff leading to motivational problems and service developments not being delivered on time or within budget	Changed to a Coporate risk on 27/08/13.

Assurance Details

Appendix 4

Corporate Objective	Risk No	Inherent Risk	No of Controls	Residual Risk	Assurance Level: Substantial	Assurance Level: Adequate	Assurance Level: Limited	Assurance Level: None	Area of Panel Assurance [1]	Assurance shortfall	Risk Type: Corporate	Risk Type: Operational
Enable sustainable growth												
Failure to deliver environmental policy/strategy	30		6				5		a		✓	
Partnerships are not effective	74		2				1		j	X	✓	
Increasing insurance premiums	126		3		1	1	1		f			✓
Climate change strategy	146		2					2	a	X	✓	
Loss of vehicle fleet operating licence	192		3		2	1			a			✓
Reducing number of affordable homes built	237		3		3				a		✓	
Not realising land values	246		1			1			a			
Improve the quality of life in Huntingdonshire												
Increased homelessness	148		2		1	1			a		✓	
Reduced CCTV service	230		1		1				a			✓
Delays to Huntingdon town centre development	239		1			1			a		✓	
Improve communications (internal)												
Service recovery/business continuity ineffective	6		5		4	1			g			✓
Unencrypted data is sent externally	122		4		3	1			g			✓
Assets not properly maintained	186		3			1	2		g			✓
The Council (internal)												
ICT security breached	15		8		8				g			✓
Reliance on key IT staff	25		5			4	1		g			✓
Ineffective site security	32		3		3				g			✓
Staffing capacity: deadlines not met	49		4		4				a			✓
Information or data is lost	58		4			4			g			✓
Fraud occurs	75		6			6			g			✓
Theft	140		4		4				g			✓
Increasing Housing Benefit claims	143		1		1				g			✓

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

Assurance Details

Appendix 4

Corporate Objective	Risk No	Inherent Risk	No of Controls	Residual Risk	Assurance Level: Substantial	Assurance Level: Adequate	Assurance Level: Limited	Assurance Level: None	Area of Panel Assurance [1]	Assurance shortfall	Risk Type: Corporate	Risk Type: Operational
Loss of access/structure: Pathfinder House	145		3		2	1			g			✓
Power loss to main IT servers	177		6			5	1		f			✓
Sensitive HB info e-sent via insecurely means	191		1		1				g			✓
Breach of Data Protection Act	217		5		5				c			✓
Loss of use of admin buildings	229		3		3				g			✓
IT staff capacity issues	244		2			1			g			✓
Desktop PC's are not supported	250		1			1			g		✓	
To learn and develop (internal)												
Council does not invest in or develop staff	2		4		2	1	1		a		✓	
Increasing staff accidents	14		6			4	2		g			✓
Serious injury or death of customers or staff	16		5			3	2		g			✓
Bailiff contract (Health & Safety)	31		3		1	2			f			✓
To maintain sound finances (internal)												
Budget estimates are inaccurate	24		5			3	2		d			✓
Investment decisions not appropriate	47		4		2	2			d		✓	
Project management ineffective	48		3		2	1			e			✓
Failure to achieve financial savings	130		2			1	1		d		✓	
Reduced land charges income	153		1						d			✓
S106 Agreements are not monitored	208		3			2	1		e			✓
Finance reforms in 2013	233		1			1			a		✓	
CIL liabilities not collected	236		1			1			g			✓
Reduced retained business rates	241		1					1	d			✓
Failure to deliver Making Assets Count	243		1				1		j	X		✓
Failure to achieve financial savings	248		1				1		d		✓	

a. Delivery of the Council's corporate objectives	e. Robustness of performance management system	j. Partnerships working effectively
b. The effectiveness of the Constitution	f. The effectiveness of the risk management strategy	
c. Meeting statutory obligations	g. Internal control & the effectiveness of key controls	
d. Effectiveness of financial management arrangements	h. Adequacy of the internal audit service	

Risk Register entries : No Controls

Appendix 5

Risk Ref	Risk Title	Inherent Risk Priority	Residual Risk Priority	Actions being considered	Date to be introduced
Head of Environmental Management					
214	Warmer, wetter winters and hotter summers with reduced rainfall resulting in an increased likelihood of subsidence and ground heave.	**Low**	**Low**	Develop a tree policy to consider the trees we currently own and how they will be managed in future. 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? All trees selected for any planting site, be it a paved street, grass verge, park, or open space is carefully chosen with regard given to its suitability to the area, based on growth habits, nutritional requirements, resistance to disease, the local landscape, future management requirements, potential for damage to adjacent properties and ultimate tree height and spread.	June 2011 May 2011 June 2011
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**	None	
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	

Risk Register entries : No Controls

Appendix 5

Risk Ref	Risk Title	Inherent Risk Priority	Residual Risk Priority	Actions being considered	Date to be introduced
Head of Financial Services					
223	MMI Ltd are unable to 'run-off' outstanding liabilities from reserves leading to call on Council to meet funding shortfall.	**Very High**	**Very High**	The Scheme of Arrangement was triggered in November 2012. An initial 15% levy is being proposed by the scheme's administrators. A provision of £90,000 has been included in the 2012/13 financial accounts. This will be kept under review.	March 2014

Risk Assurance Shortfall

Risk Ref	Risk Title	Inherent Risk Priority	Residual Risk Priority	Control Assurance level	Controls not considered effective
Head of Environmental Management					
74	Robust Partnerships agreement are not effectively secured with relevant organisation and as a consequence the delivery of key objectives is not achieved.	**Very High**	**Medium**	Limited	Partnership Manager role to ensure effective performance management and accountability of partnerships. This is primarily for the HSP
146	Failure to prepare for and adapt to climate change already occuring, resulting in wasted investment , costs of emergency action and retrofitting buildings with adaptation measures.	**Very High**	**High**	None	Local Climate Impact Programme on services and wider District being developed. Adaptation to climate change.
243	Failure to deliver potential savings and partnership opportunities through the Making Assets Count programme	**Very High**	**High**	Limited	County and District level boards exist.

Risk Assessment Model

Likelihood / Frequency

		Alternatively this could be expressed as likely to happen within the next:
5 = Almost Certain	Will definitely occur, possibly frequently.	Month
4 = Likely	Is likely to occur, but not persistently.	Year
3 = Occasional	May occur only occasionally.	3 years
2 = Unlikely	Do not expect it to happen but it is possible.	10 years
1 = Improbable	Can't believe that this will ever happen, but it may occur in exceptional circumstances.	20 years

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

4 = Likely	Monthly
3 = Occasional	Year
2 = Unlikely	5 years

Further advice on assessing Health & Safety risks* can be obtained from the Health & Safety Advisor.

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

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

- cause minor disruption to service delivery on one or two consecutive days, not noticeable to customers
- increase the Council's net cost over the 5 year MTP period by £50,000 or less.
- be managed with no reporting in the local media
- cause localised (one or two streets) environmental or social impact

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

- cause minor, noticeable disruption to service delivery on one or two consecutive days
- increase the Council's net cost over the 5 year MTP period by more than £50,000 but less than £100,000.
- result in minor short-term (up to a fortnight) adverse publicity in the local media
- * be a Health and Safety concern that results in an injury but little lost time (e.g. less than 3 days off work)
- have a short term effect on the environment i.e. noise, fumes, odour, dust emissions etc., but with no lasting detrimental impact

Risk Assessment Model

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

- cause disruption for between one and four weeks to the delivery of a specific service which can be managed under normal circumstances
- affect service delivery in the longer term
- increase the Council's net cost over the 5 year MTP period by more than £100,000 but less than £250,000.
- result in significant adverse publicity in the national or local media
- * be a Health and Safety concern that results in more than 3 days off work or is a major injury, dangerous occurrence or disease that is required to be reported to the H&S Executive in accordance with RIDDOR.
- has a short term local effect on the environment, or a social impact, that requires remedial action.

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

- have an immediate impact on the majority of services provided or a specific service within one area, so that it requires Managing Director involvement.
- increase the Council's net cost over the 5 year MTP period by more than £250,000 but less than £500,000.
- raise concerns about the corporate governance of the authority and / or the achievement of the Corporate Plan
- cause sustained adverse publicity in the national media
- significantly affect the local reputation of the Council both in the long and short term
- * results in the fatality of an employee or any other person
- have a long term detrimental environmental or social impact e.g. chronic and / or significant discharge of pollutant

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

- have an immediate impact on the Council's established routines and its ability to provide any services, and cause a total shutdown of operations.
- increase the Council's net cost over the 5 year MTP period by more than £500,000.
- have an adverse impact on the national reputation of the Council both in the long and short term
- have a detrimental impact on the environment and the community in the long term e.g. catastrophic and / or extensive discharge of persistent hazardous pollutant

Agenda Item 6

Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Improving Internal Controls
Meeting/Date:	Corporate Governance Panel – 26 September 2103
Executive Portfolio:	Resources, Councillor J A Gray
Report by:	Internal Audit Manager
Ward(s) affected:	All

Executive Summary:

A report to the 24 July Panel, explained that following an internal audit review into procurement procedures, there was a need to modify or reinforce internal control processes in a number of areas. The Internal Audit Manager submitted a report to the Chief Officers' Management Team (COMT) on 2 August, that suggested a number of actions to improve internal control. All of the suggested actions were accepted by COMT.

The actions primarily fall across two general headings as shown below:

Procurement
- Amending the Code of Procurement (see Appendix 1).
- Increasing the influence of the Procurement Manager.
- Improved reporting of procurement activity to COMT and this Panel.
- Enforcing the use of, and further developing the contracts register, so that it acts as an internal control mechanism.
- Amending the Code of Financial Management (see Appendix 2)
- Signing up to the Prompt Payment Code (see Appendix 3)

Employees' Code of Conduct
- Rewrite and re-launch the code of conduct as an employee handbook.
- Introduce a code of ethics that will refer to the seven principles of public life.
- Policies associated with the handbook to be made available in one location.
- Formal 'sign up' to the handbook by all employees.
- All breaches of the handbook will be treated in accordance with the disciplinary procedures.

Changes to the employee handbook will need to be discussed with Staff Council. Changes to the Employees' Code of Conduct, will require the approval of this Panel. It is anticipated the handbook will be in use from April 2014.

Financial implications

There are no financial implications arising from the report.

Recommendation(s):

It is recommended that the Panel:

1. Recommend to the Council that they endorse the revised Code of Procurement as detailed in Appendix 1;

2. Recommend to the Council they endorse the revised Code of Financial Management as detailed in Appendix 2;

3. Recommend to the Council that it applies to become a signatory to the Prompt Payment Code as endorsed by the Department for Business Innovation & Skills; and

4. Note the actions that COMT have agreed with regard to the employees' handbook.

1. BACKGROUND TO THE REPORT

1.1 A recent internal audit investigation into procurement practices, highlighted procedural and control weaknesses in application of the Code of Procurement, shortcomings in compliance with the Employees' Code of Conduct and a small number of associated supporting processes.

1.2 The Internal Audit Manager submitted a report to the Chief Officers' Management Team (COMT) that suggested a number of actions to improve controls and reduce the likelihood of similar events reoccurring. COMT agreed all of the actions that were proposed.

1.3 In order to introduce a number of the actions, changes are required to the Code of Procurement and Code of Financial Management. These changes require the approval of the Panel before they can be considered by Council.

2. PROCUREMENT MATTERS

2.1 Three changes are being proposed to the Code of Procurement to deal with the following circumstances:

1. Contractors appearing to have undue and inappropriate influence on the tendering process;
2. Providing clarity to contractors as to the bid evaluation method that is to be followed; and
3. Ensuring that Officers do not procure goods or services unless they have undertaken training and have a full understanding of the how the Code of Procurement is to be applied in respect of the procurement activity they wish to undertake.

2.2 The changes proposed are set out in full in Appendix 1. The main changes to the Code are contained in paragraph's 1.2, 1.3, 5.9, 6.2, 10.7 and 17.2. Minor consequential changes have been made in paragraph re-numbering and cross referral.

2.3 In addition to changes to the Code of Procurement, a number of initiatives are to be introduced.

1. Managers will be required to inform the Procurement Manager of the procurement exercises they intend to undertake. The Procurement Manager will use this information to determine his own work programme and develop reports for submission to COMT and the Panel on the procurement activity.

2. An overarching procurement strategy will be written. This will, amongst other issues, set out the long term strategic approach to procurement, how the procurement structure will deliver year on year efficiencies and savings, provide greater visibility and understanding of the procurement function and raise overall awareness of the complex regulatory framework in which procurement operates.

3. The Procurement Manager will continue to provide both general and targeted training to Managers at all levels on procurement practices, the Code of Procurement and the e-marketplace.

4. Changes to the Contracts Register are being investigated to improve controls that deal with the approval of contract terms and conditions. These changes will reduce the likelihood of documents being issued to contractors without being scrutinised and/or approved by either Legal Services or the Procurement Manager.

5. The Council has a target of paying all invoices within 28 days of receipt. Invoices can be paid sooner in urgent cases. The controls that govern the early payment of invoices are to be reviewed to ensure that they are being used properly and only when required. COMT have also agreed that the Council should apply to become a signatory to the Prompt Payment Code (Appendix 3).

3. EMPLOYEE HANDBOOK

3.1 The Employees Code of Conduct is to be re-written. An employee handbook will be prepared. The handbook will deal with Code of Conduct matters and contain a Code of Ethics which will cover both the current key values and behaviours and the seven principles of public life (Nolan principles).

3.2 The handbook will also reference those related policies and procedures that employees are required to adhere to, e.g. acceptable use of IT resources, data protection/freedom of information, health and safety, as well as new policies, e.g. the use of social media.

3.3 Whilst accepting that not all employees have network access, the initial aim is for the handbook to be held and updated electronically. All employees will be required to 'sign up' to the handbook on an annual basis to indicate their acceptance of its contents.

Some employees may be reluctant to 'sign up' in this way; a training/education programme will be delivered to explain the standards of behaviour and conduct that is expected. Breaches of the handbook will be dealt with in accordance with the Disciplinary Policy and Procedure.

4. CODE OF FINANCIAL MANAGEMENT

4.1 One of the difficulties experienced during the internal audit review was identifying payments against the correct contract. This caused difficulties with cross checking payments to the Contracts Register.

4.2. It has been accepted that the specific Contract Register reference number shall be recorded on all contractual payments, rather than continue with the freeform narrative. This change requires an amendment to be made to paragraph 5.3 of the Code of Financial Management. For ease of reference, this is included at Appendix 2.

5. TIMETABLE FOR IMPLEMENTATION

5.1 Any changes to the Code of Procurement and Code of Financial Management will be reported to the Council meeting on 13 November 2013. They will be adopted from that date if approved.

5.2 It is anticipated that the employee handbook will be completed and launched by April 2014.

6. LIST OF APPENDICES INCLUDED

Appendix 1 – Code of Procurement
Appendix 2 – Code of Financial Management (extract)

BACKGROUND PAPERS

Enhancing Control – Report to COMT, 2 August 2013

CONTACT OFFICER

David Harwood. Internal Audit Manager
Tel No. 01480 388115

Code of Procurement
Proposed Changes

1. INTRODUCTION

1.1 The Code of Procurement defines the regulatory and legal framework for procurement. It has been adopted in accordance with the requirements of Section 135 (2) of the Local Government Act 1972.

1.2 Throughout the Code, reference to Manager shall mean **Managing Director**, Assistant Director, Head of Service, General Manager, Service Manger or **Team Manager** as appropriate. **A Manager shall be responsible for procuring all goods and services that require the quotation or tender procedures as set out in this Code to be followed.**

1.3 **No Manager shall procure any goods or services valued at £5,000 or more unless they have attended training provided by the Procurement Manager and consider themselves to have such detailed knowledge and understanding of this Code and how it shall be applied in respect of the total value of the procurement being considered.**

1.4 This Code applies to the procurement, commissioning, hire, rental or lease of -

a. land and buildings, roads or other infrastructure;
b. vehicles or plant;
c. equipment, furniture and fittings;
d. construction and engineering works;
e. information and communication technology - hardware and software;
f. goods, materials and services;
g. repairs and maintenance;
h. consultants, agents and professional services.

1.5 This Code does not apply to purchases made from internal management units.

1.6 The Code applies also to the sale of assets and goods by the Council where the appropriate Manager estimates that the assets, goods or services to be sold exceed £1000. Where the value is estimated to be less than £1000 then the ‘Sale of Equipment’ procedures contained within the Inventory procedures shall be followed.

1.7 The Council includes the Cabinet, Panels, Committees or other body or person(s) acting in accordance with delegated authority on behalf of the Council.

1.8 All procurements or sales made by or on behalf of the Council shall comply with this Code, subject to any overriding requirements of the Council’s Rules of Procedure and Code of Financial Management and British or European Union law or regulation.

1.9 Throughout the Code, reference to contractor(s) or sub-contractor(s) shall mean any person, company or supplier who has -

a. requested to be on an approved or ad-hoc approved list of tenderers;
b. been approached to provide a quotation or tender;
c. provided a quotation or tender; or
d. been awarded a contract in accordance with the provisions of this Code.

1.10 The Assistant Director (Finance & Resources) shall annually review all the financial values contained in the Code to take account of the impact of inflation. The Assistant Director (Finance & Resources) shall inform all Managers of any amendments to the values prior to the 1st April from which they shall be operative.

2. REPORTING PROCEDURES AND EU COMPLIANCE

2.1 EU Procurement Directives require the Council, to report procurements likely to exceed EU thresholds, both at the start of the year and on an ad-hoc basis as new or changed requirements arise. The EU thresholds (as at 1 January 2012) are:

Threshold	Supplies	Services	Works
£ Sterling	£ 173,934	£ 173,934	£ 4,348,350
€ Euro	€ 200,000	€ 200,000	€ 5,000,000

2.2 **Financial Year Start Reporting**

No later than the 1 April each year, Managers shall:

a. provide the following information to the Procurement Manager -
   i. Details of each contract expected to be advertised in the following year;
   ii. An estimate of the total value for each discrete procurement area where the spend is likely to exceed £100,000;
b. advertise very brief details of each contract expected to be advertised in the following year. The advertisement shall take the form of a Prior Indicative Notice (PIN). The publishing of a PIN does not commit the Council, but can reduce timescales if the requirement is subsequently advertised through Official Journal of the European Union (OJEU).

A PIN is also required if the estimate of the aggregated value of the contracts for a given coding class exceeds the published PIN thresholds:

Threshold	Supplies	Services	Works
£ Sterling	£ 653,253	£ 653,253	£ 4,348,350
€ Euro	€ 750,000	€ 750,000	€ 5,000,000

Through Year Reporting

2.3 Managers shall report, using a PIN where time permits, new or additional requirements likely to meet or exceed EU thresholds as they arise.

End of Year Reporting

2.4 ~~Department of Communities and Local Government seeks a report each year from all Councils regarding contracts awarded through OJEU during the previous year.~~ By the 30 April each year, Managers shall provide the Procurement Manager with the following details for contracts placed through OJEU procedures -

a. Common Procurement Vocabulary (CPV) code. (The CPV is a standardised single classification system for public procurement to identify the subject of a contract and is detailed on the OJEU notice);
b. Provider (contractor) Nationality;
c. Award Procedure (from the OJEU notice);
d. Justifications if Negotiated procedure; and
e. Value.

3. CONTRACTS REGISTER

3.1 Managers shall keep a record, using the Contracts register, of

a. all tenders and quotes greater than £5,000;
b. the reasons (if appropriate) for not advertising on the Council's 'Latest Opportunities' internet site;
c. all those contractors that were requested to quote or tender;
d. the reasons why those particular contractors were selected to quote or tender;
e. if applicable, the reasons why less than three contractors were selected to quote or tender;
f. contract renewal date (if appropriate); and
g. file or other reference to the contract and location of the hard copy.

4. METHODS OF ORDERING

4.1 All orders shall be placed through one of the following recognised methods:

a. An order raised on the e-marketplace.
b. A procurement card order.
c. A manual purchase order.
d. A purchase order raised on the financial management system.

4.2 Where there is an exception requirement and the relevant Assistant Director or Manager considers that the work is of an emergency nature necessary to enable the service to continue and none of the ordering methods are suitable, the relevant Assistant Director or Manager shall record the details of the exceptional requirement and the action taken for future audit.

5. 'BEST VALUE' AND SOURCING POLICY

5.1 The Council seeks 'Best Value' in all procurement activity. 'Best Value' being:

a. The opportunity to obtain leverage (better prices and) for volume.
b. Regulatory compliance.
c. Transparent and efficient procurement processes.
d. Appropriate social, environmental and equality outcomes.
e. Minimum procurement over.

5.2 Sourcing policy is determined by the needs of 'Best Value' and in order of preference is:

a. Adopted catalogues or framework contracts

   An adopted catalogue or framework is the preferred contract for the Council's business within a defined category (a type or group of goods or service). The Procurement Manager shall make available adopted catalogues or framework contracts on the e-marketplace or publish details of the contract or framework in Procurement Protocols & Guidelines. Managers shall ensure that orders for such categories are placed through the e-marketplace using appropriate 'adopted' catalogue or framework contract. The Procurement Manager shall keep under review the continued suitability of any such catalogues, contracts or framework agreements.

b. Collaborative procurements with other public bodies or authorities.

c. Council let corporate contracts.

5.3 Some categories are managed corporately by specialist areas. The Procurement Manager shall provide a list of specialist categories and Managers shall ensure all requirements for such categories are referred to the relevant specialist.

Tenders

5.4 Nothing in this Code shall require tenders to be sought: -

a. for purchases made from a Purchasing Agent (ESPO, Government Procurement) where:
    i. there is a single supplier 'call-off contract' or catalogue created with fixed prices, or
    ii. the contract is created to our requirements;
b. for purchases through local authority, government body or agency, police, health or other similar public authority, where the procurement rules of that organisation have been approved by the Procurement Manager and the contract is created in co-operation, agreed joint requirements or partnership;
c. for purchases made at public auction;
d. where the relevant Assistant Director or Manager -
    i. considers that the work is of an emergency nature or is necessary to enable the service to continue; or
    ii. with the Assistant Director (Finance & Resources) agreement, considers that it is in the Council's best interest in negotiating a further contract for works, supplies or services of a similar nature with a contractor who is currently undertaking such work.

The relevant Assistant Director or Manager shall report details of all work awarded under 5.4 d above to:

i. the Head of Legal & Democratic Services who shall make a record in a register kept for that purpose; and
ii. the next meeting of Cabinet.

5.5 Any procurement estimated to exceed £50,000, which is not covered by the exceptions in paragraph 5.4 above, must be referred to the Procurement Manager before the procurement process is commenced. If a Manager does not wish to accept the Procurement Manager's advice on any significant aspect the matter will be determined by the relevant Assistant Director. The discussion will cover:

a. Scope and objectives of the procurement;
b. Budget and costing;
c. Tender methods;
d. Product and market information;
e. Timescales; and
f. Deliverables.

5.6 Where there is no adopted contract or framework, Managers shall, wherever practicable, seek to maximise contract values with other Managers to secure lower costs. The Council nevertheless wishes to balance the effort of going to the market with the effort and efficiency of the procurement process. Managers after determining the proposed contract's total value shall then follow one of the procurement procedures detailed below. These procedures shall be used in all procurements or sales bar those exceptions at paragraph 5.4.

Estimated Total Value of Procurement	Requirement
Up to £5,000	At least 1 written estimate or offer (e-marketplace, email, web or paper) shall be sought and recorded. Further estimates or offers should be sought where a Manager considers that there is reasonable possibility that this could result in a saving to the Council.
£5,001 to £50,000	At least 3 written quotations or offers shall be invited, unless the Managers has complied in full with paragraph 6.1e of this Code. The Manager will consider whether the nature of the procurement is such that a full competitive tendering would be likely to be beneficial to the Council by reducing cost (by more than the cost of tendering) or risk.
£50,001 to European Union Procurement Threshold	Competitive tenders shall be obtained using one of the tendering options in this Code, and a formal written contract prepared in accordance with paragraph 11.2.
Above the EU Threshold specified below	The appropriate EU procurement directive shall be complied with.

5.7 Total value is the cost of all elements of the procurement (e.g. installation, testing, training, maintenance, etc). The Manager shall ensure that a procurement is not split or otherwise disaggregated and may choose to competitively tender requirements less than £50,000.

5.8 Achieving 'Best Value' needs valid competition and valid competition is dependant on the existence of an 'open' market with the selected contractors having the interest, capability and capacity for the work or business being offered. Wherever possible a minimum of three competitive tenders or quotations shall be sought. In selecting contractors to provide a tender or quotation Managers shall ensure that wherever possible -

a. the selection process they are using is fair and equitable, and that no favouritism is shown to any one contractor (e.g. the requirement is not an extract of a contractor's product specification).
b. checks are made to ensure that contractors are interested in this type of business;
c. repeat or 'automatic' invitations to the 'same' contractor or group of contractors are avoided, particularly where previously invited to bid and had failed to do so;
d. 'new' contractors are sought and invited to tender or quote;
e. the geographic area of the search for potential contractors is widened; and .
f. 'no-bids' are checked for the reasons for a contractor's failure to bid.

5.9 A Manager shall not invite quotations or tenders from any contractor or sub-contractor who has participated in the preparation of documentation or were involved in other preparatory work for the contract, unless they:

a. Have sent an email to the Head of Legal and Democratic Services clearly setting out the contractor/sub-contractor involvement and

expressly stating why this does not constitute an unfair competitive advantage or a conflict of interest; and

b. Receive an email response from Head of Legal and Democratic Services the clearly agrees to the inclusion of the contractor/sub-contractor in the quote/tender process.

6. TENDER AND FORMAL QUOTATION PROCEDURES

Tendering and Formal Quotation Options

6.1 Managers shall select one of the following procedures. If any alternative procedure is proposed then approval of the Cabinet is required before the proposed procedure is followed. ~~In selecting contractors to invite to tender Managers shall comply with paragraph 5.8~~ ~~**and 5.9.**~~

Option	Requirement
(a) **Framework**	All contractors on the framework (or lot if split into lots) shall be invited to submit a tender or quotation. No public notice is required and general Terms & Conditions are set in the original framework contract but additional Terms & Conditions specific to the requirement may be permitted. Vetting (paragraph 6.3) is not normally required as the contractor was vetted as part of the original framework competition.
(b) **List of Approved Tenderers**	Tenders shall be invited from at least three contractors selected from an approved list established in accordance with paragraph 7 of this Code. Vetting (paragraph 6.3) is not normally required as the contractor was vetted to join the list.
(c) **Open Tenders**	Public notice shall be given in one or more newspapers and/or in an appropriate trade journal. The notice shall state the nature and purpose of the contract, where further information and documentation can be obtained, and state the closing date for the process. Where the Manager is satisfied that Expressions of Interest received from a Contracts Register Notice represent contractors with genuine interest and capacity, then no further public notice is required. An Invitation to Tender (ITT) or Request to Quote (RFQ) is sent to all contractors expressing an interest. All ITTs and RFQs shall include an appropriate questionnaire to permit vetting of contractors in accordance with paragraph 6.3 of this Code.
(d) **Restricted Tenders & Quotations**	The requirement to advertise is the same as paragraph 6.1 (c) above. ITTs or RFQs are *restricted* to a shortlist of contractors selected after vetting in accordance with paragraph 6.3 of this Code.

(e) **Single Tenders or Quotations**	A Manager after consulting the Head of Legal & Democratic Services may obtain a single tender or quotation when: a. Prices are wholly controlled by trade organisations or government order and no reasonably satisfactory alternative is available. b. Work to be executed or goods, services or materials to be supplied consist of repairs to or the supply of parts of existing proprietary machinery, equipment, hardware or plant and the repairs or the supply of parts cannot be carried out practicably by alternative contractors. c. Specialist consultants, agents or professional advisers are required and i. there is no satisfactory alternative; or ii. evidence indicates that there is likely to be no genuine competition; or iii. it is in the Council's best interest to engage a particular consultant, agent or adviser. iv. Products are sold at a fixed price, and market conditions make genuine competition impossible d. The proposed contract shall form part of a serial programme. The contract terms shall be negotiated with a contractor, using as a basis for negotiation the rates and prices contained in an initial contract that was awarded following a competitive tendering process that complied with this Code. No more than two serial contracts shall be negotiated from an initial contract. e. No satisfactory alternative is available. If the single quote/tender option is used, the Manager shall: i. seek approval of the Head of Legal & Democratic Services who shall make a record in a register kept for that purpose; ii. retain records that demonstrate that the best price or value for money has been obtained from the negotiations with the contractor. f. A Manager can approve a single tender for ongoing maintenance of propriety systems provided: i. there is evidence that it is a propriety system; ii. the initial contract award was compliant **with this Code**;

	iii. the renewal is for a period not greater than 4 years (this is the time interval the EU uses to calculate contract value for ongoing contracts); iv. the ongoing value does not exceed the EU threshold; and v. the direct award is recorded in the single tender register.

Invitations To Tenders and Requests for Quotations

6.2 Mangers shall ensure that all ITTs and RFQs include;

a. approved contract terms in accordance with paragraph 11.2 of this Code;
b. the following statement regarding Freedom of Information Act 2000 ~~(FOIA)~~ compliance:
   "All information supplied to the Authority will be subject to the provisions of the Freedom of Information Act 2000 and as such may be disclosed by the Authority when required to do so under the Act. When such disclosure is necessary the Authority shall use reasonable endeavours to consult with the provider of the information prior to disclosure."
c. **within the tender/quotation document that the contractor or sub-contractor has to submit, a clear statement that explains if the bid is to be evaluated on the basis of lowest price or the most economically advantageous basis.**

Selection Criteria

6.3 The selection of contracts and vetting of contractors shall be undertaken in the following manner.

a. Manager shall undertake sufficient vetting to ensure that all contractors
   i. comply with minimum standards of Insurance;
   ii. have the necessary Health & Safety policy and performance and (where applicable) membership of the Contractor's Health and Safety Scheme or equivalent health and safety standard;
   iii. are financial viable based on a risk based assessment;
   iv. have an appropriate environmental policy;
   v. comply with equalities legislation and policy; and
   vi. possess the experience and capacity required.

b. The Procurement Manager shall provide an appropriate questionnaire for the purpose of vetting contractors.

c. Managers wishing to have a Pre-Qualification Questionnaire returned in electronic format (Excel) must tell bidding suppliers to use the designated email address "procsupport@huntingdonshire.gov.uk" and inform the Procurement Manager of the closing date. The Procurement Manager shall forward the Pre-Qualification Questionnaires to the Manager after the closing date.

Evaluation Criteria

6.4 Except to the extent that the Cabinet in a particular case or specified categories of contract otherwise decides, all formal quotations or tenders that are being sought shall:

a. be based on a definite written specification, which shall include environmental performance (where relevant to the requirement) including:
   i. low energy and water consumption.
   ii. elimination of substances hazardous to health and the environment.
b. include award criteria, which if it is not to be the lowest price, shall be agreed by **an Assistant Director or the Managing** ~~the appropriate~~ Director;
c. include specific weightings applied to individual award criteria.
d. if appropriate, include a requirement for a performance bond and liquidated damages

Non-Traditional Procurement

6.5 If a Manager believes that by following one of the procurement procedures detailed in paragraph 5.6 above, that the procurement process will not provide him with the most appropriate method of delivery, the most competitive prices, allow for continuous improvements in delivery, or stifle procurement innovation, then he may suggest alternative procurement strategies.

The Manager shall produce in accordance with guidance issued by the Head of Legal & Democratic Services and prior to proceeding with the procurement, a written procurement strategy that shall be approved by the Assistant Director (Finance & Resources) and the Cabinet.

7. LISTS OF APPROVED TENDERERS

7.1 The Council uses 2 types of list of approved contractors:

a. Third party vetted lists of contractors that are compiled and maintained by an external organisation. Only external organisations approved by the Head of Legal & Democratic Services, after consultation with the Assistant Director (Finance & Resources) and the other relevant Manager(s) shall be adopted. The Procurement Manager shall ensure that the external organisation and approved list of contractors is detailed in Procurement Protocols & Guidelines.

b. Ad-hoc list of approved tenderers. If a Manager believes that the approved list of tenders does not allow him to obtain sufficient competition for 'Best Value', the Manager shall write to the Head of Legal & Democratic Services and the **Procurement Manager** ~~Assistant Director (Finance & Resources)~~ seeking approval to source additional contractors or create an ad-hoc list of approved tenderers.

7.2 Subject to approval as required in paragraph 7.1(b) the Manager shall:

a. issue a public notice inviting applications for inclusion on a specific approved list for the supply of goods, services or materials.
b. vet (as detailed at paragraph 6.3) all contractors replying to the public notice or who have requested within the previous 12 months to be considered for work of a similar nature;

c. only include contractors satisfactorily completing the checks;
d. ensure the ad-hoc list shall only be used for seeking tenders for the supply of goods, services or materials specifically detailed within the original public notice;

7.3 The Head of Legal & Democratic Services in conjunction with the Assistant Director (Finance & Resources) and relevant Managers shall review the continued suitability of any List of Approved Tenderers periodically and at least prior to the third anniversary of its initial or further adoption.

8. SUB-CONTRACTS AND NOMINATED SUPPLIERS

8.1 Quotations or tenders for sub-contracts to be performed or for goods, services or materials to be supplied by nominated sub-contractors shall be invited in accordance with this Code.

8.2 The relevant Manager is authorised to nominate to a main contractor a sub-contractor whose quotation or tender has been obtained in full accordance with this Code.

9. RECEIPT AND OPENING OF TENDERS AND QUOTATIONS

9.1 Where tenders or quotations are invited in accordance with this Code no tender or quotation will be considered unless -
a. contained in a plain envelope which shall be securely sealed and shall bear the word “Tender” or “Quotation”, the Unique Reference Number (URN) from the Contracts Register followed by the subject to which it relates; or
b. the tender or quotation has been received via the e-marketplace ‘sealed quote’ facility; or
c. it has been sent electronically to a specific e-mail address, which the appropriate Manager shall obtain from the IMD Service Manager.

9.2 Further to paragraph 9.1 above -
a. the envelope shall not bear any distinguishing matter or mark intended to indicate the identity of the sender. Contractors shall be notified accordingly. Such envelope shall be addressed impersonally to the Head of Legal and Democratic Services if it contains a “Tender” or the appropriate Manager if it contains a “Quotation”; and
b. the IMD Service Manager shall ensure that the e-mail address is secure and can only be accessed by the Head of Legal & Democratic Services or officers specifically appointed by him.

9.3 All envelopes or e-mails received shall be kept securely and shall not be opened or accessed until the time appointed for their opening.

9.4 All tenders or quotations invited in accordance with this Code shall be opened at one time only and by at least two officers -
a. Tenders shall be opened by officers nominated by the Head of Legal & Democratic Services and by the appropriate Head of Service/Service Manager. The ~~Assistant Director (Finance & Resources)~~ **Procurement Manager** shall be notified of the time and place appointed for the opening.

b. Quotations shall be opened by the appropriate Manager and/or his nominee(s) **and one other Officer.** The Internal Audit Manager shall be notified of the time and place appointed for the opening.

9.5 All tenders or quotations upon opening shall be recorded in writing on either a tender **or quotation** opening record **unless the Contracts Register is being completed contemporaneously.** ~~or quotation record in the Contracts Register, as is appropriate.~~ The format of the opening record shall have been previously agreed with the Head of Legal & Democratic Services and Assistant Director (Finance & Resources). The Form of Tender or Quotation and any accompanying documentation shall be marked with the date of opening, and signed by all officers present at the opening. The tender or quotation opening record shall be signed by at least two officers present at the opening **and record the method that has been selected to evaluate the bids received. If the Contracts Register has been completed, then all of the required fields will be completed as per the guidance issued by the Procurement Manager.**

9.6 The original opening record shall be retained by the Head of Legal and Democratic Services in respect of tenders, and the relevant Manager in respect of quotations. **A copy of the opening record shall be provided to the Internal Audit Manager.**

9.7 Any tenders or quotations received after the specified time shall be returned promptly to the contractor by the Head of Legal and Democratic Services or his nominated officer in respect of tenders, or by the appropriate Manager or his nominated officer in respect of a quotation.

9.8 Late tenders shall be rejected once any other tender/quotation has been opened. The tender or quotation may be opened to ascertain the name of the contractor but no details of the tender or quotation shall be disclosed.

10. ACCEPTANCE OF TENDERS AND QUOTATIONS

10.1 The appropriate Manager shall evaluate all the tenders or quotations received in accordance with the award criteria set out in the bid documentation and shall accept, subject to the provisos set out in this paragraph, either -

a. the lowest priced tender or quotation; or
b. the most economically advantageous tender or quotation, as evaluated against the award criteria.

10.2 Tenders or quotations exceeding the approved estimate may only be accepted once approval to further expenditure is obtained.

10.3 If the lowest priced, or most economically advantageous quotation exceeds £50,000 but -

a. is within 15% of the original estimate, the appropriate Manager may accept the quotation without seeking further competition; or
b. is in excess of 15% of the original estimate then a competitive tender exercise in accordance with paragraph 6.1 above shall be carried out, unless the appropriate Manager has consulted and obtained the approval of the Head of Legal and Democratic Services, **the Procurement Manager** and relevant Executive Councillor that the quotation can be accepted.

10.4 A tender or quotation shall not be accepted -

a. where payment is to be made by the Council and -
    i. it is not the lowest priced tender or quotation, or
    ii. the most economically advantageous tender or quotation in accordance with the award criteria set out in the tender or quotation documentation; or

b. if payment is to be received by the Council and the tender or quotation is not the highest price or value;

c. unless -
    i. the Cabinet have considered a written report from the appropriate Head of Service/Service Manager, or
    ii. in cases of urgency, the Head of Legal and Democratic Services has consulted and obtained the approval of the relevant executive councillor. Tenders or quotations accepted in this way shall be reported by the appropriate Manager to the next meeting of the Cabinet.

10.5 Where post-tender negotiations have been undertaken in accordance with paragraph 10.6 below, the appropriate Manager shall only accept the lowest priced tender received. A tender other than the lowest shall not be accepted until the Cabinet have considered a written report from the appropriate Head of Service/Service Manager, and recommended acceptance of a tender other than the lowest.

Arithmetical Errors and Post-Tender Negotiations

10.6 Contractors can alter their tenders or quotations after the date specified for their receipt but before the acceptance of the tender or quotation, where examination of the tender or quotation documents reveals arithmetical errors or discrepancies which affect the tender or quotation figure. The contractor shall be given details of all such errors or discrepancies and afforded an opportunity of confirming, amending or withdrawing his offer.

10.7 Post-tender negotiations shall not be used to degrade the original specification unless:
    a. the capital or revenue budget is exceeded; or
    b. other special circumstances exist;

in which case the Head of Legal and Democratic Services **and Procurement Manager shall decide** which of those contractors who originally submitted a tender **or quotation** shall be given the opportunity to ~~re-tender.~~ **submit a further bid based upon a degraded specification. This decision shall be recorded in writing.**

10.8 In evaluating tenders, the appropriate Manager may invite one or more contractors who have submitted a tender to submit a revised offer following post-tender negotiations.

All post-tender negotiations shall-
    a. only be undertaken where permitted by law and where the appropriate ~~Head of Service/Service~~ Manager and Head of Legal and Democratic Services and Assistant Director (Financial & Resources) consider additional financial or other benefits may be obtained which over the period of the contract shall exceed the cost of the post-tender negotiation process;

b. be conducted by a team of officers approved in writing by the ~~appropriate Heads of Service/Service Manager,~~ Head of Legal and Democratic Services and Assistant Director (Financial & Resources);

c. be conducted in accordance with guidance issued by the Head of Legal and Democratic Services; and

d. not disclose commercially sensitive information supplied by other bidders for the contract.

~~Post-tender negotiations shall not be used to degrade the original specification unless the capital or revenue budget is exceeded, or if appropriate Head of Legal and Democratic Services considers other special circumstances exist, in which case all those contractors who originally submitted a tender shall be given the opportunity to re-tender.~~

10.9 The appropriate Manager shall ensure that all post-tender negotiation meetings are properly minuted with all savings and benefits offered clearly costed. Following negotiations but before the letting of the contract, amendments to the original tender submitted shall be put in writing by the contractor(s) and shall be signed by him

11. TERMS OF BUSINESS AND THE FORM OF CONTRACTS

11.1 All orders placed by the Council shall be on the Council's Terms and Conditions (T&Cs). Managers shall not use Contractor's documentation to order, acknowledge, instruct to proceed or make any other commitment where the documentation makes any reference to the Contractor's T&Cs. Where a contractor formally insists on trading on T&Cs other than the Council's T&Cs, the Procurement Manager shall be informed, except for -

a. Any contract where the estimated total value is likely to exceed £50,000, paragraph 11.2 shall apply.
b. Any framework or contract formally adopted by the Council.
c. Purchasing Agency (e.g. ESPO, Government Procurement) arranged contracts and orders.
d. Orders of a total value of less than £ 5,000 where the goods or service are purchased on a 'retail' basis on terms available to the general public.
e. Orders for software where the licence is for 'standard' product but not where customisation, development or on-site service is required for the 'standard' product.

11.2 Every contract that exceeds £50,000 in value shall be in writing in a form approved by the Head of Legal and Democratic Services who shall also determine the format of any contract for a lesser value. Managers shall ensure that advice of the Head of Legal and Democratic Services is sought at a stage as early as practicable (normally before the issue of an Invitation to Tender).

11.3 In the case of any contract for the execution of works or for the supply of goods, services or materials, the Manager after consulting with the Assistant Director (Finance & Resources) and the Head of Legal and Democratic Services shall consider whether the Council should require security for its due performance and shall either certify that no such security is necessary or shall specify in the specification of tender the nature and amount of the security to be given. In the latter event, the Council shall require and take a bond or other sufficient security for the due performance of the contract.

11.4 Managers shall produce the final version of all contracts in 2 copies and present both to the Authorised Officer for signature. Once signed by the contractor, the signed contract, all original documents, including specifications, drawings, tender documents and correspondence relating to a contract exceeding a total value of £50,000 shall be forwarded by the Head of Legal and Democratic Services. Where the total value of the contract is less than £50,000 the relevant Manager shall make arrangements for the retention of all the original documentation.

11.5 Managers shall maintain a record (in the form detailed in the Procurement Protocols & Guidance) for their area of each contract or agreement (both written and verbal agreements).

11.6 Managers shall include the specific T&Cs listed in the Procurement Protocols & Guidance in all contracts. Where a Manager considers a term or condition inappropriate they shall seek advice of the Head of Legal and Democratic Services on the modification or deletion of the term or condition.

12. LETTERS OF INTENT

12.1 Letters of intent provide a contractor with the authority to proceed prior to the award of a contract. However, letters of intent have two main disadvantages:-

a. if the contract is not awarded the contractor is entitled to payment regardless as to whether the work was actually needed;
b. the Council's negotiating position is weakened as the contractor may believe actual award of contract is a formality and therefore, the contractor may refuse to accept conditions that are seen as disadvantageous.

12.2 Managers shall ensure that:-

a. all letters of intent are in a form approved by Head of Legal and Democratic Services; and
b. all letters of intent are signed by an Authorised Officer with sufficient authority for either the value of the intended contract or the estimated value of any 'extension' period defined in the letter of intent.

13. POST-TENDER DEBRIEFS

13.1 For all contracts greater than £5,000 Managers shall maintain records of selection and evaluation scoring and where requested by participating suppliers, provide a suitable post-tender debrief. For contracts greater than £50,000, the advice of the Procurement Manager shall be sought on the format and scope of the debrief

14. LOCAL GOVERNMENT ACT – COMMUNITY RIGHT TO CHALLENGE

14.1 The Local Government act permits relevant bodies (charities, community bodies, town & parish councils and staff) to submit Expressions of Interest to provide Council services. The Procurement Manager shall maintain and publish a timetable for the submission of Expressions of Interest. All Expressions of Interest received from relevant bodies should be forwarded to the Information and Research Officer.

15. RETENTION OF DOCUMENTS

15.1 Managers shall ensure that every contract or quotation is assigned the Unique Reference Number (URN) from the Contract Register, which is to be used in all correspondence. Any Division or reference may be included in addition to the URN shall comprise abbreviation for the Division and year. Formal amendments to a contract or order should also be given unique numbers showing the order in Which the amendments were made.

15.2 Documentation retention periods are dictated by the Statute of Limitations and (where applicable) EU requirements. The following rules apply:-

a. retention for 12 years from the date of completion of the contract for contracts made under deed;
b. retention for 6 years from the date of completion of the contract:-
    i. Contract Documents
    ii. Hire/Rental Agreements
    iii. Successful Tenders
    iv. Summary of Tender Opening
    v. Disposal Board papers
    vi. All selection and evaluation scoring and reports
    vii. Goods Received Notes
    viii. HM Customs and Excise Import documentation
    ix. Invitations to Tender/Quotation Requests
    x. Maintenance/Software licence agreements
    xi. Specifications
    xii. Successful Quotations
    xiii. Suppliers' Advice Notes;

c. retention for 3 years after the last entry:-
    i. Stock and Purchase Record Cards or Registers

d. retention for 2 years after the financial year to which the document relates:-
    i. Unsuccessful Quotations.
    ii. Unsuccessful Tenders.

16. FREEDOM OF INFORMATION ACT 2000 (FOIA)

16.1 Managers shall ensure that the handling of requests for procurement information complies with the detailed guidance published as Procurement Protocols & Procedures and the general FOIA guidance published by the Council's Freedom of Information Officer.

17. CONSULTANTS

17.1 It shall be a condition of the engagement of any consultant, agent or professional adviser who is to be responsible to the Council for the management or supervision of a contract on its behalf, that in relation to that contract he shall -

a. comply with this Code as though he were an employee of the Council;
b. at any time during the carrying out of the contract produce to the appropriate ~~Head of Service/Service~~ Manager, on request, all the records maintained by him in relation to the contract; and

c. on completion of the contract transmit all records that he has produced or received that relate to the contract to the appropriate ~~Head of Service/Service~~ Manager.

17.2 The Manager responsible for appointing any consultant, agent or professional adviser under paragraph 17.1 shall provide them with a copy of this Code.

18. PROCUREMENT TRAINING

18.1 The Procurement Manger shall create, maintain and arrange the delivery of training for Officers undertaking procurement duties.

18.2 Managers shall ensure that all Officers ~~routinely~~ undertaking purchasing or procurement duties **where the gross value of the procurement is £5000 or more shall** have undertaken appropriate training.

18.3 LGSS HR and Payroll Services shall arrange to record the details of staff that have completed suitable procurement training.

End of Code.

Code of Financial Management
Proposed Changes

5.3 **Records**

Each Budget Manager is responsible for maintaining records of financial transactions and commitments and employee time, in forms agreed with the Head of Financial Services, and for ensuring that all financial transactions are properly recorded in the appropriate financial period and to an appropriate account within the Council's Financial Management System.

In respect of all contractual payments where the contract was required to be recorded on the Contracts Register in accordance with paragraph 3.1 of the Code of Procurement, the Budget Manager shall ensure that all invoices or payment records authorised for payment shall include in the 'Our Reference' field in Council's Financial Management System (e-financials), the unique Contract Register reference. This number shall be in the same format/style as allocated by the Contract Register.

End of changes proposed.

Prompt Payment Code

The prompt payment code is administered by the Institute of Credit Management on behalf of the Department for Business Innovation & Skills.

Code signatories undertake to:

Pay suppliers on time

- within the terms agreed at the outset of the contract
- without attempting to change payment terms retrospectively
- without changing practice on length of payment for smaller companies on unreasonable grounds

Give clear guidance to suppliers

- providing suppliers with clear and easily accessible guidance on payment procedures
- ensuring there is a system for dealing with complaints and disputes which is communicated to suppliers
- advising them promptly if there is any reason why an invoice will not be paid to the agreed terms

Encourage good practice

- by requesting that lead suppliers encourage adoption of the code throughout their own supply chains

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Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	**Approval for Publication of the 2012/13 Annual Governance Statement and Annual Financial Report**
Meeting/Date:	Corporate Governance Panel – 26 September 2013
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Assistant Director (Finance and Resources)
Ward(s) affected:	All Wards

Executive Summary:
The Council is required by statute to produce both an Annual Governance Statement and an Annual Financial Report. Both of these documents are produced in line with statutory regulation and are required to be approved by “those charged with governance” and published by the 30th September.

In order to approve the accounts the Council must:

- Consider the “draft” Auditors Report (Section 3) which comments on the auditor’s findings on the accounts and their view on value for money. Both the accounts and the Value for Money position of the Council are expected to receive an unqualified audit opinion.
- Approve the Annual Governance Statement (Section 4) which includes some significant areas for improvement; including performance management, budgetary control, partnership engagement, annual reporting, project management, procurement and relationships with LGSS. Where appropriate there are actions to be taken.
- Approve the Letter of Representation (Section 5)
- Approve the Annual Financial Report and authorise the Panel’s Chairman to sign them on behalf of the Council (Section 6)

Provision is made for the audit fees within existing budgets.

Recommendation(s):
It is recommended that the Panel:

- Receives the Draft Auditor’s ISA 260 report (Appendix A).
- Approves the Annual Governance Statement (Appendix B) and authorise the Executive Leader and Managing Director to sign the Statement on behalf of the Council.
- Approves the Letter of Representation (Appendix C) and authorises the Assistant Director (Finance and Resources) to sign it on behalf of the Council.
- Approves the Annual Financial Report (Appendix D) and authorises the Chairman of the Panel to sign the accounts on behalf of the Council.

1. PURPOSE

1.1 To complete the processes for finalising and publishing both the Council's Annual Governance Statement and Annual Financial Report for 2012/13.

2. BACKGROUND

2.1 The Panel is designated as "those charged with governance" and consequently, is required to approve both the Annual Governance Statement and Annual Financial Report prior to publication, which has to be achieved by the statutory deadline of the 30th September. To do this the Panel needs to follow the stages in the order shown in this report.

3. RECEIVING THE DRAFT AUDITORS REPORT (ISA 260 REPORT)

3.1 This will be presented to the meeting by the Council's external auditors, PricewaterhouseCoopers LLP (PWC) and is attached as Appendix A.

3.2 The main issues that have been raised within the report, relating to both the Annual Governance Statement and the Annual Financial Report are:

Annual Governance Statement

- Culture of control and compliance.
- Financial position.
- Project management.
- Procurement and Contracting.

Annual Financial Report

- Cut-off treatment for housing and council tax benefit payments.
- Treatment of trading operations.
- Bank reconciliations.
- Pensions liability

3.3 With regard to the Annual Financial Report, all of the changes that the external auditor has requested have been made. Since the Annual Financial Report was approved in June 2013, the General Fund Reserve has increased by £0.195m. The pre-audited accounts had cautiously assumed that a reduction in the bad debts provision should be spread over two years to ensure that the economic position did not worsen. The auditors have requested that this adjustment should not take place over two financial years but should be wholly accounted for within 2012/13.

3.3 In addition to reviewing the Annual Financial Report, the auditors are required to give a view on Value for Money within the Council.

3.4 The auditors anticipate an unqualified opinion in respect of both the Annual Financial Report and the Value for Money conclusion.

3.5 The enclosed draft report was only finalised on 18th September and so there has not been time to produce a commentary on the main issues raised. This will be circulated as soon as possible.

4. APPROVE THE ANNUAL GOVERNANCE STATEMENT

4.1 The Council is required to review once a year the effectiveness of its system of internal control and following that review, approve its annual governance statement. The governance statement will be published alongside the annual statement of accounts and is shown at Appendix B.

4.2 Two informal meetings have been held with the Panel. At the first the evidence supporting the Code of Corporate Governance was considered, whilst at the second the draft governance statement was reviewed. The Panel have been robust in challenging the information presented to them.

4.3 The governance statement includes six significant areas for improvement.

- Develop the themes and aims contained in the Leadership Direction through Service Plans, performance measures and reporting and links to employees key performance targets.

- Improve budget holders financial competency and awareness for good budgetary control and management.

- Reinvigorate engagement with the Huntingdonshire Strategic Partnership through the Huntingdonshire Matters process to create a vision around collaborative working.

- Introduce an annual report from the 2013/14 financial year to be published alongside the statutory accounts.

- Improve the management and delivery of projects by introducing a project management tool-kit, that can be applied to projects across all levels of the authority.

- Continue to educate and train employees in good procurement and contracting practice to ensure that they understand how to act and comply with the requirements of the Code of Procurement.

4.4 These six issues notwithstanding, the governance arrangements and the internal control environment are considered to be operating effectively.

5. APPROVE THE LETTER OF REPRESENTATION

5.1 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. This is attached as Appendix C and it is "best practice" for the Panel to approve the content of this letter and then authorise the Assistant Director (Finance and Resources) to sign it on behalf of the Council.

6. APPROVE THE ANNUAL FINANCIAL REPORT

6.1 The Council is required to produce and approve by the 30th June an Annual Financial Report, which incorporates the Statement of Accounts. Then by the 30th September "those charged with governance" are required to approve and the Council is required to publish the accounts. The Annual Financial Report is attached at Appendix D and the Panel is asked to approve the accounts and authorise the Chairman to sign them on in its behalf. The issues that have been raised by the auditor in respect of the Annual Financial Report are detailed within paragraph 3. If there are any further changes subsequent to the issuing of this report, further commentary will be included in the note referred to in paragraph 3.5.

7 REASONS FOR THE RECOMMENDED DECISIONS

7.1 The process that has been followed in preparing both the Annual Governance Statement and the Annual Financial Report has been thorough and in line with statutory regulations.

7.2 The significant issues that have been identified for inclusion within the Annual Governance Statement are referenced within the statement and are a reflection of the current situation.

7.3 Both the Annual Governance Statement and the Annual Financial Report have been subject to external audit review by the Council's auditors, PricewaterhouseCoopers.

8. LIST OF APPENDICES INCLUDED

Appendix 1 – Auditor's Report – ISA 260 Report
Appendix 2 – 2012/13 Annual Governance Statement (TO FOLLOW)
Appendix 3 – Letter of Representation
Appendix 3 – 2012/13 Annual Financial Report

BACKGROUND PAPERS

<u>Annual Governance Statement</u>
Code of Corporate Governance
CIPFA/SOLACE Publications:
Delivering Good Governance in Local Government: Framework 2007
: Framework Addendum 2012

<u>Annual Finance Report</u>
Final Accounts and Working Papers
Code of Practice on Local Authority Accounting in the United Kingdom 2012/13
Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners 2012/13 Accounts

CONTACT OFFICER

Steve Couper, Assistant Director (Finance and Resources)
☎ 01480 388103

Clive Mason, Accountancy Manager
☎ 01480 388157

David Harwood, Internal Audit Manager
☎ 01480 388115

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Huntingdonshire District Council

Report to those charged with governance

Report to the Corporate Governance Panel of the authority on the audit for the year ended 31 March 2013 *(ISA (UK&I)) 260)*

Government and Public Sector

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26 September 2013

pwc

Contents

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

An audit of the Annual Financial Report 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.

Executive summary

Background

This report tells you about the significant findings from our audit. We presented our plan to you in March 2013; we have reviewed the plan and concluded that it remains appropriate.

Audit Summary

- We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the Annual Financial Report by 30 September 2013.
- At the time of writing this report the key outstanding matters, where our work has commenced but is not yet finalised, are detailed on page 7.
- Key judgments and findings which require the Corporate Governance Panel's attention are set out commencing on page 7.
- We would draw the Panel's attention in particular to our findings on pages 18-19 related to our work on procurement and project management, as part of our work on Value for Money.

We will update this report and issue a final version once we have completed our work. Please note that the final version of this report will be sent to the Audit Commission in accordance with the requirements of its standing guidance.

We would also like to take this opportunity to express our thanks for the co-operation and assistance we have received from the management and staff of the Authority throughout our work.

We look forward to discussing our report with you on 26 September 2013. Attending the meeting from PwC will be Clive Everest and Hayley Clark.

Our audit is Smart: Smart People, Smart Approach and Smart Technology.

Audit approach

Smart People

We continue to deploy our best people on your audit, supported by a substantial investment in training and in our industry programme.

Your audit team has been drawn from our government and public sector team based in the South East. Continuity has been maintained in the current year at both engagement leader and manager level. In addition, many members of the on site audit team have been involved in the previous years' audits. Our audit has been further supported by our specialists both in the sector, and across other services such as property valuations and pension matters.

Smart Approach

Data auditing

We use technology-enabled audit techniques to drive quality, efficiency and insight.

In 2013 our audit work included testing manual journals through data analytics, so we consider the complete population of manual journals and target our detailed testing on the items with the highest inherent risk.

We will also continue to explore ways to extend our use of smart technology and data into other areas where we see an opportunity to add value, as well as for quality and efficiency.

Centre of Excellence

We have a Centre of Excellence in the UK for Local Government which is a dedicated team of specialists which advises, assists and shares best practice with our audit teams in more complex areas of the audit.

Our team has been working side by side with the Centre of Excellence to ensure we are executing the best possible audit approach.

Delivery centres

We use dedicated delivery centres to deliver parts of our audit work that are routine and can be done by teams dedicated to specific tasks; for example these include confirmation procedures, preliminary independence checks and consistency and casting checks of the Annual Financial Report.

Benefits for the audit

The key benefits of our approach for your audit have been

- Use of automated approaches to assess the audit risks arising from manual journals;
- Use of auditors' experts to assess the valuation of property, plant and equipment;
- Proactive discussions about accounting treatment for complex and material items; and
- Use of a dedicated accounts review team to assess compliance of your Annual Financial Report against the CIPFA Code of Practice.

Smart Technology

We have designed processes that automate and simplify audit activity wherever possible. Central to this is PwC's Aura software, which has set the standard for audit technology. It is a powerful tool, enabling us to direct and oversee audit activities. Aura's risk-based approach and workflow technology results in a higher quality, more effective audit and the tailored testing libraries allow us to build standard work programmes for key local government audit cycles.

Our risk assessment remains the same as the audit plan we presented to you in March 2013. We have summarised our response to those risks for your audit.

Risk Assessment

We have summarised below the significant and elevated risks we identified in our audit plan and the audit approach we took to address them.

Risk	Categorisation	Audit approach
Fraud and management override of controls ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk that management may override controls in order to manipulate the Annual Financial Report. The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of the organisation's policies, aims and objectives and to manage the risks facing it; this includes the risk of fraud. Our audit is designed to provide reasonable assurance that the 2012/13 Accounts are free from material misstatement, whether caused by fraud or error. We are not responsible for preventing fraud or corruption, although our audit may serve to act as a deterrent. We have considered the manipulation of financial results through the use of journals and management estimates, such as accruals, as significant fraud risks.	Significant	We have: • understood and evaluated relevant controls relating to the significant risk; • considered the accounting policies adopted by the authority; considering any changes in policy in the year with professional scepticism, and subjecting income and expenditure to the appropriate level of testing to identify any material misstatement; • carried out cut off testing on expenditure at the year end to ensure that expenditure has been recorded in the correct financial year; • tested expenditure invoices to ensure they have been correctly classified in the Annual Financial Report as either revenue or capital expenditure; • utilised computer assisted audit techniques to test the appropriateness of journal entries, focusing on a risk basis on journals affecting the reported outturn for the year; • reviewed accounting estimates for bias and evaluated whether circumstances producing any bias represent a risk of material misstatement due to fraud; • evaluated the business rationale underlying significant transactions and considered the related accounting for compliance with the Code of Practice; • used our work on income and expenditure recognition set out below to help address the risk of material misstatement caused by management override of controls; and • performed 'unpredictable' audit procedures – these are tests we may not have carried out before and are designed to give us comfort in areas where management may not normally expect us to test. ***Details on accounting issues are included on pages 7-9, whilst our findings on judgements***

Risk	Categorisation	Audit approach
		and accounting estimates are given on pages 10-12. We have detailed significant findings in relation to contracting and procurement as part of our report to you on value for money on pages 14-19. These have not however impacted upon our opinion on the truth and fairness of the accounts.
Fraud in recognition of income and expenditure Under ISA (UK&I) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition. The Authority is likely to be experiencing increased pressures on many of its budgets as a result of the recent economic conditions. Budget holders may feel under pressure to try to push costs into future periods, or to miscode expenditure to make use of resources intended for different purposes. We therefore extend this presumption to the risk of fraud in the recognition of expenditure in Local Government. There is a risk that the Authority could adopt accounting policies or treat income and expenditure transactions in such a way as to lead to material misstatement in the reported income and expenditure position. Due to their nature, we do not consider the receipt of council tax, national non domestic rates, or revenue support grant to be at significant risk of manipulation and these income streams are therefore excluded in our work around this risk. In addition we do not perceive there to be a risk of fraudulent material misstatement associated with payroll expenditure.	Significant	We have: • obtained an understanding of the controls over the key revenue and expenditure streams; • evaluated and tested the accounting policy for income and expenditure recognition to ensure that this is consistent with the requirements of the Code of Practice on Local Authority Accounting; • performed detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk, including carrying out cut-off testing on expenditure at year end to ensure that expenditure has been recorded in the correct financial year; • tested the appropriateness of journal entries affecting net expenditure on a risk basis, and have reviewed material accounting estimates for income and expenditure, (for example provisions and impairments) for any evidence of bias; and • evaluated the business rationale underlying significant transactions and considered the related accounting for compliance with the Code of Practice. ***We found no significant matters to report to you in this context. Details on accounting issues are included on pages 7-9 whilst our findings on judgements and accounting estimates are given on pages 10-12.***
Valuation of non-current assets Non-current assets including Property, plant and equipment (PPE) and investment properties represent the largest balance in the Authority's balance sheet. Economic conditions continue to be uncertain, which has a potential impact upon the	Elevated	We have understood and evaluated the processes the Authority has put in place regarding accounting for property valuations and depreciation. In doing so we have performed work to consider how the Authority has responded to the issues in 2011/12, to assess the risk that these may recur in the 2012/13 Annual

Risk	Categorisation	Audit approach
valuation of these assets. The Authority measures its properties at fair value involving a range of assumptions and the use of external valuation expertise. ISAs (UK&I) 500 and 540 require us, respectively, to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates. Specific areas of risk include: • The accuracy and completeness of detailed information on assets. • Whether the Authority's assumptions underlying the classification of properties are appropriate. • Whether properties that are not programmed to be revalued in the year might have undergone material changes in their fair value. • The valuer's methodology, assumptions and underlying data, and our access to these. In our 2011/12 report to those charged with governance we reported the following issues with the processes then adopted by the Authority, including: • Instructions to the external valuer on properties needed to be reviewed for the 2012/13 financial year to ensure they met the requirements of the Code; • The need to Maintain a rolling programme of revaluations to ensure all assets are covered over an appropriate period; • Ensuring all assets within a category of assets are revalued in the same year, in accordance with the Code of Practice and IFRS requirements; • Performing a periodic review for physical verification of assets; • Conducting an annual impairment review for all categories of assets; and • Performing an annual review of useful economic lives.		Financial Report. With regards to asset valuations we have: • assessed the work of your Valuer through use of our own internal specialists where required; and • agreed the outputs from your Valuer through to your Fixed Asset Register and accounts. Where assets have not been re-valued in year, we have reviewed your impairment assessment, and evaluated whether your assets are held at an appropriate value in your accounts at the year-end. We have also reviewed the work performed by management to evidence that there have been no material upward changes to the carrying values. We have tested the accounting entries made in relation to revaluations and impairments. We have reviewed the Authority's procedures for the physical verification of assets and their annual review of useful economic lives. ***We found no significant matters to report to you in this context. Our findings on judgements and accounting estimates are given on pages 10-12.***

Risk	Categorisation	Audit approach
Provision for the impairment of doubtful debts In our 2011/12 report to those charged with governance we identified that the Authority recognised a provision for bad debts within the Annual Financial Report against Council Tax, National Non-Domestic Rates, sundry debtors, court costs and rent allowances. We noted: • There was no documented policy for the impairment of accounts receivable. • Whilst management based their provision for housing debts on CIPFA guidance, there was limited evidence to support the level of provision on the remaining categories of aged debt. • Our audit procedures identified more than £1 million of debt greater than 12 months old which had been provided for. Our initial discussions with management for 2012/13 identified that a review of the provision and the procedures in place for debt monitoring and recovery were currently in progress.	Elevated	We have: • discussed with management the progress made in updating and implementing procedures designed to monitor and recover debts, and performed additional audit work over the findings of this review; • • updated our understanding of management's estimation basis for 2012/13 and considered the impact on the current year provision and aged debt at the balance sheet date; • tested the provision calculated by management for accuracy and reasonableness for inclusion in the accounts; and • challenged management over their accounting for the reduction in the bad debt provision in 2012/13. ***We found no significant matters to report to you in this context. Our findings on judgements and accounting estimates are given on pages 10-12.***

Your significant audit and accounting issues relate to:

- ***Calculation and estimation of the net pension liability.***
- ***Judgements and accounting estimates.***

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Significant audit and accounting matters

Auditing Standards require us to tell you about relevant matters relating to the audit of the Annual Financial Report sufficiently promptly to enable you to take appropriate action.

Accounts

In our report to the Corporate Governance Panel for 2011/12, and following the findings from our 2010/11 audit, we noted that there had been good progress in preparing a version of the Annual Financial Report suitable for audit but that we continued to encounter some lower level difficulties with obtaining adequate working papers which support the figures included in the Annual Financial Report.

We are pleased to report to there has again been significant improvement in the quality of working papers received in the current financial year. We are aware that the finance team has made a significant effort during the year to ensure that the Annual Financial Report and working papers were prepared to a standard suitable for audit.

At the time of writing this report we have completed our audit, subject to the following key outstanding matters:

- resolution of a technical consultation on a difference identified in relation to the calculation and estimation of the net pension liability (further information is provided on page 9);
- incorporation of certification work into our main audit documentation;
-
- finalisation of additional sampling on leases;
- final review procedures including receipt and review of the final version of the Annual Financial Report and Annual Governance Statement;
- remaining queries in relation to our value for money work, as detailed on page 14;
- approval of the Annual Financial Report and letters of representation; and
- completion procedures including subsequent events review.

Subject to the satisfactory resolution of these matters we expect to issue an unqualified audit opinion.

As part of our work on the Annual Financial Report we also examine the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government. Our work includes issuing an opinion stating in our view they are consistent or inconsistent with the Annual Financial Report. Due to the government delaying the issuing of the reporting templates this work is still underway at the time of writing this report and we will provide you with an oral update at the meeting on 26 September. It should be noted that the deadline for submission of the audited Whole of Government Accounts schedules is 4 October 2013.

Accounting issues

We have identified four matters during the course of our audit that we wish to draw to your attention:

1. Cut off treatment for housing and council tax benefit payments;
2. Treatment of trading operations;
3. Bank reconciliations; and
4. Pension liability.

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1. Cut off treatment for housing and council tax benefit

Our cut off testing for payments pre and post year end identified that an adjustment is not made in relation to benefit payments which span the financial year end. This is on the basis that, for the accounts, the subsidy is calculated on what is paid in any given year, as opposed to the amounts payable in relation to the financial year. These figures are reconciled to the Annual Financial Report and form the figures in the income and expenditure account.

Review of the Code Guidance Notes has not identified any specific guidance on this matter. We have enquired with other Local Government auditors in the South East to assess the treatment adopted at other entities. This identified a mixed treatment; however the majority of authorities were accounting in the same way as the Authority and were not undertaking this adjustment.

As benefits expenditure is subject to government funding, if an adjustment was made to expenditure, this would also impact income and debtors as well (as there would need to be a similar amount of income, which would be expected to almost exactly equal to the extra expense). This precise amount would be difficult to quantify (as benefit subsidy claims include several minor adjustments from throughout the year) and therefore the assumption would have to be made that it would be identical.

Total benefit payments in April have been identified as being £2.3m in April 2012 and £2.3m in April 2013. As these payments occur in the middle of the month and relate substantially to the four weeks preceding that, a very crude assessment would be that 2 weeks expenditure is included in the incorrect financial year. This would equate to £1.2m in 2011/12 and £1.1m in 2012/13. Management have performed a more in depth review and identified the amount for 2012/13 to be in the region of £0.883m.

On the basis that there is no clear guidance, a variety of options are being used by Authorities, the amount is below materiality, any impact on the general fund would be trivial and the improvement of the information provided to the users of the accounts would be negligible, it has been deemed reasonable for the authority to continue to account on a paid basis. We have agreed this will be included as a critical accounting judgement in the Annual Financial Report which has already been amended by management.

We recommend that management monitor the value year on year and consider whether adjustments should be made in future years.

2. Treatment of trading operations

The draft Annual Financial Report included a reclassification in the prior and current year in the Comprehensive Income and Expenditure Statement for management's reassessment of trading operations. This saw income and expenditure relating to a number of services including leisure services and car parks being reclassified from net cost of services to operating activities within the surplus/deficit in provision of services.

Our view is that, whilst management's new assessment of what constitutes a trading activity is deemed reasonable ,the initial treatment within the draft Annual Financial Report did not conform with the Code guidance notes, which stipulate that income and expenditure associated with services provided under the Authority's remit should remain within the net cost of services. This has resulted in the prior year reclassification being removed from the Annual Financial Report on the basis of materiality.

3. Bank reconciliations

In 2010/11 and 2011/12 we experienced difficulties in auditing the bank reconciliation which was reported to management in our statement of internal control recommendations. We recommended that management:

- Perform regular reconciliations on an account by account basis;
- Identify all reconciling items; and

Your pension liability is a significant estimate in the Annual Financial Report. This page summarises the movement over time.

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- Be able to provide detailed support for each reconciling item.

In 2012/13 we continued to experience difficulties in the audit of the reconciliation, which currently reconciles in year movements for each bank account rather than at a point in time. Following discussion with management we have been provided with one reconciliation which reconciles all bank account balances in total with the ledger balance as at 31 March 2013. However, reconciliations should be performed on an account by account basis. Management have identified that the brought forward figures for all bank accounts have been merged into a single figure since 1999. We should note that this is a discrepancy within the cluster of bank account ledger codes and the completion of the reconciliation across all accounts provides evidence that this is not a wider issue.

The timely completion of bank reconciliations is an important control and we recommend that management ensure that they disaggregate the ledger codes which will then enable them to perform individual account reconciliations as described above.

4. Pensions liability

The most significant estimate in the Annual Financial Report is in the valuation of net pension liabilities for employees in the Cambridgeshire County Council Local Government Pension Scheme (CCC LGPS). Your net pension liability at 31 March 2013 was £58 million (2012 - £51 million).

We reviewed the reasonableness of the assumptions underlying the pension liability, and we are comfortable that the assumptions are within an acceptable range.

We validated the data supplied to the actuary on which to base their calculations.

As part of our audit procedures we receive information under a protocol from the external auditors of the CCC LGPS, which provides comfort over the existence and valuation of scheme assets in particular. On receipt of this report at the end of August it was identified that the Actuary in their calculation of the net pension liability for the total fund at 31 March 2013 had estimated total scheme assets of £1,967m. The results of the CCC LGPS audit identified that the actual value of scheme assets at the balance sheet date for the fund was £1,904m, a difference of £63m. In assessing whether this created a material issue for the Authority we calculated the Authority's share of assets in comparison to the whole fund and identified that the scheme assets at 31 March 2013 were potentially overstated by approximately £3m. This issue will affect all admitted bodies to the CCC LGPS and as such the CCC LGPS and its auditors are coordinating centrally to determine the extent of any adjustments required to the accounts of member bodies. Pension assumptions and estimation processes are complex and as such at the time of writing this report we are in the process of liaising with the auditors of the CCC LGPS, the Actuary and internal pension, audit and accounting experts to understand the reasons for the difference and the potential impact on the Annual Financial Report of the authority. We will provide you with an oral update on 26 September.

Changes to IAS 19: Employee Benefits

From 2013/14 there will be changes to the accounting for defined benefit schemes and termination benefits. For defined benefit schemes the net finance cost will be used. The net scheme liabilities will be unwound using the discount rate for the pension liability and the costs of administering the scheme will be recognised directly in expenses.

The definition of termination benefits has changed and does not now include liabilities where there is a future service element. They do not include any 'voluntary' element.

The 2012/13 accounts include disclosure of standards issued but not adopted and estimates of their likely financial effect. Estimates of the impact of IAS 19 (Revised) have been obtained from the actuary. The impact on the Authority in the 2012/13 accounts would be an increase in the non-cash charge to the income statement by £0.650 million which will not impact the general fund.

Misstatements and significant audit adjustments

We have to tell you about all uncorrected misstatements we found during the audit, other than those which are trivial. At the time of writing this report we are pleased to note that there are no unadjusted misstatements to report.

There are no misstatements we wish to bring to your attention which have been corrected by management but which we consider you should be aware of in fulfilling your governance responsibilities.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the Annual Financial Report. We will ask you to represent to us that the selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Annual Financial Report have been considered.

Judgments and accounting estimates

The following significant judgments or accounting estimates were used in the preparation of the Annual Financial Report:

- ***Estimated economic useful lives of property, plant and equipment and intangible assets:*** Our audit work has not highlighted any material misstatement in relation to depreciation.

  As in previous years we have however noted that the Authority does not depreciate additions and enhancements in the year of acquisition. The Code specifies, "Where balances are relatively stable (i.e. no substantial acquisitions, disposals or movements in fair value in the year), an Authority might be able to justify a simpler approach, such as using opening balances. Thus, for most authorities, an acceptable hybrid approach will be the consistent use of either opening or closing balances, supported occasionally (but as necessary) by exceptional calculations based on weighted averages for major acquisitions or disposals taking place towards the start or end of the year". We confirmed through audit procedures that the impact of depreciating in the year of acquisition is not material to the Annual Financial Report. We recommend that management ensures that they continue to review the reasonableness of applying this policy on an annual basis.

- ***Calculation of pension fund assets and liability*****:** See above. Management has utilised the information provided from the actuary which is the fundamental basis of this estimation.

- ***Valuation and impairment of property, plant and equipment*****:** During the financial year management informed us that they were planning to amend their estimation process for the valuation of land and buildings held as property, plant and equipment. This has involved changing from a five to three year rolling programme which should provide the Authority with a more accurate estimate for the valuation of their assets in the Annual Financial Report.

  In accordance with its accounting policy, the Authority has revalued a proportion of its PPE assets in 2012/13. For assets not valued during 2012/13, a review of fair values as at the balance sheet date has resulted in no changes to property valuations being processed within the 2012/13 Annual Financial Report. In estimating the fair value to be included in the 2012/13 Annual Financial Report, management has utilised the expertise of an external valuer.

In response to the requirements of the International Standards on Auditing, we have reviewed the methodology used by management and engaged our internal valuation team to:

- Review the assumptions applied in forming the valuation in the 2012/13 Annual Financial Report;
- Assess whether the valuation method is consistent with the Code requirements; and
- Confirm that the external valuers have the appropriate qualifications for completing the valuations.

Our procedures provided us with sufficient assurances that the financial statements are free from material misstatement.

We are pleased to note that, during the financial year, management provided us with an early draft of the instructions to the valuer on which we provided some additional comments and suggestions which enabled management to provide the valuer with comprehensive instructions suitable for assessing the impact of valuations in the Annual Financial Report. The above process has also enabled the audit of valuations to be much smoother than in previous years.

We do however note that management should ensure that they review the work of the valuer in detail and cross refer their final report back to the instructions. We identified two instances where insufficient information was provided by the valuer to support the overall conclusion in the Annual Financial Report. Subsequent conversations with the valuer have however resulted in the required information being provided.

- ***Valuation and impairment of investment property:*** The Code of practice on Local Authority Accounting requires the use of the fair value model for investment properties. The fair value must reflect market conditions at the balance sheet date and thus annual revaluations are necessary unless the Authority can demonstrate that the carrying value is not materially different from the fair value at that date.

  In estimating the fair value to be included in the 2012/13 Annual Financial Report, management has utilised the expertise of an external valuer.

  In response to the requirements of International Standards on Auditing, we have reviewed the methodology used by management and engaged our internal valuation team to:

  - Review the assumptions applied in forming the valuation in the 2012/13 Annual Financial Report;
  - Assess whether the valuation method is consistent with the Code requirements; and
  - Confirm that the external valuers have the appropriate qualifications for completing the valuations.

  Our procedures provided us with sufficient assurances that the financial statements are free from material misstatement.

- ***Valuation and impairment of other non-current assets:*** We are pleased to note that review of valuations and impairment work performed by the Authority identified that, following our recommendations in the previous year, management have incorporated an impairment review and estimate of the remaining useful life of assets into their annual confirmation for the existence of assets.

We performed sample testing on this work and have no significant matters to report.

- ***Provision for bad debts:*** The Authority has recognised a provision for bad debts within the Annual Financial Report against Council Tax, National Non-Domestic Rates, sundry debtors, court costs and rent allowances.

  Following on from our recommendations raised in the previous year management have implemented a documented process for the review and calculation of the bad debt provision for each category of debt.

  In addition a review of the appropriateness of the provision has been performed using data spanning back over the past five years to develop an average expectation for the current year provision for each category of debt. This work resulted in management releasing £0.195m from the bad debts provision back to general reserves in the draft Annual Financial Report. Our work did not identify any material misstatement; however it was identified that a further £0.195m should be released to reserves based on management's calculations. This has now been amended by management in the Annual Financial Report.

- ***Accruals and provisions:*** We have performed audit procedures over the balances the Authority is disclosing within the Annual Financial Report. Our work has not identified any significant estimates.

Management representations

The final draft of the representation letter that we ask management to sign is attached in Appendix 1.

Financial standing

No material uncertainties related to events and conditions that may cast significant doubt on the Authority's financial standing have been identified. We have included details related to our work on the Value for Money Conclusion on pages 14-19.

Audit independence

We are required to follow both the International Standard on Auditing (UK and Ireland) 260 (Revised) "Communication with those charged with governance", UK Ethical Standard 1 (Revised) "Integrity, objectivity and independence" and UK Ethical Standard 5 (Revised) "Non-audit services provided to audited entities" issued by the UK Auditing Practices Board.

Together these require that we tell you at least annually about all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers' firms and associated entities ("PwC") and the Authority that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

For the purposes of this letter we have made enquiries of all PricewaterhouseCoopers' teams whose work we intend to use when forming our opinion on the truth and fairness of the Annual Financial Report.

Relationships between PwC and the Authority

We are not aware of any relationships that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity and which represent matters that have occurred during the financial year on which we are to report or up to the date of this document.

Relationships and Investments

We have not identified any potential issues in respect of personal relationships with the Authority or investments in the Authority held by individuals.

Employment of PricewaterhouseCoopers staff by the Authority

We are not aware of any former PwC partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management position covering financial, accounting or control related areas.

Business relationships

We have not identified any business relationships between PwC and the Authority.

Services provided to the Authority

The audit of the Annual Financial Report is undertaken in accordance with the UK Firm's internal policies. The audit is also subject to other internal PwC quality control procedures such as peer reviews by other offices.

In addition to the audit of the Annual Financial Report, PwC also provide Huntingdonshire District Council's grant audits which involves certification of the grants using specified procedures set by the Audit Commission. In terms of ensuring adequate safeguards for any self-review threat:

- The work is mandatory as per the Audit Commission's contractual relationship.
- The extent of work required is set out by the Audit Commission through the issuing of "Certified Instructions" for each certification / claim.
- There is oversight by senior team members. Clive Everest is the engagement leader for both the certification work and the main external audit. In addition both certifications include technical review by a relevant expert external to the main engagement team.

Fees

The analysis of our audit and non-audit fees for the year ended 31 March 2013 is included on page 22. In relation to the non-audit services provided, none included contingent fee arrangements.

Services to Directors and Senior Management

PwC does not provide any services e.g. personal tax services, directly to directors, senior management.

Rotation

It is the Audit Commission's policy that auditors at an audited body at which a full Code audit is required to be carried out should act for an initial period of five years. The Commission's view is that generally the range of regulatory safeguards it applies within its audit regime is sufficient to reduce any threats to independence that may otherwise arise at the end of this period to an acceptable level. Therefore, to safeguard audit quality, and in accordance with APB Ethical Standard 3, it will subsequently approve auditors for an additional period of up to no more than two years, provided that there are no considerations that compromise, or could be perceived to compromise, the auditor's independence or objectivity.

Gifts and hospitality

We have not identified any significant gifts or hospitality provided to, or received from, a member of Authority's Cabinet, senior management or staff.

We hereby confirm that in our professional judgement, as at the date of this document:

- we comply with UK regulatory and professional requirements, including the Ethical Standards issued by the Auditing Practices Board; and
- our objectivity is not compromised.

Value of money conclusion – there are four areas we wish to bring to your attention in concluding our audit work:

1. ***Financial position;***
2. ***Project management;***
3. ***Procurement and contracting; and***
4. ***Culture of control and compliance.***

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We would ask the Corporate Governance Panel to consider the matters in this document and to confirm that they agree with our conclusion on our independence and objectivity.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: "Delivering Good Governance in Local Government". The AGS was included in the Annual Financial Report.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE "Delivering Good Governance in Local Government" framework and whether it is misleading or inconsistent with other information known to us from our audit work.

We note that the style of the report has been amended in the current year, which in our opinion provides a more comprehensive and concise review of governance for its users.

At the time of writing this report we have communicated comments and suggestions to management and are awaiting the final version of the AGS for final review. We note that significant matters we have been made aware of during the course of the audit have been included.

Economy, efficiency and effectiveness

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Audit Commission guidance includes two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

At the time of writing this report we have completed our work, subject to the following outstanding matter:

- A legal view from the Authority as to whether the LGSS contract meets the definition of a shared service / partnership agreement, and if it should have been subject to EU tendering rules.

As part of our work this year we have identified four areas in particular that we wish to bring to your attention. These include:

1. Financial position;
2. Project management;
3. Procurement and contracting; and
4. Culture of control and compliance.

A summary of the key findings have been set out below. It should be noted that we have worked closely with internal audit and have made reference to their findings where relevant.

Financial position:

In the past the Authority has generally had adequate reserves to support their continued operations. As part of the audit commission toolkits it has been flagged that the Authority's use of reserves is above average when compared to other bodies, however the level of reserves has not been at a level to cause significant concern.

The Medium Term Financial Plan includes the use of reserves in balancing the budget with the acknowledgement that significant savings will be needed going forward. Despite this use of reserves, and comparing approved budgets to the final out-turn for the years 2009/10, 2010/11 and 2011/12, it has been demonstrated there that there has been a consistent pattern of under spending. Assessing the forward projections for reserves, the Authority is likely to hit their minimum reserves level by 2015/16.

Year	In year use of reserves – £'000	Remaining reserves at year end £'000
2012/13	2,853	10,796
2013/14	2128	8668
2014/15	1984	6684
2015/16	1,458	5226

Internal audit issued a report in June 2013 which identified concerns relating to the following elements of the Medium Term Plan (MTP) process:

1. Examples of savings plans not being supported by robust working papers that substantiate or support the figures included in the MTP and budget. We understand from discussion with management that budget holders are sometimes provided with aspirational targets which are refined in subsequent MTP reviews.

2. The MTP process has been highly dependent on a single individual with minimal secondary review before submission to Members. In addition not all variances to the MTP spreadsheet are substantiated by working papers stating the assumptions made and any conditions attached. We understand that for 2014/15 management have arranged for two officers to share the process to create robustness and ensure that the sources of data are fully recorded. This should also ensure that the spreadsheet model is secure and checked.

3. Some items are held on central codes pending allocation to individual services so that the net budget is achieved but all of the budget may not be allocated to services at that time. Management have stated that the timing of the subsequent allocation reflects the nature of the item.

In addition we have identified the following matters during the course of our work:

- A formal savings plan is not separately identified, agreed at the start of each financial period and monitored over the course of the year. Management have confirmed that savings are allocated to budgets and managers are expected to deliver them or to report that this will not be possible as part of the budgetary control process. Management's view is that the achievement of a saving in an alternative way is acceptable if it does not have an adverse impact on service delivery. Where this occurs it would be highlighted in the normal course of budget monitoring or when the MTP is reviewed.

  Our view is that, whilst the achievement of the budget helps to inform the overall financial position it does not necessarily enable the Authority to identify and take timely and appropriate actions where specific savings are not being realised. Furthermore the Authority may not be in a position to understand key drivers for costs and savings in departments, potentially lessening chances of utilising and sharing lessons learnt.

  We consider it would be good practice for the Authority to introduce formal procedures to initially record and subsequently monitor savings plans, with each plan having an assigned 'owner' who monitors the plan regularly and reports variances to Cabinet with budgetary information.

- We believe it is also best practice that zero based budgeting is performed and appropriate challenge is applied during the budget setting process to better identify and understand the Authority's cost base. We are not aware of this having occurred in recent years. Management have stated that they will record challenges to budgets and savings as part of the MTP process.

- The regularity of the current in year financial reporting should be considered. Cabinet receives financial monitoring reports quarterly and managers review their budgets monthly. It would normally be good practice that monthly monitoring of the overall financial position would be undertaken to identify any significant variances early on. Management have confirmed that a high level dashboard on the financial position is now produced monthly for all Members. A further monthly service highlight report is currently being considered.

- Given the significant historic variances against budget it should be ensured that budget holders are being held to account and justification sought where there are any significant under or over spends forecast. This process would help to avoid large variances at the year end. Management should ensure that full ownership is being taken by service managers and that appropriate challenge is applied by accountants to ensure effective review of budgets against actual and forecast spend. This point has been recognised by the Authority and has explicitly been included in the AGS.

As detailed above, there are a number of recommendations which we believe could be implemented to strengthen the budgetary control and financial planning process for the medium and longer term. We would also consider it best practice to introduce a more robust process for identifying and monitoring savings plans.

Whilst we deem these matters significant enough to bring to your attention, the Authority has demonstrated historical underspends against budget and there is evidence to support sufficient reserves in the medium term. As such we do not deem it appropriate to qualify the value for money conclusion on this basis. We note that budgetary control has been included as an area for improvement in the Annual Governance Statement.

Project management:

During the year the Authority contracted with Local Government Shared Service (LGSS) for the provision of HR and payroll services. We understand that LGSS is a joint venture set up between Cambridgeshire County Council and Northamptonshire County Council. Using risk based procedures we have performed a high level review of the contract this year as part of our review of significant contracts. This was discussed within the Authority as being a "shared service" arrangement, and there have been minimal changes in the processes and personnel since the contract was awarded:

1. We understand that the Head of Legal and Democratic Services was not asked to be involved in the review of the contract until the very late stages of the negotiations. Work around the procurement of this contract is currently being discussed with the Authority's legal team to get their formal view as set out in the oustandings above. Depending on the answer to these queries, there is a risk that the procurement may not have met EU procurement rules.

2. In reviewing the contract cost proposal it was noted that the overall cost of the service was calculated based on a number of assumptions, and covering several options. The estimated costs were then broken down into the contract cost with LGSS plus an element of costs that would still be incurred by the Authority through remaining staff in relation to payroll and HR.

   The main option considered by the Authority was LGSS with the current system. The initial costs drawn up by accountancy were £4,541k. This would have made the chosen option the most expensive.

Following review of the accountancy assumptions by the former Managing Director of Resources, the overall estimated cost was reduced to £3,997k. The methodology and reasons behind this reduction have not been documented and are therefore unknown. This subsequently made the transition to LGSS whilst retaining the current payroll package the second lowest cost option.

Following our findings the Assistant Director (Finance and Resources) has reviewed the two versions and concluded that in his view the figure of £3,997k is reasonable as there were items in the original calculation that were confirmed as already included in the contract and some other items were significantly over-cautious. Whilst we have seen some evidence in relation to changes made in the services provided under the LGSS contract, there are some elements which have been based on management's current views of what assumptions may have been made at that time, that can now not be supported.

The above highlights that there was no contemporaneous documentation of the adjustments which represents a compliance failure in the process. There is a key need for an audit trail to be preserved on important financial decisions and a need to ensure that there is an effective structure to challenge senior staff as finance staff did not challenge the understanding of how the revised costs had been derived.

We should note that all options were more expensive than the existing arrangement, with a budget of £3,878k. At the point of approval by Council the option selected was the second cheapest option. We note that the report highlighted a number of non-financial advantages. We have not reviewed these in detail but understand that these were perceived to outweigh the additional cost.

4. We note that penalty clauses for poor service linked to key performance metrics were not built into the contract with LGSS. Despite there being a number of complaints about the delivery of contracted services from managers, we understand that the Authority is unable to impose financial penalties on LGSS.

5. Because there are no financial penalties for underperformance (although it is noted that in the event of non-compliance with the contract remedial action would be undertaken at LGSS' expense), and we understand there are no arrangements for the Authority to share in efficiencies through cost reductions under the current contract, the Authority is at risk of having locked in their future costs based on an inefficient service, having lost the opportunity to get financial benefit through restructuring the service, and having less ability to ensure service quality is maintained. On this basis there is a real risk that this contract may prove to be poor value for money.

   Management have confirmed that the Authority has some ability to share in the benefits of certain future efficiency proposals. One area, specifically considered was if LGSS transferred operation to the Oracle system. Following examination this did not prove to be appropriate but there has been recent consideration of a move to Agresso but the pay-back period stretched beyond the current remaining life of the contract. More routine efficiency improvements benefit LGSS alone but this was known and understood when the contract was let.

6. Performance monitoring reports are prepared by LGSS and reviewed at performance review meetings; however these are not subject to independent scrutiny and review for accuracy.

7. Contract overview meetings take place to review contract performance and discuss LGSS performance reports. Whilst discussion with management has identified that the reports are scrutinised and, where

relevant, notes have been circulated, this process could be more formalised.

8. At the time of writing this report a formal review and report on how the service is performing has not been undertaken. We understand that a formal report on service performance is to be taken to the September 2013 Employment Panel.

We understand that the Authority may be looking to undertake similar arrangements for other areas of the Authority. We therefore recommend that additional evidence in respect of the compliance, regularity and value for money of the LGSS contract is sought to ensure lessons are learnt before making any decisions.

Procurement and Contracting:

During the year, internal audit informed us that they had become aware of a potential breach in procurement rules for a contract, which this was reported to you separately as part of the July 2013 Panel meeting. We have therefore not included detailed information in this report due to the nature and sensitivity of those findings. We do however note that the findings detailed serious non-compliance with the Authority's procedures.

The Authority is in the process of investigating potential differences in payments made under the contract. These are not material and hence do not prevent us from forming our audit opinion. At the time of writing this report we understand that this work is still in progress.

We understand that there is also a report on improving internal controls on the Panel's September 2013 agenda, dealing with the proposed actions to minimise the chances of these issues recurring.

Culture of control and compliance

Whilst we have not undertaken a detailed review of controls and compliance with controls across the Authority, in considering the issues related to project management, procurement and contracting we observe that there are some examples of poor compliance with mandated control procedures, inadequate identification of these breaches by more senior staff and weaknesses in the degree of financial challenge and rigour applied. Whilst this does not provide conclusive evidence it does raise concerns over the overall culture of compliance within the Authority, without which the established controls structure cannot operate effectively, even if adequately designed.

We would encourage the Authority to look closely at this issue, to establish the extent to which these are isolated issues or indicative of wider concerns across the Authority encompassing all staff in critical control positions. To the extent there are broader compliance issues, the Authority will need to consider closely how it responds, through changes to procedures and training.

We note also that the Authority is heavily dependent on key individuals for its financial reporting, without whom the improvements made in the last two years could be lost.

Conclusion of value for money opinion:

In determining whether to issue an unqualified or qualified opinion we have carefully considered the items detailed above and have concluded that it is appropriate to issues an unqualified value for money conclusion.

In relation to the contracting and procurement matters identified above, and the culture of compliance in the Authority, actions are being taken by the Authority to address the matters identified and our discussions with the new Managing Director have identified that these are high priority issues for the coming year. Both the procurement and project management matters feature in the Annual Governance Statement.

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Reports in the public interest

In auditing the accounts of a Local Authority, the auditors must consider:

- Whether, in the public interest, they should make a report on any matter coming to their notice in the course of the audit, in order for it to be considered by the body concerned or brought to the attention of the public; and
- Whether the public interest requires any such matter to be made the subject of an immediate report rather than of a report to be made at the conclusion of the audit.

Having carefully considered the issues identified in relation to contracting and procurement above, we have determined that a report in the public interest is not required. We believe we can most effectively discharge our reporting responsibilities in a timely matter through referring to these issues in our Annual Audit Letter.

We are required to report to you any significant deficiencies in internal control.

Internal controls

Accounting systems and systems of internal control

Management are responsible for developing and implementing systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the Annual Financial Report and our review of the annual governance statement.

We have to report to you any significant deficiencies in internal control that we found during the audit which we believe should be brought to your attention. Other than the matters identified in the main body of this report we have no further issues to report.

We report those internal control issues that are less significant separately to the management, with action plans being agreed with officers. Consistent with prior years our Internal Control Report will be issued in due course, however we have discussed all matters identified during the course of the audit with management.

Fraud is a risk in all organisations. We ask you to represent to us that you have made us aware of all fraud affecting the Authority.

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Risk of fraud

We discussed with you your understanding of the risk of fraud and corruption and any reported instances when presenting our plan.

In presenting this report to you we ask for your confirmation that there have been no changes to your view of fraud risk and that no additional matters have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud is included in the letter of representation.

Fees update

Fees update for 2012/13

We reported our fee proposals in our plan. At that time the fee was under debate with management. We agreed to a fee in line with the scale fee (£70,081 for the Annual Financial Report (including whole of government accounts and Local value for money conclusion)); however this would be reviewed during the audit where we were required to perform additional work due to delays/errors by management.

During the course of the audit we have experienced some minor delays and following discussion with management we will be looking to seek a variation to scale fee.

Our fee for certification of grants and claims is yet to be finalised for 2012/13 and will be reported to those charged with governance within the Grants Report to Management in relation to 2012/13 grants.

Appendices

The letter of representation includes generic and specific items that we require you to represent to us as appropriate in the compilation of the Annual Financial Report

Appendix 1: Letter of representation

[Entity letterhead]

PricewaterhouseCoopers LLP
Abacus House,
Castle Park,
Cambridge,
CB3 0AN

Dear Sirs

Representation letter – audit of Huntingdonshire District Council's (the Authority) Annual Financial Report for the year ended 31 March 2013

Your audit is conducted for the purpose of expressing an opinion as to whether the Annual Financial Report of the Authority give a true and fair view of the affairs of the Authority as at 31 March 2013 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the Service Reporting Code of Practice 2012/13.

I acknowledge my responsibilities as the Assistant Director (Finance and Resources) for preparing the Annual Financial Report as set out in the Statement of Responsibilities for the Annual Financial Report. I also acknowledge my responsibility for the administration of the financial affairs of the authority and that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of the Authority with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Annual Financial Report

I have fulfilled my responsibilities for the preparation of the Annual Financial Report in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the Service Reporting Code of Practice 2012/13; in particular the Annual Financial Report give a true and fair view in accordance therewith.

All transactions have been recorded in the accounting records and are reflected in the Annual Financial Report.

Significant assumptions used by the Authority in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

All events subsequent to the date of the Annual Financial Report for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 requires adjustment or disclosure have been adjusted or disclosed.

The Authority has recognised the following significant accounting estimates in the Annual Financial Report:

- Provision for bad debts;
- Valuation of property, plant and equipment, intangibles and investment properties;
- Estimated useful economic lives of property, plant and equipment and intangible assets; and
- Calculation of the pension scheme assets and liabilities.

Regarding the above accounting estimates:

- I confirm the Authority has used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
- Measurement processes were consistently applied from year to year.
- The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the authority, where relevant to the accounting estimates and disclosures.
- Disclosures related to accounting estimates are complete and appropriate under the CIPFA/ CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the Annual Financial Report.

The selection and application of accounting policies are appropriate.

The following have been recognised, measured, presented or disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

- Plans or intentions that may affect the carrying value or classification of assets and liabilities;
- Liabilities, both actual and contingent;
- Title to, or control over assets, liens or encumbrances on assets, and assets pledged as collateral; and
- Aspects of laws, regulations and contractual agreements that may affect the Annual Financial Report, including non-compliance.

Information Provided

I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you, the authority's auditors, are aware of that information.

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the Annual Financial Report such as records, documentation and other matters, including minutes of the Authority and its committees, and relevant management meetings;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

I have communicated to you all deficiencies in internal control of which I am aware.

So far as I am aware, there is no relevant audit information of which you are unaware.

Accounting policies

I confirm that I have reviewed the Authority's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of Annual Financial Report are appropriate to give a true and fair view for the authority's particular circumstances.

Fraud and non-compliance with laws and regulations

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you:

- the results of our assessment of the risk that the Annual Financial Report may be materially misstated as a result of fraud.
- all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the Annual Financial Report.

- all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's Annual Financial Report communicated by employees, former employees, analysts, regulators or others.
- all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing Annual Financial Report.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the Authority conducts its business and which are central to the authority's ability to conduct its business or that could have a material effect on the Annual Financial Report.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Annual Financial Report.

The Authority pension fund has not made any reports to the Pensions Regulator nor am I aware of any such reports having been made by any of our advisors. I confirm that I am not aware of any late contributions or breaches of the payment schedule that have arisen which I considered were not required to be reported to the Pensions Regulator. I also confirm that I am not aware of any other matters which have arisen that would require a report to the Pensions Regulator.

There have been no other communications with the Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

Related party transactions

I confirm that we have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

I confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

Employee Benefits

I confirm that we have made you aware of all employee benefit schemes in which employees of the authority participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Authority have been properly reflected in the accounting records or, where material (or potentially material) to the Annual Financial Report, have been disclosed to you.

The Authority has complied with all aspects of contractual agreements that could have a material effect on the Annual Financial Report 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 Annual Financial Report in the event of non-compliance.

I have disclosed all material agreements that have been undertaken by the Authority in carrying on its business.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the Annual Financial Report and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Taxation

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are on-going.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken the authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the authority or any associated company for whose taxation liabilities the authority may be responsible.

Retirement benefits

All retirement benefits that the Authority is committed to providing, including any arrangements that are statutory, contractual or implicit in the authority's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.

All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.

The following actuarial assumptions underlying the valuation of retirement benefit scheme liabilities are consistent with my knowledge of the business and in my view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities:

2011/12	County Fund – Main Assumptions		2012/13
2.5%	Rate of inflation of pensions		2.8%
4.8%	Rate of increase in salaries		5.1%
2.5%	Rate of increase in pensions		2.8%
4.8%	Rate of discounting scheme liabilities		4.5%
5.6%	Expected return on assets		4.5%
	Mortality		
	Longevity at 65 for current pensioners		
21.0 years	Men		21.0 years
23.8 years	Women		23.8 years
	Longevity at 65 for future pensioners		
22.9 years	Men		22.9 years
25.7 years	Women		25.7 years
	Expected long-term rate of return on assets		
6.3%	Equity Investments		4.5%
3.3%	Bonds		4.5%
4.4%	Property		4.5%
3.5%	Cash		4.5%
25%	Take-up option to convert pension into tax free lump sum up to HMRC limits	For pre-April 2008 service	25%
63%		For post-April 2008 service	63%

Pension fund assets and liabilities

All known assets and liabilities including contingent liabilities, as at the 31 March 2013, have been taken into account or referred to in the Annual Financial Report.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the 31 March 2013 have been properly valued and that valuation incorporated into the Annual Financial Report.

The pension fund has satisfactory title to all assets and there are no liens or encumbrances on the pension fund's assets.

The value at which assets and liabilities are recorded in the net assets statement is, in the opinion of the authority, the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the pension fund. Any significant changes in those values since the date of the Annual Financial Report have been disclosed to you.

Pension fund registered status

I confirm that the Cambridgeshire County Council Local Government Pension Scheme in which the authority participates is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

Bank accounts

I confirm that I have disclosed all bank accounts to you.

Items offset against one another

Regarding cash balances that have been offset against the bank overdraft and the net amount reported, I confirm that I am satisfied as to the legal right of offset as confirmed by the Authority's bank.

Provisions

Provisions for depreciation and diminution in value including obsolescence have been made against property, plant and equipment on the bases described in the Annual Financial Report and at rates calculated to reduce the net book amount of each asset to its estimated residual value by the end of its probable useful life in the authority's business. In this respect I am satisfied that the probable useful lives have been realistically estimated and that the residual values are expressed in current terms.

Full provision has been made for all liabilities at the balance sheet date including guarantees, commitments (in particular in relation to redundancy plans) and contingencies where the items are expected to result in significant loss.

Using the work of experts

The Authority makes use of the following experts in preparing its Annual Financial Report:

- Barker Storey Matthews for the valuation of property, plant and equipment; and
- Hymans Robertson, actuary to the Local Government Pension Scheme.

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I agree with the findings of the experts listed above in evaluating the valuation of properties and the pension scheme and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Annual Financial Report and underlying accounting records. The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

Assets and liabilities

The Authority has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the Annual Financial Report.

In my opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.

The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets.

I confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. I confirm that we have used the appropriate assumptions with those reviews.

Details of all financial instruments entered into during the year have been made available to you.

Financial Instruments

Where fair values have been assigned to financial instruments, I confirm that the valuation techniques, the inputs to those techniques and assumptions that have been made are appropriate and reflect market conditions at the balance sheet date, and are in line with the business environment in which we operate.

Disclosures

Where appropriate, the identity of, and balances and transactions with, related parties have been properly recorded and adequately disclosed in the Annual Financial Report.

I confirm that the Authority has recorded or disclosed, as appropriate, all formal or informal arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line of credit or similar arrangements.

I confirm that the Authority has recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and has disclosed in the Annual Financial Report all guarantees that we have given to third parties, including oral guarantees made by the Authority on behalf of an affiliate, member, officer or any other third party.

Litigation

I am not aware of any pending or threatened litigation, proceedings, hearings or claims negotiations which may result in significant loss to the Authority.

Transactions with members/officers

Except as disclosed in the Annual Financial Report, no transactions involving members, officers and others requiring disclosure in the Annual Financial Report under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 have been entered into.

Items specific to Local Government

I confirm that the Authority does not have plans to implement any redundancy/early retirement programmes other than those disclosed in note 38 to the Annual Financial Report for which we should have made provision in the Annual Financial Report.

I confirm that the Authority has determined a prudent amount of revenue provision for the year under the Prudential Framework.

I confirm that the Authority has determined a proper application of the statutory provisions for the neutralisation of the impact of accumulating compensated absences on the General Fund balance.

Subsequent events

Other than as described in the Annual Financial Report, there have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the Annual Financial Report or in the notes thereto.

As minuted by the Corporate Governance Panel at its meeting on 26 September 2013

....

(Assistant Director (Finance and Resources))

For and on behalf of Huntingdonshire District Council

Date ....

In the event that, pursuant to a request which Huntingonshire District Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Huntingonshire District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Huntingonshire District Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Huntingonshire District Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Huntingonshire District Council and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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Huntingdonshire
DISTRICT COUNCIL

Pathfinder House, St.Mary's Street
Huntingdon PE29 3TN
www.huntingdonshire.gov.uk

PricewaterhouseCoopers LLP
Abacus House,
Castle Park,
Cambridge,
CB3 0AN

Dear Sirs

Representation letter – audit of Huntingdonshire District Council's (the Authority) Annual Financial Report for the year ended 31 March 2013

Your audit is conducted for the purpose of expressing an opinion as to whether the Annual Financial Report of the Authority give a true and fair view of the affairs of the Authority as at 31 March 2013 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the Service Reporting Code of Practice 2012/13.

I acknowledge my responsibilities as the Assistant Director (Finance and Resources) for preparing the Annual Financial Report as set out in the Statement of Responsibilities for the Annual Financial Report. I also acknowledge my responsibility for the administration of the financial affairs of the authority and that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of the Authority with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Annual Financial Report

I have fulfilled my responsibilities for the preparation of the Annual Financial Report in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the Service Reporting Code of Practice 2012/13; in particular the Annual Financial Report give a true and fair view in accordance therewith.

All transactions have been recorded in the accounting records and are reflected in the Annual Financial Report.

Significant assumptions used by the Authority in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

All events subsequent to the date of the Annual Financial Report for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 requires adjustment or disclosure have been adjusted or disclosed.

Tel 01480 388388 Fax 01480 388099
mail@huntsdc.gov.uk DX 140316 Huntingdon SC

The Authority has recognised the following significant accounting estimates in the Annual Financial Report:

- Provision for bad debts;
- Valuation of property, plant and equipment, intangibles and investment properties;
- Estimated useful economic lives of property, plant and equipment and intangible assets; and
- Calculation of the pension scheme assets and liabilities.

Regarding the above accounting estimates:

- I confirm the Authority has used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
- Measurement processes were consistently applied from year to year.
- The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the authority, where relevant to the accounting estimates and disclosures.
- Disclosures related to accounting estimates are complete and appropriate under the CIPFA/ CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the Annual Financial Report.

The selection and application of accounting policies are appropriate.

The following have been recognised, measured, presented or disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

- Plans or intentions that may affect the carrying value or classification of assets and liabilities;
- Liabilities, both actual and contingent;
- Title to, or control over assets, liens or encumbrances on assets, and assets pledged as collateral; and
- Aspects of laws, regulations and contractual agreements that may affect the Annual Financial Report, including non-compliance.

Information Provided

I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you, the authority's auditors, are aware of that information.

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the Annual Financial Report such as records, documentation and other matters, including minutes of the Authority and its committees, and relevant management meetings;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

I have communicated to you all deficiencies in internal control of which I am aware.

So far as I am aware, there is no relevant audit information of which you are unaware.

Accounting policies

I confirm that I have reviewed the Authority's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of Annual Financial Report are appropriate to give a true and fair view for the authority's particular circumstances.

Fraud and non-compliance with laws and regulations

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you:

- the results of our assessment of the risk that the Annual Financial Report may be materially misstated as a result of fraud.
- all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the Annual Financial Report.
- all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's Annual Financial Report communicated by employees, former employees, analysts, regulators or others.
- all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing Annual Financial Report.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the Authority conducts its business and which are central to the authority's ability to conduct its business or that could have a material effect on the Annual Financial Report.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Annual Financial Report.

The Authority pension fund has not made any reports to the Pensions Regulator nor am I aware of any such reports having been made by any of our advisors. I confirm that I am not aware of any late contributions or breaches of the payment schedule that have arisen which I considered were not required to be reported to the Pensions Regulator. I also confirm that I am not aware of any other matters which have arisen that would require a report to the Pensions Regulator.

There have been no other communications with the Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

Related party transactions

I confirm that we have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

Employee Benefits

I confirm that we have made you aware of all employee benefit schemes in which employees of the authority participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Authority have been properly reflected in the accounting records or, where material (or potentially material) to the Annual Financial Report, have been disclosed to you.

The Authority has complied with all aspects of contractual agreements that could have a material effect on the Annual Financial Report 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 Annual Financial Report in the event of non-compliance.

I have disclosed all material agreements that have been undertaken by the Authority in carrying on its business.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the Annual Financial Report and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Taxation

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken the authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the authority or any associated company for whose taxation liabilities the authority may be responsible.

Retirement benefits

All retirement benefits that the Authority is committed to providing, including any arrangements that are statutory, contractual or implicit in the authority's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.

All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.

The following actuarial assumptions underlying the valuation of retirement benefit scheme liabilities are consistent with my knowledge of the business and in my view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities:

2011/12	County Fund – Main Assumptions		2012/13
2.5%	Rate of inflation of pensions		2.8%
4.8%	Rate of increase in salaries		5.1%
2.5%	Rate of increase in pensions		2.8%
4.8%	Rate of discounting scheme liabilities		4.5%
5.6%	Expected return on assets		4.5%
	Mortality		
	Longevity at 65 for current pensioners		
21.0 years	Men		21.0 years
23.8 years	Women		23.8 years
	Longevity at 65 for future pensioners		
22.9 years	Men		22.9 years
25.7 years	Women		25.7 years
	Expected long-term rate of return on assets		
6.3%	Equity Investments		4.5%
3.3%	Bonds		4.5%
4.4%	Property		4.5%
3.5%	Cash		4.5%
25%	Take-up option to convert pension into tax free lump sum up to HMRC limits	For pre-April 2008 service	25%
63%		For post-April 2008 service	63%

Pension fund assets and liabilities

All known assets and liabilities including contingent liabilities, as at the 31 March 2013, have been taken into account or referred to in the Annual Financial Report.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the 31 March 2013 have been properly valued and that valuation incorporated into the Annual Financial Report.

The pension fund has satisfactory title to all assets and there are no liens or encumbrances on the pension fund's assets.

The value at which assets and liabilities are recorded in the net assets statement is, in the opinion of the authority, the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the pension fund.

Any significant changes in those values since the date of the Annual Financial Report have been disclosed to you.

Pension fund registered status

I confirm that the Cambridgeshire County Council Local Government Pension Scheme in which the authority participates is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

Bank accounts

I confirm that I have disclosed all bank accounts to you.

Items offset against one another

Regarding cash balances that have been offset against the bank overdraft and the net amount reported, I confirm that I am satisfied as to the legal right of offset as confirmed by the Authority's bank.

Provisions

- Provisions for depreciation and diminution in value including obsolescence have been made against property, plant and equipment on the bases described in the Annual Financial Report and at rates calculated to reduce the net book amount of each asset to its estimated residual value by the end of its probable useful life in the authority's business. In this respect I am satisfied that the probable useful lives have been realistically estimated and that the residual values are expressed in current terms.
- Full provision has been made for all liabilities at the balance sheet date including guarantees, commitments (in particular in relation to redundancy plans) and contingencies where the items are expected to result in significant loss.

Using the work of experts

The Authority makes use of the following experts in preparing its Annual Financial Report:

- Barker Storey Matthews for the valuation of property, plant and equipment; and
- Hymans Robertson, actuary to the Local Government Pension Scheme.

I agree with the findings of the experts listed above in evaluating the valuation of properties and the pension scheme and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Annual Financial Report and underlying accounting records. The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

Assets and liabilities

The Authority has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the Annual Financial Report.

In my opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.

The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets.

I confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. I confirm that we have used the appropriate assumptions with those reviews.

Details of all financial instruments entered into during the year have been made available to you.

Financial Instruments

Where fair values have been assigned to financial instruments, I confirm that the valuation techniques, the inputs to those techniques and assumptions that have been made are appropriate and reflect market conditions at the balance sheet date, and are in line with the business environment in which we operate.

Disclosures

Where appropriate, the identity of, and balances and transactions with, related parties have been properly recorded and adequately disclosed in the Annual Financial Report.

I confirm that the Authority has recorded or disclosed, as appropriate, all formal or informal arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line of credit or similar arrangements.

I confirm that the Authority has recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and has disclosed in the Annual Financial Report all guarantees that we have given to third parties, including oral guarantees made by the Authority on behalf of an affiliate, member, officer or any other third party.

Litigation

I am not aware of any pending or threatened litigation, proceedings, hearings or claims negotiations which may result in significant loss to the Authority.

Transactions with members/officers

Except as disclosed in the Annual Financial Report, no transactions involving members, officers and others requiring disclosure in the Annual Financial Report under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 have been entered into.

Items specific to Local Government

- I confirm that the Authority does not have plans to implement any redundancy/early retirement programmes [other than those disclosed in note 38 to the Annual Financial Report for which we should have made provision in the Annual Financial Report.
- I confirm that the Authority has determined a prudent amount of revenue provision for the year under the Prudential Framework.
- I confirm that the Authority has determined a proper application of the statutory provisions for the neutralisation of the impact of accumulating compensated absences on the General Fund balance.

Subsequent events

Other than as described in the Annual Financial Report, there have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the Annual Financial Report or in the notes thereto.

As minuted by the Corporate Governance Panel at its meeting on26 September 2013

....

(Assistant Director (Finance and Resources))

For and on behalf of Huntingdonshire District Council

Date ....

Huntingdonshire
DISTRICT COUNCIL

ANNUAL FINANCIAL REPORT

For the year ended 31 March 2013

Contents

Annual Financial Report

Statement of Accounts

Main Financial Statements

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Supplementary Financial Statements

Explanatory Foreword

By the Assistant Director (Finance & Resources)

As the Council's Chief Financial Officer (now referred to as the Responsible Financial Officer in the legislation), I am pleased to present the Council's 2012/13 Annual Financial Report which outlines the Council's financial performance for the year ended 31 March 2013.

The purpose of this foreword is to provide a guide to the most significant matters reported in the Council's accounts and is in three sections.

- Commentary and review of 2012/13.
- The Financial Statements
- Technical information

Commentary and review of 2012/13

Review of the Year

2012/13 has been another challenging year for the council as a result of reductions in grant funding that the Government has made to Local Authorities due to the national and international economic situation.

The Council set a net budget for the year of £21.722m (2011/12; £22.615m) after allowing for general government grant of £9.288m (2011/12; £10.522m), New Homes Bonus £1.913m (2011/12; £0.832m), the use of revenue reserves of £2.547m (2011/12; £3.589m) and a Council Tax of £128.51 (2011/12; £124.17).

The Council's success in supporting the development of the new homes needed in the District meant the increase in New Homes Bonus significantly offset the fall in general grant, thus allowing the Council to plan less significant service reductions.

However, a cash reduction in the budget of £0.893m, more in real terms due to inflation, is still very significant and creates significant challenges for the Council to maintain quality services to its residents in line with its Corporate Themes. The following paragraphs outline some of the Council's successes during 2012/13:

Theme: Strong local economy

<u>Alconbury Enterprise Zone</u>
The Alconbury Enterprise Zone is one of the most significant economic developments in the East Midlands. To date in excess of £6.0m has been invested on site in delivery of early infrastructure including a new heavy commercial vehicles access, internal road restructuring and main entrance refurbishment. A new Incubator building for start up and small businesses is being built and Huntingdonshire Regional College has established a Skills and Training Centre on site to:

- support businesses to identify their business needs, and
- act as a gateway to help existing and new businesses coming to the Zone to access training across local Further and Higher Education institutions and private sector training providers.

The first tenant has signed up; a spin-out from Cambridge University "Enval Ltd", which has been developed with Jobcentre Plus and other local training providers to support both Enterprise Zone tenants and contractors in the recruitment of local people and associated up-skilling.

A £0.100m grant from the Skills Funding Agency has been awarded to the project in respect of "Skills Strategy Funding" that will assist in strategy development with existing local businesses and sectors targeted for the Enterprise Zone.

Huntingdon Town Centre Development
The Council has been negotiating a redevelopment plan for the centre of Huntingdon with Churchmanor Estates Company (owners of Chequers Court) and Sainsburys for some years. Most issues were finally resolved last year and on the 10th May 2013 the contract was signed allowing construction of a new multi-storey car park and the re-design of the existing car park with a new exit on the ring road to commence. The multi-storey car park is due to be completed by December 2013 ready for Christmas trading.

Once the Sainsburys' store has moved to its new location on the Western Relief Road (another project successfully led by the Council last year), the current Sainsburys' building will be converted into three new shop units. Development proposals include the replacement of the petrol station with a major new shop unit and the complete re-development of Chequers Court.

Overall, 110,000 sq ft of new floor space will be created in Huntingdon.

Business Improvement District
During the year a Business Improvement District (BID) for Huntingdon Town Centre was established by ballot of the business rate payers within the BID area. It is funded through a £0.180m levy of business rate payers which the Council is required by statute to collect on behalf of the BID.

Theme: Enable sustainable growth

Planning Development
During the year the Council received nearly 1,700 planning applications which generated income in excess of £1.0m. Applications ranged from small scale householder extensions to major applications including Alconbury Weald (up to 290,000 sqm of employment space and up to 5,000 dwellings), large scale housing applications in Godmanchester and St Neots and various wind and solar farm applications. During the year, the amount of New Homes Bonus received by the Council was £1.913m, an increase of £0.926m compared to 2011/12.

Refuse Collection
To reflect the high growth in domestic properties within the Council area the Council's current refuse collection rounds have been rescheduled. The rescheduling has enabled the service to achieve an ongoing reduction in fuel costs and also, through more efficient vehicle utilisation, allowed the Council to delay previous capital investment in vehicle replacement. In addition, the rescheduling exercise has also introduced additional capacity that will enable the Council to meet future housing growth.

Fuel and Energy Efficiency

- Fuel
  Over the past two years the council has reduced vehicle fuel consumption by almost 200,000 litres; this has been achieved by changes in the approach taken in undertaking refuse collection, green waste and general recycling.

- Carbon Management
  The Council continues to review the running costs of its buildings under its Carbon Management Plan and is considering all opportunities to implement energy saving measures and to generate its own energy. A wide range of projects have been implemented in the last year including a Combined Heat and Power Unit at One Leisure St Ives, variable speed drives for air conditioning and pool pumps, LED lighting with passive infra red sensors, cavity wall insulation and glazing improvements.

  Also under the programme 1,170 Photovoltaic (PV) panels have been installed on the roof of Eastfield House, the Council's Operations Centre. Generating electricity and an income from the Government's feed-in-tariff, the panels supply the site with over 166,000 kWh of electricity per year, one third of the electricity demand for the site.

Theme: Improve the quality of life in Huntingdonshire

Housing Benefits Administration
The Council has been introducing "electronic" housing benefit forms and, to date, take up is in excess of 85% and it is expected that this will achieve annual savings of £40,000 once the process is fully embedded. In addition, a further annual saving of £14,000 has been achieved by introducing automated telephone payments. This has had an additional "efficiency" benefit in that it has freed up telephone advisor time within the call centre.

Food Safety and Health & Safety Enforcement
By migrating from the Council's own "Scores on the Doors" food safety scheme to the Food Standard Agency's "National Food Hygiene Scheme", this has generated for the Council additional grant support (£12,000) to support the migration and has had a consequential impact of improvements in food standard ratings across the district.

In addition, the Council has been able to make efficiencies in its Health & Safety Enforcement service; together with the Food Safety savings made during the year, the total annual savings for this service are expected to be in excess of £36,000.

One Leisure
Following on from the successful redevelopment at One Leisure St Neots which was completed in 2010/11, the St Ives redevelopment commenced in 2012/13. The new reception area, Cafe Zest and Basement Lanes (10 Pin Bowling) were all completed and open for business in the final quarter of 2012/13. The new Impressions Gym, Spa and treatment area, Fitness Studios, Crèche and office accommodation will be completed during the first half of 2013/14. The total investment in the project is £4.6m and is one of the key elements to One Leisure covering all of its direct costs from income.

Customer Relationship Management (CRM) system replacement
Staff at the Council have been looking at the future of the CRM system. This business critical system is used by customer service staff and allows them to track the progress of work requests made by customers. The Council has found a replacement system that will fulfil its needs and it is estimated that this will save in excess of £70,000 per annum and improve customer services.

Doing things online saves the council tax payer money and improves customer service
The Council has endeavoured to make its website as comprehensive and easy to use as possible, this means customers can access services and information 24/7 and not just when the Council offices are open; this has freed up Council staff to focus on those who most need one-to-one support.

Theme: Working with our communities.

Grants to Voluntary Organisations
During the year, the Council introduced a new grant regime for the voluntary sector. This new regime has achieved savings in the region of almost £80,000 and the new approval process allows for a more sustainable “grant aided” future. However, a key aspect of the new regime is that the funding provided by the Council is directly linked to the money enterprises can raise themselves and this has resulted in generating an additional £0.350m for voluntary organisations across the district.

Other Areas of Council Activity

Outside of these themes, the Council has sought to achieve year-on-year service efficiencies, these have included the following:

Cambs Home Improvement Agency
In partnership with Cambridgeshire City Council and South Cambridgeshire District Council, the Home Improvement Agency Service (HIA) started operating during the year. The new service, called Cambs HIA provides greater opportunities for cross boundary working, improvements in resilience and improvements in case load management for approvals of both Disabled Facilities and Repairs Assistance Grants. It is estimated that once the service is “bedded-down” the annual saving to be shared by the three Councils will be in the region of £0.170m.

Information Technology
The Council’s Information Management Division (IMD) have been carrying out work with other partners including:

- business analysis and project management support to Cambridge City Council.
- joint procurement with 5 other Cambridgeshire public sector organisations of a new, innovative, communications network (CPSN) which will provide faster, more resilient data and voice communications.
- selling products & services to other authorities to Northamptonshire, Cambridgeshire and Oxfordshire County Councils.

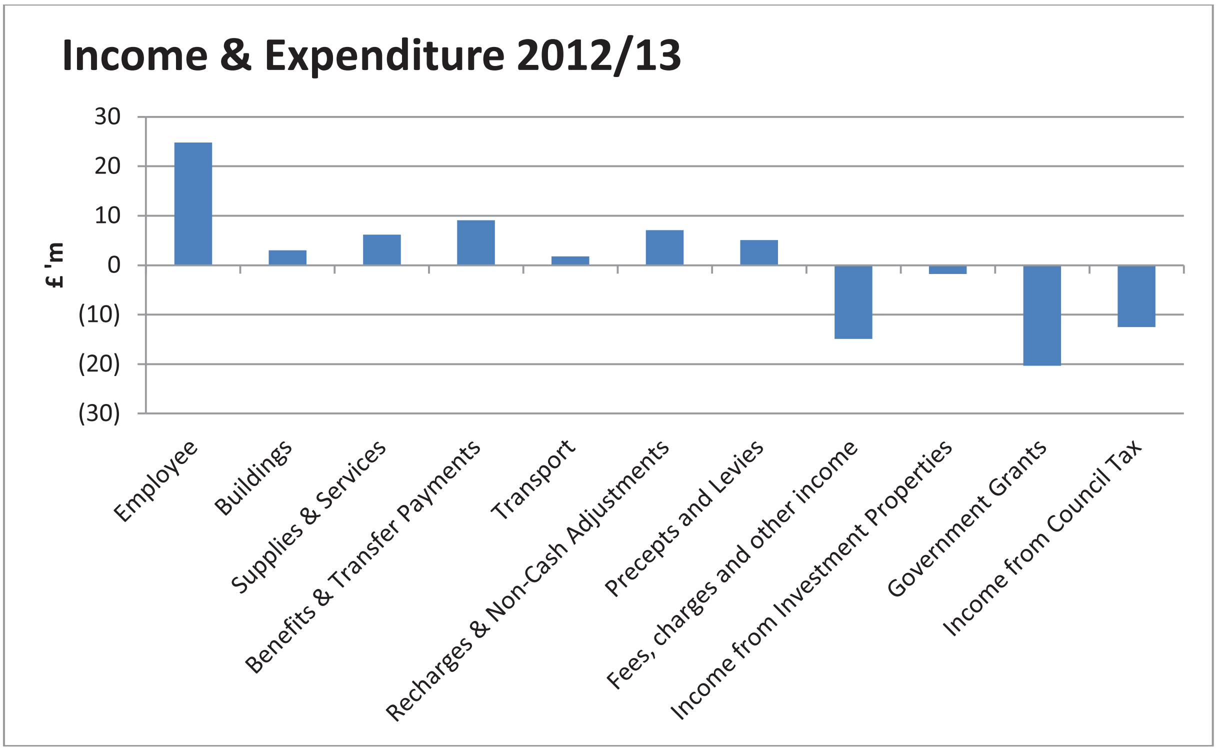
This work provides extra income to the Council and allows our staff to learn and gain ideas from fellow professionals.

Revenue Spending and Sources of Income

The table below mirrors the format required in the formal statement of accounts and shows the total impact on reserves as a result of the Council's activities in 2012/13. It shows a reduction of £2.327m which is little different from the original budget but this masks the fact that there have been:

- flows of funds for items such as Section 106 and Community Infrastructure Levy receipts that immediately transfer to earmarked reserves, and so do not have an impact on the net position.
- adjustments on Repairs and Renewal Funds to record any differences between contributions made to them and the actual expenditure on them during the year.
- delays on a number of revenue projects which mean that the resulting saving needs to be put into the Delayed Projects Reserve to allow them to be funded in 2013/14.
- significant savings achieved that have allowed £1.0m to be added to the Earmarked "Special" Reserve. This reserve is to provide the necessary up-front costs that are often required when making savings.
- A transfer to unusable reserves of £0.047m relating to direct financing of assets.

2011/12 Outturn £000		**Budget £000**	**2012/13 Outturn £000**	**Variation £000**
85,725	Gross Expenditure	86,100	90,230	4,130
(4,056)	Statutory Adjustments	(5,277)	(4,925)	352
81,669		80,823	85,305	4,482
	Income and Other Items			
(15,526)	Fees & Charges	(15,424)	(15,644)	(220)
(44,989)	Government Grants (including housing & Council Tax benefits)	(43,052)	(47,608)	(4,556)
(588)	Investment Income	(436)	(445)	(9)
(662)	Trading undertakings (surplus)/deficits	(189)	26	215
(61,765)		(59,101)	(63,671)	(4,570)
19,904	**Net expenditure**	**21,722**	**21,634**	**(88)**
	Funding			
(7,383)	Council Tax	(7,727)	(7,727)	0
(11,538)	Revenue support grant, business rates and other special grants	(11,385)	(11,483)	(98)
(105)	Collection fund (surplus)/deficit	(63)	(97)	(34)
(19,026)		**(19,175)**	**(19,307)**	**(132)**
878	**Deficit met from reserves**	**2,547**	**2,327**	**(220)**
	Application of General Fund Reserve			
125	Applied to meet the costs of Council services		709	
	Earmarked Reserves			
190	- Contribution to delayed projects reserve		237	
(100)	- Contribution to Special Reserve		1,000	
329	- Increase in S106 Reserve		124	
334	- Increase in other earmarked reserves		210	
0	Transfer to unusable reserves		47	
878	**Total**		**2,327**	



Reserves

The table below shows the results of the movements in reserves to show how these have affected the actual sums held at the 31 March 2013.

The size of the contribution to the Special Reserve was approved by Cabinet on the basis that the remaining funds in the General Fund would be similar to the £10.398m forecast when the MTP was approved in February 2013.

Revenue Usable Reserves 2012/13	B/f	Contributions To	Contributions From	C/f
	£000	£000	£000	£000
General Fund	**12,914**	**0**	**(2,327)**	**10,587**
Earmarked				
Delayed Projects	749	237	0	986
Special Reserve	260	1,000	0	1,260
S.106	2,739	416	(292)	2,863
Other	1,485	643	(433)	1,695
	5,233	**2,296**	**(725)**	**6,804**
Total Usable Reserves	**18,147**	**2,296**	**(3,052)**	**17,391**

Capital Spending

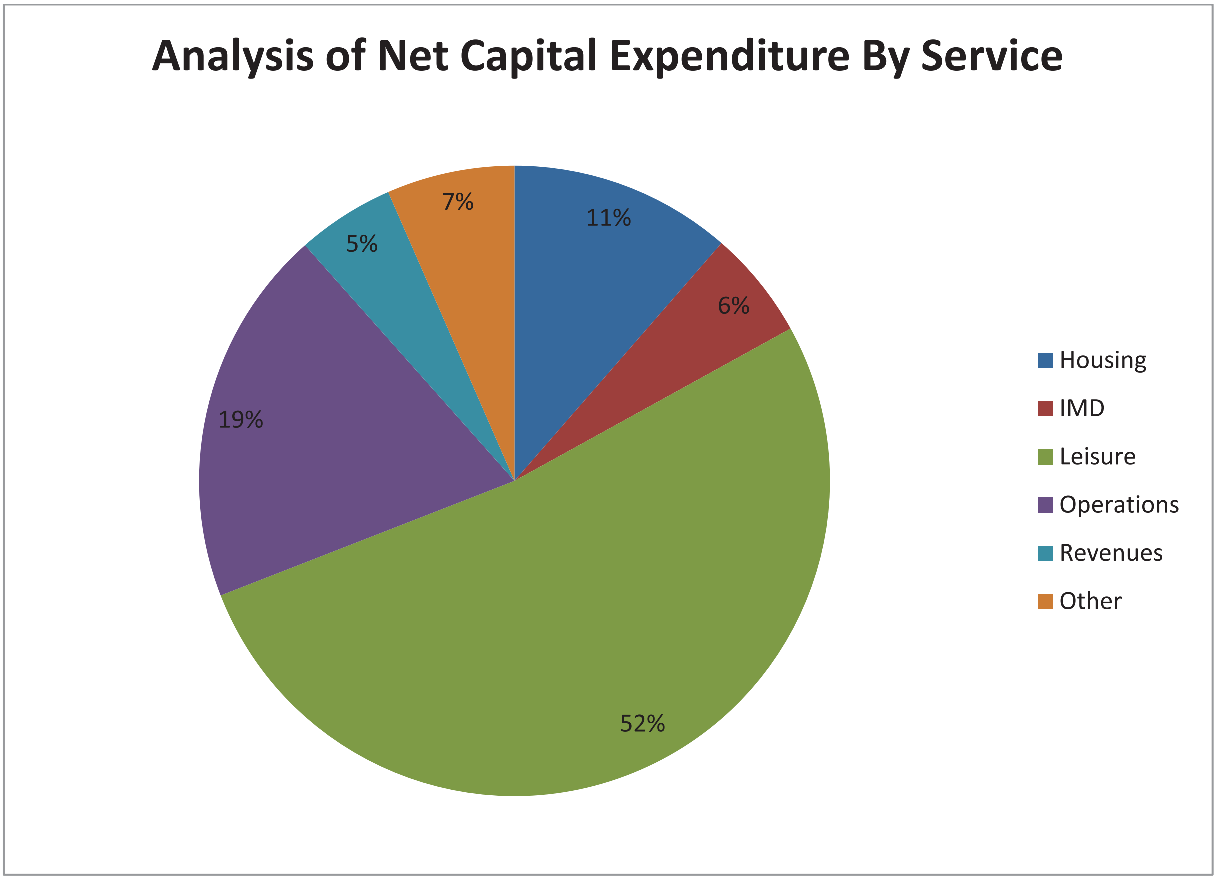
The original net budget was for £10.370m and it was assumed that there would be schemes brought forward from 2011/12 of £0.400m. The schemes actually brought forward from 2011/12 totalled £1.798m; however a combination of delays has resulted in £6.5m being spent during the year.

Several large schemes were planned to commence in 2012/13. These included the Huntingdon Western Relief Road and the Huntingdon Multi-Storey Car Park which were both delayed because of protracted land negotiations, but did commence in the final weeks of the year. Transportation schemes included a grant towards programme of improvements at St Neots railway station that will now commence during 2013/14. One Leisure improvements at St Ives have commenced and are expected to be completed in early 2013/14. A planned redevelopment of One Leisure Ramsey was removed from the programme.

The capital programme includes rolling programmes to provide disabled facilities and housing improvement grants to householders and also for replacing and renewing IT systems and replacing replacements to ensure that equipment is up to date and fit for purpose.

During the year the Council disposed of several parcels of land and property including, Castle Hill House Huntingdon, land at the old Fire Station, St Neots and Cambridge Street, St Neots and a small area of land in Mill Hill Eaton Socon. The receipts from these sales have been used to fund 2012/13 capital expenditure, so reducing the need for external borrowing.

2011/12 £m	Capital Spending	2012/13 £m
1.7	One Leisure Redevelopment	3.8
2.1	Housing Grants	1.4
0.3	Vehicle Replacement Programme	1.1
0.9	Information & Communication Technology	0.7
0.0	St Neots Railway Station Improvements	0.3
0.3	Recreation	0.2
0.9	Huntingdon West Development	0.2
0.4	Photovoltaic Panels (Eastfield House)	0.0
1.2	Transportation	0.0
0.6	Other	0.6
8.4	**Gross Expenditure**	**8.3**
	Less	
(3.0)	External contributions and capital grants	(1.2)
(0.0)	Castle Hill House capital receipt	(0.6)
5.4	**Net Expenditure**	**6.5**
	Funded from	
(1.2)	Other Capital Receipts	(0.5)
(4.2)	Borrowing	(6.0)
(5.4)		**(6.5)**

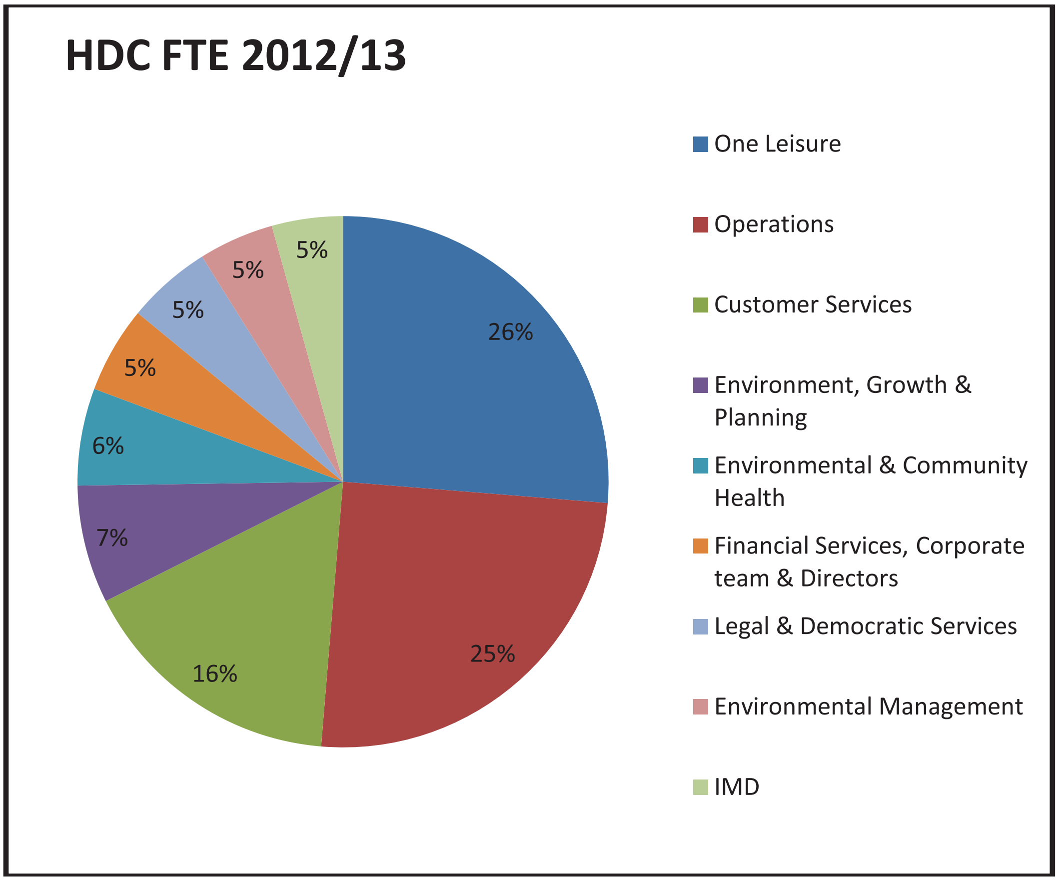


Treasury Management
Short term borrowing for the Council is undertaken throughout the year to help maintain daily cash flow and for the year this averaged £1.937m. This was carried out at very low interest rates due to a combination of the bank base rate remaining at 0.50% and borrowing from local authorities willing to offer lower rates to other local authorities as they are seen as a safe counterparty. No long term borrowing was carried out.

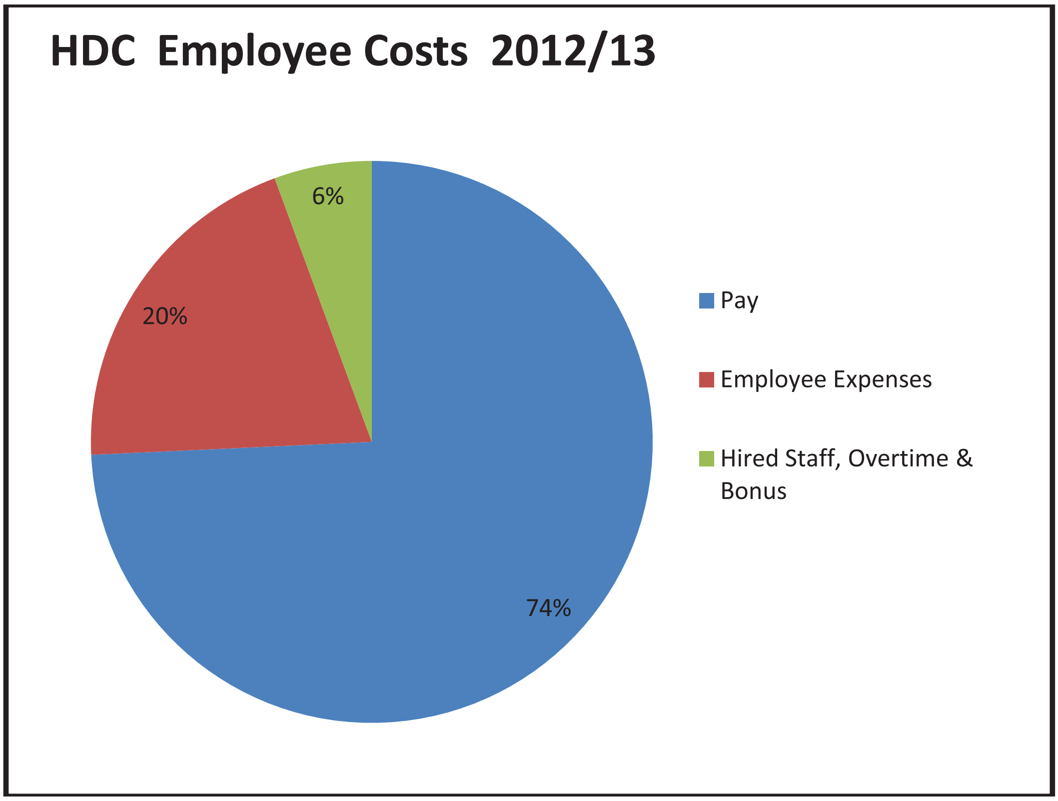
The economic climate and the Euro crisis led to the downgrading of credit ratings for several financial institutions. In order to manage risk, surplus funds have been invested in AAA rated Money Market Funds or in Call or Liquidity accounts that offer instant access to funds, with the added benefit of interest rates at or above the bank base rate.

Trend in staffing number over recent years
Between the end of 2011/12 and 31 March 2013, the Council's staff numbers have decreased by 16.9 FTE's (2.4%).

As at the 31 March 2013 the Council employed 699.5 full time equivalent employees. The following graph shows the Council's staff numbers in 2012/13 for each service.



Of the total cost of employing staff, £24.791m, the split of this cost based on pay type is as follows:



The Financial Statements

The Council's financial statements for 2012/13 have been prepared in accordance with the:

- standard format for local authority accounts recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2012/13 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 based on International Financial Reporting Standards.

- Accounts and Audit Regulations 2011

The primary financial statements are supported by explanatory notes, including details of the accounting policies adopted by the Council.

The Comprehensive Income and Expenditure Statement (CIES)
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, *rather than the amount to be funded from taxation*. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement.

	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
Cost of Services	**85.629**	**(61.549)**	**24.080**
Other Operating Expenditure	5.110	0.000	5.110
Financing & Investment Income & Expenditure	3.638	(3.178)	0.460
Taxation & Non-Specific Grant Income	0.000	(24.016)	(24.016)
(Surplus) or Deficit on Provision of Services			**5.634**
Other CIES adjustments			**6.098**
Total Comprehensive Income & Expenditure			**11.732**

Movement in Reserves Statement
This statement shows the movement in the year on the different reserves held by the council, analysed into 'useable reserves', (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. The surplus or (deficit) from the CIES (which shows the true economic cost) is then adjusted in accordance with statutory provisions to give the net increase/decrease before transfers to earmarked reserves. A final adjustment shows any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Total Useable Reserves £m	Total Unusable Reserves £m
Balance – 31 March 2012	**18.675**	**2.808**
Total Comprehensive Expenditure & Income	(5.634)	(6.098)
Adjustments between accounting & funding basis.	5.195	(5.195)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(0.439)**	**(11.293)**
Transfers to/from Earmarked Reserves	(0.047)	0.047
Increase/(Decrease) in 2012/13	**(0.486)**	**(11.246)**
Balance – 31 March 2013	**18.189**	**(8.438)**

Useable Reserves are:

	£m
General Fund:	10.587
Earmarked Reserves:	6.804
Capital Grants Unapplied:	0.798
Total:	**18.189**

As at the 31 March 2013, Unusable Reserves have become negative. The main reasons for this is because of:

- An increase in the Pension Fund Reserve
  The Pension Reserve has increased by of £7.093m. This directly reflects the increase in the Pension Liability (Note 39). This liability is not "immediately" payable but will become payable over the life of the contributors to the Pension Scheme. Further this liability is assessed, in detail, following the triennial valuation that is undertaken by the Pension Fund that can result in a change to the employers' contribution rate.

- A decrease in the Capital Adjustment Account
  The Capital Adjustment Account has decreased by £3.830m. The main reason for this decrease is that whilst, available capital financing (e.g. capital receipts, statutory provision for financing) remains low, this will be exceeded by the charge for consumption of non-current assets (eg depreciation, amortisation) with the result being a reduction in the balance on the Capital Adjustment Account.
  .

Balance Sheet
The Balance Sheet shows the value at the 31 March of the assets and liabilities recognised by the council. The net assets of the councils (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are unusable and includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement at the line entitled 'Adjustments between accounting basis and funding basis under regulations'.

	31 March 2013 £m
Long Term Assets	77.738
Current Assets	13.433
Current Liabilities	(12.191)
Long Term Liabilities	(69.229)
Net Assets	**9.751**
Useable Reserves	18.189
Unusable Reserves	(8.438)
Total Reserves	**9.751**

The Cash Flow Statement
The Cash Flow Statement shows the changes in “cash” (cash and cash equivalents) of the council during the reporting period. The statement shows how the council generates and uses “cash” by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

Net cash flows from:	**31 March 2013 £m**
- operating activities	(1,448)
- investing activities	1,273
- financing activities	1,397
Net increase or (decrease) in cash and cash equivalents	**1,222**
Cash & Cash Equivalents	
- at the beginning of the reporting period	(320)
- at the end of the reporting period	**902**

The supplementary accounting statements comprise:

The Collection Fund Revenue Account
The Collection Fund is a separate account into which are paid the amounts raised from local taxation. The Council's contribution to the national business rates pool and the payments due to preceptors are also met from this account.

	£m	**£m**
Income		
Council Tax	92.090	
NNDR	54.359	
Total Income		**146.449**
Expenditure		
Precepts and Council:		
- Huntingdonshire	7,727	
- Cambridgeshire County	64,854	
- Cambridgeshire Fire and Police	14.058	
- Parish Precepts	4.708	
Business Rates payments to Pool	54.359	
Debts impaired	0.019	
Contribution towards previous years Collection Fund surplus	0.465	
Total Expenditure		**146.190**
Deficit/(Surplus) for the year		**(0.259)**
(Surplus) at beginning of the year		**(0.454)**
Deficit/(Surplus) for the year		(0.259)
Deficit/(Surplus) at end of year		**(0.713)**

Pension Fund
The Council is part of the Local Government Pension Scheme, administered by Cambridgeshire County Council. The pension fund's actuary is required to review the fund to ensure that it can meet its future liabilities. To achieve this, the actuary undertakes a full revaluation of the fund every three years, the most recent having been undertaken at the 31 March 2010. Between each full revaluation, annual interim revaluations take place to ensure that the Council can appropriately report the current financial position of the fund. The 31 March 2013 actuarial valuation identified a deficit of £58.434m, which was an increase of £7.093m on the deficit of £51.341m that was reported as at 31 March 2012.

Although this deficit represents the sum that would have to be added to meet forecast claims on the fund, *if all the actuary's assumptions turn out to be valid*, it is standard practice for the deficit to be met by making extra annual contributions over a period of years to reflect the detailed full revaluation results every three years. The next triennial revaluation is being undertaken during 2013/14 and if the revaluation recommends that new employer contribution rates are required, and if the Council agrees to increase the Pension Rate, then these will be applicable from the 1 April 2014.

Provisions and Contingencies

- **Provisions**

The Council has established two new provisions for 2012/13, totalling £0.137m (2011/12; nil). The provisions are in respect of an insurance clawback arrangement with a former insurer for the Council and for termination payments in respect of service rationalisation.

- **Contingent Assets and Liabilities**

In respect of contingent assets, the Council has made a disclosure for 2012/13 of £2.431m (2011/12; £2.144m). In respect of contingent liabilities, the total disclosed for 2012/13 is £5.811m (2011/12; £6.045m).

Details of provisions, contingent assets and liabilities are shown in Note 40 of the statement of accounts.

Technical Information

Huntingdonshire's financial statements for 2012/13 have been prepared in accordance with the:

- standard format for local authority accounts recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2012/13 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 based on International Financial Reporting Standards.

- Accounts and Audit Regulations 2011.

International Financial Reporting Standards
The Council has reported its financial position based on the requirements of International Financial Reporting Standards (IFRS) and this is encapsulated within the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Statement of Accounting Policies
The accounting polices applicable to the 2012/13 statement of accounts are the same as those that were applied to the 2011/12 accounts.

True and Fair View Override
As required by the Accounts and Audit Regulations 2011, paragraph 8.2, it is noted that the Responsible Financial Officer has not had to use the "true and fair view override".

Changes to the Statement of Accounts
In the main, the 2012/13 Statement of Accounts is very similar to those for 2011/12. However, there have been some minor changes and these are noted below:

Comprehensive Income and Expenditure Statement (CIES)

- Trading Operations
  There has been a comprehensive review of those Council services that "trade" i.e. where there is the risk that the service could trade at a loss. For 2012/13, as well as those services that were reported in 2011/12 (Information Management Department: IT Software and Markets), the Council is additionally disclosing Car Parks, Leisure, Building Control, Grounds Maintenance, Printing and Commercial Waste. For 2012/13, the trading deficit for these services is £1.742m which is £1.005m less than that recorded in 2011/12 (£2.747m). This reduction in the deficit is primarily due to increases in income for both the Car Parks and Leisure Services.

- Investment Property
  The Oak Tree Centre was is recorded within Property Plant and Equipment as an Investment Property but the income and expenditure was previously reported within the Net Cost of Services. For 2012/13 the revenue related costs and income are now reported within Investment Property. The consequence of this change is that in 2012/13 the Net Cost of Services has reduced by £0.825m and Financing and Investment Income increased by the same amount (2011/12; £0.801m).

Material and Unusual Charges or Credits in the Accounts
There are no material and unusual charges or credits in the accounts.

Material Events After the Reporting Date
There have not been any material events after the reporting date.

Material Assets Acquired or Liabilities Incurred
There have not been any material assets acquired or liabilities incurred during the year.

Changes in Statutory Functions
There were no changes in statutory functions in 2012/13.

Steve Couper CPFA

Assistant Director (Finance & Resources)

XXth September 2013

Further Information
Further information about the accounts is available from Clive Mason, Accountancy Manager.
☎ 01480 388157 or email clive.mason@huntingdonshire.gov.uk

Independent Auditors Report to the Members of Huntingdonshire District Council

Report on Statement of Accounts

We have audited the statement of accounts of Huntingdonshire District Council for the year ended 31 March 2013 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet as at the end of the year, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in its preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the CIPFA Service Reporting Code of Practice 2012/13.

Respective responsibilities of the Section 151 Officer and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Section 151 Officer is responsible for the preparation of the statement of accounts and for being satisfied that it gives a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the CIPFA Service Reporting Code of Practice 2012/13. Our responsibility is to audit and express an opinion on the statement of accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the statement of accounts

An audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the statement of accounts. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited statement of accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on statement of accounts

In our opinion the statement of accounts:

- gives a true and fair view of the state of the Authority's affairs as at 31 March 2013 and of the Authority's income and expenditure and cash flows for the year then ended; and

- has been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the CIPFA Service Reporting Code of Practice 2012/13.

Opinion on other matter prescribed by the Code of Audit Practice

In our opinion, the information given in the explanatory foreword for the financial year for which the statement of accounts is prepared is consistent with the statement of accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Authority to consider it at a public meeting and to decide what action to take in response ; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

Conclusion on the Authority's 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 to review regularly the adequacy and effectiveness of these arrangements.

Auditors' responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, *Huntingdonshire District Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

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

Clive Everest
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
St Albans

Date:

Notes:

(a) The maintenance and integrity of the Huntingdonshire District Council website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of the statement of accounts may differ from legislation in other jurisdictions.

Statement of Responsibilities

The Authority's Responsibilities
The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Assistant Director (Finance & Resources);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Assistant Director's (Finance & Resources) Responsibilities
The Assistant Director (Finance & Resources) is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts the Assistant Director (Finance & Resources) has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Assistant Director (Finance & Resources) has also:

- kept proper accounting records which were up-to-date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at 31 March 2013 and its income and expenditure for the year ended 31 March 2013

Steve Couper CPFA
Assistant Director (Finance & Resources)

XXth September 2013

Chairman’s Approval of the Statement of Accounts

This is the Annual Financial Report, incorporating the Statement of Accounts with all audit activities completed. The Corporate Governance Panel of Huntingdonshire District Council at its meeting on 26th September 2013 delegated authority to me as Chairman of the Panel to approve the Statement of Accounts.

Cllr E R Butler
Chairman of the Corporate Governance Panel

Date

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000 Note 8	Capital Receipts Reserve £000	Capital Grants Unapplied £000 Note 33	TOTAL USEABLE RESERVES £000	Unusable Reserves £000 Note 23	TOTAL COUNCIL RESERVES £000
Movement in reserves during 2012/13							
BALANCE AT 31 MARCH 2012 B/F	**12,914**	**5,233**	**0**	**528**	**18,675**	**2,808**	**21,483**
Surplus/(Deficit) on provision of services	(5,634)	0	0	0	**(5,634)**	0	**(5,634)**
Other comprehensive income and expenditure	0	0	0	0	**0**	(6,098)	**(6,098)**
Total comprehensive income and expenditure	**(5,634)**	**0**	**0**	**0**	**(5,634)**	**(6,098)**	**(11,732)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	4,925	0	0	270	5,195	(5,195)	**0**
Net increase/(decrease) before transfers to earmarked reserves	**(709)**	**0**	**0**	**270**	**(439)**	**(11,293)**	**(11,732)**
Transfers to/from earmarked reserves (Note 8)	(1,618)	1,571	0	0	**(47)**	47	**0**
Increase/(Decrease) in Year	**(2,327)**	**1,571**	**0**	**270**	**(486)**	**(11,246)**	**(11,732)**
BALANCE AT 31 MARCH 2013 C/F	**10,587**	**6,804**	**0**	**798**	**18,189**	**(8,438)**	**9,751**
Movement in reserves during 2011/12							
BALANCE AT 31 MARCH 2011	**13,882**	**4,480**	**2**	**594**	**18,958**	**17,600**	**36,558**
Surplus/(Deficit) on provision of services	(6,218)	0	0	0	**(6,218)**	0	**(6,218)**
Other comprehensive income and expenditure	0	0	0	0	**0**	(8,857)	(8,857)
Total comprehensive income and expenditure	**(6,218)**	**0**	**0**	**0**	**(6,218)**	**(8,857)**	**(15,075)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	6,003	0	(2)	(66)	**5,935**	(5,935)	**0**
Net increase/(decrease) before transfers to earmarked reserves	**(215)**	**0**	**(2)**	**(66)**	**(283)**	**(14,792)**	**(15,075)**
Transfers to/from earmarked reserves (Note 8)	(753)	753	0	0	**0**	0	**0**
Increase/(Decrease) in Year	**(968)**	**753**	**(2)**	**(66)**	**(283)**	**(14,792)**	**(15,075)**
BALANCE AT 31 MARCH 2012 C/F	**12,914**	**5,233**	**0**	**528**	**18,675**	**2,808**	**21,483**

Comprehensive Income and Expenditure Statement

2011/12 Gross Expenditure £000	2011/12 Gross Income £000	2011/12 Net Expenditure £000		2012/13 Gross Expenditure £000	2012/13 Gross Income £000	2012/13 Net Expenditure £000
12,462	(8,040)	4,422	Cultural and Recreational Services	11,391	(6,637)	4,754
6,007	(1,595)	4,412	Environmental Services	5,626	(1,541)	4,085
3,215	(173)	3,042	Refuse Collection	3,297	(57)	3,240
5,266	(2,274)	2,992	Planning Services	4,844	(2,068)	2,776
40,352	(36,199)	4,153	Housing Services	42,537	(39,099)	3,438
3,514	(2,434)	1,080	Highways and Transport Services	2,497	(2,116)	381
8,579	(8,351)	228	Council Tax Benefits	9,078	(8,746)	332
1,471	(576)	895	Local Taxation Collection	1,314	(612)	702
498	(258)	240	Other Central Services	1,067	(668)	399
3,307	(483)	2,824	Corporate and Democratic Core	2,812	(5)	2,807
923	(1)	922	Non-Distributed Costs	1,166	0	1,166
85,594	**(60,384)**	**25,210**	**Cost of Services** (note 27)	**85,629**	**(61,549)**	**24,080**
5,094	(582)	4,512	Other Operating Expenditure (Note 9)	5,110	0	5,110
2,833	(1,753)	1,080	Financing and Investment Income and Expenditure (Note 10)	3,638	(3,178)	460
0	(24,584)	(24,584)	Taxation and Non-specific Grant Income (Note 11)	0	(24,016)	(24,016)
93,521	**(87,303)**	**6,218**	**(Surplus)/Deficit on provision of services**	**94,377**	**(88,743)**	**5,634**
		(206)	(Surplus) or deficit in the revaluation of non-current assets (Note 23)			113
		9,063	Actuarial losses/(gains) on pension assets and liabilities (Note 39)			5,985
		8,857	**Other comprehensive income and expenditure**			**6,098**
		15,075	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**11,732**

Balance Sheet

31 March 2012 £000		Notes	31 March 2013 £000
55,165	Property, Plant and Equipment	12	56,733
65	Heritage Assets	13	65
18,504	Investment Property	14	18,424
1,616	Intangible Assets	15	1,554
5,795	Long Term Investments	16	0
961	Long Term Debtors	16	962
82,106	**Long Term Assets**		**77,738**
5,771	Short Term Investments	16	6,144
185	Inventories	17	147
4,804	Short Term Debtors	18	5,940
0	Cash and Cash Equivalents	19	902
805	Assets held for sale	20	300
11,565	**Current Assets**		**13,433**
(320)	Cash and Cash Equivalents	19	0
(4,611)	Short Term Borrowing	16	(6,111)
(5,100)	Short Term Creditors	21	(5,943)
0	Provisions	40	(137)
(10,031)	**Current Liabilities**		**(12,191)**
(10,000)	Long Term Borrowing	16	(10,000)
(816)	Other Long Term Liabilities	16	(795)
(51,341)	Net Pensions Liability	39	(58,434)
(62,157)	**Long Term Liabilities**		**(69,229)**
21,483	**Net Assets**		**9,751**
18,675	Useable Reserves	22	18,189
2,808	Unusable Reserves	23	(8,438)
21,483	**Total Reserves**		**9,751**

Steve Couper CPFA
Assistant Director (Finance & Resources)

XXth September 2013

These financial statements replace the unaudited financial statements certified by Steve Couper Assistant Director (Finance & Resources) on the 25th June 2013.

Cash Flow Statement

2011/12 £000		2012/13 £000
(6,218)	Net surplus/(deficit) on the provision of services	(5,634)
5,399	Adjustments to net surplus or deficit on the provision of services for non cash movements	6,166
(1,375)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,980)
(2,194)	Net cash flows from Operating Activities (Note 24)	**(1,448)**
(246)	Investing Activities (Note 25)	1,273
2,323	Financing Activities (Note 26)	1,397
(117)	Net increase or (decrease) in cash and cash equivalents	**1,222**
(203)	Cash and cash equivalents at the beginning of the reporting period	(320)
(320)	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**902**

Note 1. Accounting Policies

Accounting Policies in respect of Concepts and Principles

➢ **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS).

The underlying concepts of the accounts include the:

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

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

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity. Further, the accounting policies are applied on a consistent basis.

➢ **Government Grants and Contributions (IAS 20)**

Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are credited to the Comprehensive Income and Expenditure Statement if the conditions attached to the grant or contribution have been met. However if the conditions require that the grant or contribution is returned where these conditions are not met, it cannot be credited to the Comprehensive Income and Expenditure Statement.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital

Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

The Council receives monies from developers, S106 monies, which are credited to the Comprehensive Income and Expenditure Statement and transferred to an earmarked fund. The condition for these contributions is that they are returnable 10 years after receipt if they are not used. It is considered that 10 years is too far into the future to be treated as receipts in advance.

- **Accruals of Income and Expenditure**

Income and expenditure are accounted for in the year to which they relate, not simply when cash payments are made or received, by the creation of debtors and creditors which are recorded in the balance sheet. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where the Council is acting as an agent for another party (e.g. in the collection of NNDR and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services provided or the Council incurs expenses directly on its own behalf in providing the services.

- **Overheads and 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 Service Reporting Code of Practice 2012/13. 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-Distributed Costs – for example the cost of lump sum employer contributions to the pension scheme.

These two cost categories are defined in the Service Reporting Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

The cost of overheads relating to staff time spent on capital projects is treated as a revenue charge to the service rather than a charge to the capital project.

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, if material, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. For 2012/13, there are no new accounting policies in respect of statutory requirements or to ensure local circumstances are better reflected within the Annual Financial Report.

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

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

➢ **Exceptional Items**

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

➢ **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. Interest receipts are included in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

➢ **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement; they are included in the balance sheet as the General Fund Balance, Capital Reserve, Earmarked Reserves and Capital Grants Unapplied.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to count against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

However, there are other reserves 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.
- Accumulated Compensated Absences Adjustment Account – the value of untaken leave and other employee benefits.

➢ **Value Added Tax**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

➢ **Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

➢ **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the investment date and that are readily convertible to cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Accounting Policies in respect of Non-Current Assets

➢ **Property, Plant and Equipment (IAS 16)**

Assets that have physical substance and are held for use in the provision of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

- Recognition

  Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. There is a de minimis level of £10,000, however where the cumulative value of individual assets is greater than £10,000 and they meet the criteria for recognition they will be capitalised.

- Measurement

  Assets are initially measured at cost, comprising:

  - the purchase price;
  - any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
  - the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

  Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement.

  Assets are then carried in the Balance Sheet using the following measurement bases:

  - Fair Value: Land and Buildings, Investment Properties
  - Depreciated Historic Cost: Vehicles, Plant and Equipment; Infrastructure, Intangibles
  - Historic Cost: Community Assets, Assets Under Constructionl Assets Held for Sale

  Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

  Assets included in the balance sheet at fair value are revalued regularly to ensure that their carrying value is not materially different from their fair value at the year end, but as a minimum every three years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account. Thus there is no impact on the council tax.

  Where decreases in value are identified, the revaluation loss is accounted for:

  - where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
  - where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

  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.

- Components

  The Council will separately account for components where the cost of the component is significant in relation to the overall total cost of the asset, and the useful economic life of the component is significantly different from the useful economic life of the asset. Individual components with similar useful lives and depreciation methods will be grouped.

  For this purpose a significant component cost would be 10% of the overall total cost of the asset but with a de-minimis component threshold of £100,000.

  This policy has been applied prospectively when non-current assets have been revalued and will be considered only for new revaluations carried out after 1st April 2012 and when enhancement and/or acquisition expenditure is incurred after that date. The only assets that have been split into components in the 2012/13 accounts are offices and leisure centres. This is consistent with the prior year.

  The impact is that some components have a useful life of between 15 and 35 years, which in some instances is different to the useful life of the main building and therefore the depreciation charge varies from that based on the same useful life for the whole asset.

- Impairment

  Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where there is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

  Where impairment losses are identified, they are accounted for:

  - where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
  - where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

  Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

- Disposals and Non-current Assets Held for Sale

  When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of property, plant and equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

- Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by allocating the value of the asset over their useful lives. An exception is made for assets where the finite useful life cannot be determined, (i.e. land and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated as follows:

Asset Type	Depreciation basis	Useful Economic Life
Operational Buildings	Straight-line allocation over the estimated life of the building or component where identified separately	5 years to 45 years
Vehicles, Plant, Furniture & Equipment	Straight line allocation over the estimated life of the	1 year to 48 years
Infrastructure	asset	3 years to 44 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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.

The residual value of the assets is reviewed at least every five years and the depreciation adjusted to match any change in the life of the asset.

- **Depreciation and other Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation (annual charge) of intangible assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue, known as the minimum revenue provision (MRP), to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by MRP in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement to reflect the difference between the two.

The basis for calculating MRP is restricted by legislation and the policy has to be approved by the Council. The policy for 2012/13 is that MRP is on an annuity basis. This results in the MRP increasing over the life of the asset to match the fall in the interest cost as the debt is “notionally” repaid. The net result is a consistent charge to the Council’s accounts over the assumed life of the asset.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal; receipts from disposals are credited to the same line. Any accumulated revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

- **Heritage Assets**

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)

Heritage Assets are those that are held and maintained by the council principally for their contribution to knowledge and culture. Such assets can have historical, artistic, scientific, geophysical or environmental qualities.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority’s accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The Authority's Heritage Assets are accounted for as follows:

- Cultural

  The Council has identified the Norman Cross and Eagle as a Heritage Asset and this is disclosed in the balance sheet, based on insurance valuation, at £0.065m. It should be noted that there is no phased basis of valuation. This asset is:

  - deemed to have an indeterminate life and consequently the Council does not consider it appropriate to charge depreciation.
  - static and located at Norman Cross, Cambridgeshire, near to the intersection with the A1.

- Mayoral Regalia and Art Collection

  The Council has two mayoral chains of office and two paintings; however the total estimated value of these assets, based on insurance valuations, is £0.033m. As individually these assets are not material, they have not been included in the balance sheet.

➢ **Intangible Assets**

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life and debited to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are debited to the relevant service lines in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is debited or credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

➢ **Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if they are used in any way for the delivery of services.

Investment properties are measured initially at cost and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated and are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental income received in relation to investment properties is credited to the Financing and Investment Income and Expenditure line and results in a gain for the General Fund Balance. However revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance and are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

- **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

- The Council as Lessee

  - Finance leases

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

    Lease payments are apportioned between:

    - a charge for the acquisition of the interest in the property, plant and equipment, applied to write down the lease liability, and
    - a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

    The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

    In practice the Council has two categories of finance leases in primary rental for industrial units and secondary leases for certain items of equipment.

- <u>Operating leases</u>.

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

- The Council as Lessor

  - <u>Finance Leases</u>

    Where the Council grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease (long-term) debtor in the Balance Sheet.

    Lease rentals receivable are apportioned between:

    - a charge for the acquisition of the interest in the property – applied to write down the lease debtor, and
    - finance income which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

    The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for this capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

    The written-off values of disposals are not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

  - <u>Operating Leases.</u>

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

- **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 property, plant and equipment. 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, amounts charged are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Accounting Policies in respect of Current Assets

- **Inventories**

The Council has a number of inventories but none either individually or in aggregate are material to the accounts. However, the valuation approach in respect of the main inventory types (Fuel and Stock for Sale) is First In First Out.

- **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

- **Provisions and Contingent Liabilities**

- Provisions

  Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires a financial settlement and a reliable estimate of the obligation can be made. Provisions are debited to the Comprehensive Income and Expenditure Statement and are measured at the best estimate of the expenditure that is likely to be required. When payments are made they are charged to the provision.

- Contingent Liabilities

  A contingent 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 as a note to the accounts. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Accounting Policies in respect of Employee Benefits

- **Benefits Payable during Employment**

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees provide services to the Council.

An accrual is made against services in the Comprehensive Income and Expenditure Statement for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement. Thus there is no impact on the council tax.

➢ **Termination Benefits**

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

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

➢ **Post Employment Benefits (Pensions)**

Employees of the Council are members of the Local Government Pensions Scheme (LGPS), administered by Cambridgeshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

- The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bonds as identified by the actuary).

- The assets of the Cambridgeshire County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value

- The change in the net pensions liability is analysed into seven components:

    - **current service cost** – the increase in liabilities as a result of years of service earned this year – debited in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

- **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **gains or losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- **contributions paid to the Cambridgeshire Pension Fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, rather than the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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 such amounts payable but unpaid at the year-end. The balance (currently negative) that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

➢ **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Accounting Policies in respect of Financial Instruments

➢ **Financial Assets**

The main financial assets attributable to the Council are:

- Loans and receivables

  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). Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. 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 debtors, which includes housing improvement loans and housing advances. The charge for these services is to the Housing Services line in the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

- 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.) When these soft loans are made, a loss is recorded in the Housing Services line in the Net Cost of Services in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement is managed by a transfer to the Financial Instruments Adjustment Account. It is included in the ‘Adjustment between accounting basis and funding basis under regulation’ line in the Movement in Reserves Statement.

➢ **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. The Council has the following liabilities:

- Creditors

  Creditors are carried at their original invoice amount.

- Bank overdrafts

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

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

- Short-term borrowing

  Loans of less than 1 year and carried at amortised cost.

- 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.

Note 2. Accounting Standards that have been Issued but have not yet been Adopted

The following are the accounting policies that have been issued but as yet have not been adopted by the Council as at the balance sheet date:

- **IAS 1 – Presentation of Financial Statements**

  A possible regrouping of items currently disclosed within “Other Comprehensive Income & Expenditure” to “(Surplus)/Deficit in the Provision of Services”; including items where a profit/loss might occur at some future point. The main impact of this change will be on the available for sale financial assets under IFRS 9. It is expected that this will have a marginal impact on the Council.

- **IFRS13 – Fair Value Measurement**

  This will introduce a more consistent definition for measurements of assets or liabilities that will be held at fair value:

  “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

  This revised definition will apply when other standards require an assessment under fair value and all fair value assessments from 2013/14 onwards will be undertaken on this basis.

- **IAS 19 – Employee Benefits**

  The removal of “gain/loss on recognition”, but this is rarely used or permitted within the UK, thus it is expected that this will not apply to the Council. In addition, there will be the introduction of a “recognition point” in respect of Termination Benefits whereby the Council will not be able to withdraw an offer, it is expected that this will apply.

- **IPSAS 32 – Service Concession Arrangements**

  This might not be wholly applicable to the Council as this is, in the main, directed at PFI type arrangements (embedded leases); however, there might be a consequential impact in respect of financial instruments but its impact on the Council is expected to be minimal.

- **IFRS 7 – Financial Instruments Disclosures**

  There will be a new set of disclosures that will have the aim of assisting readers of the accounts in the netting arrangements for Financial Instruments that occurs within the Balance Sheet. It is expected that this will be introduced by the Council.

Note 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The government has announced a significant reduction in funding for local government over the term of this parliament which has introduced a high degree of uncertainty about future levels of service provision. At the present time, the Council estimates that it will need to cut its net budget by £2.6m by 2017/18. This will be through a process of service rationalisation which will be finalised through the annual budget decisions process. It is probable that there will be an impact on how the Council utilises its asset portfolio; however, the Council has determined that this uncertainty is not yet sufficient to provide an indication of which assets might become impaired as a result of a need to close facilities due to a reduction in service provision.

- In line with the Code of Practice on local authority accounting in the United Kingdom 2012/13, based on International Financial Reporting Standards, the Council has not charged depreciation on land, investment properties, community assets, assets held for sale and assets under construction. For all these assets, the total value for 2012/13 for land is £11.046m and Buildings (NBV) is £18.020m (2011/12; land is £11.592m and Buildings (NBV) is £14.895m).

- The Council has taken professional advice from the Pension Fund's actuary, Hymans Robertson LLP, to determine the overall net liability of the fund which is £58.434m for 2012/13; this has increased by £7.093m since 2011/12. However:

  - This does not adversely affect the financial position of the Council as the actuarial valuation is based on a number of assumptions about the future, as shown in Note 39.
  - The revenue impact of the deficit is formally reviewed by the actuary on a triennial basis who determines revised employer contributions for the forthcoming 3-year period. Further, fluctuations in pension assets and liabilities occur due to movements in market investments.

Note 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property	All Property is reviewed on a 3 year rolling basis. Where an asset has not been specifically reviewed a "table-top" analytical review is undertaken to determine if the principle valuation indexes show a material change in the current assets valuation. In addition, an annual impairment review is undertaken to determine if any of the Council's assets have been impaired.	72% of the Council's assets are valued at fair value, so the impact of changes in market value is significant. If there was a 1% fall in market value, it is estimated that the value of the Council's property assets would reduce by £0.349m. If an asset is impaired then the carrying value will be reduced. However, it is not possible to supply an estimate of the likely impact of impairment as this is determined by non-market valuation events.
Plant and Equipment	Plant and Equipment are valued on an historic cost basis.	There will not be any changes to this valuation due to market conditions because the valuation approach reflects costs at acquisition or similar situations.
Investment Properties	Investment Properties are valued on an annual basis and are valued at fair value.	It is estimated that a 1% fall in market value would reduce the value of the Council's investment properties by £0.184m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The Government is also intending to make changes to the Local Government Pension Scheme.	The effects on the net pensions liability of changes in individual assumptions, as provided by the actuary, can be measured. For instance: • A 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of 10% or £15.152m. • A 1 year increase in life expectancy would result in an increase in pension liability of 3% or £4.557m. • A 0.5% increase in the salary increase rate would result in an increase in pension liability of 3% or £4.288m. • A 0.5% increase in the pension increase rate would result in an increase in pension liability of 7% or £10.651m.
Sundry Debt Arrears	During the year a root-and-branch review of the Bad Debt Provision (BDP), also known as Debtor Impairment, calculation has been undertaken. This review established, based on the Council's current aged debt profile, that the BDP should be	Each debt type now has an independent BDP rate determined by previous debt activity. If only Sundry Debtor debt is considered, if the current BDP was increased by 10%, this would have an additional £40,089 impact on revenue. However, to achieve such an increase in the BDP, the

	reduced by £0.390m compared to the previous year. The new methodology is based on a review of payment behaviour over the past 4 years; thereby taking into account debts paid and those written off. At 31 March 2013, the Council has a net debtors balance of £5.745m.	actual debt itself would have to increase by £0.132m.
Sundry Creditors (Housing Benefits)	During the year the Council pays Housing Benefits to local residents who are entitled to receive it; these payments are reimbursed by Central Government Subsidy. The Subsidy reimbursement is for amounts paid and makes no adjustment to reflect the period that the payment covers. The Housing Benefit payments made by the Council are on one of the two following bases: f i. 4-week in arrears, or ii. 2-weeks in arrears/ 2-weeks in advance. At the year-end no accounting adjustment is made for those payments that were paid in the following year but were applicable to 2012/13. The estimated cost of those payments that have been paid in 2013/14 but were applicable to 2012/13 is £0.883m.	The amount of Housing Benefit in payment at any given time is dependent on the number of claims made at that time, which is itself affected by both local and national economic conditions. Consequently it is difficult to provide a meaningful sensitivity analysis. However, it should be noted that the “net” impact on the Council of any change in accounting for the cost of Housing Benefit payments would be nil because the Council would be reimbursed by the same amount by Central Government.

Note 5. Material Items of Income and Expenditure

The primary purpose of this note is to disclose those material items of income and expenditure that are not part of the ordinary course of business or events of the Council (i.e. extraordinary). During 2012/13 no such items of income or expenditure were incurred (2011/12; nil.)

Note 6. Events after the Balance Sheet Date

The Annual Financial Report, incorporating the Statement of Accounts, was authorised for issue by the Assistant Director: Finance and Resources on 25th June 2013.

With regard to 2012/13:

- **Adjusting Events**
  The financial statements and notes have not been adjusted for any such material events which took place after the 31 March 2013.

- **Non-Adjusting Events**

  Business Rates – Liability for refunding ratepayers
  New arrangements for the retention of business rates come into effect on 1 April 2013. The liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list will be shared in proportion to the share of NNDR attributable to each preceptor. This will include amounts that were paid over to Central Government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the Council as Billing Authority, but would have been transferred to Central Government. Under the new arrangements the Council's share of the appeals refunds will be 40 percent which is estimated to be £0.7m as at 1 April 2013. From 1 April 2013 the Council will need to provide for this amount. As the legislation does not come into force until 1 April 2013 this has been treated in the accounts for the year ending 31 March 2013 as a non adjusting post balance sheet event.

  Material Contracts
  Shortly after the end of the financial year the Council has entered into a contract with two construction related companies, totalling £4.270m, in respect of the building of the Multi-Storey car park as part of the Huntingdon Town Centre Development.

Note 7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of a council are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

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

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2012/13

	Useable Reserves			
	General Fund balance £000	**Capital receipts reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(3,564)	0	0	3,564
Amortisation of intangible fixed assets	(491)	0	0	491
Fair value of investment properties	(80)	0	0	80
Net Revenue expenditure funded from capital under statute	(970)	0	0	970
Net carrying amount of non-current assets sold	(1,033)	0	0	1,033
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:	97	0	0	(97)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	835	0	0	(835)
Adjustments involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to fund capital expenditure	0	1,114	0	(1,114)
Proceeds of sale of non-current assets	1,107	(1,107)	0	0
Repayment of loan	0	(16)	0	16
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(9)	9	0	0
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(10)	0	0	10
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 39)	(4,808)	0	0	4,808
Employer's pensions contributions and direct payments to pensioners payable in the year	3,700	0	0	(3,700)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	35	0	0	(35)
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	270	0	(270)	0
Adjustment involving the Accumulated Compensated Absences Adjustment Account				
Adjustments in relation to short-term compensated absences	(4)	0	0	4
Total Adjustments	**(4,925)**	**0**	**(270)**	**5,195**

2011/12 Comparative Figures

	Useable Reserves			
	General Fund balance £000	**Capital receipts reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(3,265)	0	0	3,265
Revaluation Gains/-Losses on Property, Plant & Equipment	(639)	0	0	639
Amortisation of intangible fixed assets	(616)	0	0	616
Fair value of investment properties	(723)	0	0	723
Net revenue expenditure funded from capital under statute	(2,237)	0	0	2,237
Carrying amount of non-current assets sold	(176)	0	0	176
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	1,378	0	0	(1,378)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	628	0	0	(628)
Lease adjustment	(24)	0	0	24
Adjustments involving the Capital Receipts Reserve:				
Use of the capital receipts reserve to finance capital expenditure	0	1,164	0	(1,164)
Proceeds from sale of non current assets	565	(565)	0	0
Repayment of loan	(18)	(600)	0	618
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(3)	3	0	0
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(14)	0	0	14
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 39)	(4,720)	0	0	4,720
Employer's pensions contributions and direct payments to pensioners payable in the year	3,879	0	0	(3,879)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(44)	0	0	44
Adjustments involving the Capital Grants Unapplied Account				
Net capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	0	0	66	(66)
Adjustment involving the Accumulated Compensated Absences Adjustment Account				
Adjustments in relation to short-term compensated absences	26	0	0	(26)
Total Adjustments	**(6,003)**	**2**	**66**	**5,935**

Note 8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts transferred back from earmarked reserves to meet General Fund expenditure (either revenue expenditure or direct revenue financing of capital).

	Balance 31.3.11 £000	Transfers in £000	Transfers out £000	Balance 31.3.12 £000	Transfers in £000	Transfers out £000	Balance 31.3.13 £000	Purpose of Reserve
S106 agreements	**(1,386)**	(774)	863	**(1,297)**	(409)	178	**(1,528)**	**A**
Commuted S106 payments	**(1,024)**	(527)	109	**(1,442)**	(7)	114	**(1,335)**	**B**
Repairs and renewals funds	**(879)**	(344)	239	**(984)**	(348)	242	**(1,090)**	**C**
Delayed projects	**(559)**	(749)	559	**(749)**	(237)	0	**(986)**	**D**
Special reserve	**(360)**	0	100	**(260)**	(1,000)	0	**(1,260)**	**E**
Government grants with no conditions	**0**	(166)	0	**(166)**	0	166	**0**	**F**
Other reserves	**(272)**	(87)	24	**(335)**	(295)	25	**(605)**	**G**
Total	**(4,480)**	**(2,647)**	**1,894**	**(5,233)**	**(2,296)**	**725**	**(6,804)**	
Net movement in Earmarked Reserves		**(753)**			**(1,571)**			

Purpose of Reserve

A	S106 agreements	Contains payments made by developers to meet their planning approval obligation to contribute to the funding of infrastructure and community requirements. As a relevant project is completed it is funded in all or part from this reserve.
B	Commuted S106 payments	Represents payments made by developers to meet their planning approval obligation to contribute to the funding of the maintenance of specified assets for a set period of years. As relevant maintenance costs are incurred funding is transferred from the reserve.
C	Repairs and renewals funds	The services contribute an annual sum and the funds are used to pay for one-off repair or renewal items; thereby evening out the spending on large maintenance items.
D	Delayed projects	To fund items that were included in the budget for one year but will not be spent until the following year.
E	Special reserve	To support business activity that will achieve future savings.
F	Government grants with no conditions	The government grants reserve is for grants paid in the year of account but relate to the following year.
G	Other reserves	This is a summary of other less significant reserves that support ongoing service activity, including: • the building control reserve, • the home improvement agency reserve, and • the Housing Association footpaths reserve.

Note 9. Other Operating Expenditure

2011/12 £000		2012/13 £000
4,533	Parish Council precepts	4,708
379	Drainage board levies	375
3	Payments to the Government housing capital receipts pool	9
(403)	(Gains)/losses on the disposal of non current assets	18
4,512	**Total**	**5,110**

Note 10. Financing and Investment Income and Expenditure

2011/12 £000		2012/13 £000
414	Interest payable and similar charges	416
1,211	Pensions interest cost and expected return on pensions assets	1,798
(598)	Interest receivable	(445)
110	Income and expenditure in relation to investment properties and changes in their fair value (*)	(1,335)
57	Trading operations (**)	26
1,080	**Total**	**460**

Note 11. Taxation and Non Specific Grant Income

2011/12 £000		2012/13 £000
(11,977)	Council tax income	(12,533)
(8,038)	Non domestic rates	(9,293)
(3,655)	Non-ringfenced government grants	(2,093)
(914)	Capital grants	(97)
(24,584)	**Total**	**(24,016)**

Note 12. Property, Plant and Equipment

Movements in 2012/13	Other Land and Buildings £000	Vehicles, Plant, furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2012	**37,926**	**14,677**	**10,573**	**1,406**	**586**	**65,168**
Additions in year	118	1,810	68	0	3,654	**5,650**
Revaluation increases and decreases recognised in the Revaluation Reserve	37	0	0	0	0	**37**
Revaluation increases and decreases recognised in Comprehensive Income and Expenditure Statement	(125)	0	0	0	0	**(125)**
Transfer to other types of assets	(320)	0	0	0	(29)	**(349)**
Adjustment for disposal	(152)	(392)	(24)	0	0	**(568)**
At 31 March 2013	**37,484**	**16,095**	**10,617**	**1,406**	**4,211**	**69,813**
Accumulated Depreciation	**(1,320)**	**(6,476)**	**(2,207)**	**0**	**0**	**(10,003)**
At 1 April 2012						
Depreciation charged in year	(1,338)	(1,651)	(490)	0	0	**(3,479)**
Depreciation written out to revaluation reserve	3	0	0	0	0	**3**
Adjustment for disposal	28	357	14	0	0	**399**
At 31 March 2013	**(2,627)**	**(7,770)**	**(2,683)**	**0**	**0**	**(13,080)**
Net Book Value						
At 31 March 2013	**34,857**	**8,325**	**7,934**	**1,406**	**4,211**	**56,733**
At 31 March 2012	**36,606**	**8,201**	**8,366**	**1,406**	**586**	**55,165**

Movements in 2011/12	Other Land and Buildings £000	Vehicles, Plant, furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2011	**37,594**	**13,021**	**10,484**	**1,406**	**661**	**63,166**
Additions in year	1,893	1,773	58	0	307	**4,031**
Revaluation increases and decreases recognised in the Revaluation Reserve	6	0	0	0	0	**6**
Revaluation increases and decreases recognised in Comprehensive Income and Expenditure Statement	(359)	0	0	0	(10)	**(369)**
Non-enhancing capital expenditure (*)	(656)	0	0	0	0	**(656)**
Reclassifications of assets	203	2	31	0	(236)	**0**
Transfer to other types of assets	(600)	0	0	0	(136)	**(736)**
Adjustment for disposal	(155)	(119)	0	0	0	**(274)**
At 31 March 2012	**37,926**	**14,677**	**10,573**	**1,406**	**586**	**65,168**
Accumulated Depreciation	**(709)**	**(4,975)**	**(1,718)**	**0**	**0**	**(7,402)**
At 1 April 2011						
Depreciation charged in year	(1,190)	(1,586)	(489)	0	0	**(3,265)**
Depreciation written out to revaluation reserve	135	0	0	0	0	**135**
Depreciation written out to Comprehensive Income and Expenditure Statement	386	0	0	0	0	**386**
Transfer to other types of assets	45	0	0	0	0	**45**
Adjustment for disposal	13	85	0	0	0	**98**
At 31 March 2012	**(1,320)**	**(6,476)**	**(2,207)**	**0**	**0**	**(10,003)**
Net Book Value						
At 31 March 2012	**36,606**	**8,201**	**8,366**	**1,406**	**586**	**55,165**
At 31 March 2011	**36,885**	**8,046**	**8,766**	**1,406**	**661**	**55,764**

* This expenditure relates to capital works at the St. Ives Leisure Centre that was required as part of its refurbishment and redevelopment. This capital enhancement has not added to the value of the asset but will ensure improvements in Leisure Services to the area.

Capital Commitments

As at 31 March 2013 the Council was contractually committed to capital works valued at approximately £1.6m (31 March 2012; £0.4m;).

The main schemes are:

		£m
Leisure Services:	One Leisure St Ives Redevelopment:	1.000
Environmental Health:	CAB Office	0.046
Housing Services:	DFGs	0.433
Transportation:	St Neots Railway Station	0.116

Revaluations

- Land and buildings
  These assets are held at current value (fair value) and were revalued as at 1 April 2009 onwards. The Council is now operating a three year rolling programme of revaluations in place of the previous 5 yearly valuation. In addition where there has been significant capital expenditure on properties in the year a revaluation will take place.

  In 2012/13 the valuations were carried out externally and independently by Mr MJ Beardall BLE (Hons) MRICS (Member, Royal Institution of Chartered Surveyors) of Barker Storey Matthews. Mr Beardall has relevant experience in valuing these types of property and is a member of the Valuer Registration Scheme, and meets the requirements of the Red Book with regard to qualifications of the valuer, knowledge and skills, and independence and objectivity. The valuation date is as at 31st March 2013 and the valuations were undertaken during March and April 2013.

  The specific assumptions and valuation approach that has been applied or followed in estimating fair values in respect of Land and Buildings by the Council's valuer were as follows:

  - The updated valuations have been prepared in accordance with the publication Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards (7th edition). With specific reference made to UK Appendix 5 – Valuation of Local Authority Assets.

  - The valuations have been made at fair value. For land and buildings fair value is interpreted as the amount that would be paid for the asset in its existing condition. Existing use is defined by RICS in Valuation Statement 1.3 of the standards as "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and seller in an arm's length transaction, and where the parties had acted knowledgeably, prudently and without compulsion".

  - The fair value has been calculated by reference to comparable market evidence, including market evidence from the local geographical area. Adjustments have been made to factor in any unusual or onerous obligations, such as repairing obligations.

  - Where market evidence is unavailable due to the nature of the property; a depreciated replacement cost (DRC) method has been used. The DRC approach requires an estimate of the value of the land in its exiting use together with the current gross replacement costs of the building and its external works. Adjustments have been made to reflect the age, condition, economic, functional and environmental obsolescence and other locational factors. The build cost for DRC purposes has been calculated using the Building Cost Information Service quarterly review of building prices and is representative for an instant build approach.

  - No allowance or discount has been made for any flooding of the market, which might exist if a number of properties were offered for sale simultaneously.

  - No adjustments have taken place for changes in value which may have taken place since the valuation date or for prospects of future growth.

  - Useful economic lives are based on how long the asset will deliver economic benefits for any purpose. This is based on the type of construction, the current age, and the condition of the asset.

  - No unusual or especially onerous restrictions, encumbrances or outgoings have been considered in the valuation and the valuation assumes good title is shown. Also the valuation is not affected, by any matter that would be revealed by a local search.

  - Assets falling outside of specific revaluation in the current financial year, have been considered and it is the valuer's belief that no other assets require an impairment review.

- Components have been considered in relation to LAAP 86 Componentisation of Property, Plant and Equipment, and the Council's componentisation policy.

- Building surveys have not been carried out, nor have inaccessible parts of buildings been inspected.

- No investigation has been made to determine whether or not any deleterious or hazardous material has been used in the construction of the properties or has since been incorporated. It has therefore been assumed in valuing the properties that such investigations would not disclose the presence of any such materials.

Vehicles, Plant, Equipment, Infrastructure, and Intangible Assets are valued at historic cost, as at the date of acquisition and subsequent capital enhancement expenditure less depreciation. Community Assets, Assets Under Construction and Assets Held For Sale, are valued at historic cost at the date of acquisition and subsequent capital enhancement. Consequently there is no ongoing revaluation review for these assets.

Revaluation Profile	**Other Land and Buildings £000**
Valued at Fair Value as at:	
31 March 2013	9,065
31 March 2012	2,246
31 March 2011	16,572
31 March 2010	805
31 March 2009	6,169
Total Valuation	**34,857**

Note 13. Heritage Assets

Cultural Heritage Assets

The Council has identified the Norman Cross Eagle as a Heritage Asset and this is disclosed in the balance sheet, based on insurance valuation, at £0.065m. It should be noted that there is no phased basis of valuation. This asset is:

- deemed to have an indeterminate life and consequently the Council does not consider it appropriate to charge depreciation.
- static and located at Norman Cross, Cambridgeshire, near to the intersection with the A1.

Changes to the Heritage Asset Portfolio and Valuations

There have not been any additions, disposals, revaluations or reclassifications to the Heritage Assets portfolio during 2012/13.

Reconciliation of the Carrying Value of Heritage Assets held by the Council:

	Cultural £000	Total Heritage Assets £000
Cost or Valuation		
At 1 April 2012	**65**	**65**
At 31 March 2013	**65**	**65**
Cost or Valuation		
At 1 April 2011	**65**	**65**
At 31 March 2012	**65**	**65**
Net Book Value		
At 31 March 2013	**65**	**65**
At 31 March 2012	**65**	**65**

Note 14. Investment Property

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement as financing and investment income and expenditure.

2011/12 £000		2012/13 £000
(1,779)	Rental income from investment property	(1,791)
365	Direct operating expenses arising from investment property	376
(1,414)		**(1,415)**
723	Revaluation Adjustment	80
(691)	Net (gain)/loss	**(1,335)**

The movement in investment properties balances during the year are shown below.

2011/12 £000		2012/13 £000
19,227	**Balance at start of the year**	**18,504**
(723)	Net gain/(loss) for fair value	(80)
18,504	**Balance at end of the year**	**18,424**

There are no restrictions on the Council's ability to realise the value inherent in the investment properties or the Council's right to receive the income and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or repair, maintain or enhance such property.

Note 15. Intangible Assets

The Council accounts for its software as intangible assets, where the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to software is generally 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.491m charged to revenue in 2012/13 was either charged to the Information Management Division and then absorbed as an overhead across all the service headings in the Net Expenditure of Services or directly to services.

Capital Commitments
As at 31 March 2013 the Council was not contractually committed to capital works. (31 March 2012; £0.001m).

The movement on intangible asset balances during the year is as follows:

2011/12 £000		2012/13 £000
	Balance at start of year:	
4,458	Gross carrying amounts	5,093
(2,861)	Accumulated amortisation	(3,477)
1,597	**Net carrying amount at start of year**	**1,616**
541	Additions	582
94	Assets transferred from assets under construction	0
(616)	Amortisation for the period	(491)
0	Disposals or retirements	(2,369)
0	Amortisation on Disposal	2,216
1,616	**Net carrying amount at end of year**	**1,554**
5,093	Gross carrying amounts	3,306
(3,477)	Accumulated amortisation	(1,752)
1,616	**Net carrying amount at end of year**	**1,554**

Note 16. Financial Instruments

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

Long-term 2011/12 £000	Long-term 2012/13 £000		Current 2011/12 £000	Current 2012/13 £000
		Investments		
5,795	0	Loans and receivables	5,771	7,046
5,795	**0**	**Total investments**	**5,771**	**7,046**
		Debtors		
961	971	Loans and receivables	4,264	5,057
961	**971**	**Total Debtors**	**4,264**	**5,057**
		Borrowings		
(10,000)	(10,000)	Financial liabilities at amortised cost	(4,611)	(6,111)
(10,000)	**(10,000)**	**Total borrowings**	**(4,611)**	**(6,111)**
		Other Long-Term Liabilities		
(816)	(795)	Loans and Leasing		
(816)	**(795)**	**Total Other Long-Term Liabilities**		
		Creditors		
0	0	Financial liabilities at amortised cost	(4,283)	(4,453)
0	**0**	**Total creditors**	**(4,283)**	**(4,453)**

Gains and losses on income and expense

Financial Liabilities (Liabilities measured at amortised cost) 2011/12 £000	Financial Liabilities (Liabilities measured at amortised cost) 2012/13 £000		Financial Assets (Loans and Receivables) 2011/12 £000	Financial Assets (Loans and Receivables) 2012/13 £000
414	416	Interest expenses		
		Interest income	(598)	(445)
414	**416**	**Net gain/(loss) for the year**	**(598)**	**(445)**

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 with a range of 3.28% to 5.15%, depending on the relevant year, 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 debtors is taken to be the invoiced or billed amount.

2011/12			2012/13	
Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
		Liabilities		
(19,214)	(20,979)	Financial liabilities	(20,564)	(22,569)
		Assets		
16,791	16,966	Loans and receivables	13,073	13,203

The Financial Liabilities are shown below:

Financial Instrument	2011/12 Carrying amount £000	2012/13 Carrying amount £000	Details
Long Term			
PWLB (3.91%)	(5,000)	(5,000)	3.91%; 19 December 2008 to 19 December 2057
PWLB (3.90%)	(5,000)	(5,000)	3.90%; 19 December 2008 to 19 December 2058
Accrued Interest	(110)	(110)	
	(10,110)	**(10,110)**	
Short Term			
Worcestershire CC	0	(5,000)	0.31%; 13 March 2013 to 29 April 2013
London Borough of Merton	0	(1,000)	0.40%; 25 March 2013 to 30 April 2013
Coventry City Council	(2,000)	0	0.30%; 19 March 2012 to 18 April 2012
Shropshire Council	(2,500)	0	0.50%; 14 March 2012 to 20 April 2012
Accrued Interest	(1)	(1)	
	(4,501)	**(6,001)**	
Creditors	**(4,283)**	**(4,453)**	
Bank Balance	**(320)**	**0**	
	(19,214)	**(20,564)**	

The fair value of the liabilities is higher than the carrying amount because the portfolio of loans includes fixed rate loans where the interest rate payable is lower than the prevailing rates at the balance sheet date. This shows a notional future gain arising from a commitment to pay interest to lenders below current market rates.

The fair value of the assets is higher than the carrying amount because the portfolio includes investments where the interest rate receivable is higher than the rates available for similar investments at the balance sheet date. This shows a notional future gain arising from a commitment to receive interest above current market rates. However, the fair value of long-term debtors is less than the carrying value which reflects that the assets are interest-free and their future value is less than the current value.

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.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 17. Inventories

The main items in 'other inventories' are refuse sacks (£0.023m), printing stock (£0.006m) and uniforms (£0.007m) (2011/12; £0.020m, £0.014m, £0.008m respectively)

	Leisure Centres		Diesel		Other		Total	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Balance outstanding at start of year	**79**	**89**	**41**	**33**	**87**	**63**	**207**	**185**
Purchases	0	0	656	651	14	39	670	690
Recognised as an expense in the year	0	0	(658)	(655)	(34)	(35)	(692)	(690)
Stock adjustment	10	(8)	(6)	(4)	(2)	(26)	2	(38)
Written off balances	0	0	0	0	(2)	0	(2)	0
Balance outstanding at year-end	**89**	**81**	**33**	**25**	**63**	**41**	**185**	**147**

Note 18. Debtors

2011/12 £000		2012/13 £000
1,822	Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	2,678
199	Other Local Authorities	161
4,692	Other entities and individuals	4,562
(1,909)	Bad debt provision (Impairment of loans and receivables)	(1,461)
4,804		**5,940**

Note 19. Cash and Cash Equivalents

2011/12 £000		2012/13 £000
7	Cash held by the Council	6
1,389	Bank balances	2,617
(1,716)	Bank current accounts (overdraft)	(1,721)
(320)	**Net Total Cash and Cash Equivalents (overdrawn)**	**902**

Note 20. Assets Held for Sale

Assets held for sale are expected to be sold within twelve months, (at the balance sheet date). The asset is carried at book value or expected sale proceeds, whichever is lower.

2011/12 £000		2012/13 £000
250	Site of former St Neots fire station and Depot	0
555	Castle Hill House	0
0	Land at St Mary's Street Huntingdon	300
805	**Net Assets Held for Sale**	**300**

Note 21. Creditors

2011/12 £000		2012/13 £000
931	Central Government bodies - Her Majesty's Revenue and Customs, and Department of Communities and Local Government	912
3,333	Other Local Authorities	3,226
0	National Health Service	299
836	Other entities and individuals	1,506
5,100		**5,943**

Note 22. Useable Reserves

Movements in the Council's useable reserves are detailed in the Movement in Reserves Statement.

Note 23. Unusable Reserves

2011/12 £000		2012/13 £000
(48,191)	Capital Adjustment Account	(44,361)
(6,436)	Revaluation Reserve	(6,092)
221	Financial Instruments Adjustment Account	231
51,341	Pensions Reserve	58,434
(62)	Collection Fund Adjustment Account	(97)
319	Accumulating Compensated Absences Adjustment Account	323
(2,808)	**Total Unusable Reserves**	**8,438**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment and Investment Properties before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains and losses. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2011/12 £000	2011/12 £000	Capital Adjustment Account	2012/13 £000	2012/13 £000
	(53,002)	**Balance at 1 April**		**(48,191)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
3,265		Charges for depreciation and impairment of non-current assets	3,564	
639		Revaluation losses on Property, Plant and Equipment	0	
616		Amortisation of intangible assets	491	
2,237		Revenue expenditure funded from capital under statute	970	
176		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,033	
(251)		Adjusting amounts written out of the Revaluation Reserve	(231)	
		Capital financing applied in the year:		
(1,164)		Use of the Capital Receipts Reserve to finance new capital expenditure	(1,114)	
(435)		Use of the earmarked S106 reserve	(47)	
(1,009)		Application of grants to finance capital expenditure	(97)	
(628)		Statutory provision for the financing of capital investment charged against the General Fund	(835)	
618		Repayment of long term debtors	16	
24		Lease Adjustment	0	
723		Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	80	
	4,811	Total movements		**3,830**
	(48,191)	**Balance at 31 March**		**(44,361)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. It is identified at individual asset level. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost. If no surplus remains on a particular asset's account any further impairment must be charged to the surplus/deficit on the provision of services within the Comprehensive Income and Expenditure Statement;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2011/12 £000	Revaluation Reserve	2012/13 £000
(6,481)	**Balance at 1 April**	**(6,436)**
(206)	Upward revaluation of assets	(42)
0	Downward revaluation of assets not charged to the surplus/deficit on the provision of services	60
251	Difference between fair value depreciation and historical cost depreciation - written off to Capital Adjustment Account	231
0	Other adjustments for assets removed or transferred - written off to Capital Adjustments Account	95
(6,436)	**Balance at 31 March**	**(6,092)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the differences between accounting for the fair value of loans given to individuals for housing, and the actual income credited to the General Fund.

2011/12 £000	Financial Instruments Adjustment Account	2012/13 £000
207	**Balance at 1 April**	**221**
14	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	10
221	**Balance at 31 March**	**231**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Further information is found in Note 39 in respect of Defined Benefit Pension Scheme.

2011/12 £000	Pensions Reserve	2012/13 £000
41,437	**Balance at 1 April**	**51,341**
9,063	Actuarial (gains) or losses on pensions assets and liabilities	5,985
4,720	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,808
(3,879)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,700)
51,341	**Balance at 31 March**	**58,434**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account identifies the element of the Collection Fund balance that is due to this Council. It is included in the Comprehensive Income and Expenditure Statement as it relates to 2012/13 and previous years although it is only actually transferred from the Collection Fund in line with regulations.

2011/12 £000	Collection Fund Adjustment Account	2012/13 £000
(106)	**Balance at 1 April**	**(62)**
44	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(35)
(62)	**Balance at 31 March**	**(97)**

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year i.e. annual leave entitlement and accrued flexitime carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Accumulating Compensated Absences Adjustment Account.

2011/12 £000	Accumulating Compensated Absences Adjustment Account	2012/13 £000
345	**Balance at 1 April**	**319**
(345)	Settlement or cancellation of accrual made at the end of the preceding year	(319)
319	Amounts accrued at the end of the current year	323
319	**Balance at 31 March**	**323**

Note 24. Operating Activities

The interest items of the cash flows for operating activities are as follows:

2011/12 £000		2012/13 £000
(598)	Interest Received	(445)
414	Interest Paid	416

Note 25. Investing Activities

2011/12 £000		2012/13 £000
(9,275)	Purchase of property, plant and equipment, investment property and intangible assets	(7,500)
(59)	Other payments for investing activities	(29)
1,162	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,114
4,440	Proceeds from short-term and long-term investments	5,413
3,486	Other receipts from investing activities	2,275
(246)	**Net cash flows from investing activities**	**1,273**

Note 26. Financing Activities

2011/12 £000		2012/13 £000
910	Other receipts from financing activities	(103)
1,413	Movement on short-term borrowing	1,500
2,323	**Net cash flows from financing activities**	**1,397**

Note 27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice, however, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across services in a bespoke manner that best fits the Council's needs. These reports are prepared on a different basis from the basis used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to the services in the Comprehensive Income and Expenditure Statement);
- The cost of retirement benefits is based on cash flows (payment of employer's pension's contributions) rather than current service cost of benefits accrued in the year.

The following statements reconcile the revenue expenditure by service as reported to Members and Chief Officers, with that in the comprehensive income and expenditure account. The analysis by service is reported to Members three times a year – budget (February), forecast outturn (the following February) and actual net expenditure (July).

The income and expenditure of the main services is as follows:

2012/13	**Environ-mental Services £000**	**Housing Services (Includes Housing Benefits) £000**	**Local Taxation (Includes Council Tax Benefits) £000**	**Community Services £000**	**Direct costs recharged to services £000**	**Other expenditure £000**	**TOTAL £000**
Fees, charges and other income	(1,582)	(1,291)	(387)	(6,546)	10	(4,120)	(13,916)
Government grants	(33)	(37,837)	(8,971)	(213)	(25)	(740)	(47,819)
Total income	**(1,615)**	**(39,128)**	**(9,358)**	**(6,759)**	**(15)**	**(4,860)**	**(61,735)**
Employee expenses	3,003	32	21	4,856	15,118	1,608	24,638
Other service expenses	1,829	37,525	8,315	2,938	4,001	2,690	57,298
Support service recharges	3,425	3,546	2,056	2,468	7,971	7,309	26,775
Total operating expenses	**8,257**	**41,103**	**10,392**	**10,262**	**27,090**	**11,607**	**108,711**
Recharges to other accounts	(280)	48	0	(2)	(28,334)	62	(28,506)
Net expenditure	**6,362**	**2,023**	**1,034**	**3,501**	**(1,259)**	**6,809**	**18,470**

2011/12	Environ-mental Services £000	Housing Services (Includes Housing Benefits) £000	Corporate Services (including local taxation) £000	Community Services £000	Direct costs recharged to services £000	Other expenditure £000	TOTAL £000
Fees, charges and other income	(1,570)	(1,338)	(688)	(6,483)	(226)	(6,985)	(17,324)
Government grants	(167)	(34,958)	(8,727)	(215)	(25)	(897)	(44,989)
Total income	**(1,737)**	**(36,296)**	**(9,415)**	**(6,698)**	**(251)**	**(7,882)**	**(62,313)**
Employee expenses	2,695	168	556	4,964	15,609	1,299	25,291
Other service expenses	2,917	36,720	9,123	4,880	3,770	(1,002)	56,428
Support service recharges	3,342	3,617	4,415	2,983	8,779	4,882	28,052
Total operating expenses	**8,954**	**40,505**	**14,094**	**12,827**	**28,158**	**5,179**	**109,771**
Recharges to other accounts	(130)	48	(58)	(34)	(27,985)	605	(27,554)
Net expenditure	**7,085**	**4,257**	**4,621**	**6,095**	**(78)**	**(2,098)**	**19,904**

Reconciliation of service income and expenditure to cost of services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2011/12 £000		2012/13 £000
19,904	**Net expenditure in service analysis**	**18,470**
(1,311)	Amounts in the Comprehensive Income and Expenditure Statement not included in the service analysis of revenue expenditure for budget monitoring	6,103
6,617	Amounts included in the service analysis of revenue expenditure and reported to management, but not included in net cost of services section of the Comprehensive Income and Expenditure Statement	(493)
25,210	**Net cost of services in Comprehensive Income and Expenditure Account**	**24,080**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012/13	Service Analysis £000	Not reported to management £000	Not included in cost of services £000	Net cost of services £000	Corporate amounts £000	TOTAL £000
Fees, charges and other income	(13,916)	0	186	(13,730)	(948)	**(14,678)**
Interest and investment income	0	0	0	0	(445)	**(445)**
Income from council tax	0	0	0	0	(12,533)	**(12,533)**
Government grants	(47,819)	0	0	(47,819)	(11,483)	**(59,302)**
Income from Investment properties	0	0	0	0	(1,785)	**(1,785)**
Total income	**(61,735)**	**0**	**186**	**(61,549)**	**(27,194)**	**(88,743)**
Employee expenses	24,638	0	0	24,638	1,951	**26,589**
Other service expenses	57,298	0	(27)	57,271	623	**57,894**
Support service recharges	26,775	0	0	26,775	628	**27,403**
Recharges to other accounts	(28,506)	0	(652)	(29,158)	19	**(29,139)**
Depreciation and impairment	0	0	6,103	6,103	1	**6,104**
Interest payments	0	0	0	0	416	**416**
Precepts and levies	0	0	0	0	5,083	**5,083**
Payments to housing capital receipts pool	0	0	0	0	9	**9**
Gain or loss on disposal of property, plant and equipment	0	0	0	0	18	**18**
Total operating expenses	**80,205**	**0**	**5,424**	**85,629**	**8,748**	**94,377**
(Surplus) or deficit on the provision of services	**18,470**	**0**	**5,610**	**24,080**	**(18,446)**	**5,634**

2011/12	Service Analysis £000	Not reported to management £000	Not included in cost of services £000	Net cost of services £000	Corporate amounts £000	TOTAL £000
Fees, charges and other income	(17,324)	23	769	**(16,532)**	(1,155)	**(17,687)**
Interest and investment income	0	0	588	**588**	(598)	**(10)**
Income from council tax	0	0	0	**0**	(11,977)	**(11,977)**
Government grants and contributions	(44,989)	0	0	**(44,989)**	(12,607)	**(57,596)**
Total income	**(62,313)**	**23**	**1,357**	**(59,376)**	(26,337)	**(87,270)**
Employee expenses	25,291	(370)	0	**24,921**	1,211	**26,132**
Other operating expenses	56,428	(964)	(458)	**55,006**	1,208	**56,214**
Support service recharges	28,052	0	0	**28,052**	238	**28,052**
Recharges to other accounts	(27,554)	0	0	**(27,554)**	0	**(27,554)**
Depreciation and impairment	0	0	6,141	**6,141**	0	**6,141**
Interest payments	0	0	(414)	**(414)**	414	**0**
Precepts and levies	0	0	(379)	**(379)**	4,912	**4,533**
Payments to housing capital receipts pool	0	0	0	**0**	3	**3**
Gain or loss on disposal of property, plant and equipment	0	0	370	**370**	(403)	**(33)**
Total operating expenses	**82,217**	**(1,334)**	**5,260**	**86,143**	**7,345**	**93,488**
Surplus or deficit on the provision of services	**19,904**	**(1,311)**	**6,617**	**25,210**	**(18,992)**	**6,218**

Note 28. Acquired and Discontinued Operations

There are no acquired or discontinued operations during 2012/13 (2011/12; nil).

Note 29. Trading Operations

Prior to 2012/13 the only trading operations that were disclosed were Markets and IT software. From a local authority context, a trading operation is one where a Council is trading and taking operational risks and could, if the economic environment so dictated, expose the Council to a financial loss on the service provided. Considering this the following disclosure provides a more complete list of Council operations where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council, from other organisations or the general public.

2011/12 £000		2012/13 £000
	Trading Operations included in the Net Cost of Service	
	Car Parks	
	The Council collects car parking income from both its own off-street car parks and from the on-street car parking operations that it operates, as an agent, for the Highways Authority. The income is generated from a mix of parking fees and excess parking charges. The Council operates 22 chargeable off-street car parks across the district and 3 on-street car parking areas in Huntingdon, St.Ives, and St Neots.	
(1,526)	Gross Income	(1,612)
1,259	Gross Expenditure	969
(267)	**(Surplus)/Deficit**	**(643)**
	Leisure Services	
	The Council operates 5 leisure centres across the district; namely Huntingdon, St. Ives, St Neots, Sawtry and Ramsey. The facilities provided vary across the district but include amongst others; Swimming Pools, Sports Halls, Astro-Turf, Athletics Track, Gymnasium, Spar & Treatment facilities and Ten-Pin Bowling.	
(6,017)	Gross Income	(6,188)
8,953	Gross Expenditure	8,547
2,936	**(Surplus)/Deficit**	**2,359**
2,669	**Net (Surplus)/Deficit on Trading Operations included in Net Cost of Service**	**1,716**
	Trading Operations included in the Financing and Investment Income and Expenditure	
	Information Management Department: IT Software	
	The Councils Information Technology Service develops and sells a number of IT software packages (e.g. SharePoint related products, including Resource Booking and a Project Management Toolkit) and IT support (e.g. Business Analysis Consultancy).	
(53)	Gross Income	(49)
45	Gross Expenditure	35
(8)	**(Surplus)/Deficit**	**(14)**

	Markets The Council operates 3 stall markets in the towns of Huntingdon, Ramsey and St. Ives. In addition to the general market days Huntingdon has a separate farmers market and St Ives a bank holiday market.	
(145)	Gross Income	(139)
96	Gross Expenditure	102
(49)	**(Surplus)/Deficit**	**(37)**
	The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement shows the total cost of operating the building control unit for chargeable activities.	
(384)	Gross Income	(370)
406	Gross Expenditure	392
22	**(Surplus)/Deficit**	**22**
	Printing The Council operates a Document Processing Centre that produces a range of documents for both internal and external customers. All external work is undertaken on a marginal cost basis (i.e. excluding recharges) and on this basis external work has made a contribution to the net cost of the service. However, statutory reporting requires full cost.	
(34)	Gross Income	(31)
54	Gross Expenditure	38
20	**(Surplus)/Deficit**	**7**
	Grounds Maintenance The Council's in-house Grounds Maintenance Team provides a wide range of services, primarily in respect of green spaces. However, the service also provides some services for external organisations, namely Luminus Housing Association and Cambridgeshire County Council.	
(222)	Gross Income	(225)
313	Gross Expenditure	266
91	**(Surplus)/Deficit**	**41**
	Commercial Waste The Council operates a waste collection service that is available to all businesses across the district. As this is a non-statutory service it is a chargeable activity.	
(95)	Gross Income	(96)
97	Gross Expenditure	103
2	**(Surplus)/Deficit**	**7**
94	**Net (Surplus)/Deficit on Trading Operations included in Financing and Investment Income and Expenditure**	**26**
2,747	**Net (Surplus)/Deficit on Trading Operations**	**1,742**

The above figures include non-cash adjustments; including IAS19 pensions and depreciation.

Note 30. Members' Allowances

The Council paid the following amounts to members of the Council during the year:

2011/12 £000		2012/13 £000
370	Allowances	365
29	Expenses	27
399		**392**

Note 31. Officers' Remuneration

The number of employees whose remuneration in the year was £50,000 or more is shown in the table below. It includes pay, redundancy payments and other employee benefits but not employer's pension contributions. Relevant pay information, including the Council's Pay Policy Statement and pay and reward for Senior Officers can be accessed from the following web address:

http://www.huntingdonshire.gov.uk/Councils%20and%20Democracy/Council/Council%20Finance/Pages/Chief%20Officer%20Salaries%20and%20Expenses.aspx

2011/12	£		£	2012/13
18	50,000	but less than	55,000	15
1	55,000	but less than	60,000	1
2	60,000	but less than	65,000	2
3	65,000	but less than	70,000	1
6	70,000	but less than	75,000	2
2	75,000	but less than	80,000	3
1	80,000	but less than	85,000	1
2	120,000	but less than	125,000	1
1	125,000	but less than	130,000	0
0	185,000	but less than	190,000	1
1	220,000	but less than	225,000	0
0	240,000	but less than	245,000	1
37				**28**

Included in the banding table above are those Senior Officers who are separately disclosed in the following Remuneration of Senior Employees table.

Remuneration of Senior Employees

The remuneration of Senior Employees is shown in the table below.

2012/13 Post holder	Salary including allowances £	Election Fees (1) £	Termination costs (2) £	Salary including allowances and fees £	Bonus £	Benefits in kind £	Total remuneration £	Employer pension contributions £	Remuneration including pension contributions £
Managing Director, Resources (Terry Parker) (3)	148,298	6,643	90,000	**244,941**	0	0	**244,941**	22,303	**267,244**
Managing Director, Communities, Partnerships and Projects (Malcolm Sharp) (4)	126,138	0	47,426	**173,564**	0	6,548	**180,112**	22,303	**202,415**
Assistant Director (Finance and Resources) (5)	73,708	0	47,000	**120,708**	0	1,840	**122,548**	1,216	**123,764**
Assistant Director (Environment, Growth and Planning) (6)	70,390	0	0	**70,390**	500	4,877	**75,767**	1,157	**76,924**

Key – 2012/13

Note 1 The election fees do not include fees for General, European and County Council elections paid for by third parties.
Note 2 Termination costs include amounts not yet paid but where the decision to terminate was made prior to the financial year-end.
Note 3 The Managing Director, Resources left the Council on 8 April 2013
(annualised salary; excluding employer pension contributions is £125,000)

Note 4 The Managing Director, Communities, Partnerships and Projects left the Council on 31 July 2013.
(annualised salary; excluding employer pension contributions is £125,000)
Note 5 The Assistant Director (Finance and Resources) post was created on 1 March 2013; the post holder will be leaving the Council on the 31 March 2014.
(annualised salary, excluding employer pension contributions: £82,000)
Note 6 The Assistant Director (Environment, Growth and Planning) post was created on 1 March 2013
(annualised salary; excluding employer pension contributions is £78,000)

2011/12 Post holder	Salary including allowances £	Election Fees £	Termination costs £	Salary including allowances and fees £	Bonus £	Benefits in kind £	Total remuneration £	Employer pension contributions £	Remuneration including pension contributions £
Chief Executive (David Monks) (1)	71,371	0	140,417	**211,788**	7,500	4,762	**224,050**	11,073	**235,123**
Director of Central Services (2)	72,738	0	47,223	**119,961**	0	3,925	**123,886**	11,013	**134,899**
Managing Director, Resources (3)	121,739	0	0	**121,739**	0	1,062	**122,801**	20,647	**143,448**
Managing Director, Communities, Partnerships and Projects (3)	120,081	0	0	**120,081**	0	6,236	**126,317**	21,274	**147,591**

Key – 2011/12

Note 1 The Chief Executive left the Council on 31 August 2011.
Note 2 The Director of Central Services left the Council on 6 December 2011.
Note 3 The two Managing Director posts were created on the 1 June 2011.

Note 32. External Audit Related Costs

These figures show the amounts included in the accounts which include any adjustments made for previous years

2011/12 £000		2012/13 £000
176	External audit	81
30	Grant claim certification	27
0	National Fraud Initiative	2
206		**110**

Of the £0.176m External Audit costs noted within 2011/12, £0.056m is in respect of 2010/11. The £2,000 paid in 2012/13 was paid to the Audit Commission.

Note 33. Grant Income

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

2011/12 £000 (Reclassified)		2012/13 £000
	Credited to taxation and non-specific income	
2,484	Revenue support grant	180
987	New Homes Bonus *	1,913
184	Council Tax Freeze Grant *	0
8,038	Distributed non domestic rate pool	9,293
11,693	**Total**	**11,386**
	Credited to Services	
	Benefits grant	
33,528	Rent allowances	36,522
8,019	Council tax benefits	8,348
1,020	Benefits administration	939
502	Improvement grants	543
663	Other *	736
43,732	**Total**	**47,088**

* The 2011/12 comparative has been reclassified to be consistent with the amounts disclosed in the Comprehensive Income and Expenditure Account. It included both New Homes Bonus and Council Tax Freeze Grant as “grants credited to services” whereas they were grants credited to Taxation and Non Specific Grant Income (Note 11). In the note above £1.171m was reclassified from Other (Credited to Services) to New Homes Bonus and Council Tax Freeze Grant (Credited to taxation and non-specific income).

The Council has received some grants that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned. The balances at the year-end are as follows:

2011/12 £000	Grants Receipts in Advance	2012/13 £000
	Government grants	
71	Mobile Home Park	0
52	Mortgage Rescue Scheme	52
0	Preventing Repossessions	61
14	Housing	0
8	Travellers implementation grant	0
145		**113**

The Council has received some grants that have no conditions attached; they have been recognised as income but are held in the Capital Grants Unapplied Account pending their use to fund the relevant Medium Term Plan Capital Scheme. The balances at the year-end are as follows:

2011/12 £000	Capital Grants Unapplied Account	2012/13 £000
210	Government grant for housing	210
318	Contribution from Cambridgeshire County Council towards major maintenance projects at leisure centres	318
0	Community Infrastructure Levy	270
528		**798**

Note 34. Related Parties

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.

Central government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties' e.g. council tax bills. Grants received from government departments are set out in the analysis in Note 27 on reporting resources allocation decisions and also in Notes 11 and 33 in respect of government grant.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 30. Some elected members are also members of other bodies, the most common being the County Council, Parish and Town Councils and Drainage Boards. In addition, the Council also nominates members to be its representative on various local and national organisations and also the Council provides some direct funding to local organisations.

The Council has a significant operational relationship with Cambridgeshire County Council. The County Council is the administering authority for the Council's pension fund and many of the Councils services work with County Council services on a day-to-day basis e.g. the Council is the statutory waste collection authority whereas the County Council is the statutory waste disposal authority but each of the Councils has to pay the other in respect of certain types of waste. With regard to transactions between the Council and Cambridgeshire County Council, for 2012/13, the Council has:

- paid £5.432m to Cambridgeshire County Council; £3.550m for pension payments and £1.882m for services (2011/12; £6.008m), and
- received £3.397m from the County Council (2011/12; £1.673m).

In respect of 2012/13:

- No officers have disclosed any significant interests.
- By 30 June 2013, of the 52 members who served during the year, all members had returned a Related Party Transaction disclosure form. Following a comprehensive review of relevant statutory and voluntary disclosures and other "ad-hoc" information sources, only one member, Councillor Banerjee (as either an individual or family interest) has disclosed a related party; this is shown below.

Councillor	Organisation	£000
Banerjee	Luminus Group	163

With regard to this organisation, the Council has either procured goods or services or provided funding that has supported them in providing their core services. The items disclosed are in the normal course of business and are at arm's length.

Note 35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR); a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

A net increase in the CFR reflects the Council's need to borrow to finance capital expenditure. The borrowing will be repaid from an annual revenue charge (MRP) which reflects the use of the assets over their useful lives.

2011/12 £000		2012/13 £000
18,240	**Opening Capital Financing Requirement**	**21,853**
4,031	Property, Plant and Equipment	5,650
541	Intangible Assets	582
3,769	Revenue Expenditure Funded from Capital under Statute	2,027
59	Repayable Advances	29
24	Lease Liability Adjustment	10
8,424	**Additional Requirement**	**8,298**
	Sources of finance	
(1,164)	Capital receipts	(1,114)
(2,518)	Grants and other contributions in year	(1,183)
(66)	Capital Grants Unapplied Reserve	0
(628)	Minimum revenue provision	(835)
(435)	S106 reserve	(47)
(4,811)		**(3,179)**
21,853	**Closing Capital Finance Requirement**	**26,972**
	Movements in year	
3,613	Increase in underlying need to borrowing (unsupported by government financial assistance)	5,119

Note 36. Leases

- Council as Lessee

  - Finance Leases

The Council has acquired some industrial units under finance leases. The assets acquired under these leases are carried as investment property in the Balance Sheet at the following amounts:

2011/12 £000		2012/13 £000
1,615	Investment Properties	**1,595**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2011/12 £000		2012/13 £000
	Finance lease liabilities (net present value of minimum lease payments)	
11	Current	0
545	Non-current	545
3,105	Finance costs payable in future years	3,066
3,661	**Minimum lease payments**	**3,611**

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance lease payments	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Not later than 1 year	50	39	11	0
Later than 1 year and not later than 5 years	156	156	0	0
Later than 5 years	3,455	3,416	545	545
	3,661	**3,611**	**556**	**545**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 £0.101m contingent rents were payable by the Council (2011/12; £0.094m).

  - Operating Leases

The Council has a number of operating leases for land, pool cars and cars for individual members of staff. The leases for cars are typically 3 or 4 years, whilst those for land vary from 3 years to 50 years. The operating lease payments made in the year, are as follows:

The future minimum lease payments due under non-cancellable leases in future years are:

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2011/12 £000		2012/13 £000
100	Not later than 1 year	61
90	Later than 1 year and not later than 5 years	70
51	Later than 5 years	41
241		**172**

The expenditure charged to the appropriate service in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2011/12 £000		2012/13 £000
93	Minimum lease payments	**100**

- Service Concessions

  The Council does not have any contracts that include service concessions

- <u>Council as Lessor</u>

  - Finance leases

    The Council has no finance leases as lessor.

  - Operating Leases

    The Council leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses.

    The future lease payments receivable under non-cancellable leases in future years are noted below. The 2011/12 comparative has been restated to reflect leases identified that were not previously disclosed; including the Oak Tree Health Centre.

2011/12 £000 (Restated)		2012/13 £000
1,681	Not later than 1 year	1,784
5,245	Later than 1 year and not later than 5 years	5,870
20,945	Later than 5 years	20,921
27,871		**28,575**

The lease payments receivable do not include rents that are contingent on events taking place after the balance sheet date, such as adjustments following rent reviews.

Note 37. Impairment Losses

During 2012/13 the Council has recognised impairments to Property, Plant and Equipment of £85,000 (2011/12; Nil).

Note 38. Termination Benefits and Exit Packages

Voluntary Redundancy:
In respect of both 2012/13 and 2011/12 no voluntary redundancies were approved.

Compulsory Redundancy:
In respect of:

- 2012/13, the Council approved the compulsory redundancy of 8 employees; 5 employees leaving the Council during 2012/13 and a further 3 leaving during 2013/14.
- 2011/12, the Council approved the compulsory redundancy of 12 employees; 10 employees leaving the Council during 2011/12 and a further 2 leaving during 2012/13.

For both Voluntary and Compulsory Redundancy, the associated costs have been charged to the year in which the decision was made. The following table shows the banding of employee terminations and the total cost to the Council per band.

	Number of compulsory redundancies		Total number of exit packages agreed		Total cost of packages		
	2011/12	2012/13	2011/12	2012/13	2011/12 £000	2011/13 £000	
£0 to less than £20,000	8	5	8	5	97	28	
£20,000 to less than £40,000	2	0	2	0	49	0	
£40,000 to less than £60,000	2	2	2	2	88	97	*
£80,000 to less than £100,000	0	1	0	1	0	90	
	12	**8**	**12**	**8**	**234**	**215**	

* This includes a provision of £47,000 that will be paid in 2013/14, see Note 40.

Note 39. Defined Benefit Pension Scheme

<u>Participation in Pension Schemes</u>

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

Employees of Huntingdonshire District Council may participate in the Cambridgeshire 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.

Valuation of Pension Fund

The contribution rate is determined by the Fund's actuary based on triennial valuations. To avoid the impact of potential reductions in the workforce the actuary proposed that a fixed percentage of 17.8% be applied for 2012/13 (2011/12; 17.8%) should be used to provide for future service liabilities together with a lump sum contribution to reduce the existing deficit relating to past service. The lump sums proposed were £0.451m for 2011/12, £0.456m for 2012/13, and £0.470m for 2013/14. The Council has chosen to make additional lump sum payments pending the results of any changes to the pension scheme that are determined by the Government. The additional payments are £0.209m for 2011/12, £0.450m for 2012/13 and £0.669m is planned for 2013/14.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The Council and employees pay contributions into a fund, at a level calculated to balance the pension liabilities with investment assets. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2011/12 £000		2012/13 £000
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
3,163	Current Service Cost	3,010
346	Curtailments	0
	Financing and Investment Income and Expenditure:	
6,748	Interest Cost	6,345
(5,537)	Expected Return on Scheme Assets	(4,547)
4,720	**Total post employment benefit charged to the deficit on the provision of services**	**4,808**
	Other post employment benefit charged to the Comprehensive Income and Expenditure Statement	
(9,063)	Actuarial gains and (losses)	(5,985)
(4,343)	**Total post employment benefit charged to the Comprehensive Income and Expenditure Statement**	**(1,177)**
	Movement in Reserves Statement	
(4,720)	Reversal of net charges made to the deficit for the provision of services form post employment benefits in accordance with the Code	(4,808)
	Actual amount charged against the General Fund	
3,879	Balance for Pensions in the Year: Employer's contributions payable to the scheme	3,700
(841)	**Total Movement in Reserves Statement**	**(1,108)**

The post employment benefit charged to the Comprehensive Income and Expenditure Statement is based on the current version of IAS19 Employee Benefits. Changes to IAS19 come into effect for 2013/14 and these are adopted retrospectively for 2012/13 in accordance with IAS8 Accounting Policies, Changes in Accounting Estimates and Errors. Had the IAS19 revision been applied in 2012/13 this would have reduced the reported deficit in the 2012/13 income statement noted above by £0.650m (from £4.808m to £5.458m). This will arise from a decrease in the 2012/13 Expected Return on Employer Assets by £0.650 (from £4.547m to £3.897m) based on a valuation at 31 March 2013.

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £52.886m (2011/12; loss of £46.901m).

Assets and Liabilities in relation to Post-employment Benefits

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

31 March 2012 £000		31 March 2013 £000
123,552	**Opening balance as at 1 April**	**132,435**
3,163	Current service cost	3,010
6,748	Interest Cost	6,345
1,041	Contributions by scheme participants	951
3,883	Actuarial losses / (gains)	13,608
(6,099)	Benefits paid	(4,251)
(199)	Estimated unfunded benefits paid *	(189)
346	Curtailments	0
132,435	**Closing balance at 31 March**	**151,909**

* The unfunded benefits are those relating to the early retirement of scheme members where the Council makes an additional contribution to the Pension Fund

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

31 March 2012 £000		31 March 2013 £000
82,115	**Opening balance 1 April**	**81,094**
5,537	Expected rate of return	4,547
(5,180)	Actuarial gains / (losses)	7,623
3,680	Contributions by the employer	3,511
1,041	Contributions by scheme participants	951
199	Contributions for unfunded benefits *	189
(6,099)	Benefits paid	(4,251)
(199)	Unfunded Benefits paid *	(189)
81,094	**Closing balance at 31 March**	**93,475**

* The unfunded benefits are those relating to the early retirement of scheme members where the Council makes an additional contribution to the Pension Fund.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £12.170m (2011/12; £0.379m).

During the year, the Council transferred its Payroll and Human Resources Team to an external provider; "Local Government Shared Services" which is a partnership between Cambridgeshire and Northamptonshire County Councils. The transfer entailed 10 staff, however as a consequence of the IAS 19 actuarial valuation methodology and it not being material; the consequential change in the Councils net pension deficit will not be reflected until the next triennial valuation (scheduled for 2013/14).

Scheme History

2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000		2012/13 £000
(87,593)	(146,133)	(123,552)	(132,435)	Present value of liabilities	(151,909)
57,877	78,086	82,115	81,094	Fair value of assets	93,475
(29,716)	**(68,047)**	**(41,437)**	**(51,341)**	**Deficit in the scheme**	**(58,434)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment benefits. The total liability of £151.909m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £58.434m. However the statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The Council expects to contribute £3.048m into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2014. With regard to discretionary benefits, there were no such awards in 2012/13 (2011/12; Nil).

Basis for estimating Liabilities and Assets

Liabilities, for the purposes of IAS19, have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, longevity etc. The liabilities have been assessed by Hymans Robertson LLP, the independent firm of actuaries to the County Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2010. The results of this valuation were projected forward using approximate methods.

The main assumptions used by the actuary are as shown below.

2011/12	**County Fund – Main Assumptions**		**2012/13**
2.5%	Rate of inflation of pensions		2.8%
4.8%	Rate of increase in salaries		5.1%
2.5%	Rate of increase in pensions		2.8%
4.8%	Rate of discounting scheme liabilities		4.5%
5.6%	Expected return on assets		4.5%
	Mortality		
	Longevity at 65 for current pensioners		
21.0 years	Men		21.0 years
23.8 years	Women		23.8 years
	Longevity at 65 for future pensioners		
22.9 years	Men		22.9 years
25.7 years	Women		25.7 years
	Expected long-term rate of return on assets		
6.3%	Equity Investments		4.5%
3.3%	Bonds		4.5%
4.4%	Property		4.5%
3.5%	Cash		4.5%
25%	Take-up option to convert pension into tax free lump sum up to HMRC limits	For pre-April 2008 service	25%
63%		For post-April 2008 service	63%

Pension fund assets consist of the following categories, by proportion of the total assets held:

Proportion of Total assets held by the Fund		
31 March 2012		**31 March 2013**
72%	Equity Investments	76%
14%	Bonds	14%
9%	Property	7%
5%	Cash	3%
100%	**Total Fund Assets**	**100%**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

2008/09	2009/10	2010/11	2011/12		2012/13
(31.85%)	19.57%	(2.17%)	(6.39%)	Differences between expected and actual return on assets	8.16%
(0.26%)	0.36%	(1.54%)	(1.10%)	Experience gains/ losses (-) on liabilities	0.06%

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.

Note 40. Provisions, Contingent Assets and Liabilities

Provision

	Short Term Provision		Total
	MMI Insurance Clawback (1) £000	**Termination Benefits (2) £000**	**£000**
Balance at 1 April 2011	**0**	**0**	**0**
Balance at 31 March 2012	**0**	**0**	**0**
Amounts charged to services 2012/13	90	47	137
Balance at 31 March 2013	**90**	**47**	**137**

Short Term Provision

Where an obligating event is expected to occur within the next 12 months.

1. MMI Insurance Clawback

The Council was, some years ago, insured by Municipal Mutual Insurance (MMI); unfortunately whilst the Council was insured by MMI they went into liquidation. Following the collapse of MMI, a Scheme of Arrangement was made that allowed MMI to 'run-off' the business and deal with outstanding claims. Due to increasing numbers of liability claims that MMI continued to receive, MMI pursed the matter of their continuing liability through the Courts. The Supreme Court gave judgement in March 2012. This clarified MMI's position in respect of future claims and led ultimately to increasing liabilities for MMI. The Council's Insurance Brokers have informed the Council that following a February 2013 creditors meeting, the Scheme of Arrangement is likely to be enforced. This will impose a levy upon the Council of 15% of the total claims paid by MMI on behalf of the Council since 1993 (15% of £0.601m). It is expected that this amount will be payable within the next 12 months. The balance of the total possible liability faced by the Council is noted as a Contingent Liability.

2. Termination Benefits

Provision has been made to meet the costs of known staff rationalisation associated with change management within the Council over the medium term.

Contingent Assets

Claims have been made for the refund of VAT relating to off-street parking since 1998, but whilst legal cases have not totally removed the possibility of a refund the position is now much less hopeful. The claim is for £2.431m (2011/12; £2.144m).

Contingent Liabilities

The Councils' Contingent Liabilities cover various on-going litigations and these are detailed below. The total expected value of these liabilities is £5.811m (2011/12; £6.045m).

2011/12 Estimated value of contingent liability £000	Details of Contingent Liability	2012/13 Estimated value of contingent liability £000
	Environmental Related:	
150	**Local Land Charges** Huntingdonshire District Council is a joint defendant in proceedings brought by a group of Property Search Companies against all Councils responsible for providing Local land charges information, for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £14,140 plus interest and costs. Negotiations are ongoing with the claimants' solicitor. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £157,600 plus interest and costs, although this claim has neither been verified nor accepted	172

	by the Council. The second group of Property Search Companies have also intimated that they may bring a claim against all local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.	
4,500	**Contaminated Land** 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. If the planning application made to the County Council is approved, this will reduce the probability of abandonment and the likelihood of the Council becoming liable will reduce considerably. However, at this time there is a possibility that the Council could be liable if the site is abandoned. Current estimates are that the cost of leachate treatment would cost £150,000 per annum for a maximum of 30 years; therefore the maximum liability is £4.5m.	4,500
4,650	**Total for Environmental Related**	**4,672**
	Planning Related:	
200	**Planning Appeal** The previously disclosed RAF Upwood planning appeal was withdrawn during 2012/13 and therefore is no longer a Contingent Liability.	0
200	**Total for Planning Related**	**0**
	Housing Related:	
312	**Disabled Facilities Grants** The Council has agreed to paying disabled facilities grants; however, as yet the schemes have not yet started. The expense will only be incurred if the householders carry out the home alterations.	372

82	**VAT on Administration Charge for Disabled Facilities Grants** The Council has challenged HMRC in respect of the VAT liability on administration charges for disabled facilities grants. HMRC consider the fee should attract VAT at the standard rate whereas the Council, along with other Councils, consider that there is no supply and therefore VAT is not chargeable.	96
394	**Total for Housing Related**	**468**
	<u>**Corporate Related**</u>	
601	**Municipal Mutual Insurance Liquidation** A detailed description is shown in the Provision explanation in respect of the MMI Insurance Clawback. The Contingent Liability shown for 2012/13 is the balance of the total claims paid by MMI on behalf of the Council less the amount shown as a short-term Provision.	511
0	**Assets of Community Value** In 2012/13, the Council has listed 2 sites owned by private individuals or companies as Assets of Community Value, as required by the Localism Act 2011. The Assets of Community Value scheme includes provisions for owners to claim compensation for loss and expense incurred through the asset being listed or previously listed. All claims must be considered and decisions may be subject to a review and an independent appeal. The Council is liable for all compensation payments awarded up to a maximum of £20,000 in each financial year.	20
200	**Employee Litigation** The Council has some pending employment tribunals, the amount shown is the estimated total liability.	140
801	**Total for Corporate Related**	**671**
6,045	**Total for Contingent Liabilities**	**5,811**

The above litigations are prudent estimates of the potential cost to the council. It is not possible, due to considerations of legal privilege to either provide further information or to give an assessment of the likelihood of success of any of the litigations.

Note 41. Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council 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.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the treasury management team with due regard to the Annual Treasury Management Strategy approved by the Council.

<u>Credit risk</u>

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 Council 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.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £25.770m (2011/12; £31.0m) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. The risk of not being able to recover the principal sums applies to all of the Council's deposits but there was no evidence as at 31 March 2013 that this was likely to occur and there are no investments that as at 31 March 2013 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 older the debt, the greater is the provision for bad 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.

The following analysis summarises the Council's potential maximum exposure to credit risk on receivables, based on historical experience of default and uncollectability. It relates to the sundry debtors element of the total debtors, including debts of individuals, entities and housing benefit claimants.

	Amount at 31 March 2013 £000	Historical experience of default %	Historical experience of default adjusted for market conditions %	Impairment allowance 31 March 2013 £000	Impairment allowance 31 March 2012 £000
Sundry debtors	2,943	4.72%	4.72%	1,439	1,688

The Council does not generally allow credit for customers. The past due debtors, but not impaired amount can be analysed by age as follows:

31/03/12 £000		31/03/13 £000
737	Less than three months	753
177	Three to six months	227
332	Six months to one year	272
1,316	More than one year	1,691
2,562		**2,943**

Liquidity risk

The Council maintains a cash flow projection that assists in ensuring that cash is available as needed. If unexpected movements happen the Council has ready access to borrowings from the money markets, and if necessary from the Public Works Loans Board (PWLB), although the Council does not generally uses the PWLB for short-term cash-flow deficits. There is no significant risk that that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is shown below. The financial liabilities of more than one year are loans with the PWLB which do not mature until December 2057 at the earliest and therefore there is no immediate concern about funding the repayment.

31/03/12 £000		31/03/13 £000
4,611	Less than one year	6,111
10,000	More than one year	10,000
14,611		**16,111**

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

Market risk – interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowing at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of liabilities borrowings will fall.
- Investment at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall.

However the impact on the Surplus or Deficit on the Provision of Services is reduced because the Council does not generally borrow or invest at variable rates. Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The Council manages interest rate risk by not having any borrowings in variable rate loans. At times of falling interest rates and where economic circumstances make it favourable, consideration would be given to repaying fixed rate loans early to limit exposure to losses.

The treasury management team assesses the interest rate exposure that feeds into the setting of the annual budget and it is used to update the budget at least quarterly during the year.

If in 2012/13 interest rates on all of its investments and borrowings had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest receivable on investments of less than 1 year	112cr
Impact on the surplus on the Provision of Services	112cr
Increase in the fair value of fixed rate investments	44cr
Impact on Other Comprehensive Income and Expenditure	44cr
Decrease in fair value of fixed rate borrowings (No impact on the Comprehensive Income and Expenditure Statement)	2,335

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

<u>Price risk and foreign exchange risk</u>

The Council does not hold equity shares and does not hold foreign currency, consequently these risks are not applicable.

Collection Fund

2011/12 £000	2011/12 £000		2012/13 £000	2012/13 £000
		INCOME		
(80,506)		Council Tax before transfers	(83,817)	
		Transfers from General Fund		
(7,922)		- Council Tax benefits	(8,273)	
0		- Transitional relief	0	
(53,736)		Income collectable from business ratepayers	(54,359)	
	(142,164)			(146,449)
		EXPENDITURE		
		Precepts and demands		
62,301		-Cambridgeshire County Council	64,854	
0		- Cambridgeshire Police & Crime Commissioner	10,492	
10,082		-Cambridgeshire Police Authority	0	
3,441		-Cambridgeshire Fire & Rescue Authority	3,566	
7,383		-Huntingdonshire DC-General	7,727	
4,533		-Huntingdonshire DC-Parish Precepts	4,708	
		Business rate		
53,513		- Payment to national pool	54,136	
223		- Costs of collection	223	
		Bad and doubtful debts/appeals		
185		- Write-offs	76	
55		- Change in impairment	(57)	
791		Contribution towards previous year's estimated collection fund surplus	465	
	142,507			146,190
	343	**(Surplus)/Deficit for the year**		**(259)**
		MOVEMENT ON FUND BALANCE		
(797)		Fund balance brought forward as at 1 April	(454)	
(454)		Fund balance carried forward as at 31 March	(713)	
	343	Movement on fund balance for year		**(259)**

Notes to the Collection Fund

1. Billing Council and Major Preceptors

Huntingdonshire District Council is a billing authority responsible for collecting Council Tax and NNDR in its area for itself and for:

- major preceptors (including Cambridgeshire County Council, Police & Crime Commissionar and Fire & Rescue Authority),
- Town and Parish Councils,

and NNDR for Central Government. The Council acts as agent when collecting tax for major preceptors and Central Government.

2. Collection Fund Accounting

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. Collection Fund Assets and Liabilities

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 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 held in the Collection Fund Adjustment Account reserve.

4. Council Tax

		Taxbase at 31 March 2013		
Tax band	**Properties**	**Exemptions & discounts**	**Band D multiplier**	**Band D equivalent**
A	11,392	(3,606)	6/9	5,189
B	19,230	(4,191)	7/9	11,697
C	17,421	(2,952)	8/9	12,861
D	11,479	(1,516)	9/9	9,963
E	8,559	(1,018)	11/9	9,217
F	3,536	(377)	13/9	4,563
G	1,681	(174)	15/9	2,512
H	155	(27)	18/9	256
Total	**73,453**			**56,258**

Council tax charge per band D property for 2011/12 £1,475.62
Council tax charge per band D property for 2012/13 £1,519.28

5. National non domestic rates (NNDR)

The uniform business rate set by the Government for 2012/13 was 45.8p (2011/12 43.3p).

Total rateable value at 31 March 2012 £142.9m
Total rateable value at 31 March 2013 £141.4m

6. Retention of business rates

It is noted in "Note 6: Events after the Balance Sheet Date" regarding a non-adjusting event in respect of the new arrangements for the retention of business rates that is applicable from 1st April 2013. Under these new arrangements, the total for appeal refunds is £1,775m and the split between Central Government, the other Cambridgeshire precepting authorities and the Council is as follows:

	%	£'000
• Central Government	50	887
• Huntingdonshire District Council	40	710
• Cambridgeshire County Council	9	160
• Fire	1	18
Total	**100**	**1,775**

There is no allocation to the Cambridgeshire Police & Crime Commissioner because they are not included in this new arrangement.

GLOSSARY OF TERMS AND ABBREVIATIONS

GLOSSARY OF TERMS

Accrual – The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

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 assets.

Asset – an item having value to the Council in monetary terms.

Balance – Unallocated reserves held to resource unpredictable expenditure demands.

Business Improvement District – A levy on local business to provide funding to develop the immediate area covered by the levy. The levy is agreed majority vote.

Capital Charges – Charges made to service department revenue accounts, comprising depreciation (where appropriate) based on the value of the asset employed.

Capital Expenditure – expenditure on the acquisition of non-current assets which will be used in providing services beyond the current accounting period, or expenditure on non-current assets.

Capital Financing Charges – The annual cost of depreciation, leasing charges and other costs of funding capital expenditure.

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 non-current assets.

Carrying amount – the value of an asset or liability in the balance sheet.

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

Collection Fund – a separate fund that records the income and expenditure relating to council tax and non-domestic rates.

Community Infrastructure Levy – an amount payable by developers (commercial and domestic) in respect of new buildings created within the District. The Levy must be used to provide infrastructure; decisions on which are taken by District and Parish Councils.

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, inventories and debtors.

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

Deferred Charges – expenditure which is capital in nature but does not result in an item of property, plant and equipment e.g. grants.

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 the property, plant and equipment 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.

Exceptional Item – a material item in the Comprehensive Income and Expenditure Statement that falls within the ordinary activities of the Council but which needs to be disclosed separately by virtue of their size to give a fair presentation of the accounts.

Fair value – the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in arms length transaction.

Finance Lease – a lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. A finance lease transfers substantially all of the risks and rewards of ownership of an item of property, plant and equipment to a lessee.

Impairment – a reduction in the value of property, plant and equipment to below its carrying amount on the balance sheet.

Impairment of debts – this recognises that the real value of debt is less than the book value.

Intangible Assets – a non-physical item which provides future economic benefits. This Council's intangible assets comprise computer software licences.

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.

Minimum revenue provision – the minimum amount that must be charged to the revenue account each year to provide for the repayment of monies borrowed by the Council.

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.

Operating Leases – a lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. An operating lease is where the ownership of the non-current asset remains with the lessor.

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

Prior Year Adjustments – these are material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors.

Property, Plant and Equipment – non-current assets that give benefit to the District Council and the services it provides for more than one year.

Provisions – Monies set aside for liabilities or losses which are likely to be incurred but where the exact amounts or dates on which they will arrive are uncertain.

Responsible Financial Officer – the designated post with the Council, as determined by the Accounts and Audit Regulations 2011, that holds the statutory S.151 responsibility (Local Government Act 1972). This responsibility is in respect of ensuring the proper administration of the Council's financial affairs.

Revenue Expenditure Funded from Capital under Statute – Spending on items normally classed as revenue but which are defined by stature as capital e.g. improvement grants.

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

Revenue Expenditure – Spending on day-to-day items, including salaries and wages, premises costs and supplies and services.

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

Section 106 – under Planning regulations developers can be requested to make contributions to on and off-site facilities required as a result of their development.

True and Fair View Override - As required by the Accounts and Audit Regulations 2011, paragraph 8.2, the Responsible Financial Officer is required to certify that the statement of accounts presents a true and fair view of the financial position of the council. However, as a consequence of IFRS, this has introduced the principle of the “true and fair view override”. This means, where the Responsible Financial Officer considers that to give a true and fair view would actually require the council to provide misleading information i.e. to provide an actual outturn figure would actually show to the reader an unexpected financial position, the Responsible Financial Officer is permitted to provide alternative figures providing such divergence from the “true and fair view” is appropriately acknowledged in the notes to the accounts.

ABBREVIATIONS

AVC	Additional Voluntary Contributions
BID	Business Improvement District
CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance and Accountancy
CPFA	Chartered Public Finance Accountant
CPI	Consumer Price Index
DCLG	Department for Communities and Local Government
DHC	Depreciated historical cost
DMO	Debt Management Office
DRC	Depreciated replacement cost
EUV	Existing Use Value
FMV	Fair Market Value
FTE	Full Time Equivalent
HMRC	HM Revenue & Customs
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee

IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
LGPS	Local Government Pension Scheme
MMI	Municipal Mutual Insurance
MRP	Minimum Revenue Provision
NBV	Net Book Value
NNDR	National Non Domestic Rates (Business Rates)
NPV	Net Present Value
PPE	Property, Plant and Equipment
PWLB	Public Works Loans Board
RCCO	Revenue Contribution to Capital Outlay (also known as Direct Revenue Financing)
REFCUS	Revenue Expenditure Funded from Capital Under Statute
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
RSG	Revenue Support Grant
RSL	Registered Social Landlord
S106	Section 106
SIC	Standing Interpretations Committee
SOLACE	Society of Local Authority Chief Executives
SORP	Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice
UK GAAP	UK General Accepted Accounting Practice

Key to Photographs

<u>Front Cover</u>
(top to bottom)

Bridge over River Ouse linking Huntingdon to Godmanchester
Bridge over River Ouse in St Ives
Ramsey War Memorial
Riverside Park, St Neots

<u>Back Cover</u>
(top to bottom)

Boat on the River Ouse from the bridge in St Ives
Left: Clock Tower in Warboys
Right: Statue of Oliver Cromwell in St Ives
Ruins of Ramsey Abbey Gatehouse
Sunset at Grafham Water

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Agenda Item 8

Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Work Programme & Training
Meeting/Date:	Corporate Governance Panel – 26 September 2013
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Internal Audit Manager
Ward(s) affected:	All Wards

Executive Summary:

The anticipated work programme for the Panel for the next year is shown at Appendix 1.

Panel are asked to consider the work programme and decide what training they would like in preparation for the next or future agendas. Normally this training would be for 30-45 minutes immediately prior to the formal meeting but there may be occasions when a separate longer session would be more appropriate.

Training can be provided by appropriate officers, external audit or external trainers (subject to budgetary constraints).

Financial implications
There are no financial implications.

Recommendation(s):

It is recommended that Panel consider what training is to be provided prior to the November meeting.

Background papers
None

Contact Officer
David Harwood. Internal Audit Manager
Tel No. 01480 388115

Appendix 1

Anticipated Work Programme

27 November 2013

Housing Benefit fraud investigation activity
Whistleblowing : policy review & investigations
National Fraud Initiative
Assurance mapping

29 January 2014

Internal Audit interim progress report
Progress on issues raised in the Annual Governance Statement
Review of the anti-fraud & corruption strategy
Assurance mapping

26 March 2014

- Review of Council constitution
  - Code of financial management
  - Code of procurement
- Internal Audit Plan
- External Audit
  - Audit plan
  - Grant claims
- Assurance mapping

May 2014

Review of the internal audit service
Internal audit annual report & opinion
Assurance mapping

July 2014

Feedback – annual report
Draft Annual Governance Statement
Assurance mapping

September 2014

Approval of the statement of accounts
Approval of the Annual Governance Statement
External audit – ISA 260 report
Effectiveness of the Panel
Assurance mapping

In addition to the items listed above, reports may be submitted on an ad-hoc basis on

Awards of compensation	Employee’s code of conduct
Ombudsman reviews	Money laundering and bribery
Accounting policies	