A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in the **THE CIVIC SUITE 0.1A, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN** on **THURSDAY, 25 SEPTEMBER 2014** at **6:30 PM** and you are requested to attend for the transaction of the following business:-

Prior to the meeting Panel Members are invited to an informal meeting with the External Auditors commencing at 6.00pm in the Civic Suite.

APOLOGIES

		Contact (01480)
1.	**MINUTES** (Pages 1 - 6)	
	To approve as a correct record the Minutes of the meeting of the Panel held on 23rd July 2014.	**Mrs H J Taylor 388008**
2.	**MEMBERS' INTERESTS**	
	To receive from Members declarations as to disclosable pecuniary or other interests in relation to any item. See Notes below.	
3.	**CORPORATE GOVERNANCE PROGRESS REPORT** (Pages 7 - 8)	
	To receive a report by the Senior Democratic Services Officer.	**Mrs H J Taylor 388008**
4.	**APPROVAL FOR PUBLICATION OF THE 2014/15 ANNUAL GOVERNANCE STATEMENT AND ANNUAL FINANCIAL REPORT** (Pages 9 - 196)	
	To consider a report by the Head of Resources detailing the draft Auditors ISA 260 report and seeking endorsement for the Annual Governance Statement, the Letter of Representation and the Annual Financial Report.	**C Mason 388157**
5.	**ANNUAL REPORT OF THE PANEL** (Pages 197 - 210)	
	To consider a report by the Internal Audit & Risk Manager seeking the Panel's views on their Annual Report prior to its submission to Council in December.	**D Harwood 388115**
6.	**EFFECTIVENESS OF THE PANEL** (Pages 211 - 220)	
	To consider a report by the Internal Audit and Risk Manager detailing the outcome of a review of the effectiveness of the Corporate Governance Panel.	**D Harwood 388115**
7.	**RISK REGISTER UPDATE** (Pages 221 - 232)	

To consider a report by the Internal Audit and Risk Manager on changes made to the Risk Register between the period 12th March to 1st September 2014 inclusive. **D Harwood 388115**

8. WORK AND TRAINING PROGRAMME (Pages 233 - 236)

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

9. EXCLUSION OF PRESS AND PUBLIC

To resolve:

> that the press and public be excluded from the meeting because the business to be transacted contains information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority and employees of, or office holders under, the authority.

10. OPTIONS FOR FRAUD INVESTIGATION POST SFIS (Pages 237 - 246)

To receive a joint report from the Corporate Fraud Manager and the Head of Customer Services on the proposed establishment of a Single Fraud Investigation Service (SFIS) and the implications for the authority. **N Jennings 388480**

Dated this 17 day of September 2014

Head of Paid Service

Notes

1. 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.

Non-Statutory Disclosable Interests

(4) If a Member has a non-statutory disclosable interest then you are required to declare that interest, but may remain to discuss and vote providing you do not breach the overall Nolan principles.

(5) A Member has a non-statutory disclosable 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 a disclosable pecuniary interest, 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, or
(c) it relates to or is likely to affect any body –

(i) exercising functions of a public nature; or
(ii) directed to charitable purposes; or
(iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a Member or in a position of control or management.

and that interest is not a disclosable pecuniary interest.

2. Filming, Photography and Recording at Council Meetings

The District Council supports the principles of openness and transparency in its decision making and permits filming, recording and the taking of photographs at its meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening at meetings. Arrangements for these activities should operate in accordance with guidelines agreed by the Council and available via the following link filming,photography-and-recording-at-council-meetings.pdf or on request from the Democratic Services Team. The Council understands that some members of the public attending its meetings may not wish to be filmed. The Chairman of the meeting will facilitate this preference by ensuring that any such request not to be recorded is respected.

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 Cabinet.

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 Civic Suite 0.1A, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN on Wednesday, 23 July 2014.

PRESENT:	Councillor G J Harlock – Chairman.
	Councillors E R Butler, 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 M G Baker.

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80. MINUTES

The Minutes of the meeting of the Panel held on 14th May 2014 were approved as a correct record and signed by the Chairman.

81. MEMBERS' INTERESTS

No declarations were received.

82. IMPLEMENTATION OF AGREED AUDIT ACTIONS

Further to Minute No.14/73, the Panel received reassurances from the Managing Director that a culture of compliance was being promoted throughout the authority. Members were informed that the implementation of agreed audit recommendations would be routinely overseen by Management Team. Furthermore, the Managing Director reported that the new Management Team would be in place by the end of September and would be charged with the delivery of these key actions as a priority.

With regard to the progress of the new Governance Boards, Members were assured that they and the Overview and Scrutiny Panels would be kept informed of their development.

83. INTERNAL AUDIT AND RISK MANAGER JOB DESCRIPTION

By way of a report by the Managing Director (a copy of which is appended in the Minute Book) Members were advised of the requirement under the Public Sector Internal Audit Standards to report the job description and grade of the post of Internal Audit & Risk Manager to the Panel.

Having been advised of the outcome of the job evaluation process for the post, it was

RESOLVED

that the report be received and the job description and grade for the post of Internal Audit & Risk Manager be noted.

84. CORPORATE GOVERNANCE - 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.

Members noted that it was the intention to submit a report on the arrangements in place to support the achievement of value for money (VFM) to the Panel's November meeting to reflect the conclusions of the 2013/14 VFM being undertaken by the External Auditors.

Attention was drawn to the Employee Handbook which had replaced the formal Employees' Code of Conduct. It was reported that the Handbook had been considered by the Employment Panel and the final version reviewed and approved by the Chairman and Vice-Chairman of the Corporate Governance Panel. Members were advised that the document will continue to evolve and will be more readily accessible to staff in its new format. Given its change in nature, it is not considered necessary or expedient to include the document in the Constitution. Having been advised that the Head of Paid Services would determine any future changes to the Handbook and that these would be reported to the Employment Panel, Members

RESOLVED

that the Council be recommended to remove the Code of Conduct (to be known as the Employee Handbook) from the Constitution.

85. OFFICE OF THE SURVEILLANCE COMMISSIONER- RIPA INSPECTION 4TH JUNE 2014

With the aid of a report by the Corporate Fraud Manager (a copy of which is appended in the Minute Book) the Panel were acquainted with the outcome of an inspection by the Office of Surveillance Commissioner which was undertaken on 4th June 2014.

In introducing the report, the Fraud Manager reported that the Inspector had endorsed the favourable conclusions of the 2011 report that the Council's use of the Regulation of Investigatory Powers Act was of a satisfactory level. He then drew the Panel's attention to areas which had been identified for improvement, together with the actions taken in response to the proposed recommendations. In that respect Members noted that "Authorising Officers", including the RIPA Senior Responsible Officer, would be identified once the new senior management team was in place. Having indicated their wish to receive details of these appointments at their next meeting, the Panel

RESOLVED

(a) that the content of the Office of Surveillance Commissioner's report be noted; and

(b) that the actions taken and proposed by the Council in response to the Office of Surveillance be endorsed.

86. FRAUD WORKING GROUP

RESOLVED

that Councillors M G Baker, E R Butler, K J Churchill, G J Harlock and P G Mitchell be appointed to the Fraud Working Group for the remainder of the Municipal Year.

87. PREPARING THE ANNUAL GOVERNANCE STATEMENT

With the aid of a report by the Internal Audit & Risk Manager (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.

The Panel raised concerns with the Internal Audit & Risk Manager regarding recent internal audit reports they had received and questioned why he had not expressed any opinions following the review of the Code of Procurement and staff recruitment. In response to which, the Internal Audit & Risk Manager explained that this was due to the limited volume of testing undertaken.

Members also expressed concerns about the outcome of the debtors review and the possibility that this may also be deemed a significant issue for the Annual Governance Statement.

Having noted that the Internal Audit & Risk Manager would discuss with the Managing Director the inclusion of corporate surveys in future statements, the Panel

RESOLVED

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

- to develop the themes and aims in the Corporate Plan through service plans and performance measures;
- to review partnership working including benefits/outcomes and the contribution partnerships make to the Corporate Plan;

- to publicise the vision statement and strategic themes and outcomes; and
- continued compliance with the Code of Procurement.

88. INTERNAL AUDIT SERVICE - INTERNAL AUDIT PLAN

Having regard to a report by the Internal Audit Manager (a copy of which is appended in the Minute Book) the Panel was given the opportunity to consider and comment upon the Internal Audit & Assurance Plan which sets out key features of the internal audit plan process for the period commencing April 2014. Whereupon, it was

RESOLVED

(a) that the contents and resourcing of the Internal Audit Plan for 2014/15 be approved; and

(b) that the Internal Audit & Risk Manager, after consultation with the Chairman, be authorised to make minor amendments to the Plan with any significant changes being reported to the Panel.

89. MEMBERS' ALLOWANCES SCHEME - VARIATION TO SUPPORT GUIDELINES

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 10 of the Members Allowances Scheme and minor changes to the Members' IT and Telephone Support Guidelines appended to the scheme to reflect a move towards electronic delivery of agenda for Council meetings.

Members were advised that the changes have arisen as a result of the Cabinet's decision to withdraw IT equipment and broadband connections for Members and offer, as an alternative, the opportunity to purchase iPads from Member Allowances.

Given some uncertainty over the inclusion of a reference to an allowance for personal broadband in the guidelines, the Panel suggested that this point be clarified with the Chairman prior to the report's submission to Council

Whereupon, it was

RESOLVED

that paragraph 10 of the Members Allowances Scheme and the Members' IT and Telephone Support Guidelines appended to the Scheme be updated to reflect the changes approved by the Cabinet to the level of IT support etc to be provided to Councillors by the Council and that the Council be recommended to approve the appropriate adjustments to the Constitution.

90. REVIEW OF THE EFFECTIVENESS OF THE LICENSING AND PROTECTION PANEL/COMMITTEE

Consideration was given to a report by the Internal Audit & Risk Manager (a copy of which is appended in the Minute Book) detailing the outcome of a review of the effectiveness of the Licensing Panel / Committee which had been undertaken at the request of the Panel by a Working Group made up of three Licensing Committee Members.

Members noted that the review had concluded that the Panel was generally acting effectively in discharging their responsibilities. The Panel was also made aware of a number of issues raised by the Working Group relating to training, the potential out-sourcing/sharing of Legal Services, the composition of the Committee and attendance at Sub-Committees.

Having been advised that the report had been discussed at a recent meeting of the Licensing Committee and no objections were raised to the conclusions reached by the Working Group, the Panel

RESOLVED

(a) that the results of the outcome of the Working Group's review of the effectiveness of the Licensing Panel/Committee be noted; and

(b) that a review of the effectiveness of the S106 Agreement Advisory Group be undertaken during 2014/15.

91. WORK AND TRAINING PROGRAMME

By way of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) Members were acquainted with a work programme for the Panel for 2014/15. In noting arrangements to hold a formal training day for the Panel in September, Members agreed that the event be promoted with other authorities.

92. MR C MEADOWCROFT

The Panel was informed that this would be the last meeting that Colin Meadowcroft would attend in his role of Head of Legal and Democratic Services, prior to his retirement on 31st July 2014. The Chairman extended his appreciation for the contribution made to the Panel by Mr Meadowcroft and extended the Panel's best wishes to him for a happy and healthy retirement

Chairman

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CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel Date	Decision	Response	Date for Action	Officer Responsible
29/1/14	**Internal Audit Interim Progress Report** Internal Audit Manager to review the service delivery targets. Request that future reports include comparisons from previous years.	Details of the outcome of the review will be reported to the Panel in the Internal Audit half year progress report.	26 November 2014	Internal Audit & Risk Manager
14/05/14	**Monitoring the Effectiveness of the Control Environment: Value for Money** Request for an annual report on the arrangements in place to support the achievement of value for money.	Agreed at July CGP to be postponed until November.	26 November 2014	Head of Resources
14/05/14	**Work and Training Programme** A formal training session to be arranged and invitations extended to Committee Members from other Cambridgeshire Authorities.	Training has been arranged	11 September 2014	Internal Audit & Risk Manager
14/05/14	**Grant Certification 2012/13** Letter to be sent to the Local Government Associations outlining the Panel's concerns over the cost to the authority of auditing benefit claims and requesting that the criteria for taking a second sample be adjusted to only require this if errors in the previous round of sampling are material.	Letter sent June 2014	May/June 2014	Head of Resources.
23/07/14	**Implementation of Agreed Audit Actions** Progress of the new Governance Boards to be	Report from Corporate Programme		Head of

CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel Date	Decision	Response	Date for Action	Officer Responsible
	reported to Panel and Overview and Scrutiny.	Board considered by the Economic Overview and Scrutiny Panel on 4th September.		Resources
23/07/2014	**<u>Employee Handbook</u>** Recommendation to Council that the Handbook be removed from the Constitution.	Agreed by Council on 30th July 2014.	30th July 2014	Senior Democratic Services Officer
23/07/2014	**<u>Office of the Surveillance Commissioner – RIPA</u>** Request to be informed of the appointments of authorising officers including the SRO.	Update to be given at the meeting.	25th Sept 2014	Corporate Fraud Manager
23/07/2014	**<u>Members' Allowances Scheme – variation to support guidelines</u>** Recommendation to Council that Para 10 of the Members Allowances Scheme and the Members' IT and Telephone Support Guidelines be amended.	Agreed by Council on 30th July 2014.	30th July 2014	Senior Democratic Services Officer
23/07/2014	**<u>Review of the effectiveness of the Licensing and Protection Panel/Committee</u>** Agreed to undertake a review of the S106 Agreement Advisory Group during 2014/15.	Likely to be undertaken in 4th quarter – dependant on implementation of new software.		Internal Audit & Risk Manager
23/07/2014	**<u>Work and Training Programme</u>** Agreed to extend an invitation to a formal training day arranged for September to other authorities.	Training undertaken on 11th September 2014.	Sept 2014	Internal Audit & Risk Manager

Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	**Approval for Publication of the 2013/14 Annual Governance Statement and Annual Financial Report**
Meeting/Date:	Corporate Governance Panel – 25 September 2014
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Head of 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 Auditor's Draft 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 Head of 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 2013/14.

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 the Annual Financial Report are:

- Cut-off treatment for Section 106.
- Presentational "reclassification" of the NDR Appeals Provision.
- Removal of the Contingent Asset relating to VAT on car parks.
- Related Party Transactions.

3.3 With regard to the Annual Financial Report issues note above, the details of these adjustments and the management action are shown below:

Description of Misstatement	**Amount £'000**	**Management Action**
MAIN STATEMENTS		
Section 106 Correction of errors discovered as a result of cut-off testing: This was in relation to Section 106 funding that had not been approved in 2013/14 but not received until 2014/15.	96	Management has not made this adjustment within the accounts. This is only marginally above the "trivial" threshold (£91,000) and the impact of this change would have a disproportionate impact across the Main Statements and the Disclosure Notes. There is no impact on the reported general fund, earmarked reserves or non-cash balances. However, the consequence of not adjusting for this funding does mean that there will be additional

		resources available during 2014/15 to finance capital expenditure. Accounts closure procedures have been enhanced to ensure that there is appropriate “verification” of all S.106 agreements where approval was made within the last month of the financial year.
NDR Appeals Provision Presentational change for the accounting for the NDR appeals provision. In the draft accounts, the NDR appeals provision was shown within Creditors, it is to be shown within Short- Term Provisions (both within the Balance Sheet).	2,054	Management has made this adjustment within the Balance Sheet. This is primarily a “presentational” change. There is no impact on the reported general fund, earmarked reserves or non-cash balances. Accounts closure procedures have been enhanced to ensure that the NDR appeals provision is now established within the general ledger.
DISCLOSURES (NOTES)		
Contingent Asset An adjustment to remove reference to a contingent asset included with Note 40. This contingent asset was relating to VAT relating to off-street parking since 1998. Whilst legal cases have not totally removed the possibility of a refund, the position is becoming increasingly less hopeful.	2,700	Management has made this adjustment within Note 40. There is no impact on the reported general fund, earmarked reserves or non-cash balances.
INTERNAL CONTROL		
Related Party Transactions That the Council has not considered the related party relationship that would exist	Nil	Within the accounts closure working papers the Council has fully disclosed where members had been appointed to local

where the Council has nominated a member to local organisations.		organisations. However, these appointments were not considered in the Related Party review because these appointments are made for the sole purpose so the Council can be represented on the organisations concerned; thereby representing the views of the Council. The intention of such representation is not to represent the views of the individual member concerned. Management will seek views from other practitioners in preparation for 2014/15 accounts closure to determine if “member representations” are fair disclosures in respect of Related Party Transactions.

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

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

3.6 The enclosed draft report was only issued on the 15^{th} 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 four significant areas for improvement.

- Develop the themes and aims of the Corporate Plan through service delivery plans, performance measures and employees performance targets.

- Publicise the vision statement and strategic themes and outcomes to key stakeholders
- Review partnership commitments with an emphasis on the benefits obtained and contribution towards the Corporate Plan
- Continue to educate 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 four 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 Head of 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 3.6.

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 A – Auditor’s Report – ISA 260 Report
Appendix B – 2013/14 Annual Governance Statement
Appendix C – Letter of Representation
Appendix D – 2013/14 Annual Financial Report

BACKGROUND PAPERS

Annual Governance Statement
Code of Corporate Governance
CIPFA/SOLACE Publications:
Delivering Good Governance in Local Government: Framework 2007
: Framework Addendum 2012
Annual Finance Report
Final Accounts and Working Papers
Code of Practice on Local Authority Accounting in the United Kingdom 2013/14
Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners 2013/14 Accounts

CONTACT OFFICER

Clive Mason, Head of Resources (01480 388157
David Harwood, Internal Audit Manager (01480 388115

www.pwc.co.uk

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 2014 *(ISA (UK&I)) 260)*

Government and Public Sector

September 2014

DRAFT REPORT

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 Statement of Accounts 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. We have issued a number of reports during the audit year, detailing the findings from our work and making recommendations for improvement, where appropriate.

Executive summary

Background

This report tells you about the significant findings from our audit. We presented our plan to you in March 2014; during the course of our final audit work we have reviewed this initial plan and reassessed the level of audit risk in relation to the non-domestic (NDR) appeals provision to "elevated". We have assessed this as an elevated risk as the provision is material to the collection fund and there is inherent uncertainty regarding the balance given the lack of historic data in relation to appeals. Our initial understanding at the planning stage was that the potential exposure to the authority from movements in the NDR appeals provision was immaterial due to "safety net" arrangements with government below a certain level. Whilst the safety net arrangements do limit the authority's net exposure, movements in this provision do potentially impact on individual lines within the accounts. The movement in the provision is also reflected in full in the disclosed Collection Fund.

In the light of recent revised guidance on our responsibilities in respect of use of resources, we have also reconsidered our risk assessment in relation to our Use of Resources Conclusion, specifically the arrangements in place at the Authority for securing financial resilience. The gap in the Authority's Medium Term Financial Strategy, that is, the level of unidentified savings, is material. On that basis, we have included a new **significant** risk in our audit plan in relation to identification of the required savings, and have performed appropriate procedures to address this new significant risk. Note that this is a significant risk in respect of Use of Resources work only, not in our audit opinion on the Statement of Accounts.

Audit Summary

- We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the Statement of Accounts on 26 September 2014.
- The key outstanding matters as at 15 September 2014, where our work has commenced but is not yet finalised, are:
  - conclusion of our certification work over grant claims and returns;
  - review of the detailed disclosures in the final draft of the Statement of Accounts;
  - completion of our testing on Members allowances and Officers Emoluments;
  - review of the final Annual Governance Statement;
  - approval of the Statement of Accounts and letters of representation;
  - completion of our quality review procedures in relation to our Use of Resources conclusion;
  - completion of our review of the Whole of Government Accounts schedules; and
  - completion procedures including subsequent events review.
- There are four key judgments which require the Corporate Governance Panel's attention – further details are set out commencing on pages 8-11.

Please note that this report will be sent to the Audit Commission in accordance with the requirements of its standing guidance. We look forward to discussing our report with you on 25 September 2014. Attending the meeting from PwC will be Clive Everest and Jacqui Dudley.

Audit approach

Our audit approach was set in our audit plan which we presented to you in March 2014. This risk assessment has been updated as set out on page 2 above.

We have summarised below the significant risks we identified in our audit plan, the audit approach we took to address each risk and the outcome of our work. In our audit plan we also identified elevated risks in relation to the valuation of Leisure Centres and Council Tax Benefit reform. We have set out our findings in relation to these within the *Significant audit and accounting matters* section below.

Risk	Categorisation	Audit approach	Results of work performed
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. In every organisation, management may be in a position to override the routine day to day financial controls. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.*	Significant	We have performed procedures to: • test the appropriateness of journal entries; • review accounting estimates for bias and evaluate whether circumstances producing any bias represent a risk of material misstatement due to fraud; • evaluate the business rationale underlying significant or unusual transactions; and • introduce an element of 'unpredictability' into the audit which varies year to year.	We found no significant matters to report to you in this context.

Risk	Categorisation	Audit approach	Results of work performed
Risk of fraud in revenue and expenditure recognition *Under ISA (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition. We extend this presumption to the recognition of expenditure in local government.*	Significant	We have performed procedures to: • obtain an understanding of key revenue and expenditure controls related to recognition; • evaluate and test the accounting policy for income and expenditure recognition to ensure that it was consistent with the requirements of the Code of Practice on Local Authority Accounting; • considered the work we performed on management override in respect of journals that could affect revenue or expenditure recognition; and • test revenue and expenditure transactions, focussing on the areas we considered to be of greatest risk	We noted a cut-off error, where revenue which should have been recognised in 2013/14 had been omitted. This was for an immaterial amount however, although it was above our SUM level. We proposed an adjustment to management (detailed within appendix 1 of this report), which has not been corrected within the financial statements of the Council. We did not note any other issues in this area.

Risk	Categorisation	Audit approach	Results of work performed
Financial Resilience *Savings requirements as a result of increasing demand for services as well as a decrease in budget allocations from central government mean that the council has to find new and innovative ways to balance its budget through a number of measures including efficiencies, reductions in service provision, increased charging, alternative service delivery models and more.* *There is an increased risk that the Council finds it increasingly challenging to secure economy, efficiency and effectiveness in its use of resources and demonstrate that it is a financially resilient council.*	Significant (for Use of resources opinion only, not Statement of Accounts opinion)	We will review your savings plan. We will consider how you manage the plan, and will investigate the reasons behind any significant variations from the plan. We will specifically consider: • your record in delivering savings; • the governance structure in place to deliver the targets (including extent of Member involvement); • the level and extent of accountability; • project management arrangements; • monitoring and reporting; and • progress on delivering the plan. We will consider the accounting implications of your savings plans and we will consider the impact of the efficiency challenge on the recognition of both income and expenditure.	We have obtained and reviewed the Medium Term Plan (MTP), including the assumptions utilised in identifying any funding gaps arising. The recurring funding gap identified each year of the MTP as presented to Cabinet in February 2014 is as follows: - 2014/15: £1.0m - 2015/16: £1.8m - 2016/17: £1.7m - 2017/18: £2.4m - 2018/19: £2.9m The total savings required over the first five years of the MTP are therefore £9.8m. We have considered and discussed the emerging savings options with officers, in order to understand the current plans to address the funding gap. We note that the plans are at various stages of development. The Council has £15.1m of usable reserves and maintains these at a prudent level determined by the Council (there is no minimum level set by policy). We have considered the Council's historic record in delivering savings; the monitoring and reporting arrangements in the place and the governance structure in place. In undertaking this work, we did not identify any matters in relation to the arrangements in place at the Council to secure financial resilience that would cause us to modify our Use of Resources conclusion. Clearly, however, the ongoing achievement of savings, together with the impact of future financial settlements should remain a key focus for the Council, notably to reach a point where the Council achieves a balanced budget and there is no further year-on-year reliance on historic reserves.

Intelligent scoping

In our audit plan presented to you in March 2014, we reported our planned overall materiality which we used in planning the overall audit strategy, based upon total expenditure for 2012/13. Our materiality varied because we updated it for actual total expenditure for 2013/14; however our testing strategy remained unchanged.

Our revised materiality levels are as follows:

	£
Overall materiality	1,852,000
Clearly trivial reporting de minimis	91,000

Overall materiality has been set at 2% of actual expenditure for the year ended 31 March 2014.

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are “clearly trivial” i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. We agreed the de minimis threshold with the Corporate Governance Panel at its meeting in March 2014.

Significant audit and accounting matters

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

Accounts

We have completed our audit, subject to the following outstanding matters:

- conclusion of certification work over grant claims and returns;
- review of the detailed disclosures in the final draft of the Statement of Accounts;
- completion of our testing on Members allowances and Officers Emoluments;
- review of the final Annual Governance Statement;
- approval of the Statement of Accounts and letters of representation;
- completion of our quality review procedures in relation to our Use of Resources conclusion;
- completion of our review of the Whole of Government Accounts schedules; and
- completion procedures including subsequent events review.

Subject to the satisfactory resolution of these matters, the finalisation of the Statement of Accounts and their approval of them we expect to issue an unqualified audit opinion.

As part of our work on the Statement of Accounts we have also examined the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and anticipate issuing an opinion stating in our view they are consistent with the Statement of Accounts. This work remains ongoing at the time of writing and we will provide an oral update at the meeting on 25 September 2014.

Accounting issues

There are four matters that we wish to draw to your attention:

1. Valuation of property;
2. Estimation of the pension liability for the Local Government Pension Scheme;
3. Council tax benefit reform; and
4. Provision against non-domestic (NDR) appeals.

As set out in our audit plan presented to you in March 2014, we identified elevated risks regarding the accounting for property, plant and equipment, and in relation to the council tax benefit reform. Furthermore, as stated above, we have reassessed the risk in relation to the NDR appeals provision as elevated. As such, we report the results of our work in these three areas below.

This section also sets out our findings regarding the estimation of the pension liability for the Local Government Pension Scheme. This is a significant estimate within the financial statements, and there has been a change in accounting policy due to a revision of the accounting standard IAS 19.

1. Valuation of property

The Authority holds a significant property, plant and equipment (PP&E) portfolio and, in common with other authorities, each year a number of significant judgements are required in order to generate the figures in the financial statements.

The draft accounts include total PP&E with a net book value of £66.8m, largely made up of land and buildings (net book value of £49.3m). The Authority has utilised the expertise of an external valuation expert, Barker Storey Matthews (BSM), to value the Authority's PP&E and investment properties. Leisure Centres represent the largest element of the Council's estate, and these have been valued during 2013/14.

We have obtained the valuation report from BSM and as part of our audit procedures our valuation expert has considered the following items when reviewing the valuation:

- The valuer's qualifications, credentials and objectivity;
- The suitability of the methodology adopted in valuing the assets; and
- The key inputs in the valuations, where visible.

The audit team have validated the inputs into the valuation report including the site areas, with a particular focus on the Leisure Centres valued in the year. Based on our analysis, the key valuation inputs appear to fall within an acceptable range for land and buildings.

Where assets have not been re-valued in year, we have reviewed the Authority's impairment assessment, and evaluated whether the assets are held at an appropriate value in the 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 found no significant issues to report to you in this regard.

2. *Estimation of the pension liability*

The most significant estimate in the Statement of Accounts is in the valuation of net pension liabilities for employees in the Cambridgeshire County Council Pension Fund, of which Huntingdonshire District Council is an admitted body. We reviewed the reasonableness of the assumptions underlying the pension liability and we undertook audit work on the data supplied to the actuary on which to base their calculations. We have no matters to draw your attention to in this regard.

As part of our audit procedures we receive information under a protocol from the external auditors of the Cambridgeshire County Council Local Government Pension Scheme, which provides assurance over the existence and valuation of scheme assets in particular. Consistent with our *Report to the Corporate Governance Panel 2012/13*, we have again identified a difference between the estimated scheme assets used within the actuarial calculation and the actual scheme assets held by the pension fund as at 31 March 2014. In comparing the asset value per the actuary's report to the admitted body's share of the audited pension fund assets, we are comparing two estimates. In effect we are using the estimated percentage share of the audited assets figure to assess the reasonableness of the actuary's estimate. In our view as a firm, and consistent with the prior year, a reasonable threshold would be +/- 5% of the asset value. As the difference between the actuary's estimate of the total value of the fund and the audited total value of the fund falls within the +/- 5% threshold (actual difference is c.1.7%) it is deemed to be reasonable.

Changes to IAS 19: Employee Benefits

From 2013/14 there have been changes to the accounting for defined benefit schemes and termination benefits. These changes have been reflected in the Authority's financial statements as a prior period adjustment as required by accounting standards, and we have no issues to note in this regard.

3. *Council tax benefit reform*

From 1 April 2013, Council Tax Benefit (CTB) was replaced by local authorities' own council tax support and reduction schemes. Prior to the CTB reforms, national rules were set by the Government and therefore standard calculations and system parameters would have applied to the assessment and processing of all claims. Following the abolition of CTB, the Authority has introduced a Council Tax Support (CTS) scheme having set their own rules (subject to a number of restrictions imposed by the Government). Changes have therefore been made to claimants' entitlement and processes for assessment, and then to the underlying calculations and parameters within the Northgate system (which the Authority uses to process claims). Previously such system amendments have been part of a national system upgrade, but this year have been undertaken by the Authority reflecting their local rules.

We included this as an elevated risk within our Audit Plan, as there is a risk that the new scheme rules have not been appropriately implemented within the Authority's controls for assessing entitlement, or have not been effectively applied within Northgate, which would impact the accuracy of the CTS calculation.

As a new scheme has been introduced we have performed additional audit procedures this year to:

- Understand the criteria the Authority has set and the initial modelling performed to estimate the cost of the scheme;
- Review the accuracy of budget monitoring and reporting of CTS;
- Understand and evaluate the change processes and access to the Northgate system; and
- Review the parameters now used within the Northgate system.

We have also undertaken focused testing on a sample of transactions under the new arrangements. Council Tax Benefit was previously subsidised by the Department for Work and Pensions (DWP) and we undertook certification work on behalf of the Audit Commission as part of the Housing and Council Tax Benefit Return (BEN01). This work was also leveraged to support our work on the audit opinion. However, due to the localisation of schemes the Audit Commission has revised its certification instructions (as DWP involvement ceased with the new CTS schemes) and we have therefore needed to perform additional detailed testing procedures as part of the financial statements' audit to gain assurance over the accuracy, completeness, cut-off and existence of a sample of Council Tax Support claims.

We have no issues to report regarding our additional work performed on the Northgate system or on the Council Tax Support claims balance included within the financial statements.

4. *Provision against non-domestic rates appeals*

As noted within our audit plan presented in March 2014, there have been changes to the collection of non-domestic rates (NDR) and that the Council would be required to recognise a provision for appeals against the rateable value upon which NDR is paid. We have since reassessed the provision as an elevated risk, as the balance is material to the collection fund and there is an inherent uncertainty in this balance due to the limited historical information on which to base the provision. The net exposure from this provision to the overall outturn for the Authority is limited to an immaterial level by a "safety net" arrangement with central government, and hence we have concluded that this provision, will materially uncertain, does not represent a significant audit risk.

NDR income is collected by the Council from every business based in the Huntingdonshire jurisdiction. From 1 April 2013, the amount collected is split between the Government (50%), Cambridgeshire County Council (9%), Cambridgeshire Fire and Rescue Authority (1%), with 40% retained by the Council.

Businesses can appeal against the rateable value set on their properties and due to the split set out above 40% of the risk in relation to these appeals sits with the Council. Appeals can result in the Council having to repay an element of the NDR income they have collected to the local business in question. Furthermore, appeals can be backdated meaning that the council will have to issue a refund for more than one year's income. We understand there is also a considerable backlog in government processing appeals.

As this is a new estimate which has not been recorded in previous years, the Council were given the option within the CIPFA Code to recognise appeals in respect of previous years spread over a 5 year period. The Council chose not to take this approach and have recognised the full provision in 2013/14 for appeals relating to current and previous years.

Government has put in place a "safety net" level for all Councils; in the event that the Council's share of the NDR income falls below this threshold, Government will make a payment to reimburse the Council. As a result of the appeals provision, the Council has recognised a significant cost in 2013/14 and has invoked the safety net. The payment calculated based on the current provision is £1.0m.

The total provision stated in the Collection Fund of the Council's draft financial statements is £5.1m. £1.6m of this balance is in relation to appeals from 2013/14, and £3.5m is in relation to appeals from previous years.

The Council recognises in its financial statements only 40% of this provision (as it collects only 40% of income as previously stated), and therefore the provision in the financial statements at year end for the council is £2.1m.

In light of the income protection scheme outlined above, this leaves the council with a net cost of £1.1m (£2.1m less £1.0m) in the current year.

The Council engaged a firm of experts to assist in calculating the value of the provision, since there was no provision in previous years to base the figure on.

We have assessed the Council's assumptions and basis of the calculation of the provision, and deem these to be reasonable. We have also benchmarked the Council's provision as a proportion of total NDR collected against other local Council's and the provision falls within the average range. We have run sensitivity analyses on the level of the provision and, due to the safety net arrangement, any increase or decrease in the provision in the council's accounts would be offset by a payment or levy from government and therefore has no net impact on the general fund.

We highlight that the provision figure in the Collection Fund and the proportion recognised by HDC is uncertain, as is the actual level of government safety net debtor, however, the net of these two amounts is not material to the Councils' accounts. This is disclosed as an estimate with sensitivities in the accounts.

The Council have not included a provision in respect of any amounts for claimants who have not come forward and lodged an appeal. We are aware that some other Councils have recognised an additional provision, and there is disagreement nationally over the appropriateness of this treatment. However, as noted above any increase in provision would be offset by a safety net payment and therefore would have nil net effect on the Councils reserves.

Our work performed over this area has not identified any issues, other than that the provision was initially recognised within "Short Term Liabilities" not "Provisions" within the draft financial statements. We proposed an adjustment in respect of this – which management agreed to apply to the final set of financial statements. Further details are outlined in Appendix 1.

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. See Appendix 1.

We also bring to your attention the misstatements set out in Appendix 1 to this report 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 Statement of Accounts. We will ask management 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 Statement of Accounts have been considered.

Management representations

The final draft of the representation letter that we ask management to sign is attached in Appendix 2.

In addition to the standard representations we have, as in 2012/13, requested specific representations on use of valuation experts.

Judgments and accounting estimates

The Authority is required to prepare its financial statements in accordance with the CIPFA Code. Nevertheless, there are still many areas where management need to apply judgement to the recognition and measurement of items in the financial statements.

We have reviewed the Authority's accounting policies and estimates, and significant matters arising which we wish to draw to the attention of the Corporate Governance Panel are described in detail above.

Related parties

In forming an opinion on the financial statements, we are required to evaluate:

- whether identified related party relationships and transactions have been appropriately accounted for and disclosed; and
- whether the effects of the related party relationships and transactions cause the financial statements to be misleading.

We have performed additional procedures including review of declarations of interests, internet searches for Directorships and review of expenditure listings as part of our work to consider the completeness of material related party disclosures.

Our external searches did reveal some parties related to the Council which management did not identify in their working papers. This arose where the Council has representative members on the Boards/Governing Bodies of local organisations and in accordance with the CIPFA Code have significant influence over the entity. Significant influence is defined as "the power to participate in the financial and operating policy decisions of an authority, but not control those policies", and therefore we deem that these roles meet the related party definition. Our testing did not identify any material undisclosed related party transactions. However, as these are all nominee positions we do not consider this to be significant weakness, but given reputational and fraud risks associated with related parties, we have recommended that these transactions be more closely controlled and disclosed.

Included in the letter of representation, is a representation that the list of related parties disclosed in the financial statements is complete and accurate.

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.

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 Statement of Accounts 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 Statement of Accounts, we have also undertaken work to form our value for money conclusion and have undertaken certification of claims and returns, as required by the Audit Commission.

Fees

The analysis of our audit and non-audit fees for the year ended 31 March 2014 is included on page 17. 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 engagement leaders 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 engagement leaders 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.

Conclusion

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.

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 Statement of Accounts.

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 found no major areas of concern to report in this context, but have fed back some comments for the final draft. We are awaiting receipt of the final draft to perform our final checks.

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.

In our Audit Plan presented to you in March 2014, we assessed that the Authority's financial resilience regarding savings plans was an **elevated** risk. Following recent guidance from the Commission, we have reassessed our approach nationally to reconsider the risk of financial resilience at local authorities over a longer time frame, given the financial outlook in the sector and the Audit Commission's guidance. As a result we have subsequently, reassessed this as a **significant** risk for the Council, due to the material budget gaps identified in the Authority's medium term financial strategy.

We have completed our work, subject to the following outstanding matters:

- completion of our quality review procedures in relation to our Use of Resources conclusion.

Subject to the satisfactory resolution of these matters we expect to issue an unqualified value for money conclusion.

As set out on page 4 above, we have obtained and reviewed the Medium Term Plan (MTP), including the assumptions utilised in identifying any funding gaps arising.

The recurring funding gap identified each year of the MTP as presented to Cabinet in February 2014 is as follows:

- 2014/15: £1.0m
- 2015/16: £1.8m
- 2016/17: £1.7m
- 2017/18: £2.4m
- 2018/19: £2.9m

The total savings required over the first five years of the MTP are therefore £9.8m.

We have considered and discussed the emerging savings options with officers, in order to understand the current plans to address the funding gap. We note that the plans are at various stages of development.

The Council has £15.1m of usable reserves and maintains these at what they believe is a prudent level determined by the Council (there is no minimum level set by policy).

We have considered the Council's historic record in delivering savings; the monitoring and reporting arrangements in the place and the governance structure in place.

In undertaking this work, we did not identify any matters, in relation to the arrangements in place at the Council to secure financial resilience that would cause us to modify our Use of Resources conclusion. Clearly, however, the ongoing achievement of savings, together with the impact of future financial settlements should remain a key focus for the Council, not least as the Council cannot continue to reach financial balance through the use of historic reserves.

In our *Report to the Corporate Governance Panel 2012/13*, we outlined four matters we wished to raise to your attention:

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

We have assessed the Council's progress against these findings and note that actions have been taken in all four areas, and that these are in varying degrees of development.

We have set out our findings regarding the financial position within the MTP above. As regards the Council's budgeting and financial management, we also note that the Council will be performing a zero-based budgeting exercise for 2015/16. Whilst this was not in place in 2014/15, we welcome the introduction of this approach for 2015/16 and the additional rigour this will bring to the Council's budgeting and cost control.

From the work we have performed, we have not identified any new areas of concern within project management or procurement and contracting. The Council has implemented further controls in relation to the application of the procurement framework, as well as further reporting mechanisms being put in place. We note however that there have been no major outsourcing or shared services introduced in the year, and that the implementation of the Council's new arrangements has yet to be tested in practice. We will therefore continue to review these matters as part of our ongoing responsibilities in line with the Code.

A new management structure has also been put into place by the Managing Director, and we understand all the roles have now been appointed to, after a period of considerable change, with a number of senior vacant posts. We have discussed with the Managing director her plans and actions to date to drive a stronger culture of compliance and control. The

Council has made progress, but we note that change of this nature takes time, and that work continues with the introduction of the new management team. We have nothing new however to raise this year regarding the culture of control and compliance, but note that this is a period of change for the Council whilst new structures, processes and procedures are embedded across the Council.

Progress is therefore being made against each of our findings, however these will continue to be areas of focus for the Council in the medium term.

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 Statement of Accounts and our review of the annual governance statement.

Reporting requirements

We have to report to you any deficiencies in internal control that we found during the audit which we believe should be brought to your attention. We have not identified any significant control deficiencies. As detailed above, we have identified a significant deficiency regarding identification of related parties. This is set out in the table below.

We will report less significant internal control issues separately to management, agree an action plan where relevant and follow up the matters as part of our audit procedures in 2014/15.

Summary of internal control deficiencies

Deficiency	Recommendation	Management's response
Related parties The Council has not identified all related parties as they have excluded any appointed/nominated positions of members to other local organisations. However, we deem that these meet the definition of related parties given in the Code. There is a risk that if management does not identify all related parties that they could therefore not adequately control these or identify the associated related party transactions that need to be disclosed, exposing the Council to reputational risks	The Council should extend their related party identification procedures to include all nominated/appointed roles and then consider whether any material transactions have occurred which would need to be disclosed.	**Agreed/Not Agreed** **Action:** **Owner:** **Timescale:**

Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

Management's responsibility

Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

Responsibility of the Corporate Governance Panel

Your responsibility as part of your governance role is:

- to evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate "tone at the top"; and
- to investigate any alleged or suspected instances of fraud brought to your attention.

Your views on fraud

In our audit plan presented to the Corporate Governance Panel in March 2014 we enquired:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistle-blower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

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.

The Fraud Triangle

Conditions under which fraud may occur

Management or other employees have an incentive or are under pressure

Opportunity	Rationalisation/attitude
Circumstances exist that provide opportunity – ineffective or absent control, or management ability to override controls	Culture or environment enables management to rationalise committing fraud – attitude or values of those involved, or pressure that enables them to rationalise committing a dishonest act

Fees update

Fees update for 2013/14

We reported our fee proposals in our plan.

We noted in our audit plan that we anticipated the Audit Commission reducing the certification fee for the Housing and Council Tax Benefit return to reflect the fact that arrangements for Council tax benefits have been localised in 2013/14.We also anticipated that the LA01 (National Non Domestic rates) claim would no longer require certification given the localisation of Business Rates.

Both of these reductions in certification fees came to fruition after we issued our audit plan to you.

We also expected that we would need to obtain audit comfort over Council Tax Benefit expenditure and Business Rates income in the statement of accounts from additional audit procedures over these items. We have undertaken additional work in this regard which included:

- Testing a sample of council tax support claims to the underlying documentation and policy as set out by the Council;
- Testing the Business Rates appeals provision contained in the financial statements for reasonableness; and
- Testing Business Rates income back to Valuation Office Agency information, supporting documentation and bank records.

We are working with the Audit Commission to quantify the effect on fee levels for this Council in the context of the national picture and will update the Corporate Governance Panel regarding the impact on this Council's audit fee in due course.

In addition, due to the introduction of council tax support scheme as a new scheme in year we have also performed additional work to:

- Understand the criteria the Authority has set and the initial modelling performed to estimate the cost of the scheme;
- Review the accuracy of budget monitoring and reporting of CTS;
- Understand and evaluate the change processes and access to the Northgate system; and
- Review the parameters now used within the Northgate system.

In addition to the matters flagged in the audit plan, we will also vary our fee due to additional testing performed in the following areas:

- Testing the appeals provision for non-domestic rates as an elevated risk;
- Additional revenue testing due to cut off error (as reported within the accounting issues section); and
- Additional work required due to changes in the national financial resilience criteria, and the resultant change from an elevated to significant risk for our Use of resources work..

In our capacity as appointed auditors, we are also required to consider questions and objections raised by local electors. We have been required to work to consider certain matters brought to our attention. We believe these have been resolved and there are no points we need to bring to your attention. These matters and the additional work performed during the audit of the financial statements have been discussed with management and we will be proposing an additional fee and agreeing this with you and the Audit Commission in due course.

Our fee for certification of grants and claims is yet to be finalised for 2013/14 and will be reported to those charged with governance in February 2015 within the Certification Report to Management in relation to 2013/14 grants. Within this fee we anticipate that we will need to seek a variation to perform '40+' testing for the certification of the Housing Benefit return. This work is ongoing at the time of writing this report and we will therefore update the Corporate Governance Panel in due course.

At the time of issuing our Audit Plan, we were in the process of agreeing the final fee for the certification of grants and claims for 2012/13 with the Audit Commission. This has since been agreed and the final fee was £20,884. This compares to our estimated fee for 2012/13 of £23,378, and our actual fee for 2011/12 of £35,000.

Appendices

Appendix 1: Summary of uncorrected misstatements

We found the following misstatements during the audit that have not been adjusted by management. You are requested to consider these formally and determine whether you would wish the accounts to be amended. If the misstatements are not adjusted we will need a written representation from you explaining your reasons for not making the adjustments. Our reporting level was set at £91,000.

No	Description of misstatement (factual, judgemental, projected)		Income statement		Balance sheet	
Uncorrected misstatements			**Dr**	**Cr**	**Dr**	**Cr**
1	Dr Accounts Receivable	F	-		96,012	-
	Cr Revenue			96,012		
	Being an adjustment to correct errors discovered as a result of cut-off testing					
Total uncorrected misstatements			-	96,012	96,012	-
Corrected misstatements			**Dr**	**Cr**	**Dr**	**Cr**
2	Dr Short Term Creditors	F	-	-	2,054,000	
	Cr Provisions					2,054,000
	Being the reclassification of the NDR appeals provision from accruals to provisions					
Total Corrected misstatements			**-**	**-**	**2,054,000**	**2,054,000**

Disclosure adjustment – removal of the contingent asset within Note 40 relating to the refund of VAT relating to off-street parking as the inflow of future economic benefits is no longer deemed probable.

Appendix 2: Letter of representation

[Entity letterhead]
PricewaterhouseCoopers LLP
10 Bricket Road,
St Albans,
Hertfordshire
AL1 3JX

Dear Sirs

Representation letter – audit of Huntingdonshire District Council's (the Authority) Statement of Accounts for the year ended 31 March 2014

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the Authority give a true and fair view of the affairs of the Authority as at 31 March 2014 and of its surplus 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 2013/14 supported by the Service Reporting Code of Practice 2013/14.

I acknowledge my responsibilities as Chief Financial Officer for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. 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:

Statement of Accounts

- I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 supported by the Service Reporting Code of Practice 2013/14; in particular the Statement of Accounts give a true and fair view in accordance therewith.

- All transactions have been recorded in the accounting records and are reflected in the Statement of Accounts.

- 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 Statement of Accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 requires adjustment or disclosure have been adjusted or disclosed.

- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the Statement of Accounts as a whole. A list of the uncorrected misstatements is attached to this letter as Appendix 2.

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 Statement of Accounts 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.

- 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 Statement of Accounts 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 Statement of Accounts 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 Statement of Accounts.

- all information in relation to allegations of fraud, or suspected fraud, affecting the Authority’s Statement of Accounts 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 Statement of Accounts.

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 Statement of Accounts.

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 Statement of Accounts.

Related party transactions

I confirm that the attached appendix to this letter is a complete list of the Authority's related parties. All transfer of resources, services or obligations between the Authority and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

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 2013/14.

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 statement of accounts, have been disclosed to you.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statement of accounts 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 2013/14.

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.

Bank accounts

I confirm that I have disclosed all bank accounts to you including those that are maintained in respect of the pension fund.

Subsequent events

There have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the statement of accounts or in the notes thereto.

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 Statement of Accounts.
- 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 no plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
- The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets, except for those that are disclosed in the Statement of Accounts.
- 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, including derivatives, entered into during the year have been made available to you. Any such instruments open at the year-end have been properly valued and that valuation incorporated into the statement of accounts. When appropriate, open positions in off-balance sheet financial instruments have also been properly disclosed in the Statement of Accounts.

Financial Instruments

- All embedded derivatives have been identified and appropriately accounted for under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
- Where hedging relationships have been designated as either firm commitments or highly probable forecast transactions, I confirm that our plans and intentions are such that these relationships qualify as genuine hedge arrangements.
- 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.

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:

Rate of inflation	2.8%
Rate of Increase in Salaries	4.6%
Rate of Increase of Pensions	2.8%
Discount Rate	4.3%
Longevity at 65 for current pensioners	
Men	22.5
Women	24.5
Longevity at 65 for future pensioners	
Men	24.4
Women	26.9

- The authority participates in the Teachers' Pension Scheme that is a defined benefit scheme. I confirm that the authority's share of the underlying assets and liabilities of this scheme cannot be identified and as a consequence the scheme has been accounted for as a defined contribution scheme.

Using the work of experts

I agree with the findings of Baker Storey Matthews, experts in evaluating the valuation of property and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Statement of Accounts 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.

I also agree with the work performed by Inform CPI - Analyse Local over the Non Domestic Rates appeals provision and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Statement of Accounts 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. The figure stated in the Chart of Accounts and in the Collection Fund is a best estimate based on the work performed by Inform CPI – Analyse Local.

Other matters
I have taken appropriate legal advice to satisfy myself that the accounting treatment adopted for the Local Authority Mortgage Scheme does not contravene the requirements of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

As minuted by the Corporate Governance panel at its meeting on 25 September 2014

....

Chief Financial Officer – Head of Resources

For and on behalf of

Date ....

Appendix 1 - Related parties and related party transactions

Access 2 Ltd
Action For Market Towns
Alan Smith (St.Neots) Limited
Alconbury Church of England Primary School
Anglia Circuits, St Ives
Anglian Water
Bakeaway Ltd, Corby (Pastry Company)
Barclays Bank Whittlesea
Bid Huntingdon Ltd
Blackfyne Ltd
Boldfield Ltd
Boston Borough Council
Brampton Parish
Buckden Surgery Patients Association
Cambridgeshire Chambers of Commerce - Huntingdonshire Area
Cambridgeshire Community Safety Strategic Board
Cambridgeshire Consultative Group for the Fletton Brickworks Industry
Cambridgeshire County Council
Cambridgeshire Health and Well-Being Board
Cambridgeshire Horizons Limited
Cambridgeshire Older People's Partnership Board
CGI
Churchill House
Civil Service Department
CML Asian services
Community Solutions (Cambs) Limited
Conservative Association
Conservative Party
Co-Part Ltd
David Campbell Bannerman MEP
Derbyshire Dales District Council
Development Management Panel
Doctors Surgery, Church Street, Somersham
Domestic Homicide Review Panel
Duke of Edinburgh Award
Eaton Ford and Priory Park
Ellington Parish Council
Employee Liaison Advisory Group
Employment Panel - Chairman
Environmental Advisory Group Inc
Er & Ja Butler (Farming) Limited
Farming, Stud and Livery Stable Business
Fengrain Ltd
Fenland Stoneworks Ltd
Fenstanton Glebe Allotments
Fire Solutions (Fast 2 host)
Francis scientific instruments ltd
GL Profiles Dock Road Industrial Estate
Godmanchester Town Council
Great Fen Project Steering Group
Great Paxton School
Greater Cambridge And Greater Peterborough Enterprise Partnership Limited
Greater London Authority
Gulls Design Best Ltd
H.C.Moss(Builders)Limited
Hartford School
Highways Agency
Hinchingbrooke School Association
Huntingdon Association of Community Transport
Huntingdon Business Against Crime
Huntingdon Constituency Conservative Association
Huntingdon Gym Club
Huntingdon Regional College
Huntingdon Volunteer Bureaux
Huntingdonshire Community Safety Partnership
Huntingdonshire Federation of Volunteer Bureaux
Huntingdonshire Flood Forum
Huntingdonshire Local Strategic Partnership
Huntingdonshire Volunteer Centre
Huntsman Leisure Ltd
Internal Drainage Board
Ite Builder
Jag Express Ltd
Jigsaw Coaching
JM Housing Network (Housing Consultancy)
John Lewis Plc
Kimbolton School
Kimbolton School Foundation
King Borthers Lady Lodge Ltd
Labour Party
Laine Design
LGA Rural Commission
LGA Rural Policy Review Group
Liberal Democrats Group
Little Barford Power Station Liaison Committee
Little Gransden Aerodrome Consultative Committee

Local Water Forum
Locking & Security Solutions Limited
London Borough of Camden
Lord Kalms
Luminus Homes Limited
Management Group - North Huntingdon
Meldire Limited
Metasphere Limited
Middle Level Commissioners
MOD, RAF Whiton
My Card Limited
Natural High Experience Limited
Neighbourhood Management Group - Eynesbury
Neighbourhood Management Group - North Huntingdon
Nene & Ouse Community Transport
Nick Guyatt (or Nicholas Guyatt) Consultancy on Financial & Other Matters
Nottingham City Council
Novae Group PLC
Oak Foundation
Overview and Scrutiny Social Well-being Panel
Oxmoor Community Action Group (OCAG)
Padgek Ltd
PE9 Solutions Ltd
Peter Reeve Associates Limited
Peterborough And District Funeral Services Ltd.
Planning Officers Society
Pos Enterprises Ltd
POSe
Prima Vista Somersham Road
Prince's Youth Business Trust
Pro-Spray Automotive Finishes Ltd
Public Sector Consultants
Puma Distribution Limited
Ramsey Neighbourhood Trust Ltd
Red Tile Wind Farm Trust Fund Ltd.
Responsible Equity Release
Retrac Solutions Ltd
Retract Solutions
Rotary Club
Royal Town Planning Institute
Safety Advisory Group
Sawtry Community College
Separa Ltd
Sharp Planning Plus Limited
Shopmobility Trust
Smith Farrer Holdings Limited
Somersham & Earith Division
South Cambridgeshire District Council
South Holland District Council
Spinfloor
Spinflow Limited
St Andrews Nurseries
St Ives Town Council
St Ives Town Initiative
St Neots Development and Growth Committee
St Peter's School Huntingdon
St. Ives Quadrilateral St. John's Ambulance
St. Ivo Leisure Centre Management Committee
St. Neots Museum Limited
Standards Committee
Steve Criswell Garden Design
Stilton Children and Yong People's Facilities Assn
The Association of Conservative Clubs Limited
The Chapman Property Partnership
The Civic Trust
The Consultation on Treasury Matters
The Dales Trust
The National Retail Planning Forum
Towergate Insurance
Town Centre Management Initiatives
TPO Sub-Group
UK Independence Party
University of Cambridge
Vislark PLC
Vislink Plc
Wolverhampton City Council
Yaxley Festival Funding Limited

Appendix 2 – Summary of uncorrected misstatements

No	Description of misstatement (factual, judgemental, projected)		Income statement		Balance sheet	
Uncorrected misstatements			**Dr**	**Cr**	**Dr**	**Cr**
1	Dr Accounts Receivable	F	-		96,012	-
	Cr Revenue			96,012		
	Being an adjustment to correct errors discovered as a result of cut-off testing					
Total uncorrected misstatements			-	96,012	96,012	-

pwc

130610-142627-JA-UK

Huntingdonshire
DISTRICT COUNCIL

Annual Governance Statement 2013/2014

What is Corporate Governance?

Corporate governance generally refers to the processes by which organisations are directed, controlled, led and held to account.

The Council's governance framework aims to ensure that in conducting its business it

- operates in a lawful, open, inclusive and honest manner
- makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- has effective arrangements for the management of risk
- secures continuous improvements in the way that it operates.

The governance framework comprises the culture, values, systems and processes by which the Council is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

The Council has a local Code of Corporate Governance. It is consistent with the principles set out in 'proper practice' for the public sector, namely 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE.* A high level summary of the principles can be found on the following page.

** Changes were last made to 'Delivering Good Governance in Local Government: Framework', published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives and Senior Managers) in December 2012.*

How has this Statement been prepared?

The initial review of the effectiveness of the Council's governance framework was conducted by a group of Officers. This group included the Monitoring Officer and the Responsible Financial Officer.

The Corporate Governance Panel met informally to review, discuss and challenge the evidence and assurance provided by those Officers. They also identified the significant governance issues that they considered should be included in this Statement. These issues were formally agreed at the July Corporate Governance Panel meeting.

The Corporate Governance Panel also considered whether any issues identified in the Internal Audit annual report should be included in this Statement. Findings arising from the work undertaken by External Audit in respect of the 2013/14 Annual Financial Report were considered by the Corporate Governance Panel at its meeting on 25 September 2014, following which, this Statement was formally approved.

The Principles
A summary

Principle 1

The Council clearly sets out its purpose and vision and the outcomes it is seeking to achieve.

This will be achieved by:

Clearly communicating the Council's purpose and vision and the intended outcome for citizens and service users

Making best use of resources and providing services that are good value for money

Seeking the views of service users on the quality of services that are provided

Principle 2

Members and Officers have clearly defined functions and roles which allow them to work together to deliver the Council's vision.

This will be achieved by:

Setting out executive and non-executive functions and the roles and responsibilities of the scrutiny function

Clearly setting out the roles and responsibilities of Members and Officers

Defining what is expected from partners

Principle 3

Demonstrate the values of good governance and uphold high standards of conduct and behaviour.

This will be achieved by:

Introducing and maintaining arrangements that clearly set out the standards of conduct and behaviours expected from Members and Officers

Underlying each of these principles is the Council's commitment to equality of opportunity in its approach to policy-making, service delivery and employment.

The Council aims to achieve good standards of governance by:

1. setting out its purpose and vision
2. making sure everyone understands their role
3. behaving in accordance with its core values
4. being open and accountable and exercising effective control
5. working effectively both as individuals and as a team
6. engaging with its stakeholders

Principle 4

Informed and transparent decisions are taken which are subject to effective scrutiny. Risks are identified and managed

This will be achieved by:

Having rigorous and transparent decision making processes in place

Maintaining an effective scrutiny process

Acting within the law

Providing good-quality information, advice and support to Members and partners

Ensuring that an effective risk management system is in place

Principle 5

Develop the capacity and capability of Members' and Officers' so that they can act effectively.

This will be achieved by:

Introducing and maintaining systems and resources that allow Members and Officers to develop and gain the skills and knowledge they need to perform well in their roles

Evaluating Members' and Officers' performance

Principle 6

Engage with local people and other stakeholders to ensure robust public accountability.

This will be achieved by:

Developing constructive relationships with stakeholders

Taking an active and planned approach to dialogue with the public

Regularly consulting with employees and their representatives

How do we know our arrangements are working?

Governance Framework

Assurance Required Upon

- Delivery of Corporate Plan aims and objectives
- Services are delivered economically, efficiently & effectively
- Management of risk
- Effectiveness of internal controls
- Democratic engagement & public accountability
- Budget & financial management arrangements
- Roles & responsibilities of Members & Officers
- Standards of conduct & behaviour
- Compliance with laws & regulations, internal policies & procedures
- Action plans dealing with significant issues are approved, actioned & reported on

Sources of Assurance

- Constitution (incl. statutory officers, scheme of delegation, financial management & procurement rules)
- Corporate Governance Panel
- Internal & external audit
- Independent external sources
- Scrutiny function
- Council, Cabinet & Panels
- Medium Term Financial Strategy
- Complaints system
- HR policies & procedures
- Whistleblowing & other countering fraud arrangements
- Risk management framework
- Performance management system
- Codes of conduct
- Chief Officers' Management Team

Code of Corporate Governance

To monitor the effectiveness of the Council's corporate governance systems, the Corporate Governance Panel review each year the governance framework.

This statement builds upon those of previous years. Many of the key governance mechanisms remain in place and are referred to in previous statements which are available on the Council's website alongside a summary of the evidence to support compliance with the Code of Corporate Governance.

This statement therefore describes the key changes to, and developments within the Council's governance framework during 2013/14 and up to the date of approval of the Annual Financial Report. The progress that has been made in dealing with the significant governance issues identified last year is included and the significant governance issues that have been identified from the governance review are highlighted.

This statement allows the Council to meet the requirement of the Accounts & Audit (England) Regulations 2011, to prepare and publish an annual governance statement to accompany the 2013/14 Annual Financial Report.

- Annual Financial Report
- External audit reports
- Internal audit reports
- Local Government Ombudsman reports
- Office of the Surveillance Commissioner report
- Scrutiny reviews
- Effectiveness reviews of Corporate Governance Panel and Licensing
- Independent external review of the internal audit service
- Member/Officer working group review of the Code of Corporate Governance

- Develop the themes and aims of the Corporate Plan through service plans and performance measures
- Review partnership commitments
- Publicise the vision statement & strategic themes and outcomes
- Ensure full compliance with the Code of Procurement.

Assurances Received

Opportunities to Improve

Annual Governance Statement

2013

April

Corporate Governance Panel adopt the Public Sector Internal Audit Standards (PSIAS) with effect from 1 April and approve an Internal Audit Charter. The Charter sets out internal audits position within the Council including how it will maintain its independence and objectivity. The functional reporting responsibilities of the Panel are also agreed.

May

Internal audit service undertake a self-assessment against the PSIAS to identify its level of conformance and any opportunities for improvement. An action plan was agreed by Corporate Governance Panel. None of the areas of non-conformance were considered significant enough to warrant inclusion in the 2012/13 annual governance statement.

June

Corporate Governance Panel discuss the Internal Audit annual report and the opinion for period ending March 2013: 'limited' assurance over key business processes and financial systems. The key issues that led to the 'limited' opinion being given were referenced in the 2012/13 annual governance statement

- Compliance with the Code of Procurement
- Ensuring projects were managed appropriately and
- Delays in the introduction of agreed audit recommendations

July

The interim management arrangements (of joint Managing Directors) agreed in August 2011 ended with the appointment of Joanne Lancaster as Managing Director and Head of Paid Service.

August

The review of the effectiveness of the Corporate Governance Panel concluded they were 'acting effectively'.

To improve the accessibility and clarity of financial information reporting, a Financial Dashboard was created that summarised at a high level, key financial data. This is circulated by email to all Councillors on a monthly/quarterly basis.

September

External audit issue an unqualified audit opinion on the 2012/13 financial statements and an unqualified value for money opinion. They made a number of recommendations to further improve the accounts closure process and the governance framework. The majority of these were introduced by 30 June 2014. Those not fully introduced relate to improving governance processes (see December 2013).

Corporate Governance Panel approve the 2012/13 annual governance statement on behalf of the Council. Six significant governance issues were identified.

October

Senior management re-structure commences.

November

Against the background of needing to have a clearer focus on budget monitoring and financial savings, the Cabinet members requested further financial information. A suite of financial reports were introduced, known as Strategic Financial Reporting (SFR). The SFR contains more detail than the Financial Dashboard and is presented to Cabinet quarterly.

Formal annual report on the work of the Corporate Governance Panel is presented to Council.

The three Overview & Scrutiny Panels began reviewing 'Facing the Future' templates – options put forward by each service area for savings for 2015/16 and beyond – robustly challenging service managers on service levels and resource requirements.

December

Officer led Governance Board and six governance working groups established to address 'cultural compliance' issues raised by internal and external audit. The working groups cover the following areas:

- Risk
- Project management
- Customers
- Culture and compliance
- Finance
- Procurement

2014

January

Employee pay evaluation moderation process completed and appeals process commenced.

Key Improvement Area for 2013/14

Reinvigorate engagement with the Huntingdonshire Strategic Partnership (HSP) through the Huntingdonshire Matters process.

The HSP met in January. The Hunts Matters groups meet regularly. Little progress has been made in this area. A review of partnerships, including our commitment to the HSP, is to be undertaken. This remains a key improvement area for 2014/15.

February

The Corporate Fraud team led the development of the Cambridgeshire Tenancy Fraud Forum, which was formally launched in February. The project won the 2013 National Fraud Authority innovation award.

Removal of permanent independent co-optees from Overview & Scrutiny Panels. Individuals who have specialist knowledge or expertise will be invited to contribute to study areas.

March

External independent peer review of internal audit undertaken. It concluded that the service was delivering an effective service to the Council.

Retirement of the Asst. Director (Finance & Resources), who was the Council's statutory Responsible Financial Officer (RFO). Clive Mason, the Accountancy Manager, who subsequently became the Head of Resources, appointed RFO.

Key Improvement Area for 2013/14

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.

33 employees directly involved in procuring goods and services received training from the Procurement Manager during 2013/14.

2014

April

Pay evaluation process completed and new pay structure introduced.

Approval of Council Plan and performance management framework.

May

Internal audit opinion for period ending March 2014: 'limited' assurance over key business processes and 'adequate' assurance over financial systems. The key issues that led to the 'limited' opinion being given are detailed on page 16.

The Council makes amendments to its Constitution. In addition to changes to the Code of Financial Management and Code of Procurement, the terms of reference of a number of Panels and Committees are updated. The Council sets up a working group to review how Council meetings operated.

Review of the effectiveness of the Licensing Committee and Licensing Protection Panel concluded they were 'acting effectively'.

Section 106 Agreement Advisory Group to be the subject of the next review.

Social media policy introduced. The policy explains how officers should communicate with and respond to service users, through the Council's various social media channels.

June

New senior management structure introduced

New list of politically restricted posts agreed by the Managing Director.

The Council, after considering the report of the Constitution working group, makes a number of procedural changes to improve the management of Council meetings and democratic accountability.

Key Improvement Area for 2013/14

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

Programme and Project Management Toolkit launched to assist managers successfully deliver a number of projects, including those from within the Facing the Future programme.

July

Strategic partnership agreement with South Cambridgeshire District Council to consider shared service delivery. Building Control, IT Services and Legal are within the first tranche of services being considered as potential shared services.

Risk management strategy updated. Risk management group duties transferred to the risk governance working group and the internal audit service.

Council agrees to the removal of the Employees' Code of Conduct from the Constitution. The Managing Director is given responsibility for introducing an employee handbook, as a replacement for the Code of Conduct.

August

Following the management restructure, the Democratic Services Manager is appointed statutory Monitoring Officer until the new Corporate Director (Services), Julie Slatter, commences work on 1 September.

Employee opinion survey undertaken.

'Balancing the Budget' public consultation process for the 2015/16 budget.

The governance working groups were re-assigned to the new Heads of Service.

The Council: How it works

All Councillors meet together as the Council. Meetings are normally open to the public. The conduct of the Council's business is defined by formal procedures and rules, which are set out in the Constitution. The Constitution explains the roles and responsibilities of the executive, non-executive, scrutiny and officer functions and the delegation arrangements that are in place. It also contains the Codes of Financial Management and Procurement and the Code of Conduct for Members. The diagram below shows the Council's governance structure.

In July 2013, the Council appointed a new Managing Director, Joanne Lancaster. She completed a review of the senior management structure, the result of which reduced the number of senior managers from ten to nine and realigned service responsibilities. Only one of the previous senior management team remained in post, the remainder leaving the Council between March and July 2014. New managers took up post between July and September 2014. There were a number of months when some services were without Heads of Service and the Managing Director took on responsibility for these areas as an interim measure.

Central to the Corporate Plan is the following vision statement:

We want to continue to improve the quality of life for the people of Huntingdonshire and work towards sustainable economic growth whilst providing value for money services.

Key Improvement Area for 2014/15

Publicise the vision statement to stakeholders.

Council

Consists of 52 elected Councillors, covering 29 wards. Appoints the Overview & Scrutiny and other committees/panels. Approves the policy and strategic framework and budget.

Chief Officers' Management Team

Managing Director
Corporate Director - Service
Corporate Director - Delivery
Head of Resources

Overview & Scrutiny

Three Panels comprising 12 Members each with a remit to scrutinise a discrete range of Council services.
Appoint Working Groups to undertake in-depth investigations and make recommendations to the appointing Panel.
Panels are responsible for their own work programmes to hold the Executive Leader and Cabinet to account, monitor performance, examine issues in-depth and make recommendations for policy development.
The Social Well-Being Panel is responsible for scrutinising crime and disorder reduction and housing policy.
The Economic Well-Being Panel is responsible for scrutinising the Budget/Treasury Management, though all Panels consider the financial performance of services within their remit.
The Environmental Well-Being Panel is responsible for scrutinising planning and waste policies.
All Panels oversee the Facing the Future process.

Executive Leader and Cabinet

They are responsible for the discharge of all the Council's functions which are not the responsibility of any other part of the council;
Seven Councillors form the Cabinet, each have specific areas of responsibility.
Sets out key decisions to be taken in a Notice of Executive Decisions published monthly.
Submits budget and key policy proposals to Council.
Consults with Overview & Scrutiny Panels and other Panels on the formulation of the policy, strategic and financial framework.
Arranges for the discharge of the executive functions by the Cabinet.

Regulatory Committees

The Licensing Protection Panel/Licensing Committee - Responsible for carrying out the Council's non-executive functions relating to licensing and registration, health and safety at work and protections of the environment;
Development Management Committee - Responsible for the discharge of the Council's non-executive functions relating to town and country planning and development control.

Other Committees and Panels

Employment Panel - Provides strategic overview of the people management and workforce decisions and issues within the Council;
Standards Committee - Promotes and maintains high standards of conduct within the Council and town and parish councils of Huntingdonshire. Responsibility for complaints received about Council services and elections matters.
Corporate Governance Panel - Considers issues of audit, risk, governance and finance.

The Council is required to appoint a Monitoring Officer who, in addition to leading an annual review of the Constitution to ensure it remains fit for purpose, also advises on compliance with the Constitution and ensures that decision making is lawful and fair. The Head of Legal & Democratic Services was appointed to this statutory post until leaving the authority in July 2014. Interim arrangements have been introduced prior to the Corporate Director (Services) commencing work in September 2014.

As reported in last year's Statement, the Council was to prepare a Corporate Plan to build upon the Leadership Direction that was agreed in November 2012. Preparing the Corporate Plan and its associated Performance Management Framework took longer than expected. Both documents were approved by the Council in April 2014.

Work has started on preparing individual service plans and targets that will link to the Corporate Plan themes and outcomes. The process of linking employees performance to the delivery of the service targets has not yet been completed. This item has been included as a significant issue for 2014/15.

Whilst reporting of financial information has been undertaken, with the exception of information on employment related matters and the performance of internal audit, no performance management information has been routinely reported to Members during 2013/14. This information has been prepared and reviewed by the Chief Officers' Management Team quarterly. It is anticipated that performance information will be reported to the Overview & Scrutiny Panels from September 2014.

In considering how the overall performance of the Council could be reported to stakeholders it was agreed that an Annual Report be published for the 2013/14 financial year. This has been written and will be published alongside the Annual Financial Report. It will inform the Council's annual State of the District debate.

The Performance Management Framework sets out the annual corporate and budget planning cycle that will be followed for 2014/15 and onwards and is shown here.

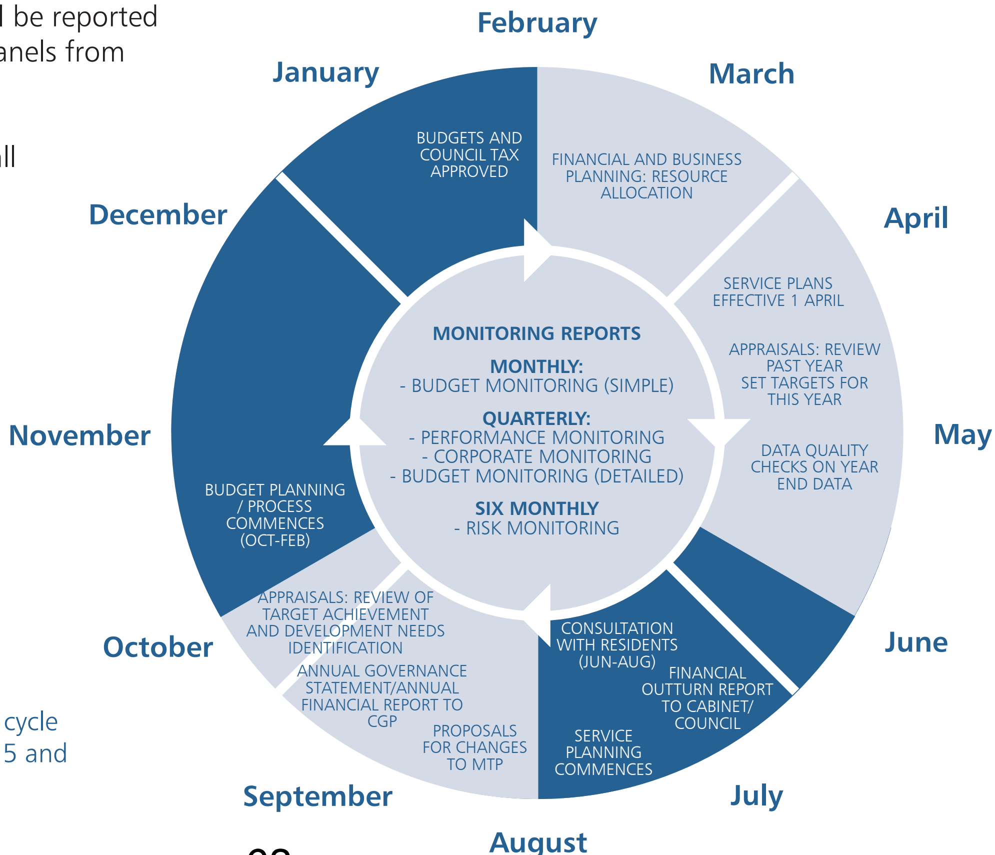
Key Improvement Area for 2013/14

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

This remains a key improvement area for 2014/15

Key Improvement Area for 2013/14

Introducing an Annual Report from the 2013/14 financial year to be published alongside the Annual Financial Report.



Corporate Governance Panel seeking assurance

The Corporate Governance Panel, as its name suggests, has responsibility for receiving many reports that deal with issues that are key to good governance. It acts as the Council's audit committee.

The table below provides summary information on the areas it has considered.

When considering governance issues, the Panel raised a number of concerns about shortcomings in control systems and processes. The most significant of these were:

- The lack of any project management guidance.
- Delays in introducing agreed internal audit actions.
- The increasing number of 'limited' assurance opinions within internal audit reports.
- The 'little' assurance opinion that has been given by internal audit in respect of the debtors financial system.

Corporate Governance Panel: Key Business

May / July 2013	September 2013	November 2013
Note outcome of effectiveness review of Overview & Scrutiny Panels	Approve the 2012/13 annual governance statement (AGS)	Involvement of co-optees on the Overview & Scrutiny Panels
Public engagement: filming/ recording at Council meetings	Consider External Auditors 2012/13 'report to those charged with governance' and action plans (ISA 260)	Note the setting up of officer governance working groups
Consider Internal Audit annual report and opinion, June 2013	Approve the 2012/13 statement of accounts	Consider internal audit review of the job evaluation and pay review process
Note internal audit review of appointment of professional advisors	Review the risk register and management of risks	Approve changes to whistleblowing policy & procedure
Approve changes to regulation of investigatory powers polices	Approve changes to the Code of Procurement and the re-writing of the employee code of conduct as an employee handbook	
Review annual reports		
• Effectiveness of internal audit service	• Panel's own effectiveness review	• FoI, EIR & DPA requests* • Corporate Business Continuity

* Freedom of Information, Environmental Information Regulations, Data Protection Act

Action has been taken:

- The programme and project management toolkit was approved by the project management working board and launched in June 2014.
- The Managing Director attended the July 2014 Panel meeting and explained how a culture of compliance was being promoted and that the new Management Team would be charged with delivery of the audit actions as a priority.
- The Management Team formally consider all audit reports that have been given 'limited' or 'little' assurance opinions and agree with the relevant manager the improvements that need to be made.
- The Head of Resources has appointed temporary staff to the debtors team to deal with the issues identified by internal audit.

Each year the Panel consider how effective they have been in overseeing the Council's governance arrangements.

This governance statement is reported to Council once it has been approved. The Chairman of the Panel submits a report to the same Council meeting, that summarises the work of the Panel, so allowing Council to take comfort that key governance processes are being reviewed.

January 2014	March 2014	May 2014	July 2014
Approval of Fraud Prosecution Policy	Note measures introduced or proposed to support procurement compliance	Considered outcome of peer review of internal audit service	Discussion with the Managing Director on improving officer compliance in key control areas
Note the outcomes from the 2012 National Fraud Initiative	Approve Constitution changes. Consider the proposed employee handbook	Considered Internal Audit annual report and opinion, March 2014	Approve internal audit plan 2014/15
Note a report on internal audit opinions/reports terminology	Review external audit plan for 2013/14	Note progress on issues from 2012/13 AGS	Review of effectiveness of Licensing Committee/ Licensing & Protection Panel.
Review delivery of the internal audit plan	Note new audit committee guidance issued by CIPFA	Review external audit 2012/13 grant certification	Considered changes to Members Allowances Scheme
Note the progress in introducing external audit recommendations	Review the risk register and management of risks	Approve Constitution changes to improve management of Council meetings	Note Office of the surveillance Commissioner report on the management of covert activities.
• Corporate Fraud Team activity 2012/13 • Whistleblowing concerns received	• Accounting policies	• Corporate Fraud Team activity 2013/14	

Managing key risks

All Councillors and Managers are responsible for ensuring that risk implications are considered in the decisions they take. Managing risk is a key element of service planning.

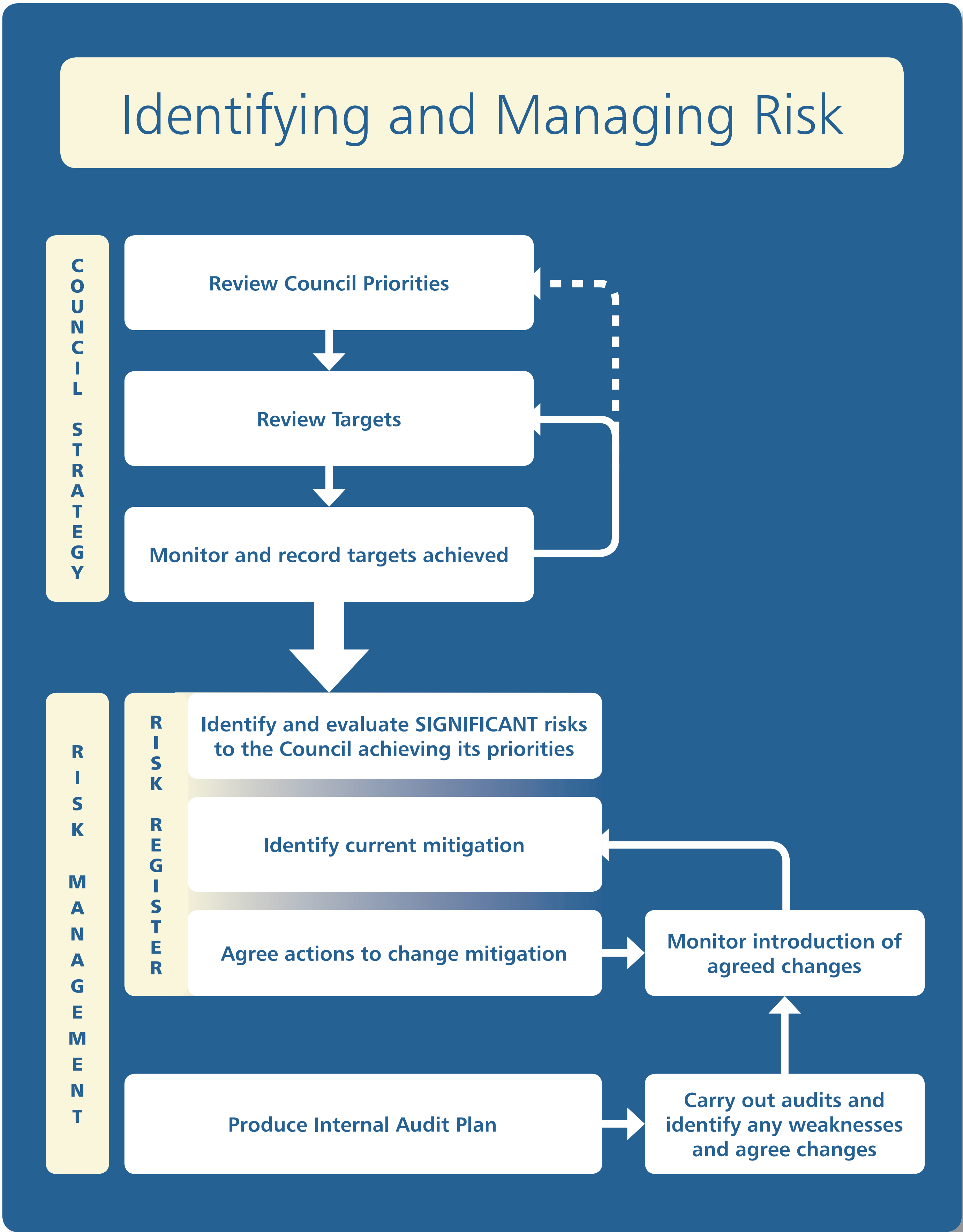
Risk Management Strategy

The Council has a risk management strategy. It was reviewed by the Cabinet in July 2014 to ensure it remains appropriate and reflects the approach the Council wishes to take to the management of risk. The successful delivery of the Corporate Plan priorities depends on the Council's ability to tolerate and manage risk rather than eliminate it altogether. A certain amount of risk taking is inevitable. The diagram opposite outlines the Council's approach to identifying and managing risk.

Risk review process

Significant corporate and operational risks are identified and recorded within a risk register. All risks are assigned owners.
Senior Managers review the risk register on a quarterly basis and are required to positively state the level of assurance they can place upon the controls that mitigate risks. This information is reported to the Corporate Governance Panel twice a year and is a key component of the Council's overall assurance framework.
Where residual risk exceeds the 'risk appetite', Managers are required to consider whether cost effective actions that will reduce the likelihood and/or impact of the risk occurring can be introduced.
Copies of the risk management strategy (which contains details of the Council's risk appetite) and risk reports considered by the Corporate Governance Panel are available on the Council's website.
Whilst the risk register contains over 150 risks, the most significant are listed below.

Risk	Effect upon the Council
Reductions in government funding and the failure to deliver planned savings leading to the need to make alternative financial savings in the short term.	Non-statutory services are reduced or stopped. Statutory services are reduced to minimum levels.
The Council does not receive income from, or reduce its surplus operational property assets leading to it not achieving the savings that have been included within the Facing The Future programme.	Other service areas are required to identify additional financial savings.
Council's funds not invested appropriately leading to losses or poor returns resulting in unexpected service cuts.	Loss of the value of the investments and significant reduction in interest received.
Reducing availability of affordable housing and changes to local housing allowances leads to less people being housed, longer stays in temporary accommodation and increased use of bed and breakfast accommodation.	Continued uncontrollable pressure upon the homelessness budget.
ICT Security controls are breached causing both the loss of data and a loss of confidence in the integrity of the data being held.	Reputational damage, cost of rectifying weaknesses, possible significant fines.
Personal data and information is accidentally released/published outside the Council.	Prosecution, possible financial penalties and reputational damage.
Huntingdon town centre redevelopment does not progress as anticipated leading to a reduction in economic growth/business opportunities and reducing shoppers/visitor numbers.	Failure in achieving the Corporate Plan aim of delivering a strong local economy.


Identifying and Managing Risk
COUNCIL STRATEGY
Review Council Priorities
Review Targets
Monitor and record targets achieved
RISK MANAGEMENT
RISK REGISTER
Identify and evaluate SIGNIFICANT risks to the Council achieving its priorities
Identify current mitigation
Agree actions to change mitigation
Monitor introduction of agreed changes
Produce Internal Audit Plan
Carry out audits and identify any weaknesses and agree changes

Managing the risk of fraud

The Council has a corporate fraud team that investigates both welfare and non-welfare fraud.

In April 2013, the National Fraud Authority requested that the Council create a 'Fraud Hub' for Cambridgeshire. The Chartered Institute of Housing and Department for Communities and Local Government also requested the Council develop a 'Tenancy Fraud Forum' for Cambridgeshire. This started to operate in February 2014. The 'Tenancy Fraud Forum' won the National Fraud Authority 2013 Innovation award for its approach to combating social housing fraud. External funding has been secured to allow both these initiatives to continue until March 2015.

Both the fraud hub and forum have had a direct impact upon one of the Council's key risks – reducing homelessness. During 2013/14, 11 social housing properties that were being illegally sub-let were recovered as a result of tenancy fraud investigations.

The Corporate Governance Panel fraud working party has met regularly. In addition to gaining a better understanding of the work that was being done to counter fraud it has also considered the future of the corporate fraud team once the Department for Works and Pensions single fraud investigation service becomes operational in March 2015.

To act as a deterrent to fraudsters, the Council issues press releases in respect of all benefit fraud cases that it successfully prosecutes and maintains a 24/7 telephone line to allow the public to raise concerns about possible welfare frauds. There is also a 'whistleblowing' telephone hot-line and a dedicated email address and web-form that allows people to raise more general concerns about 'wrong-doing'. Due to the nature of these concerns they are not made public. A report detailing both the activity and performance of the fraud team and the general nature of the whistleblowing allegations received is presented to the Corporate Governance Panel each year. The report is available on the Council's website.

A 'Whistleblowing' policy is in place.
The policy is reviewed annually and updated as and when required to bring it in line with best practice. The Council is committed to the highest standards of quality, probity, openness and accountability. As part of that commitment it encourages employees and others with serious concerns about any aspects of the Council's work to come forward and make those concerns known. Full details of how concerns are dealt with can be found on the Council's web pages.

Responsible Financial Officer

The Council has appointed a Responsible Financial Officer. This is a statutory post, responsible for delivering and overseeing the financial management arrangements of the Council. The Head of Resources is the Responsible Financial Officer and is a member of the Chief Officers' Management Team. He has line management responsibility for the Accountancy team. The role conforms with the good practice requirements within the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Responsible Financial Officer has been involved in reviewing the Code of Corporate Governance and preparing this Statement from its early stages. He is satisfied with the arrangements that are in place for managing finances and considers the system of internal control is working effectively and that no matters of significance have been omitted from this Statement.

Managing resources

The Council is continuing to face increasing financial pressures. It aims to be self-financing. In order to achieve this, tough decisions will need to be made about how services will be delivered in the future and how they will be financed.

A zero based budget review is planned to commence in September 2014 with a view to driving out costs from the base budget. Work has already begun with Cambridge City Council and South Cambridgeshire District Council to develop and deliver shared services to release efficiencies. The opportunities identified from the Facing the Future programme will also lead to a transformation of services. All of these initiatives will assist the Council to develop a sustainable medium term financial strategy.

Good financial management is more important than ever. Over the past year there has been an improvement in the frequency of reporting the forecast financial position, more rigorous financial monitoring and improved transparency in the information supplied. These improvements have included the Cabinet receiving, on a monthly basis, the Financial Performance Monitoring Suite and all Members receiving the Financial Dashboard.

One of the issues that has affected the Council in the past and been referred to in previous Statements, has been the reluctance of budget holders to confirm likely underspending early in the year or be open about the expected financial savings that will be achieved. Much work has been done to improve this area. Budget holders have also been regularly reminded that they need to carefully manage their budgets.

Key Improvement Area for 2013/14
Improve budget holders' financial competency and awareness for good budgetary control and management.

Internal and External Audit assurance

The Council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit Service and External Auditors – PricewaterhouseCoopers LLP.

Internal Audit

The Corporate Governance Panel agreed that the Public Sector Internal Audit Standards (PSIAS) should be followed from April 2013. These have been developed specifically for public sector organisations. The Panel also approved an Internal Audit Charter – this sets out the internal audit role and its responsibilities and clarifies its independence.

Internal audit are required by Regulation to review how they work each year. Corporate Governance Panel considered the Internal Audit and Risk Managers self-assessment in May 2013 and the outcome of an external peer review in March 2014. They noted that a number of improvements to current internal audit procedures had been identified and an action plan has been agreed. Panel decided that there were no issues of 'non-conformance' with the PSIAS that needed to be included in this statement.

Good practice suggests that internal audit should also be reviewed against the governance arrangements set out in the CIPFA Statement on the Role of the Head of Internal Audit. This has not been done. The PSIAS are considered sufficiently challenging and deal with similar issues to those in the CIPFA Statement.

One of the key assurance statements the Council receives is the annual report and opinion of the Internal Audit and Risk Manager. In respect of the 12 month period ending March 2014, the opinion expressed was that the "Council's internal control environment and systems of internal control as at 31 March 2014 provide limited assurance over key business processes and adequate assurance over financial systems".

A limited assurance conclusion was given due to the serious concerns identified in the following areas:
- officers' non-compliance with the Code of Procurement;
- the lack of oversight and control in the Council's use of social media;
- control failings within Café Zest and the 'Pure' spa and therapy facilities operated by One Leisure; and
- the lack of frequent and formal challenge of the value for money obtained from completed projects

Actions have been agreed to deal with all of the four areas noted above. Whilst there has been a noticeable improvement in compliance with the Code of Procurement, both the Corporate Governance Panel and Chief Officers' Management Team consider this issue should remain a significant governance issue for the year ahead.

Key Improvement Area for 2014/15
Continue to educate and train employees in good procurement practice.

External Audit

The Annual Financial Report for 2013/14 has been audited and an unqualified opinion been issued. The external auditor also issued an unqualified value for money opinion for 2013/14.
The external auditor has acknowledged the progress the Council has made in respect of the governance and control issues they reported in 2012/13 but consider that further work is required before the improvements could be demonstrated as being fully embedded. The Managing Director accepts these comments and has already taken action to renew the Governance Board/Group process following the introduction of the new senior management structure. No new governance concerns have been raised by the external auditor.

Significant Governance Issues

The progress that has been made in dealing with the governance issues that were identified in the 2012/13 Statement have been highlighted throughout the Statement.

Whilst generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the following issues, as highlighted in the Statement, have been identified for improvement.

Key Improvement Area	Lead Officer	To be delivered by
Develop the themes and aims of the Corporate Plan through service delivery plans, performance measures and employees performance targets.	Managing Director	March 2015
Publicise the vision statement & strategic themes and outcomes to key stakeholders.	Corporate Team Manager	May 2015
Review partnership commitments with an emphasis on the benefits obtained and contribution towards the Corporate Plan.	Corporate Director - Delivery	March 2015
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.	Head of Resources	On-going

Councillor Jason Ablewhite
Executive Leader

Joanne Lancaster
Managing Director

Signed on behalf of Huntingdonshire District Council

Huntingdonshire
DISTRICT COUNCIL

Annual Governance Statement
2013/2014

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

PricewaterhouseCoopers LLP
10 Bricket Road,
St Albans,
Hertfordshire
AL1 3JX

Dear Sirs

Representation letter – audit of Huntingdonshire District Council's (the Authority) Statement of Accounts for the year ended 31 March 2014

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the Authority give a true and fair view of the affairs of the Authority as at 31 March 2014 and of its surplus 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 2013/14 supported by the Service Reporting Code of Practice 2013/14.

I acknowledge my responsibilities as Chief Financial Officer for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. 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:

Statement of Accounts

- I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 supported by the Service Reporting Code of Practice 2013/14; in particular the Statement of Accounts give a true and fair view in accordance therewith.

- All transactions have been recorded in the accounting records and are reflected in the Statement of Accounts.

- 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 Statement of Accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 requires adjustment or disclosure have been adjusted or disclosed.

- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the Statement of Accounts as a whole. A list of the uncorrected misstatements is attached to this letter as Appendix 1.

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 Statement of Accounts 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.

- 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 Statement of Accounts 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 Statement of Accounts 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 Statement of Accounts.

- all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's Statement of Accounts 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 Statement of Accounts.

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 Statement of Accounts.

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 Statement of Accounts.

Related party transactions

I confirm that the Appendix 2 attached to this letter is a complete list of the Authority's related parties. All transfer of resources, services or obligations between the Authority and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties. 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 2013/14.

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 statement of accounts, have been disclosed to you.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statement of accounts 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 2013/14.

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.

Bank accounts

I confirm that I have disclosed all bank accounts to you including those that are maintained in respect of the pension fund.

Subsequent events

There have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the statement of accounts or in the notes thereto.

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 Statement of Accounts.

- 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 no plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

- The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets, except for those that are disclosed in the Statement of Accounts.

- 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, including derivatives, entered into during the year have been made available to you. Any such instruments open at the year-end have been properly valued and that valuation incorporated into the statement of accounts. When appropriate open positions in off-balance sheet financial instruments have also been properly disclosed in the Statement of Accounts.

Financial Instruments

- All embedded derivatives have been identified and appropriately accounted for under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

- Where hedging relationships have been designated as either firm commitments or highly probable forecast transactions, I confirm that our plans and intentions are such that these relationships qualify as genuine hedge arrangements.

- 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.

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:

    - Rate of inflation 2.8%
    - Rate of Increase in Salaries 4.6%
    - Rate of Increase of Pensions 2.8%
    - Discount Rate 4.3%
    - Longevity at 65 for current pensioners
    - Men 22.5
    - Women 24.5
    - Longevity at 65 for future pensioners
    - Men 24.4
    - Women 26.9

- The authority participates in the Teachers' Pension Scheme that is a defined benefit scheme. I confirm that the authority's share of the underlying assets and liabilities of this scheme cannot be identified and as a consequence the scheme has been accounted for as a defined contribution scheme.

Using the work of experts

I agree with the findings of Baker Storey Matthews, experts in evaluating the valuation of property and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Statement of Accounts 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.

I also agree with the work performed by Inform CPI - Analyse Local over the Non Domestic Rates appeals provision and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Statement of Accounts 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. The figure stated in the Chart of Accounts and in the Collection Fund is a best estimate based on the work performed by Inform CPI – Analyse Local.

Other matters

I have taken appropriate legal advice to satisfy myself that the accounting treatment adopted for the Local Authority Mortgage Scheme does not contravene the requirements of the Local

As minuted by the Corporate Governance panel at its meeting on 25 September 2014
‘

…………………………..
Clive Mason CPFA

Responsible Financial Officer – Head of Resources

For and on behalf of Huntingdonshire District Council

Date ……………………

Appendix 1

Summary of uncorrected misstatements

The following misstatement identified during the audit has not been adjusted by management.

This misstatement was due to Section 106 income not being accrued to 2013/14. The total adjustment was £96,012, which is only marginally above the “trivial” threshold set by the auditors of £91,000.

Following discussions with the auditors, as this was “almost” trivial, this has not been adjusted as the impact of this change would have had a disproportionate impact across many of the Main Statements and Disclosure Notes.

		Income Statement		**Balance Sheet**	
		Dr	**Cr**	**Dr**	**Cr**
Dr	Accounts Receivable			£96,012	
Cr	Revenue		£96,012		

Being an adjustment to correct errors discovered as a result of cut-off testing in respect of Section 106 grant.

Appendix 2

Related parties and related party transactions

Access 2 Ltd
Action For Market Towns
Alan Smith (St.Neots) Limited
Alconbury Church of England Primary School
Anglia Circuits, St Ives
Anglian Water
Bakeaway Ltd, Corby (Pastry Company)
Barclays Bank Whittlesea
Bid Huntingdon Ltd
Blackfyne Ltd
Boldfield Ltd
Boston Borough Council
Brampton Parish
Buckden Surgery Patients Association
Cambridgeshire Chambers of Commerce - Huntingdonshire Area
Cambridgeshire Community Safety Strategic Board
Cambridgeshire Consultative Group for the Fletton Brickworks Industry
Cambridgeshire County Council
Cambridgeshire Health and Well-Being Board
Cambridgeshire Horizons Limited
Cambridgeshire Older People's Partnership Board
CGI
Churchill House
Civil Service Department
CML Asian services
Community Solutions (Cambs) Limited
Conservative Association
Conservative Party
Co-Part Ltd
David Campbell Bannerman MEP
Derbyshire Dales District Council
Development Management Panel
Doctors Surgery, Church Street, Somersham
Domestic Homicide Review Panel
Duke of Edinburgh Award
Eaton Ford and Priory Park
Ellington Parish Council
Employee Liaison Advisory Group
Employment Panel - Chairman
Environmental Advisory Group Inc
Er & Ja Butler (Farming) Limited
Farming, Stud and Livery Stable Business
Fengrain Ltd
Fenland Stoneworks Ltd
Fenstanton Glebe Allotments
Fire Solutions (Fast 2 host)
Francis scientific instruments ltd
GL Profiles Dock Road Industrial Estate
Godmanchester Town Council
Great Fen Project Steering Group
Great Paxton School
Greater Cambridge And Greater Peterborough Enterprise Partnership Limited
Greater London Authority
Gulls Design Best Ltd
H.C.Moss(Builders)Limited
Hartford School
Highways Agency
Hinchingbrooke School Association
Huntingdon Association of Community Transport
Huntingdon Business Against Crime
Huntingdon Constituency Conservative Association
Huntingdon Gym Club
Huntingdon Regional College
Huntingdon Volunteer Bureaux
Huntingdonshire Community Safety Partnership
Huntingdonshire Federation of Volunteer Bureaux
Huntingdonshire Flood Forum
Huntingdonshire Local Strategic Partnership
Huntingdonshire Volunteer Centre
Huntsman Leisure Ltd
Internal Drainage Board
Ite Builder
Jag Express Ltd
Jigsaw Coaching
JM Housing Network (Housing Consultancy)
John Lewis Plc
Kimbolton School
Kimbolton School Foundation
King Borthers Lady Lodge Ltd
Labour Party
Laine Design
LGA Rural Commission
LGA Rural Policy Review Group
Liberal Democrats Group
Little Barford Power Station Liaison Committee
Little Gransden Aerodrome Consultative Committee

Local Water Forum
Locking & Security Solutions Limited
London Borough of Camden
Lord Kalms
Luminus Homes Limited
Management Group - North Huntingdon
Meldire Limited
Metasphere Limited
Middle Level Commissioners
MOD, RAF Whiton
My Card Limited
Natural High Experience Limited
Neighbourhood Management Group - Eynesbury
Neighbourhood Management Group - North Huntingdon
Nene & Ouse Community Transport
Nick Guyatt (or Nicholas Guyatt) Consultancy on Financial & Other Matters
Nottingham City Council
Novae Group PLC
Oak Foundation
Overview and Scrutiny Social Well-being Panel
Oxmoor Community Action Group (OCAG)
Padgek Ltd
PE9 Solutions Ltd
Peter Reeve Associates Limited
Peterborough And District Funeral Services Ltd.
Planning Officers Society
Pos Enterprises Ltd
POSe
Prima Vista Somersham Road
Prince's Youth Business Trust
Pro-Spray Automotive Finishes Ltd
Public Sector Consultants
Puma Distribution Limited
Ramsey Neighbourhood Trust Ltd
Red TileWind Farm Trust Fund Ltd.
Responsible Equity Release
Retrac Solutions Ltd
Retract Solutions
Rotary Club
Royal Town Planning Institute
Safety Advisory Group
Sawtry Community College
Separa Ltd
Sharp Planning Plus Limited
Shopmobility Trust
Smith Farrer Holdings Limited
Somersham & Earith Division
South Cambridgeshire District Council
South Holland District Council
Spinfloor
Spinflow Limited
St Andrews Nurseries
St Ives Town Council
St Ives Town Initiative
St Neots Development and Growth Committee
St Peter's School Huntingdon
St. Ives Quadrilateral St. John's Ambulance
St. Ivo Leisure Centre Management Committee
St. Neots Museum Limited
Standards Committee
Steve Criswell Garden Design
Stilton Children and Yong People's Facilities Assn
The Association of Conservative Clubs Limited
The Chapman Property Partnership
The Civic Trust
The Consultation on Treasury Matters
The Dales Trust
The National Retail Planning Forum
Towergate Insurance
Town Centre Management Initiatives
TPO Sub-Group
UK Independence Party
University of Cambridge
Vislark PLC
Vislink Plc
Wolverhampton City Council
Yaxley Festival Funding Limited

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Huntingdonshire
DISTRICT COUNCIL

ANNUAL FINANCIAL REPORT

For the year ended 31 March 2014

Contents

Annual Financial Report

Statement of Accounts

Main Financial Statements

Notes to the Accounts

Explanatory Foreword

By the Head of Resources

As the Council's Responsible Financial Officer, I am pleased to present the Council's 2013/14 Annual Financial Report which outlines the Council's financial performance for the year ended 31 March 2014.

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 2013/14.
- The Financial Statements
- Technical information

Commentary and review of 2013/14

Review of the Year

2013/14 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 £22.764m (2012/13; £21.722m), a net increase of £1.042m (4.80%). After allowing for the following un-ringfenced government grant:

- revenue support grant of £6.019m (2012/13; £0.180m),
- contributions from NDR of £4.004m (2012/13; £9.108m),
- New Homes Bonus £2.906m (2012/13; £1.913m),
- a Collection Fund surplus of £76,000 (2012/13; £63,000)

and the use of revenue reserves of £2.253m (2012/13; £2.547m), this left the Council to raise £7.506m (2012/13; £7.727m) from Council Tax. This equated to a Council Tax of £133.18 (2012/13; £128.51) for a Band D equivalent property – an increase of 3.63%.

The Council's success in supporting the development of new homes across the District has meant the Council has been able to benefit from increased New Homes Bonus.

The following paragraphs outline how the Council has performed during 2013/14:

Theme: Strong local economy

<u>Alconbury Enterprise Zone</u>

Alconbury Weald Enterprise Campus is one of the most significant economic developments in the East Midlands. To date in excess of £11m 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 has been built and is close to full occupancy. Huntingdonshire Regional College has established a Skills and Training Centre on site.

Inward investment interest is strong and feasibility is currently underway on 1.3m sq. ft. of commercial space. A £5.0m capital grant to fast forward the phase one commercial development was agreed by the Department for Communities and Local Government (DCLG), (in principle subject to State Aid compliance procedures) on March 31st 2014.

However, despite strong interest in the Enterprise Zone, it is taking longer than anticipated to convert the interest into investment. There is a reluctance to be the first major new build investor because of 'pioneer fear'. Hence the application and approval in principle for the grant for demolition and remediation works to sustain the impetus and create credibility in the short-medium term development of the site.

Business Improvement District
The Business Improvement District (BID) for Huntingdon Town Centre continues to deliver economic development objectives for the town against the business plan with very limited resource by the Council. The BID 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

Affordable Housing
Delivery of new affordable housing remains a priority for the Council and in 2013/14, 41 new affordable homes were completed by housing association partners in the district. As a result of partnership work across housing, health and social care partners, a successful bid was made by a housing association partner, Luminus, for funding to redevelop an outdated sheltered housing scheme with a modern fit for purpose extra care scheme. This project will provide extra care housing for frail older people and will help to meet the needs of the district's ageing population. Work will commence in 2014 and has benefitted from a grant of £2.3m from the Homes and Communities Agency, which will be paid direct to Luminus, Registered Social Landlord (RSL).

Letting of Council Buildings
Over the year the Council has continued to maximise the utilisation of its office buildings; two notable lettings are shown below:

- Following the initial letting of office space to the NHS in 2012 within Pathfinder House, the success of that arrangement saw NHS management seeking additional floor space in 2013 for their expanded needs. Following the relocation of certain Council staff, the Council were able to accommodate this request which has seen the floor space let to them increase. At this point this is a commitment to April 2015 with the likelihood that this will continue after this date. This has generated additional annual income of £63,000.

- An opportunity presented itself to provide a Cambridgeshire County Council sponsored project, Smart Travel, which involves a private sector company with vacant office space at Eastfield House. This is generating in excess of £4,500 additional income per annum and the current arrangement is expected to continue until the end of 2014.

Theme: Improve the quality of life in Huntingdonshire

Active Lifestyles
During the year over 5,000 individuals aged between 1 and 90 years took part in physical activities delivered by the Council's Sport and Active Lifestyles Team (SALT). These individuals recorded over 37,500 attendances. At the same time the team reduced staff expenditure by 17.5% and increased income by 3.5%. Further, SALT was awarded a grant of £145,000 over 3 years to continue the teams work from November 2013. This means that SALT can continue to deliver a range of events including village sport festivals, community disability schemes and adult sports taster courses.

However, an element of funding that enables SALT to provide services comes via the recently established NHS Commissioning Board. These funds are ringfenced to support ongoing projects and initiatives and only until the end of 2014/15, there is no guarantee that this funding will be available in the future.

Council Tax Support/Reforms
The government's Council Tax reforms were implemented at the start of 2013/14 to mitigate the impact of the loss of funding for Council Tax Support (which replaced Council Tax Benefit). The reforms were successfully implemented without collection rates being impacted.

Tenancy Fraud
The Council led on a County wide shared service to detect tenancy fraud, with the intention of returning properties to the housing stock so they can be allocated to those who need them.

Risk Based Verification
Risk based verification was introduced in Housing Benefits which has reduced administration and saved one FTE post.

Charging for Second Green Bins
The decision to introduce charging for the second green bin was implemented in a very short time frame, and many customers were unhappy with the charge. More bins were returned than had been estimated, which resulted in less income than had been predicted. There was a significant impact on the Call Centre due to the influx of complaints.

One Leisure
Over 1.8 million public visits (excluding schools) were recorded at the leisure centres during the year, an increase of over 8% over the previous year. Further, the final phase of the £4m extension/refurbishment at One Leisure St Ives was completed in May 2013. The project took over 14 months to complete and is the single most significant investment in leisure facilities by the Council. This was followed by a further two months of pool improvements at the same centre.

However, the One Leisure St Ives project took longer than expected to complete and the resultant loss of two months' income has contributed to the lower than expected financial performance during the year.

Theme: Working with our communities.

Grants to Voluntary Organisations
During the year, the Council supported 24 local voluntary and charitable organisations at a cost of £0.294m; this facilitated the provision of services to some of the most vulnerable residents in area. The Councils funding enabled the organisations to acquire an additional £0.193m to support their services and activities from other sources.

One Leisure
Improvements to the web site, mobile bookings (introduction of a new app), call centre, and kiosks have contributed to improved customer experience and ease of access to information and facilities.

Other Areas of Council Activity

Alternative Service Delivery: Facing the Future
Following the appointment of Jo Lancaster, to the new Managing Director role, in July 2013, the "Facing the Future" service review programme was introduced. Over the late Autumn period, all senior managers presented to one of the three Overview and Scrutiny Panels a business review report. The reports included a summary of the business objectives and statutory framework for each service but also highlighted options for alternative service delivery, categorised against some key transformation themes that ranged from "additional income" and "demand management" through to "whole or partial outsourcing". As part of this process, the Council was able to remove £0.378m from the 2014/15 base budget, rising to

£0.512m in 2016/17. The “Facing the Future” programme is ongoing and further significant savings are expected over the medium term that, by way of example, will result from innovative working with Strategic Partners and agile organisational management.

Non-Domestic Rating Appeals
As a consequence of the Government initiative in the localisation of Non-Domestic Rates (NDR), the Government transferred the risk of appeals against Rateable Values to local authorities. This has introduced considerable volatility into the NDR management process and the risk transfer is considerable. Initial indications were that appeals outstanding in January 2014 were £0.760m; but at the year end, following a more detailed review and analysis process, the forecast outcome of appeals outstanding was estimated to cost £5.135m; of which £2.054m has to be met by the Council, and £3.081m by other Collection Fund participants. As time progresses, internal review, analysis and assessment processes will improve.

Information Technology
The Council’s Information Management Division (IMD) has been carrying out the following initiatives to ensure information technology is utilised in the most effective way possible:

- Working with other partners to:
  - Provide business analysis and project management expertise to Cambridge City Council and systems support (GIS/UNIFORM) to Northamptonshire County Council – generating a total income in excess of £30,000. This provided excellent value support to the recipient authority and helped to maintain a critical mass of expertise within IMD whilst generating a useful income stream.
  - Analysed and documented the decision making process flows necessary to apply the Community Infrastructure Levy (CIL). These CIL “maps” are marketed to Local Authorities and other interested parties, throughout the country via the Planning Officer Society Enterprises. Total income from sales was £10,000 in the year.
  - Progressed outsourcing of ICT services to Local Government Shared Services (LGSS) for a period of months before this was abandoned in favour of a new strategic partnership with South Cambridgeshire District Council.

- Direct provision:
  - By switching away from providing IT equipment to Members IMD avoided the Council spending £42,000 in replacement laptops/PCs and associated software. There is an expectation that significant annual savings of in excess of £10,000 will be made in reduced paper usage due to the promotion of tablet-based access to agendas and associated papers.
  - The project to virtualise the majority of our physical servers was completed. This provides greater resilience, by introducing the ability to re-create servers at an alternative location in a very timely fashion.
  - Corporate Business Continuity plan was re-developed and praised by Corporate Governance Panel.
  - A new Customer Relationship Management (CRM) system was implemented delivering savings of £70,000 pa and significant improvements in front/back office processes (e.g. elimination of double keying). Unfortunately, under performance by the supplier has meant a considerable delay in delivering all the functionality.
  - All Local Authorities are required to achieve Public Services Network (PSN) Code of Connection (CoCo) compliance. This was achieved albeit at considerable expense in terms of officer time and additional cost due to changes to the infrastructure. This was a common experience throughout the whole of the public sector.
  - The project to deliver a new desktop concluded that desktop virtualisation would have been too expensive and risky for the Council to progress so a more

traditional PC replacement route was taken. Nevertheless, this phase of the project was executed in a very efficient manner and many of the benefits of a virtualised desktop have been achieved at between £50k-100k less than the original virtualised solution.

- Access to information:
  - The HDC web site was assessed as being in the top third of the best District Council Websites in the annual SOCITM report. A solid result in a time of reducing budgets and high demand for services.
  - The Local Land and Property Gazetteer (LLPG) has maintained its Gold standard and, additionally, was judged the Best LLPG in the East of England Region.
  - A new web site was delivered for One Leisure and IMD contributed business analysis and project board support to help One Leisure achieve £250k savings through a management re-structure.

- System efficiency:
  - Project Management of the online benefits application (Eforms) project which has led to the saving of 2 posts in Customer Services.

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 2013/14. It shows an increase of £3.669m to reserves compared to a budgeted reduction of £2.253m.

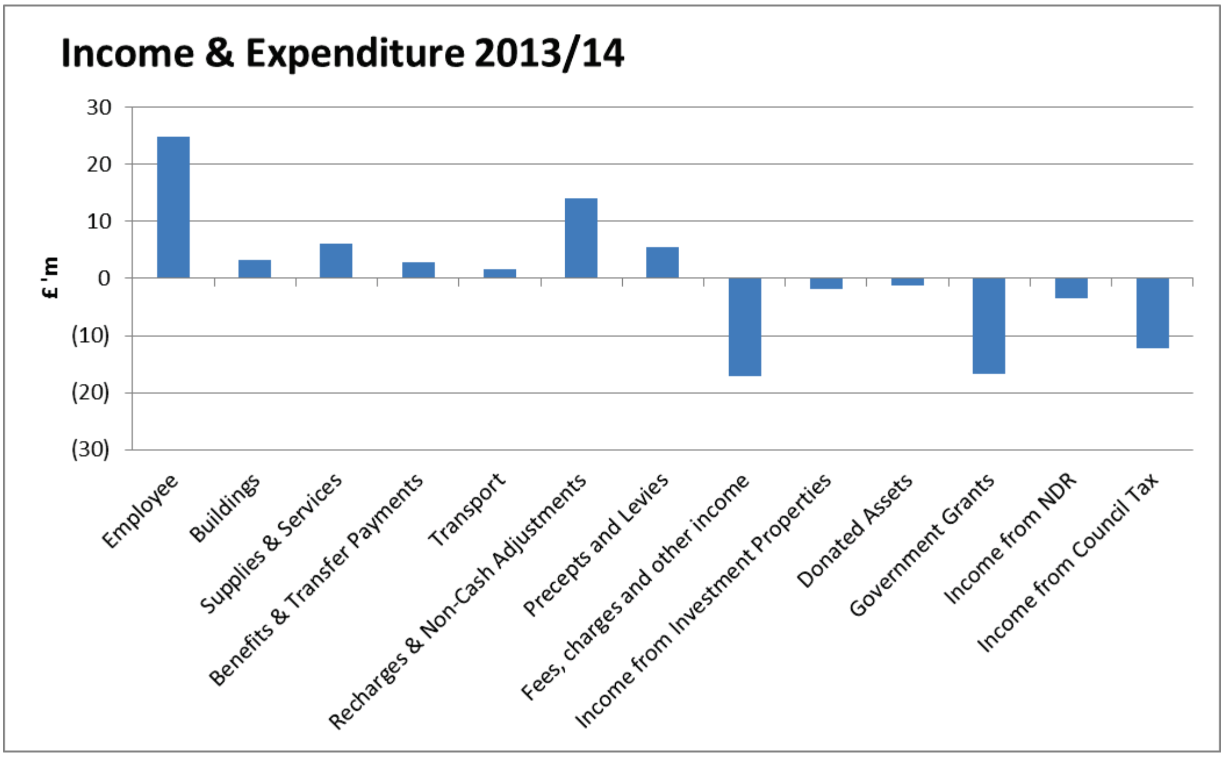
Changes to the Non Domestic Rate funding arrangements increase reserves by £2.768m, the remaining increase, resulting from expenditure savings or additional income generated throughout the year, has enabled the Council to:

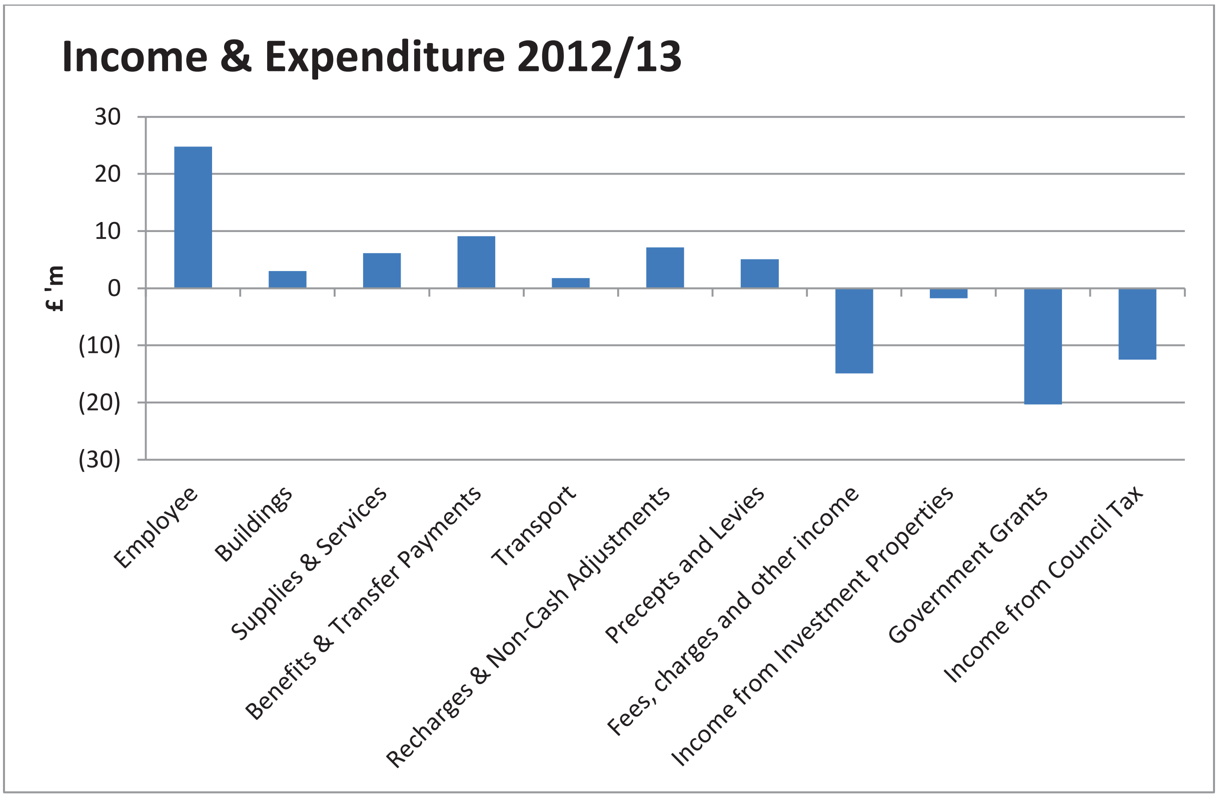
- Create a Capital Investment reserve that will allow revenue generating capital projects to be funded, £2.009m has been allocated to this earmarked reserve.
- Increase the Special Reserve by £1.241m so that any expenditure incurred during the Council's service transformation programme can be met.

As a result of the redevelopment of the centre of Huntingdon the council has received two pieces of land, which have been valued at £1.160m. These have been accounted for as donated assets, and are shown in the funding section of the following statement.

A breakdown of all the changes to earmarked reserves during 2013/14 is shown at the foot of the table below:

2012/13 Outturn £000		Budget £000	2013/14 Outturn £000	Variation £000
90,230	Gross Expenditure	81,544	95,805	14,261
(4,925)	Statutory Adjustments	(5,539)	(9,033)	(3,494)
85,305		76,005	86,772	10,767
	Income and Other Items			
(15,644)	Fees & Charges	(14,528)	(16,212)	(1,684)
(47,608)	Government Grants (including reimbursement of housing benefits)	(36,617)	(42,401)	(5,784)
(445)	Investment Income	(445)	(242)	203
26	Trading undertakings (surplus)/deficit	(1,651)	(2,740)	(1,089)
(63,671)		(53,241)	(61,595)	(8,354)
21,634	**Net expenditure**	**22,764**	**25,177**	**2,413**
	Funding			
(7,727)	Council Tax	(7,506)	(7,506)	0
(11,483)	Revenue support grant, business rates and other special grants	(8,925)	(9,662)	(737)
0	Non-Domestic Rates	(4,004)	(3,442)	562
(97)	Collection fund (surplus)/deficit	(76)	(85)	(9)
0	Capital Grants	0	(1,419)	(1,419)
0	Donated Assets	0	(1,160)	(1,160)
(19,307)		**(20,511)**	**(23,274)**	**(2,763)**
2,327	**Deficit met from reserves**	**2,253**	**1,903**	**(350)**
	Application of General Fund Reserve			
709	Applied to meet the costs of Council services		(3,669)	
	Earmarked Reserves			
237	- Contribution to delayed Projects Reserve		0	
	- Contribution to capital Investments Reserve		2,009	
1,000	- Contribution to Special Reserve		1,241	
0	- Contribution to Collection Fund Reserve		2,768	
0	- Increase / (Decrease) in Capital Grants Reserve		477	
124	- (Decrease) / Increase in S106 Reserve		22	
210	- (Increase) / Decrease in other earmarked reserves		(945)	
47	Transfer to unusable reserves		0	
2,327	**Total**		**1,903**	


Income & Expenditure 2013/14
30
20
10
0
(10)
(20)
(30)
£ 'm
Employee
Buildings
Supplies & Services
Benefits & Transfer Payments
Transport
Recharges & Non-Cash Adjustments
Precepts and Levies
Fees, charges and other income
Income from Investment Properties
Donated Assets
Government Grants
Income from NDR
Income from Council Tax


Income & Expenditure 2012/13
30
20
10
0
(10)
(20)
(30)
£ 'm
Employee
Buildings
Supplies & Services
Benefits & Transfer Payments
Transport
Recharges & Non-Cash Adjustments
Precepts and Levies
Fees, charges and other income
Income from Investment Properties
Government Grants
Income from Council Tax

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 2014.

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 2014.

Revenue Usable Reserves 2013/14	B/f	Contributions		C/f
		To	From	
	£000	£000	£000	£000
General Fund	**10,587**	**0**	**(1,903)**	**8,684**
Earmarked				
Capital Investment	0	2,009	0	2,009
Delayed Projects	986	0	(741)	245
Special Reserve	1,260	1,241	(1)	2,500
S.106	2,863	257	(235)	2,885
Other	1,695	3,159	(275)	4,579
	6,804	**6,666**	**(1,252)**	**12,218**
Total Usable Reserves	**17,391**	**6,666**	**(3,155)**	**20,902**

Capital Spending

The original net capital budget was £8.863m. In addition to this schemes were slipped from 2012/13 totalling £1.097m, and this along with other adjustments made in the 2013/14 budget of £1.940m, resulted in an updated budget for the year of £11.900m. However a combination of factors during the year has resulted in only £10.117m being spent, £8.542m on assets and £1.575m on loans to local organisations.

Several large schemes were substantially completed in the year. These included Huntingdon Western Relief Road, the Huntingdon Multi-Storey Car Park and the One Leisure St Ives redevelopment. A scheme to make improvements to St Neots Railway Station also commenced, which is largely being funded by grants from Cambridgeshire County Council.

The capital programme also includes significant rolling programmes to provide disabled facilities grants and housing improvement grants to householders and also for replacing and renewing IT and business systems to ensure they are up-to-date and fit for purpose.

In addition to expenditure on assets, two loans to local organisations were advanced to support improvements to their facilities. A loan for £1.500m to Huntingdonshire Regional College and a loan to Huntingdon Gym Club for £0.075m.

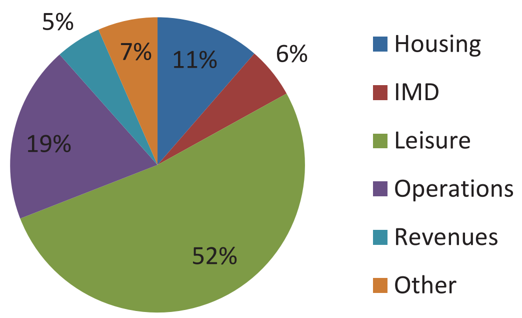
Sales of assets in the year were limited, with the claw back of former local authority housing sale receipts providing the majority of receipts in the year. The receipts from these sales have been used to finance the capital programme, reducing the need to borrow.

2012/13 £m	Capital Spending	2013/14 £m
0.0	Environmental Projects	0.3
1.4	Housing Grants	2.0
1.1	Vehicle Replacement Programme	0.7
0.7	Information & Communication Technology	0.7
0.3	St Neots Railway Station Improvements	3.2
0.2	Leisure & Recreation	0.3
3.8	One Leisure St Ives Redevelopment	1.4
0.2	Huntingdon West Development	0.5
0.1	Multi-Storey Car Park	4.6
0.5	Other	0.2
8.3	**Gross Expenditure**	**13.9**
	Less	
(1.2)	External contributions and capital grants	(5.4)
(0.6)	Castle Hill House capital receipt	(0.0)
6.5	**Net Expenditure**	**8.5**
	Funded from	
(0.5)	Capital Receipts	(1.0)
0.0	Capital Receipts Reserve Applied	(0.3)
(0.8)	Provision for Debt Repayment	(1.1)
(5.2)	Borrowing	(6.1)
(6.5)		**(8.5)**

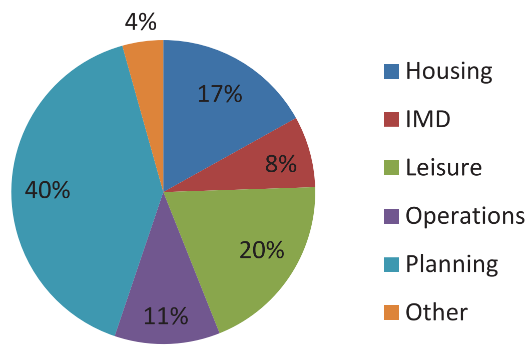
2012/13 £m	Capital Investments	2013/14 £m
0.0	Loans to Organisation	1.6
0.0	**Net Expenditure**	**1.6**
	Funded from	
0.0	**Borrowing**	**(1.6)**
0.0		**(1.6)**

Analysis of Net Capital Expenditure by Service

2012/13



2013/14



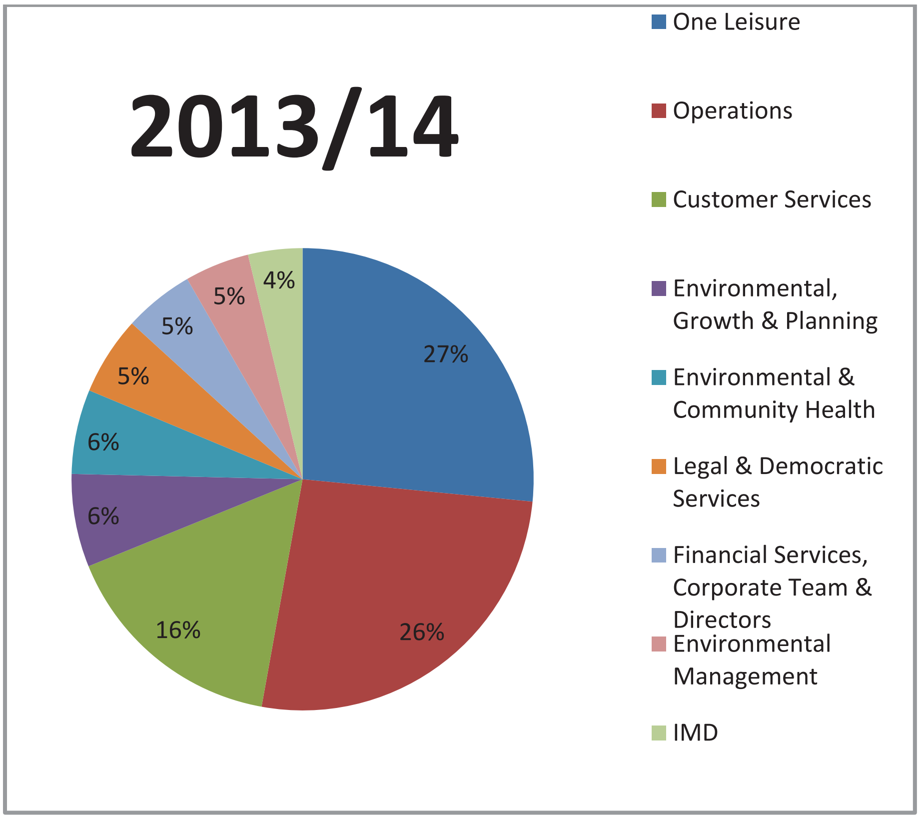
Treasury Management
Short term borrowing for the Council is undertaken throughout the year to help maintain daily cash flow and for the year this averaged £3.424m. This was carried out at very low interest rates due to a combination of the bank base rate remaining at 0.50% and borrowing from local authorities willing to offer lower rates to other local authorities as they are seen as a safe counterparty. During the year (2013/14) £1.500m was borrowed from Public Works Loans Board for a period of 10 years.

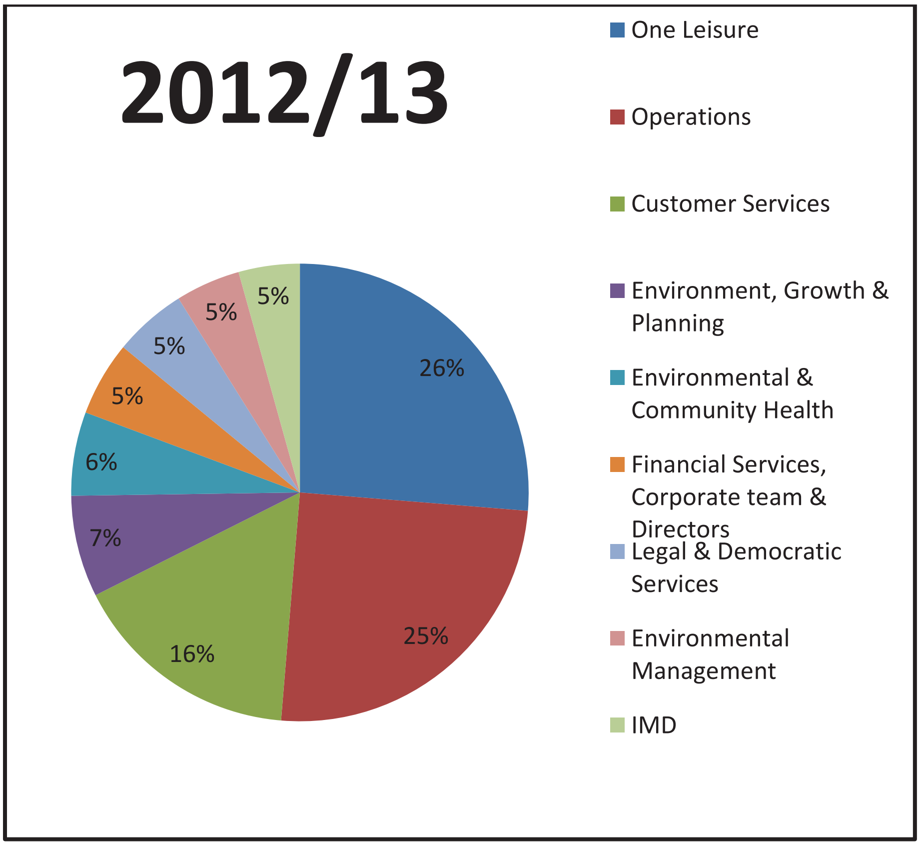
The economic climate and the Euro crisis led to the downgrading of credit ratings for several financial institutions. In order to manage risk, surplus funds have been invested mainly in AAA rated Money Market Funds or in Call or Liquidity accounts that offer instant access to funds, with the added benefit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

Trend in staffing number over recent years
Between the end of 2012/13 and 31 March 2014, the Council's staff numbers have decreased by 25.96 FTE's (3.71%).

As at the 31 March 2014 the Council employed 673.51 full time equivalent employees. The following graph shows the Council's staff numbers in 2013/14 for each service.

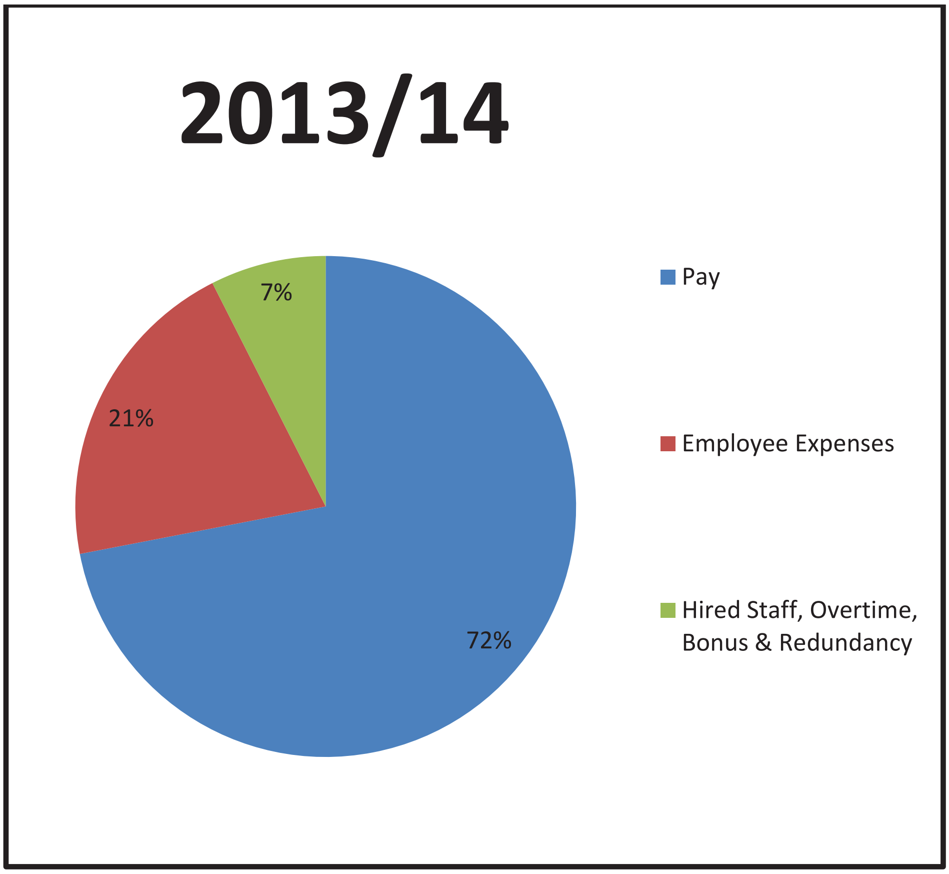
Full Time Equivalent Staff

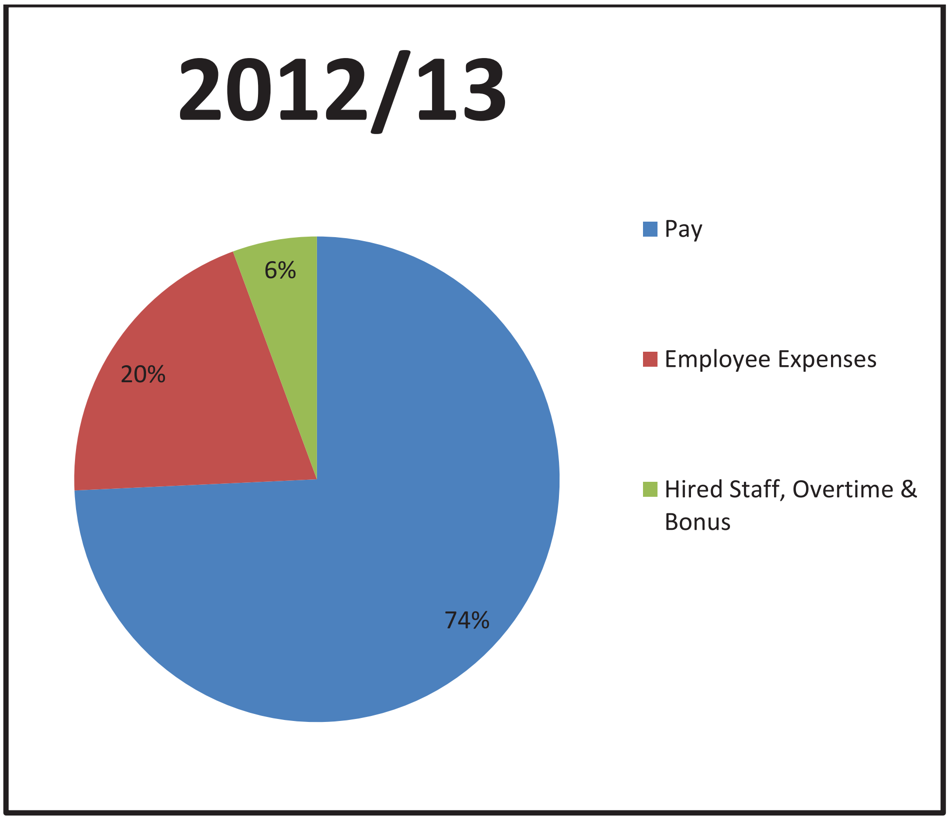




Cost of Employment

Of the total cost of employing staff, £24.245m in 2013/14, the split of this cost based on pay type is as follows:





The Financial Statements

The Council's financial statements for 2013/14 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 2013/14 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 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	**87.234**	**(58.512)**	**28.722**
Other Operating Expenditure	4.644	0	4.644
Financing & Investment Income & Expenditure	3.165	(3.086)	0.079
Taxation & Non-Specific Grant Income	18.124	(46.047)	(27.923)
(Surplus) or Deficit on Provision of Services			**5.522**
Other CIES adjustments			**(8.521)**
Total Comprehensive Income & Expenditure			**(2.999)**

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 2013	**18.189**	**(8.438)**
Total Comprehensive Expenditure & Income	(5.522)	8.521
Adjustments between accounting & funding basis.	9.192	(9.192)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**3.670**	**(0.671)**
Transfers to/from Earmarked Reserves	0	0
Increase/(Decrease) in 2013/14	**3.670**	**(0.671)**
Balance – 31 March 2014	**21.859**	**(9.109)**

Usable Reserves:	31 March 2014 £m
General Fund	8.684
Earmarked Reserves	12.218
Capital Grants Unapplied	0.957
Total	**21.859**

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 Council (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 2014 £m
Long Term Assets	90.679
Current Assets	11.785
Current Liabilities	(16.099)
Long Term Liabilities	(73.615)
Net Assets	**12.750**
Useable Reserves	21.859
Unusable Reserves	(9.109)
Total Reserves	**12.750**

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 2014 £m
- operating activities	1.091
- investing activities	(2.211)
- financing activities	(0.005)
Net increase or (decrease) in cash and cash equivalents	**(1.125)**
Cash & Cash Equivalents	
- at the beginning of the reporting period	0.902
- at the end of the reporting period	**(0.223)**

The supplementary accounting statements comprise:

The Collection Fund Revenue Account
The Collection Fund is a separate account into which are paid amounts raised from local taxation. As well as including amounts collected in respect of Council tax, it now includes amounts collected from local businesses, which following the introduction of the Local Business Rates scheme, now means that Non-Domestic Rates as distributed subject to predetermined government set formulae. The Fund also accounts for payments due to preceptors.

	£m	£m
Income		
Council Tax	(88.721)	
NDR	(55.926)	
Total Income		**(144.647)**
Expenditure		
Precepts, Demands and Shares:		
- Central Government	28.674	
- Huntingdonshire District Council	31.198	
- Parish Precepts	4.649	
- Cambridgeshire County Council	67.267	
- Cambridgeshire Fire and Police	14.236	146.024
Collection Fund adjustments:		
- Prior year net surplus for preceptors	0.558	
- Debts Impaired	0.715	
- Provision for Appeals	5.135	6.408
Total Expenditure		**152.432**
Deficit/(Surplus) for the year		**7.785**
(Surplus) at beginning of the year		**(0.713)**
Deficit/(Surplus) for the year		7.785
Deficit/(Surplus) at end of year		**7.072**

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 2014. 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 2014 actuarial valuation identified a deficit of £61.464m, which was an increase of £3.030m on the deficit of £58.434m that was reported as at 31 March 2013.

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. A triennial revaluation was undertaken during 2013/14. The Council has accepted the actuary's recommendation that employer contribution remains at 17.8%, with contributions topped up by lump sum deficit payment contributions of £0.789m in 2014/15, £1.135m in 2015/16, and £1.510m in 2016/17. The next triennial review is due in 2016/17 and its recommendations will apply from 1 April 2017.

Provisions and Contingencies

- **Provisions**
  The Council has established two new provisions for 2013/14, totalling £2.133m (2012/13; £0.137m). The provisions are in respect of outstanding NDR valuation appeals £2.054m and NDR funding that is owed to the Alconbury Weald Enterprise Zone £0.079m. All prior year provisions have been settled.

- **Contingent Assets and Liabilities**
  In respect of contingent assets, as a consequence of legal activity over the year, the Council is no longer making a disclosure; so for 2013/14 it is nil (2012/13; £2.431m). In respect of contingent liabilities, the total disclosed for 2013/14 is £4.625m (2012/13; £5.811m).

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

Technical Information

Huntingdonshire's financial statements for 2013/14 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 2013/14 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 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 2013/14.

Statement of Accounting Policies
The accounting polices applicable to the 2013/14 statement of accounts are the same as those that were applied to the 2012/13 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 2013/14 Statement of Accounts is very similar to those for 2012/13. However, there have been some changes in respect of the Collection Fund; in that the Collection Fund is reported in a new format. This new format better shows the split between Non-Domestic Rates (NDR) and Council Tax and has come about as a consequence of the localisation of NDR.

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 2013/14.

Clive Mason CPFA

Head of Resources

25th September 2014

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

Independent Auditors Report to the Members of Huntingdonshire District Council

Statement of Responsibilities

The Authority's Responsibilities
The Authority is required to:

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

The Head of Resources Responsibilities
The Head of 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 Head of 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 Head of 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 2014 and its income and expenditure for the year ended 31 March 2014

Clive Mason CPFA
Head of Resources

25th September 2014

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 25th September 2014 delegated authority to me as Chairman of the Panel to approve the Statement of Accounts.

Cllr G Harlock
Chairman of the Corporate Governance Panel

Date 25th September 2014

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000 Note 8	Capital Grants Unapplied £000 Note 33	TOTAL USEABLE RESERVES £000	Unusable Reserves £000 Note 23	TOTAL COUNCIL RESERVES £000
Movement in reserves during 2013/14						
BALANCE AT 31 MARCH 2013 B/F	**10,587**	**6,804**	**798**	**18,189**	**(8,438)**	**9,751**
Surplus/(Deficit) on provision of services	(5,522)	0	0	**(5,522)**	0	**(5,522)**
Other comprehensive income and expenditure	0	0	0	**0**	8,521	**8,521**
Total comprehensive income and expenditure	**(5,522)**	**0**	**0**	**(5,522)**	**8,521**	**2,999**
Adjustments between accounting basis and funding basis under regulations (Note 7)	9,033	0	159	**9,192**	(9,192)	**0**
Net increase/(decrease) before transfers to earmarked reserves	**3,511**	**0**	**159**	**3,670**	**(671)**	**2,999**
Transfers (from)/to earmarked reserves (Note 8)	(5,414)	5,414	0	**0**	0	**0**
Increase/(Decrease) in Year	**(1,903)**	**5,414**	**159**	**3,670**	**(671)**	**2,999**
BALANCE AT 31 MARCH 2014 C/F	**8,684**	**12,218**	**957**	**21,859**	**(9,109)**	**12,750**
Movement in reserves during 2012/13 Restated (Note 42)						
BALANCE AT 31 MARCH 2012 B/F	**12,914**	**5,233**	**528**	**18,675**	**2,808**	**21,483**
Surplus/(Deficit) on provision of services	(6,283)	0	0	**(6,283)**	0	**(6,283)**
Other comprehensive income and expenditure	0	0	0	**0**	(5,449)	**(5,449)**
Total comprehensive income and expenditure	**(6,283)**	**0**	**0**	**(6,283)**	**(5,449)**	**(11,732)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	5,574	0	270	**5,844**	(5,844)	**0**
Net increase/(decrease) before transfers to earmarked reserves	**(709)**	**0**	**270**	**(439)**	**(11,293)**	**(11,732)**
Transfers (from)/to earmarked reserves (Note 8)	(1,618)	1,571	0	**(47)**	47	**0**
Increase/(Decrease) in Year	**(2,327)**	**1,571**	270	**(486)**	**(11,246)**	**(11,732)**
BALANCE AT 31 MARCH 2013 C/F	**10,587**	**6,804**	**798**	**18,189**	**(8,438)**	**9,751**

Comprehensive Income and Expenditure Statement

2012/13 Restated (Note 42) Gross Expenditure £000	Gross Income £000	Net Expenditure £000		2013/14 Gross Expenditure £000	Gross Income £000	Net Expenditure £000
11,391	(6,637)	4,754	Cultural and Recreational Services	16,042	(7,235)	8,807
5,626	(1,541)	4,085	Environmental Services	5,322	(1,514)	3,808
3,297	(57)	3,240	Refuse Collection	3,351	(155)	3,196
4,844	(2,068)	2,776	Planning Services	4,977	(2,392)	2,585
42,537	(39,099)	3,438	Housing Services	44,269	(40,206)	4,063
2,497	(2,116)	381	Highways and Transport Services	5,858	(5,283)	575
9,078	(8,746)	332	Council Tax Benefits	661	(315)	346
1,314	(612)	702	Local Taxation Collection	1,349	(639)	710
1,067	(668)	399	Other Central Services	926	(639)	287
2,812	(5)	2,807	Corporate and Democratic Core	2,534	(67)	2,467
1,166	0	1,166	Non-Distributed Costs	1,945	(67)	1,878
85,629	**(61,549)**	**24,080**	**Cost of Services** (note 27)	**87,234**	**(58,512)**	**28,722**
5,110	0	5,110	Other Operating Expenditure (Note 9)	4,644	0	4,644
3,638	(2,529)	1,109	Financing and Investment Income and Expenditure (Note 10)	3,165	(3,086)	79
0	(24,016)	(24,016)	Taxation and Non-specific Grant Income (Note 11) *	18,124	(46,047)	(27,923)
94,377	**(88,094)**	**6,283**	**(Surplus)/Deficit on provision of services**	**113,167**	**(107,645)**	**5,522**
		53	(Surplus) or deficit in the revaluation of non-current assets (Note 23)			(9,617)
		60	Impairment losses on non-current assets charged to the Revaluation Reserve.(Note 23)			348
		5,336	Actuarial losses/(gains) on pension assets and liabilities (Note 39)			748
		5,449	**Other comprehensive income and expenditure**			**(8,521)**
		11,732	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**(2,999)**

* From 1st April 2013, as a consequence of The Local Government Finance Act 2012, a Local Non Domestic Rating regime was introduced that included the business rates retention scheme (see Note 11).

Balance Sheet

31 March 2013 £000		Notes	31 March 2014 £000
56,733	Property, Plant and Equipment	12	66,811
65	Heritage Assets	13	65
18,424	Investment Property	14	19,615
1,554	Intangible Assets	15	1,782
962	Long Term Debtors	16	2,406
77,738	**Long Term Assets**		**90,679**
6,144	Short Term Investments	16	1,909
147	Inventories	17	62
5,940	Short Term Debtors	18	9,670
902	Cash and Cash Equivalents	19	0
300	Assets held for sale	20	144
13,433	**Current Assets**		**11,785**
0	Cash and Cash Equivalents	19	(223)
(6,111)	Short Term Borrowing	16	(6,282)
(5,943)	Short Term Creditors	21	(7,461)
(137)	Provisions	40	(2,133)
(12,191)	**Current Liabilities**		**(16,099)**
(10,000)	Long Term Borrowing	16	(11,368)
(795)	Other Long Term Liabilities	16	(783)
(58,434)	Net Pensions Liability	39	(61,464)
(69,229)	**Long Term Liabilities**		**(73,615)**
9,751	**Net Assets**		**12,750**
18,189	Useable Reserves	22	21,859
(8,438)	Unusable Reserves	23	(9,109)
9,751	**Total Reserves**		**12,750**

Clive Mason CPFA
Head of Resources

25th September 2014

These financial statements replace the unaudited financial statements certified by Clive Mason (Head of Resources) on the 27th June 2014.

Cash Flow Statement

2012/13 £000		2013/14 £000
(5,634)	Net Deficit on the provision of services	(5,522)
6,166	Adjustments to net surplus or deficit on the provision of services for non-cash movements	8,553
(1,980)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,940)
(1,448)	Net cash flows from Operating Activities	**1,091**
1,273	Investing Activities (Note 25)	(2,211)
1,397	Financing Activities (Note 26)	(5)
1,222	Net increase/(decrease) in cash and cash equivalents	**(1,125)**
(320)	Cash and cash equivalents at the beginning of the reporting period	902
902	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**(223)**

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 2013/14 financial year and its position at the year-end 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice 2013/14, 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-ringfenced 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, 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 2013/14, 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 or 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 borrowing 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:

o	Fair Value:	Land and Buildings, Investment Properties
o	Depreciated Historic Cost:	Vehicles, Plant and Equipment, Infrastructure, Intangibles
o	Historic Cost:	Community Assets, Assets Under Construction 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 asset	1 year to 48 years
Infrastructure		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. For 2013/14, the Council will have two policies:

i. <u>MRP Policy in respect of Loans to Organisations or Loans with Security (as defined within the Treasury Management Strategy</u>)

   Where the Council has provided:

   - loans to local organisations or businesses, and/or
   - loans with security

   and these loans are repaid on, at least an annual basis, that the principal repayments received can replace the need to make a minimum revenue provision.

ii. <u>MRP Policy in respect of Debt not relating to Loans to Organisations</u>

   MRP for this category will be 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

  - <u>Finance leases</u>

    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.

- Operating leases.

  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

  - Finance Leases

    Where the Council grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal. 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.

  - Operating Leases.

    Where the Council grants an operating lease over a property the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure 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 within the notes 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.
- **net interest on the net defined liability**, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **the return on plan assets** – excluding amounts charged in net interest on the net defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **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 that 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.

- **IFRS 10 – Consolidated Financial Statements**

  This standard establishes principles for the presentation and preparation of consolidated financial statements when the Council controls one or more other entities.

  This standard is not applicable to the Council as it does not exert control over any other entities but this will be kept under review as the Council undertakes a period of service transformation that may include alternative service delivery models.

- **IFRS 11 – Joint Arrangements**

  This standard outlines the accounting by the Council in respect of jointly controlling an arrangement. Joint control involves the contractually agreed sharing of control and arrangements subject to joint control that are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounts for accordingly).

  The Council is in a joint arrangement with South Cambridgeshire District Council and Cambridge City Council in respect of the Cambs Home Improvement Agency; whose role is to approve Disabled Facilities Grants. The Councils interest is not material.

- **IFRS 12 – Disclosure of Interests in Other Entities**

  This standard is a consolidation disclosure standard that requires a wide range of disclosure about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated "structure entities".

  The applicability of this standard will be in line with IFRS 11 – Joint Arrangements.

- **IAS 27 – Separate Financial Statements**

  This standard outlines the accounting and disclosure requirements for 'separate financial statements", which are financial statements prepared by a parent or an investor in a joint venture or associate, where those investments are accounted for either at cost of in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments. The standard also outlines the accounting requirements for dividends and contains numerous disclosure requirements.

  It considered that this standard will have limited applicability to the Council.

- **IAS 28 Investments in Associates and Joint Ventures**

  This standard outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures. The standard also defines an associate by reference to the concept of "significant influence", which requires power to participate in financial and operating policy decisions of an investee (but not joint control or control of those polices).

  The applicability of this standard will be in line with IFRS 11 – Joint Arrangements.

- **IAS 32 Financial Instruments: Presentation**

  This standard outlines the accounting requirements for the presentation of financial instruments, particularly as to the classification of such instruments into financial assets, financial liabilities and equity instruments. The standard also provides guidance on the classification of related interest, dividends and gains/losses, and when financial assets and financial liabilities can be offset.

  As a presentational change this will be applicable to the Council.

  Balance Sheet Restatement
  The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, page 289/290 has stated that the changes in respect of IFRS 10, 11 and 12 and IAS 27 and 28 may require the publication of a restated Balance Sheet as at the beginning of the preceding period (i.e. a third Balance Sheet).

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. 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 2013/14, 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 2013/14 for land is £13.067m and Buildings (NBV) is £14.466m (2012/13; land is £11.046m and Buildings (NBV) is £18.020m).

- 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 £61.464m for 2013/14; this has increased by £3.030m since 2012/13. 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.

- Under the previous national Non Domestic Rates scheme (prior to April 2013) the cost of any successful appeals to reduce the rateable value of a property were met from a national pool. Under the new scheme, introduced on 1 April 2013, these costs are shared between the participants of the Councils Collection Fund. This includes the cost of any outstanding appeals which may be backdated prior to 1 April 2013. These backdated costs could not be provided for until 1 April 2013 as the new scheme had not come into force.

  To estimate the provision for outstanding appeals, the Council has sought and reviewed expert opinion from "inform CPI Limited". An estimated provision of £5.135m has been included in the Collection Fund in respect of successful appeals costs. Of the total estimated provision, £3.552m is for backdated costs prior 1 April 2013 and £1.583m for costs attributable to 2013/14. The Council's share of any such Collection Fund costs is 40% or £2.054m of the total provision and this is included in the General Fund balance.

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 2014 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.	74% 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 £0.497m. 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 £0.196m.
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 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 £15.961m. • A 1 year increase in life expectancy would result in an increase in pension liability of 3% or £4.871m. • A 0.5% increase in the salary increase rate would result in an increase in pension liability of 3% or £5.210m. • A 0.5% increase in the pension increase rate would result in an increase in pension liability of 6% or £10.519m.
Sundry Debt Arrears	The Bad Debt Provision (BDP), also known as Debtor Impairment, calculation is based on the current aged debt profile, past payment behaviour and past write off activity. At 31st March 2014 the Council has a net debtors balance of £9.670m	Each debt type has an independent BDP rate determined by previous debt activity. If only Sundry Debtor debt is considered, increasing the BDP by 10% would have an additional £35,035 impact on revenue. However, to achieve such an increase in the BDP, the actual debt would have to increase by £78,357.
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	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

	Government subsidy. The Subsidy reimbursement relates to amounts paid on or before 28th March, however, accruals have been made to reflect the period that the payments actually cover. The Housing Benefit payments made by the Council are on one of the two following bases: i. 4-week in arrears, or ii. 2-weeks in arrears/2-weeks in advance.	provide a meaningful sensitivity analysis.
Provision – Rateable Value Appeals	Appeals by non-domestic ratepayers for a reduction in the rateable value of their premises are outstanding. Appeals are determined by The Valuation Office and are not within the Council's control. However, expert independent advice has been sought in arriving at an estimated provision.	The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of individual estimates for the outcome of each outstanding appeal rather than a mean estimate for all appeals. The appeals provision was based on a review by expert opinion from "inform CPI Limited". It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by the Safety Net calculation (the calculation of which is limited by regulation). A 10% variation in the estimated provision would be £0.513m for the Collection Fund of which £0.205m would be the share of the attributable to the General Fund. It should be noted that no adjustment, or other disclosure, has been made in respect of NDR Appeals that have yet to be lodged by local businesses.

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 2013/14 no such items of income or expenditure were incurred (2012/13; nil.)

Note 6. Events after the Balance Sheet Date

The Annual Financial Report, incorporating the Statement of Accounts, was authorised for issue by the Head of Resources on 27th June 2014.

With regard to 2013/14:

- **Adjusting Events**
  The financial statements and notes have not been adjusted for any such material events which took place after the 31 March 2014.

- **Non-Adjusting Events**

  Grant for Capital Investment
  In June 2014 the Council received approval from DCLG to receive a grant totalling £5.0m to support capital investment within the Alconbury Enterprise Zone. The Council will be the Accountable body, a first payment of £1.0m was directly passported to the developers in August 2014, with a further £3.5m being paid over between October and January 2015. The balance of £0.5m will be distributed at a later date following discussion with the Local Enterprise Partnership.

  Partnership Working
  In April 2014 the Council made a public announcement that is was entering into a 'strategic partnership' with South Cambridgeshire District Council. The aim of the partnership is to improve council services and the resilience of those services, as well as protecting residents from the national cuts to local government funding. Since April, both Councils have also been working with Cambridge City Council and the intention is for all three Councils to work more closely together and explore opportunities for increasing the sharing of services. By the date of authorisation of the Annual Financial Report, no specific commitment had been made by any Council to share specific services but the partnership has been awarded £0.5m in grant funding from the DCLG Transformation Fund.

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 Statement 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.

2013/14

	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	(8,003)	0	0	8,003
Amortisation of intangible fixed assets	(296)	0	0	296
Fair value of investment properties	1,191	0	0	(1,191)
Net Revenue expenditure funded from capital under statute	(1,786)	0	0	1,786
Net carrying amount of non-current assets sold	(42)	0	0	42
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:	2,579	0	318	(2,897)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	1,120	0	0	(1,120)
Adjustments involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to fund capital expenditure	0	965	0	(965)
Proceeds of sale of non-current assets	821	(821)	0	0
Repayment of loan	0	(145)	0	145
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(1)	1	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	41	0	0	(41)
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)	(6,244)	0	0	6,244
Employer's pensions contributions and direct payments to pensioners payable in the year	3,962	0	0	(3,962)
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	(2,864)	0	0	2,864
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	477	0	(477)	0
Adjustment involving the Accumulated Compensated Absences Adjustment Account				
Adjustments in relation to short-term compensated absences	12	0	0	(12)
Total Adjustments	**(9,033)**	**0**	**(159)**	**9,192**

2012/13

	Useable Reserves			
	General Fund balance Restated £000	**Capital receipts reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves Restated £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)	(5,457)	0	0	5,457
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	**(5,574)**	**0**	**(270)**	**5,844**

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 31.3.12 £000	Transfers in £000	Transfers out £000	Balance 31.3.13 £000	Transfers in £000	Transfers out £000	Balance 31.3.14 £000	Purpose of Reserve
S106 agreements	**(1,297)**	(409)	178	**(1,528)**	(253)	74	**(1,707)**	**A**
Commuted S106 payments	**(1,442)**	(7)	114	**(1,335)**	(4)	161	**(1,178)**	**B**
Repairs and renewals funds	**(984)**	(348)	242	**(1,090)**	(292)	180	**(1,202)**	**C**
Delayed projects	**(749)**	(237)	0	**(986)**	0	741	**(245)**	**D**
Collection Fund	**0**	0	0	**0**	(2,768)	0	**(2,768)**	**E**
Capital Investment	**0**	0	0	**0**	(2,009)	0	**(2,009)**	**F**
Special reserve	**(260)**	(1,000)	0	**(1,260)**	(1,241)	1	**(2,500)**	**G**
Government grants with no conditions	**(166)**	0	166	**0**	0	0	**0**	**H**
Other reserves	**(335)**	(295)	25	**(605)**	(99)	95	**(609)**	**I**
Total	**(5,233)**	**(2,296)**	**725**	**(6,804)**	**(6,666)**	**1,252**	**(12,218)**	
Net movement in Earmarked Reserves			**(1,571)**			**(5,414)**		

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	Collection Fund	Excess NDR received from the Collection Fund due to be repaid in future years.
F	Capital Investment	Revenue allocation to meet future spend-to-save capital investment projects.
G	Special reserve	To support business activity that will achieve future savings.
H	Government grants with no conditions	The government grants reserve is for grants paid in the year of account but relate to the following year.
I	Other reserves	This is a summary of other less significant reserves that support ongoing service activity, including the: • Building Control reserve, • Home Improvement Agency reserve, and • Housing Association footpaths reserve.

Note 9. Other Operating Expenditure

2012/13 £000		2013/14 £000
4,708	Parish Council precepts	5,006
375	Drainage Board Levies	382
9	Payments to the Government housing capital receipts pool	1
18	(Gains)/losses on the disposal of non-current assets	(745)
5,110	**Total**	**4,644**

Note 10. Financing and Investment Income and Expenditure (Restated)

2012/13 Restated £000		2013/14 £000
416	Interest payable and similar charges	440
2,447	Pensions interest cost and expected return on pensions assets	2,621
(445)	Interest receivable	(242)
(1,335)	Income and expenditure in relation to investment properties and changes in their fair value	(2,738)
26	Trading operations	(2)
1,109	**Total**	**79**

Note 11. Taxation and Non Specific Grant Income

2012/13 £000		2013/14 £000
(12,533)	Council tax income	(12,240)
(9,293)	Non domestic rates	(3,442)
(2,093)	Non-ringfenced government grants	(9,662)
(97)	Capital grants	(1,419)
0	Donated Assets	(1,160)
(24,016)	**Total**	**(27,923)**

Note 12. Property, Plant and Equipment

Movements in 2013/14	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2013	**37,484**	**16,095**	**10,617**	**1,406**	**0**	**4,211**	**69,813**
Additions in year	7,137	1,551	0	0	0	9	**8,697**
Revaluation increases and decreases recognised in the Revaluation Reserve	6,296	0	0	0	85	0	**6,381**
Revaluation increases and decreases recognised in Comprehensive Income and Expenditure Statement	(1,171)	0	0	0	0	0	**(1,171)**
Non-enhancing capital expenditure	(3,892)	0	0	0	0	0	**(3,892)**
Transfer within Property, Plant and Equipment	4,211	0	0	0	0	(4,211)	**0**
Transfer to other types of assets	(144)	0	0	0	300	0	**156**
Adjustment for disposal	(90)	(338)	(10)	0	0	0	**(438)**
At 31 March 2014	**49,831**	**17,308**	**10,607**	**1,406**	**385**	**9**	**79,546**
Accumulated Depreciation	**(2,627)**	**(7,770)**	**(2,683)**	**0**	**0**	**0**	**(13,080)**
At 1 April 2013							
Depreciation charged in year	(1,236)	(1,585)	(492)	0	0	0	**(3,313)**
Depreciation written out to revaluation reserve	2,926	0	0	0	0	0	**2,926**
Depreciation written out to Comprehensive Income and Expenditure Statement	373	0	0	0	0	0	**373**
Adjustment for disposal	11	338	10	0	0	0	**359**
At 31 March 2014	**(553)**	**(9,017)**	**(3,165)**	**0**	**0**	**0**	**(12,735)**
Net Book Value							
At 31 March 2014	**49,278**	**8,291**	**7,442**	**1,406**	**385**	**9**	**66,811**
At 31 March 2013	**34,857**	**8,325**	**7,934**	**1,406**	**0**	**4,211**	**56,733**

Movements in 2012/13	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus 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**	**0**	**586**	**65,168**
Additions in year	118	1,810	68	0	0	3,654	**5,650**
Revaluation increases and decreases recognised in the Revaluation Reserve	37	0	0	0	0	0	**37**
Revaluation increases and decreases recognised in Comprehensive Income and Expenditure Statement	(125)	0	0	0	0	0	**(125)**
Transfer to other types of assets	(320)	0	0	0	0	(29)	**(349)**
Adjustment for disposal	(152)	(392)	(24)	0	0	0	**(568)**
At 31 March 2013	**37,484**	**16,095**	**10,617**	**1,406**	**0**	**4,211**	**69,813**
Accumulated Depreciation	**(1,320)**	**(6,476)**	**(2,207)**	**0**	**0**	**0**	**(10,003)**
At 1 April 2012					0		
Depreciation charged in year	(1,338)	(1,651)	(490)	0	0	0	**(3,479)**
Depreciation written out to revaluation reserve	3	0	0	0	0	0	**3**
Adjustment for disposal	28	357	14	0	0	0	**399**
					0	0	
At 31 March 2013	**(2,627)**	**(7,770)**	**(2,683)**	**0**	**0**	**0**	**(13,080)**
Net Book Value							
At 31 March 2013	**34,857**	**8,325**	**7,934**	**1,406**	**0**	**4,211**	**56,733**
At 31 March 2012	**36,606**	**8,201**	**8,366**	**1,406**	**0**	**586**	**55,165**

Capital Commitments

As at 31 March 2014 the Council was contractually committed to capital works valued at approximately £1.671m (31 March 2013; £1.595m).

The main schemes are:

		£m
Environmental & Community Health:	Loves Farm Community Centre	0.477
Transportation:	St Neots Railway Station	0.116
Environmental Management:	Huntingdon Multi-Storey Car Park	0.400
Environmental Management:	Huntingdon West of Town Centre	0.200
Environmental Management:	Replacement Central Heating One Leisure	0.020
Housing Services:	Housing Grants	0.458

Revaluations

- Land and buildings
  These assets are held at current value (fair value) and are revalued as at 1 April 2013 onwards. The Council currently operates a three year rolling valuation program. Where there has been significant capital expenditure on properties a revaluation will take place.

  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 specific assumptions applied 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 Global & UK Edition (January 2014) incorporating the international Valuation Standards.

  - The assets have been valued in accordance with the International Financial Reporting Standards (IFRS) based Code of Practice on Local Authority Accounting (the code), published by CIPFA.

  - 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 existing 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 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 life is 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.

  - It has been assumed that there are no unusual or especially onerous restrictions, encumbrances or outgoings and that a good title can be shown. Also that the valuation would not be 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.

  - The properties have been assumed to be in reasonable tenantable condition, with no particular works being required that would prejudice a sale or the fair value of the property, the properties have been assumed to be in a good state of repair.

- 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.

- We have assumed no contamination to be affecting the properties or neighbouring properties, which would affect our opinion on value.

- The properties are assumed to be in areas not prone to flooding.

- 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	Surplus Assets £000	Total £000
Valued at Fair Value as at:			
31 March 2014	40,468	385	40,853
31 March 2013	8,810	0	8,810
Total Cost of Valuation	**49,278**	**385**	**49,663**

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 2013/14.

Reconciliation of the Carrying Value of Heritage Assets held by the Council:

	Cultural £000	Total Heritage Assets £000
Cost or Valuation		
At 1 April 2013	**65**	**65**
At 31 March 2014	**65**	**65**
Cost or Valuation		
At 1 April 2012	**65**	**65**
At 31 March 2013	**65**	**65**
Net Book Value		
At 31 March 2014	**65**	**65**
At 31 March 2013	**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.

2012/13 £000		2013/14 £000
(1,791)	Rental income from investment property	(1,871)
376	Direct operating expenses arising from investment property	324
(1,415)		**(1,547)**
80	Revaluation Adjustment	(1,191)
(1,335)	Net (gain)/loss	**(2,738)**

The movement in investment properties balances during the year are shown below.

2012/13 £000		2013/14 £000
18,504	**Balance at start of the year**	**18,424**
(80)	Net gain/(loss) for fair value	1,191
18,424	**Balance at end of the year**	**19,615**

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, maintenance or enhancement.

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 lives assigned to software is generally 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.296m charged to revenue in 2013/14. This 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 2014 the Council was not committed contractually to any capital works (31 March 2014; Nil).

The movement on intangible asset balances during the year is as follows:

2012/13 £000		2013/14 £000
	Balance at start of year:	
5,093	Gross carrying amounts	3,306
(3,477)	Accumulated amortisation	(1,752)
1,616	**Net carrying amount at start of year**	**1,554**
582	Additions	524
(491)	Amortisation for the period	(296)
(2,369)	Disposals or retirements	(175)
2,216	Amortisation on Disposal	175
1,554	**Net carrying amount at end of year**	**1,782**
3,306	Gross carrying amounts	3,655
(1,752)	Accumulated amortisation	(1,873)
1,554	**Net carrying amount at end of year**	**1,782**

Note 16. Financial Instruments

The financial assets and liabilities included on the Balance Sheet comprise the following categories of financial instruments.

Long-term 2012/13 £000	Long-term 2013/14 £000		Current 2012/13 £000	Current 2013/14 £000
		Investments and Cash & Cash Equivalents		
0	0	Loans and receivables	7,046	1.909
0	**0**	**Total investments and Cash & Cash Equivalents**	**7,046**	**1.909**
		Debtors		
962	2.406	Loans and receivables	5,057	9,245
962	**2.406**	**Total Debtors**	**5,057**	**9,245**
		Borrowings		
(10,000)	(11,368)	Financial liabilities at amortised cost	(6,111)	(6,282)
(10,000)	**(11,368)**	**Total borrowings**	**(6,111)**	**(6,282)**
		Other Long-Term Liabilities		
(795)	(783)	Loans and Leasing	0	0
(795)	**(783)**	**Total Other Long-Term Liabilities**	**0**	**0**
		Creditors		
0	0	Financial liabilities at amortised cost	(4,453)	(8,495)
0	**0**	**Total creditors**	**(4,453)**	**(8,495)**

Gains and losses on income and expense

Financial Liabilities (Liabilities measured at amortised cost) 2012/13 £000	Financial Liabilities 2013/14 £000		Financial Assets (Loans and Receivables) 2012/13 £000	Financial Assets 2013/14 £000
416	440	Interest expenses	0	0
0	0	Interest income	(445)	(242)
416	**440**	**Net gain/(loss) for the year**	**(445)**	**(242)**

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 spreadsheets provided by our advisors, or by using the following assumptions:

- An estimated interest rate based on 10 year PWLB rates with a range of 2.91% 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.

2012/13 Carrying amount £000	2012/13 Fair value £000		2013/14 Carrying amount £000	2013/14 Fair value £000
		Liabilities		
(20,564)	(22,569)	Financial liabilities	(26,368)	(27,725)
		Assets		
13,073	13,203	Loans and receivables	13,560	13,556

The Financial Liabilities are shown below:

Financial Instrument	2012/13 Carrying amount £000	2013/14 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
PWLB (2.24%)	0	(1,296)	2.24% 7 August 2013 to 7 August 2023
Salix Loan	0	(72)	
Accrued Interest	(110)	(115)	
	(10,110)	**(11,483)**	
Short Term			
PWLB (2.24%)	0	(137)	
Portsmouth City Council	0	(4,000)	0.40%; 14 March 2014 to 14 April 2014
South Lanarkshire	0	(2,000)	0.32%; 18 March 2014 to 22 April 2014
Worcestershire CC	(5,000)	0	0.31%; 13 March 2014 to 29 April 2014
London Borough of Merton	(1,000)	0	0.40%; 25 March 2014 to 30 April 2014
Salix Loan	0	(29)	
Accrued Interest	(1)	(1)	
	(6,001)	**(6,167)**	
Creditors	**(4,453)**	**(8,495)**	
Bank Balance	**0**	**(223)**	
	(20,564)	**(26,368)**	

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 net fair value of the assets is lower than the carrying amount because the portfolio includes investments where the interest rate receivable is lower than the rates available for similar investments at the Balance Sheet date. This shows a notional future loss arising from a commitment to receive interest above current market rates.

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 £9,000, printing stock £4,000 and uniforms £8,000 (2012/13; £23,000, £6,000, £7,000 respectively)

	Leisure Centres		Diesel		Other		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Balance outstanding at start of year	**89**	**81**	**33**	**25**	**63**	**41**	**185**	**147**
Purchases	0	0	651	598	39	49	690	647
Recognised as an expense in the year	0	0	(655)	(642)	(35)	0	(690)	(642)
Stock adjustment	(8)	(15)	(4)	(9)	(26)	(66)	(38)	(90)
Balance outstanding at year-end	**81**	**66**	**25**	**(28)**	**41**	**24**	**147**	**62**

Note 18. Debtors

2012/13 £000		2013/14 £000
2,678	Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	4,635
161	Other Local Authorities	580
4,562	Other entities and individuals	6,014
(1,461)	Bad debt provision (Impairment of loans and receivables)	(1,559)
5,940		**9,670**

Note 19. Cash and Cash Equivalents

2012/13 £000		2013/14 £000
6	Cash held by the Council	10
2,617	Bank balances	1,432
(1,721)	Bank current accounts (overdraft)	(1,665)
902	**Net Total Cash and Cash Equivalents (overdrawn)**	**(223)**

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.

2012/13 £000		2013/14 £000
805	**Balance at Start of Year**	300
	Assets Transferred to Property, Plant and Equipment	
0	Land at St Mary's Street Huntingdon	(300)
0	**Net Assets Held for Sale**	**(300)**
	Assets Sold	
(250)	Site Former Fire Station and Depot	**0**
(555)	Castle Hill House	**0**
(805)		**0**
	Transfers from Non-Current Assets	
300	Land at St Marys Street Huntingdon	0
0	Land at Hermitage Earith	144
300		**144**
300	**Balance at End of Year**	**144**

Note 21. Creditors

2012/13 £000		2013/14 £000
912	Central Government bodies - Her Majesty's Revenue and Customs, and Department of Communities and Local Government	967
3,226	Other Local Authorities	3,827
299	National Health Service	336
0	Public Corporations'	1,901
1,506	Other entities and individuals	430
5,943		**7,461**

Note 22. Useable Reserves

Movements in the Council's useable reserves are detailed in the Movement in Reserves Statement.

Note 23. Unusable Reserves

2012/13 £000		2013/14 £000
(44,361)	Capital Adjustment Account	(40,462)
(6,092)	Revaluation Reserve	(15,161)
231	Financial Instruments Adjustment Account	190
58,434	Pensions Reserve	61,464
(97)	Collection Fund Adjustment Account	2,767
323	Accumulating Compensated Absences Adjustment Account	311
8,438	**Total Unusable Reserves**	**9,109**

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.

2012/13 £000	2012/13 £000	Capital Adjustment Account	2013/14 £000	2013/14 £000
	(48,191)	**Balance at 1 April**		**(44,361)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
3,564		Charges for depreciation and impairment of non-current assets	8,003	
491		Amortisation of intangible assets	296	
970		Revenue expenditure funded from capital under statute	1,786	
1,033		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	42	
(231)		Adjusting amounts written out of the Revaluation Reserve	(200)	
		Capital financing applied in the year:		
(1,114)		Use of the Capital Receipts Reserve to finance new capital expenditure	(965)	
(47)		Use of the earmarked S106 reserve	0	
(97)		Application of grants to finance capital expenditure	(2,579)	
0		Application of grants to capital financing from the Capital Grants Unapplied Account	(318)	
(835)		Statutory provision for the financing of capital investment charged against the General Fund	(1,120)	
16		Repayment of long term debtors	145	
80		Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,191)	
	3,830	Total movements		**3,899**
	(44,361)	**Balance at 31 March**		**(40,462)**

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.

2012/13 £000	Revaluation Reserve	2013/14 £000
(6,436)	**Balance at 1 April**	**(6,092)**
(42)	Upward revaluation of assets	(9,655)
95	Other adjustments for assets removed or transferred - written off to Capital Adjustments Account	38
53	**(Surplus) or deficit in the revaluation of non-current assets**	**(9,617)**
60	Downward revaluation of assets not charged to the surplus/deficit on the provision of services	348
231	Difference between fair value depreciation and historical cost depreciation - written off to Capital Adjustment Account	200
(6,092)	**Balance at 31 March**	**(15,161)**

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.

2012/13 £000	Financial Instruments Adjustment Account	2013/14 £000
221	**Balance at 1 April**	**231**
10	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	(41)
231	**Balance at 31 March**	**190**

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 pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the 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.

2012/13 Restated £000	Pensions Reserve	2013/14 £000
51,341	**Balance at 1 April**	**58,434**
5,336	Actuarial (gains) or losses on pensions assets and liabilities	748
5,457	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	6,244
(3,700)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,962)
58,434	**Balance at 31 March**	**61,464**

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 2013/14 and previous years although it is only actually transferred from the Collection Fund in line with regulations.

2012/13 £000	Collection Fund Adjustment Account	2013/14 £000
(62)	**Balance at 1 April**	**(97)**
(35)	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	2,864
(97)	**Balance at 31 March**	**2,767**

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.

2012/13 £000	Accumulating Compensated Absences Adjustment Account	2013/14 £000
319	**Balance at 1 April**	**323**
(319)	Settlement or cancellation of accrual made at the end of the preceding year	(323)
323	Amounts accrued at the end of the current year	311
323	**Balance at 31 March**	**311**

Note 24. Operating Activities

The interest items of the cash flows for operating activities are as follows:

2012/13 £000		2013/14 £000
(445)	Interest Received	(242)
416	Interest Paid	440

Note 25. Investing Activities

2012/13 £000		2013/14 £000
(7,500)	Purchase of property, plant and equipment, investment property and intangible assets	(12,660)
(29)	Other payments for investing activities	(1,689)
1,114	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	965
5,413	Proceeds from short-term and long-term investments	4,276
2,275	Other receipts from investing activities	6,897
1,273	**Net cash flows from investing activities**	**(2,211)**

Note 26. Financing Activities

2012/13 £000		2013/14 £000
(103)	Other receipts from financing activities	(1,544)
0	Movement on long-term borrowing	1,368
1,500	Movement on short-term borrowing	171
1,397	**Net cash flows from financing activities**	**(5)**

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).

In 2012/13 the Local Taxation Service figures were reported here because Council Tax Benefit Scheme income of £8.7m and expenditure of £9.1m was included in the cost of services. Council Tax Benefit has now been replaced by the local Council Tax Support scheme which is accounted for within the collection fund and not as service expenditure. As a result of this the 2013/14 table below does not report figures for Local Taxation.

The income and expenditure of the main services is as follows:

2013/14	Environ-mental Services	Housing Services (Includes Housing Benefits)	Community Services	Direct costs recharged to services	Other expenditure	TOTAL
	£000	£000	£000	£000	£000	£000
Fees, charges and other income	(1,667)	(1,795)	(7,137)	(308)	(5,007)	(15,914)
Government grants	(2)	(38,364)	(212)	(0)	(3,965)	(42,543)
Total income	**(1,669)**	**(40,159)**	**(7,349)**	**(308)**	**(8,972)**	**(58,457)**
Employee expenses	3,010	41	4,986	14,291	2,611	24,939
Other service expenses	1,561	38,898	3,180	3,755	2,700	50,094
Support service recharges	3,578	3,423	2,546	7,536	8,285	25,368
Total operating expenses	**8,149**	**42,362**	**10,712**	**25,582**	**13,596**	**100,401**
Recharges to other accounts	(460)	(91)	(19)	(26,320)	(212)	(27,102)
Net expenditure	**6,020**	**2,112**	**3,344**	**(1046)**	**4,412**	**14,842**

2012/13	Environ-mental Services	Housing Services (Includes Housing Benefits)	Local Taxation (Includes Council Tax Benefits)	Community Services	Direct costs recharged to services	Other expenditure	TOTAL
	£000	£000	£000	£000	£000	£000	£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**

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.

2012/13 £000		2013/14 £000
18,470	**Net expenditure in service analysis**	**14,842**
6,103	Amounts in the Comprehensive Income and Expenditure Statement not included in the service analysis of revenue expenditure for budget monitoring	13,950
(493)	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	(70)
24,080	**Net cost of services in Comprehensive Income and Expenditure Account**	**28,722**

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.

2013/14	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	(15,914	0	(55)	**(15,969)**	(974)	**(16,943)**
Income from Council Tax	0	0	0	**0**	(12,240)	**(12,240)**
Income from NDR	0	0	0	**0**	(21,566)	**(21,566)**
Income from Investment properties	0	0	0	**0**	(1,870)	**(1,870)**
Interest and investment income	0	0	0	**0**	(242)	**(242)**
Donated asset	0	0	0	**0**	(1,160	**(1,160)**
Government Grants and contributions	(42,543)	0	0	**(42,543)**	(11,081)	**(53,624)**
Total income	**(58,457)**	**0**	**(55)**	**(58,512)**	**(49,133)**	**(107,645)**
Employee expenses	24,939	0	0	**24,939**	(11)	**24928**
Other service expenses	50,094	0	(54)	**50,040**	124	**50,164**
Support service recharges	25,368	0	0	**25,368**	729	**26,097**
Recharges to other accounts	(27,102)	0	39	**(27,063)**	6	**(27,057)**
Depreciation and impairment	0	13,950	0	**13,950**	125	**14,075**
Interest payments	0	0	0	**0**	440	**440**
Pensions interest cost and expected return on pensions assets	0	0	0	**0**	2,621	**2,621**
Expenditure in relation to investment properties and changes in their fair value	0	0	0	**0**	(869)	**(869)**
Precepts and levies	0	0	0	**0**	5,388	**5,388**
NDR Payments to Other Local Authorities	0	0	0	**0**	18,124	**18,124**
Payments to housing capital receipts pool	0	0	0	**0**	1	**1**
Gain or loss on disposal of property, plant and equipment	0	0	0	**0**	(745)	**(745)**
Total operating expenses	**73,299**	**13,950**	**(15)**	**87,234**	**25,933**	**113,167**
(Surplus) or deficit on the provision of services	**14,842**	**13,950**	**(70)**	**28,722**	**(23,200)**	**5,522**

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**

Note 28. Acquired and Discontinued Operations

There are no acquired or discontinued operations during 2013/14 (2012/13; nil).

Note 29. Trading Operations

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.

2012/13 £000		2013/14 £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.	
(1,612)	Gross Income	(1,819)
969	Gross Expenditure	1,230
(643)	**(Surplus)/Deficit**	**(589)**
	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.	
(6,188)	Gross Income	(6,738)
8,547	Gross Expenditure	8,970
2,359	**(Surplus)/Deficit**	**2,232**
1,716	**Net (Surplus)/Deficit on Trading Operations included in Net Cost of Service**	**1,643**
	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).	
(49)	Gross Income	(61)
35	Gross Expenditure	85
(14)	**(Surplus)/Deficit**	**24**

	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.	
(139)	Gross Income	(151)
102	Gross Expenditure	256
(37)	**(Surplus)/Deficit**	**105**
	Building Control 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.	
(370)	Gross Income	(406)
392	Gross Expenditure	343
22	**(Surplus)/Deficit**	**(63)**
	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.	
(31)	Gross Income	(38)
38	Gross Expenditure	52
7	**(Surplus)/Deficit**	**14**
	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.	
(225)	Gross Income	(214)
266	Gross Expenditure	172
41	**(Surplus)/Deficit**	**(42)**
	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.	
(96)	Gross Income	(98)
103	Gross Expenditure	58
7	**(Surplus)/Deficit**	**(40)**
26	**Net (Surplus)/Deficit on Trading Operations included in Financing and Investment Income and Expenditure**	**(2)**
1,742	**Net (Surplus)/Deficit on Trading Operations**	**1,641**

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:

2012/13 £000		2013/14 £000
365	Allowances	376
27	Expenses	34
392		**410**

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

2012/13	£		£	2013/14
15	50,000	but less than	55,000	14
1	55,000	but less than	60,000	3
2	60,000	but less than	65,000	0
1	65,000	but less than	70,000	3
2	70,000	but less than	75,000	1
3	75,000	but less than	80,000	2
1	80,000	but less than	85,000	2
0	85,000	but less than	90,000	1
0	90,000	but less than	95,000	1
0	95,000	but less than	100,000	1
1	120,000	but less than	125,000	0
1	175,000	but less than	180,000	0
1	240,000	but less than	245,000	0
28				**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.

2013/14 **Post holder**	**Salary including allowances** **£**	**Election Fees** (1) **£**	**Salary including allowances and fees** **£**	**Benefits in kind** **£**	**Total remuneration** **£**	**Employer pension contributions** **£**	**Remuneration including pension contributions** **£**
Managing Director (2)	98,026	104	**98,130**	0	**98,130**	17,367	**115,497**
Managing Director Communities, Partnerships and Projects (Malcolm Sharp) (3)	42,146	0	**42,146**	2,182	**44,328**	7,435	**51,763**
Managing Director, Resources (Terry Parker) (4)	2,972	0	**2,972**	0	**2,972**	496	**3,468**
Assistant Director (Finance and Resources) (5)	88,411	0	**88,411**	0	**88,411**	14,596	**103,007**
Assistant Director (Environment, Growth and Planning) (6)	82,142	0	**82,142**	2,030	**84,172**	13,884	**98,056**

Key – 2013/14

Note 1 The election fees do not include fees for General, European and County Council elections paid for by third parties.

Note 2 The Managing Director, started at the Council on 20 June 2013.
(annualised salary; excluding employer pension contributions is £125,000)

Note 3 The Managing Director, Communities, Partnerships and Projects left the Council on 31 July 2013, the post was deleted from the establishment at that point.
(annualised salary; excluding employer pension contributions is £125,000)

Note 4 The Managing Director, Resources left the Council on 8 April 2013. The post was deleted from the establishment at that point
(annualised salary, excluding employer pension contributions is £127,000)

Note 5 The Assistant Director (Finance and Resources) post was created on 1 March 2013 and was the Councils Responsible Financial Officer (RFO); the post holder left the Council on the 31 March 2014 and the post was deleted from the establishment at that point.
(annualised salary; excluding employer pension contributions for the Assistant Director (Finance and Resources) is £82,000).
As of the 1st April 2014, on an interim basis the RFO responsibility was allocated to the Accountancy Manager pending a permanent appointment to the new senior management structure. As of the 2 June 2014, the RFO responsibility has passed to the newly appointed Head of Resources
(annualised salary; excluding employer pension contributions for the Head of Resources is £66,500).

Note 6 The Assistant Director (Environment, Growth and Planning) post was created on 1 March 2013; the post holder will be leaving the Council on the 10 June 2014, and the post will be deleted from the establishment at that point.
(annualised salary; excluding employer pension contributions is £78,000)

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	44,666	**170,804**	0	6,548	**177,352**	22,303	**199,655**
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)

Note 32. External Audit Related Costs

These figures show the amounts included in the accounts which include any adjustments made for previous years

2012/13 £000		2013/14 £000
81	External audit	70
27	Grant claim certification	17
2	National Fraud Initiative	0
0	Audit Commission rebate	(10)
110		**77**

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:

2012/13 £000		2013/14 £000
	Credited to taxation and non-specific income	
180	Revenue support grant	6,019
1,913	New Homes Bonus	2,940
0	Other Non Ringfenced Grants	703
9,293	Distributed non domestic rate pool	0
0	Donated Assets	1,160
11,386	**Total**	**10,822**
	Credited to Services	
	Benefits grant	
36,522	Rent allowances	36,979
8,348	Council tax benefits	296
939	Benefits administration	651
543	Improvement grants	557
0	Transportation Development	3,436
736	Other	482
47,088	**Total**	**42,401**

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:

2012/13 £000	Grants Receipts in Advance	2013/14 £000
	Government grants	
52	Mortgage Rescue Scheme	52
61	Preventing Repossessions	61
113		**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 Capital Scheme. The balances at the year-end are as follows:

2012/13 £000	Capital Grants Unapplied Account	2013/14 £000
210	Government grant for housing	210
318	Contribution from Cambridgeshire County Council towards major maintenance projects at leisure centres	0
270	Community Infrastructure Levy	747
798		**957**

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 2013/14 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 2013/14, the Council has:

- paid £6.509m to Cambridgeshire County Council; £3.553m for pension payments and £2.957m for services (2012/13; £5.432m), and
- received £5.903m from the County Council (2012/13; £3.397m).

In respect of 2013/14:

- No officers have disclosed any significant interests.
- By 30 June 2014, of the 52 members who served during the year, 51 had returned a Related Party Transaction disclosure form, with one member sadly passing away before the forms were submitted. Following a comprehensive review of relevant statutory and voluntary disclosures and other "ad-hoc" information sources, only one member, Councillor Morris (as either an individual or family interest) has disclosed a related party; this is shown below.

Councillor	**Organisation**	**Relationship with Organisation**	**Payments received from the Council**
Morris	King's Street Housing Society	Board Member	£301,151 (crash bed for homelessness)

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.

2012/13 £000		2013/14 £000
21,853	**Opening Capital Financing Requirement**	**26,972**
5,650	Property, Plant and Equipment	7,537
582	Intangible Assets	524
2,027	Revenue Expenditure Funded from Capital under Statute	5,779
29	Repayable Advances	1,689
10	Lease Liability Adjustment	0
8,298	**Additional Requirement**	**15,529**
	Sources of finance	
(1,114)	Capital receipts	(965)
(1,183)	Grants and other contributions in year	(5,413)
0	Capital Grants Unapplied Reserve	(318)
(835)	Minimum revenue provision	(1,120)
(47)	S106 reserve	(0)
(3,179)		**(7,816)**
26,972	**Closing Capital Finance Requirement**	**34,685**
	Movements in year	
5,119	Increase in underlying need to borrowing (unsupported by government financial assistance)	7,713

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:

2012/13 £000		2013/14 £000
1,595	Investment Properties	**1,773**

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:

2012/13 £000		2013/14 £000
	Finance lease liabilities (net present value of minimum lease payments)	
545	Non-current	545
3,066	Finance costs payable in future years	3,027
3,611	**Minimum lease payments**	**3,572**

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance lease payments	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Not later than 1 year	39	39	0	0
Later than 1 year and not later than 5 years	156	156	0	0
Later than 5 years	3,416	3,377	545	545
	3,611	**3,572**	**545**	**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 2013/14 £0.089m contingent rents were payable by the Council (2012/13; £0.101m).

- 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:

.

2012/13 £000		2013/14 £000
61	Not later than 1 year	61
70	Later than 1 year and not later than 5 years	70
41	Later than 5 years	41
172		**172**

The expenditure charged to the appropriate service in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2012/13 £000		2013/14 £000
100	Minimum lease payments	**66**

- 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.

2012/13 £000		2013/14 £000
1,784	Not later than 1 year	1,654
5,870	Later than 1 year and not later than 5 years	5,703
20,921	Later than 5 years	19,367
28,575		**26,724**

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 2013/14 the Council has recognised impairments to Property, Plant and Equipment of £5.038m (2012/13; £85,000).

Note 38. Termination Benefits and Exit Packages

Voluntary Redundancy:
In respect of:

- 2013/14, 4 voluntary redundancies were approved. All 4 left the Council in 2013/14.
- 2012/13, no voluntary redundancies were approved.

Compulsory Redundancy:
In respect of:

- 2013/14, the Council approved the compulsory redundancy of 11 employees; 4 employees leaving the Council during 2013/14 and a further 7 leaving during 2014/15.
- 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.

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		Number of other departures agreed		Total number of exit packages agreed		Total cost of packages	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £000	2013/14 £000
£0 to less than £20,000	5	3	0	2	5	5	28	42
£20,000 to less than £40,000	0	2	0	2	0	4	0	111
£40,000 to less than £60,000	2	2	0	0	2	2	97 *	91
£60,000 to less than £80,000	0	2	0	0	0	2	0	144
£80,000 to less than £100,000	1	1	0	0	1	1	99	84
£100,000 to less than £150,000	0	1	0	0	0	1	0	114
	8	11	0	4	8	15	224	586
	* This includes a provision of £47,000 that was paid in 2013/14, see Note 40.							

Note 39. Defined Benefit Pension Scheme

Participation in Pension Schemes

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 2011/12, 2012/13 and 2013/14. This 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 for 2013/14.

As a consequence of the triennial valuation, the asset value in the intervening period is an estimate calculated by the actuary using a model. Any differences between the estimate and actual figures are adjusted at the next full valuation. A triennial review took place during 2013/14 and new rates will apply from 2014/15.

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:

2012/13 Restated £000		2013/14 £000
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
3,010	Current Service Cost	3,579
0	Past Service Cost	44
	Financing and Investment Income and Expenditure:	
6,345	Net interest expense	6,830
(3,898)	Expected Return on Scheme Assets	(4,209)
5,457	**Total post-employment benefit charged to the deficit on the provision of services**	**6,244**
	Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:	
	Remeasurement of the net defined benefit liability comprising:	
8,272	Return on plan assets (Excluding the amount included in the net interest expense)	2,943
0	Actuarial gains and losses arising on changes in demographic assumptions	2,862
(13,699)	Actuarial gains and losses arising on changes in financial assumptions	(7,387)
91	Other experience	834
(5,336)		(748)
121	**Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement**	**5,496**
	Movement in Reserves Statement	
(5,457)	Reversal of net charges made to the surplus deficit on the provision of services for post-employment benefits in accordance with the Code	(6,244)
	Actual amount charged against the General Fund Balance for Pensions in the Year:	
3,511	Employer's contributions payable to the scheme	3,767
189	Retirement benefits payable to pensioners*	195
(1,757)	**Total Movement in Reserves Statement**	**(2,282)**

Changes to IAS19 came into effect in 2013/14 and these are adopted retrospectively for 2012/13 in accordance with IAS8 "Accounting Policies, Changes in Accounting Estimates and Errors". The effect of these changes to the Income statement to 31st March 2013 is to re-classify and move £0.649m on expected return on scheme assets to actuarial gains/losses on plan assets.

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2014 is a loss of £53.634m, and to the 31 March 2013 is a loss of £52.237m.

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 2013 Restated £000		31 March 2014 £000
132,435	**Opening balance as at 1 April**	**151,909**
3,010	Current Service Cost	3,579
6,345	Interest Cost	6,830
951	Contributions by scheme participants	947
0	Actuarial losses / (gains) from changes in demographic	(2,862)
13,699	Actuarial losses / (gains) from changes in financial assumptions	7,387
(91)	Other	(834)
0	Past service costs	44
(4,251)	Benefits paid	(4,445)
(189)	Estimated unfunded benefits paid *	(195)
151,909	**Closing balance at 31 March**	**162,360**

* 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 2013 Restated £000		31 March 2014 £000
81,094	**Opening fair value of scheme assets balance as at 1 April**	**93,475**
3,898	Interest Income	4,209
8,272	The return on plan assets (Excluding amount included in net in the net interest expense)	2,943
3,511	Contributions by the employer	3,767
951	Contributions by employees into the scheme	947
189	Contributions for unfunded benefits*	195
(4,251)	Benefits paid	(4,445)
(189)	Unfunded benefits paid*	(195)
93,475	**Closing Balance at 31 March**	**100,896**

* 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 £7.152m (2012/13; £12.170m).

Scheme History

2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000		2013/14 £000
(146,133)	(123,552)	(132,435)	(151,909)	Present value of liabilities	(162,360)
78,086	82,115	81,094	93,475	Fair value of assets	100,896
(68,047)	**(41,437)**	**(51,341)**	**(58,434)**	**Deficit in the scheme**	**(61,464)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment benefits. The total liability of £162.360m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £61.464m. 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 and actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The Council expects to contribute £3.403m into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2015. With regard to discretionary benefits, there were no such awards in 2013/14 (2012/13; 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 2013. The results of this valuation were projected forward using approximate methods.

The main assumptions used by the actuary are as shown below.

2012/13	County Fund – Main Assumptions	2013/14
5.1%	Rate of increase in salaries	4.6%
2.8%	Rate of increase in pensions	2.8%
4.5%	Rate of discounting scheme liabilities	4.3%
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
21.0 years	Men	22.5 years
23.8 years	Women	24.5 years
	Longevity at 65 for future pensioners	
22.9 years	Men	24.4 years
25.7 years	Women	26.9 years
	Long-term expected rate of return on assets in the Scheme:	
4.5%	Equity Investments	4.3%
4.5%	Bonds	4.3%
4.5%	Property	4.3%
4.5%	Cash	4.3%

Local Government Pension Scheme Assets Comprised:

Pension fund assets consist of the following categories, by value of the total assets held:

31 March 2013 £000		31 March 2014 £000
2,242	Cash and cash equivalents	1,345
	Equity instruments by industry:	
8,769	Consumer	8,810
7,532	Manufacturing	8,327
3,236	Energy and utilities	3,575
7,718	Financial institutions	10,179
2,651	Health and care	2,975
4,731	Information technology	6,033
349	Other	280
34,986	Sub-total equity	40,179
	Private equity:	
6,427	All not in active markets	6,002
6,427	Sub-total private equity	6,002
	Other investment funds:	
11,070	Bonds	15,380
32,158	Equity	32,442
6,592	Other	5,548
49,820	Sub-total other investment funds	53,370
93,475	**Total Assets**	**100,896**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2013/14 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2014.

2009/10	2010/11	2011/12	2012/13	2012/13 Restated		2013/14
19.57%	(2.17%)	(6.39%)	8.16%	8.85%	Differences between expected and actual return on assets	2.92%
0.36%	(1.54%)	(1.10%)	0.06%	0.06%	Experience gains/ losses (-) on liabilities	0.51%

Sensitivity analysis:

Increase in assumption 31 March 2013 £000	Impact on the defined benefit obligation in the scheme	Increase in assumption 31 March 2014 £000
4,557	Longevity (increase or decrease in 1 year)	4,871
4,288	Rate of increase in salaries (increase or decrease by 0.5%)	5,210
10,651	Rate of increase in pensions (increase or decrease by 0.5%)	10,519
(15,152)	Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(15,961)

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 Claw back (1) £000	Termination Benefits (2) £000	NDR Appeals (3) £000	Enterprise Zone Retained NDR £000	£000
Balance at 1 April 2012	**0**	**0**	**0**	**0**	**0**
Balance at 31 March 2013	**90**	**47**	**0**	**0**	**137**
Amounts used in 2013/14	(90)	(47)	0	0	**(137)**
Amounts charged to services 2013/14	0	0	2,054	79	**2,133**
Balance at 31 March 2014	**0**	**0**	**2,054**	**79**	**2,133**

Short Term Provision

Where an obligating event is expected to occur within the next 12 months.

1. **MMI Insurance Claw back**
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 informed the Council that following a February 2013 creditors meeting, the Scheme of Arrangement was likely to be enforced and in January 2014 a levy was charged against the Council, totalling £90,206, which represents 15% of the total claims paid by MMI on behalf of the Council since 1993 (£0.601m). The balance of the total possible liability faced by the Council is noted as a Contingent Liability

2. Termination Benefits
Provision was made to meet the costs of known staff rationalisation associated with change management within the Council over the medium term; this was paid in March 2014.

3. NDR Appeals
The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of individual estimates for the outcome of each outstanding appeal rather than a mean estimate for all appeals. The appeals provision was based on a review by expert opinion from “inform CPI Limited”. It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by the Safety Net calculation (the calculation of which is limited by regulation). The provision of £2.054m included in the General Fund is the authorities share (40%) of the total provision of the Collection Fund provision of £5.135m.

A 10% variation in the estimated provision would be £0.205m for the General Fund.

It should be noted that no adjustment, or other disclosure, has been made in respect of NDR Appeals that have yet to be lodged by local businesses.

4. Enterprise Zone Retained NDR
The Council retains the Non Domestic Rates (NDR) income arising from increases in the rateable value of premises within the Alconbury Weald Enterprise Zone; however there is a requirement to apply this retention to the Local Enterprise Partnership. As no formal request to draw down this retention had been made by the Local Enterprise Partnership as at 31 March 2014, a provision for this liability has been recognised.

Contingent Assets

Previously the Council has disclosed a Contingent Asset in respect of a refund for VAT relating to off-street parking. However, whilst legal cases have not totally removed the possibility of a refund the position is now much less hopeful so the Contingent Asset is no longer to be disclosed (2012/13; £2.431m).

Contingent Liabilities

The Councils’ Contingent Liabilities cover various on-going litigations and these are detailed below. The total expected value of these liabilities is £4.625m (2012/13; £5.811m).

2012/13 Estimated value of contingent liability £000	Details of Contingent Liability	2013/14 Estimated value of contingent liability £000
	Environmental Related:	
172	**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 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.	186
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 £115,000 per annum for a maximum of 30 years; therefore the maximum liability is £3.450m (£150,000 per annum in 2012/13).	3,450

4,672	**Total for Environmental Related**	**3,636**
	Housing Related:	
372	**Disabled Facilities Grants** The Council has agreed to pay 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. The increase is due to a higher amount estimated to be outstanding at the year-end compared to 2012/13.	458
96	**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. This liability was met during the year.	0
468	**Total for Housing Related**	**458**
	Corporate Related	
511	**Municipal Mutual Insurance Liquidation** A detailed description is shown in the Provision explanation in respect of the MMI Insurance Claw back. The Contingent Liability shown for 2013/14 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
20	**Assets of Community Value** In 2013/14, the Council has listed 4 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
140	**Employee Litigation** The Council has some pending employment tribunals; the amount shown is the estimated total liability.	0

671	**Total for Corporate Related**	**531**
5,811	**Total for Contingent Liabilities**	**4,625**

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.

Credit risk

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

In relation to investments the 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 £23.340m (2012/13; £25.770m) 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 2014 that this was likely to occur and there are no investments, that as at 31 March 2014, 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 2014 £000	Historical experience of default %	Historical experience of default adjusted for market conditions %	Impairment allowance 31 March 2014 £000	Impairment allowance 31 March 2013 £000
Sundry debtors	2,603	4.72%	4.72%	1,337	1,439

The Council does not generally allow credit for customers. The past due debtors, but not impaired amount can be analysed by age as follows:

31/03/13 £000		31/03/14 £000
753	Less than three months	268
227	Three to six months	227
272	Six months to one year	795
1,691	More than one year	1,313
2,943		**2,603**

Liquidity risk

The Council maintains a cash flow projection that assists in ensuring that cash is available as needed. If unexpected movement happens 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 use the PWLB for short-term cash-flow deficits. There is no significant risk 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 of which £1.4m matures in August 2023 and £5m each in December 2057 and 2058. Therefore there is no immediate concern about funding the repayment.

31/03/13 £000		31/03/14 £000
6,111	Less than one year	6,282
10,000	More than one year	11,368
16,111		**17,650**

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 2013/14 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 payable on borrowings of less than 1 year	0
Increase in interest receivable on investments of less than 1 year	105cr
Impact on the surplus on the Provision of Services	105cr
Increase in the fair value of fixed rate investments	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings (No impact on the Comprehensive Income and Expenditure Statement)	2,195

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk and foreign exchange risk

The Council does not hold equity shares and does not hold foreign currency; consequently these risks are not applicable.

Note 42. Prior Period Accounting Adjustments

As a consequence of the change in Accounting Policy in respect of IAS19: Employee Benefits, whereby accounting regulations now require administration costs to be directly related to the management of pension assets, there is a requirement to restate the 2012/13 comparatives within the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement; the transition disclosures are shown below:

Restatement of 2013/14 Comparative

Comprehensive Income and Expenditure Statement

Published AFR 2012/13				Restatement adjustments		Restated AFR 2012/13		
				IAS 19				
Gross Expenditure	Gross Income	Net Expenditure			Gross Income	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000	£000
85,629	**(61,549)**	**24,080**	**Cost of Services (note 27)**			**85,629**	**(61,549)**	**24,080**
5,110	0	5,110	Other Operating Expenditure (Note 9)		0	5,110	0	5,110
3,638	(3,178)	460	Financing and Investment Income and Expenditure (Note 10)	Reclassification between return on assets and actuarial gain /loss	649	3,638	(2,529)	1,109
0	(24,016)	(24,016)	Taxation and Non-specific Grant Income (Note 11)		0		(24,016)	(24,016)
94,377	**(88,743)**	**5,634**	**(Surplus)/Deficit on provision of services**		**649**	**94,377**	**(88,094)**	**6,283**
		113	(Surplus) or deficit in the revaluation of non-current assets (Note 27)		**0**			113
		5,985	Actuarial losses/(gains) on pension assets and liabilities (Note 39)	Reclassification between return on assets and actuarial gain /loss	(649)			5,336
		6,098	**Other comprehensive income and expenditure**		**(649)**			**5,449**
		11,732	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**		**0**			**11,732**

Movement in Reserves Statement													
	Published AFR 2012/13			Restatement adjustments							Restated AFR 2012/13		
				IAS 19: Surplus/(Deficit) on provision of services		IAS 19: Other comprehensive income and expenditure		IAS 19: Note 7: Adjustments Between Accounting Basis and Funding Basis Under Regulations					
	Total Useable Reserves	Unusable Reserves	TOTAL COUNCIL RESERVES	Comment/Reason for adjustment		Comment/Reason for adjustment		Comment/Reason for adjustment	General Fund Adjustment	Movement in Unusable Reserves	Total Useable Reserves	Unusable Reserves	TOTAL COUNCIL RESERVES
	£000	£000	£000		£000		£000		£000	£000	£000	£000	£000
Balance as at 31 March 2012	**18,675**	**2,808**	**21,483**								**18,675**	**2,808**	**21,483**
Surplus/(Deficit) on provision of services	(5,634)	0	(5,634)	Reclassification between return on assets and actuarial gain /loss as IAS19	(649)		0		0	0	(6,283)	0	(6,283)
Other Comprehensive income & expenditure	0	(6,098)	(6,098)		0	Reclassification between return on assets and actuarial gain /loss as IAS19	649		0	0	0	(5,449)	(5,449)
Total comprehensive income	**(5,634)**	**(6,098)**	**(11,732)**		**(649)**		**649**		**0**	**0**	**(6,283)**	**(5,449)**	**(11,732)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	5,195	(5,195)	0		0		0	Reclassification between return on assets and actuarial gain /loss as IAS19	649	(649)	5,844	(5,844)	0
Net increase/(decrease)	**(439)**	**(11,293)**	**(11,732)**		**(649)**		**649**		**649**	**(649)**	**(439)**	**(11,293)**	**(11,732)**
Transfers to/from earmarked	(47)	47	0		0		0		0	0	(47)	47	0
Increase/(Decrease) in Year	**(486)**	**(11,246)**	**(11,732)**		**(649)**		**649**		**649**	**(649)**	**(486)**	**(11,246)**	**(11,732)**
Balance as at 31 March 2012	**18,189**	**(8,438)**	**9,751**		**(649)**		**649**		**649**	**(649)**	**18,189**	**(8,438)**	**9,751**

It should be noted that there:

- is no change in the net Balance Sheet position, so no disclosure is required in respect of the Balance Sheet.
- are consequential adjustments within disclosure notes 7, 10, 23 and 39.

Collection Fund

Non-Domestic Rates 2012/13 £000	Council Tax 2012/13 £000	TOTAL 2012/13 £000		Non-Domestic Rates 2013/14 £000	Council Tax 2013/14 £000	TOTAL 2013/14 £000
			INCOME			
0	(92,090)	(92,090)	Council Tax Receivable	0	(88,721)	(88,721)
(54,359)	0	(54,359)	Non Domestic Rates Receivable	(55,343)	0	(55,343)
0	0	0	Enterprise Zone Relief	(512)	0	(512)
0	0	0	Transitional Relief	(71)	0	(71)
(54,359)	**(92,090)**	**(146,449)**	**Total Income**	**(55,926)**	**(88,721)**	**(144,647)**
			EXPENDITURE			
			Repay Previous Years Surplus			
0	63	63	District Council - General	0	76	76
0	330	330	County Council	0	404	404
0	54	54	Police	0	64	64
0	18	18	Fire	0	14	14
0	465	465		0	558	558
			Precepts Demands and Shares			
54,136	0	54,136	Central Government	28,674	0	28,674
0	7,727	7,727	District Council - General	23,422	7,506	30,928
0	4,708	4,708	District Council - Parishes	0	4,649	4,649
0	0	0	District Council - Retained Amounts	270	0	270
0	64,854	64,854	County Council	5,270	61,997	67,267
0	10,492	10,492	Police	0	10,028	10,028
0	3,566	3,566	Fire	586	3,622	4,208
54,136	91,347	145,483		58,222	87,802	146,024
			Charges to Collection Fund			
0	76	76	Less Write Off Uncollectable Amounts	262	289	551
0	(57)	(57)	Less Increase / Decrease (-) in Bad Debt Provision	(69)	12	(57)
0	0	0	Less Increase / Decrease (-) in Provision for Appeals	5,135	0	5,135
223	0	223	Less Cost of Collection	221	0	221
223	19	242		5,549	301	5,850
54,359	**91,831**	**146,190**	**Total Expenditure**	**63,771**	**88,661**	**152,432**
			Movement in Fund Balance			
0	**(259)**	**(259)**	**(Surplus) or Deficit For Year**	**7,845**	**(60)**	**7,785**
0	(454)	(454)	(Surplus) or Deficit Brought Forward 1 April	0	(713)	(713)
0	**(713)**	**(713)**	**(Surplus) or Deficit Carried Forward 31 March**	**7,845**	**(773)**	**7,072**

Notes to the Collection Fund

1. Purpose of Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for the Council as a billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

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.

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.

2. Localisation of Non Domestic Rates

On 1 April 2013 the national scheme for collecting non domestic rates was localised.

Under the previous national scheme all income and charges to the fund were pooled by central government for redistributed. The amount the authorities received was determined before the start of the year with any variations to income and charges to the fund being shared as part of subsequent years allocations from the pool.

Under the localised scheme income and charges to the fund are shared locally in fixed proportions. Any surplus or deficit will be recovered from the local participants in subsequent years in the same proportions. The Comprehensive Income and Expenditure Statement (or equivalent) for each party will need to reflect their share of the surplus or deficit for the year. This is then adjusted through the Movement in Reserves Statement to arrive at the share of non-domestic rates expected at the start of the year.

The format of the statement has been amended to reflect the localisation of non-domestic rates and revised reporting requirements. Although the 2012/13 figures have been represented in the amended format the opening and closing balances for the year, and movement in the year are unchanged.

3. Council Tax

Tax base at 31 March 2014 Tax band	Properties	Exemptions & discounts	Band D multiplier	Band D equivalent
A	11,417	(2,057)	6/9	6,240
B	19,334	(2,309)	7/9	13,243
C	17,487	(1,603)	8/9	14,119
D	11,553	(910)	9/9	10,643
E	8,684	(683)	11/9	9,779
F	3,582	(265)	13/9	4,791
G	1,697	(124)	15/9	2,622
H	160	(24)	18/9	272
Total	**73,914**	**(7,975)**		**61,709**

Council tax charge per band D property for 2013/14 £1,557.92
Council tax charge per band D property for 2012/13 £1,519.28

4. Non Domestic Rates (NDR)

The uniform business rate set by the Government for 2013/14 was 46.2p (2012/13 45.8p).

Total rateable value at 31 March 2014 £140.8m
Total rateable value at 31 March 2013 £141.4m

5. Non Domestic Rates Appeals

The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of individual estimates for the outcome of each outstanding appeal rather than a mean estimate for all appeals. The appeals provision was based on a review by expert opinion from “inform CPI Limited”. It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by the Safety Net calculation (the calculation of which is limited by regulation).

A 10% variation in the estimated provision would be £0.513m for the Collection Fund.

It should be noted that no adjustment, or other disclosure, has been made in respect of NDR Appeals that have yet to be lodged by local businesses.

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 by 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.

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.

Non Domestic Rates
Rates which are levied on business properties. From 1st April 2013, as a consequence of The Local government Finance Act 2012, a local Non Domestic Rating regime was introduced that included the business rates retention scheme. See also **Tariff** and **Safety Net**.

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.

Reclassification
Where comparative (prior year) figures are reclassified into new categories of income or expenditure, and the change has not been the result of a material error or accounting policy but the amount is “material” then this is a reclassification.

Responsible Financial Officer
The designated post within the Council, as determined by the Accounts and Audit Regulations 2011, which 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. This post was formerly known as Chief Financial Officer.

Restated
Where there has been a material error in the accounts or a new accounting policy has been applied, then the comparative (prior year) figures have to be “restated” as if the correction or policy had been in place as at the end of the previous financial year.

Revenue Expenditure Funded from Capital under Statute
Spending on items normally classed as revenue but which are defined by statute 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.

Safety Net
The scheme for localising Non Domestic Rates (NDR) includes a safety net provision. Where the actual NDR after Tariff is less than 92.5% of the funding baseline, Central Government makes a safety net payment to the Council equal to the difference between the actual NDR and the funding baseline.

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.

Tariff
The scheme for localising Non Domestic Rates (NDR) includes baselines for both the amount of NDR the Council receives and the amount of Council funding from NDR. The Council pays Central Government a Tariff equal to the difference between the two baselines.

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

LLPG Local Land and Property Gazetteer (UK)

MMI Municipal Mutual Insurance

MRP Minimum Revenue Provision

NBV Net Book Value

NDR Non Domestic Rates

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
SOCITM	Society of Information Technology Mangement
SOLACE	Society of Local Authority Chief Executives
SSAP	Statement of Standard Accounting Practice
UK GAAP	UK General Accepted Accounting Practice

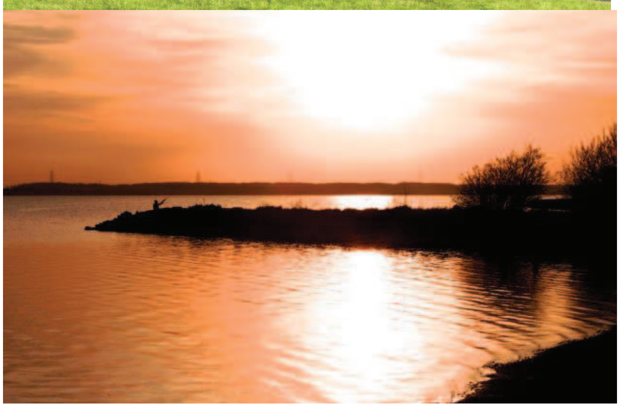
Key to Photographs

Front Cover
(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

Back Cover
(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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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Annual Report of the Panel
Meeting/Date:	Corporate Governance Panel – 25 September 2014
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Internal Audit & Risk Manager
Ward(s) affected:	All Wards

Executive Summary:

The Panel present a formal annual report to the Council on the work that it has undertaken each year. The draft annual report in respect of the year ending September 2014 is attached.

At the time of writing the annual report, the External Auditor's ISA 260 Report had not been received. Within the annual report, under the Section 'Approving the Annual Financial Report 2013/14', there is a paragraph that deals with the External Auditors opinion on the financial statements and achievement of value for money. It will not be known if that paragraph has to be amended until the ISA 260 Report has been received.

To deal with this, it is proposed that the Chairman of the Panel be given delegated authority to approve any changes to the report prior to its submission to Council.

Financial Implications

There are no financial implications arising from this report.

Legal Implications

There are no legal implications arising from this report.

Recommendation:

It is recommended that the Panel:

1. Review the draft annual report and decide what changes , if any, they wish to make;
2. Delegate to the Chairman of the Panel the authority to approve any changes to the report; and
3. Submit the report to the December 2014 Council.

BACKGROUND PAPERS

Corporate Governance Panel minutes and reports.

CONTACT OFFICER

David Harwood. Internal Audit & Risk Manager
Tel No. 01480 388115

Corporate Governance Panel

Chairman’s Annual Report to Council

for the year ending 30 September 2014

Draft for comment

Huntingdonshire
DISTRICT COUNCIL

Introduction by the Chairman of the Corporate Governance Panel

This is the fourth annual report on the work of the Corporate Governance Panel and the first one that I have presented as Chairman of the Panel.

The report is intended to demonstrate to the Districts resident's and other stakeholders the importance of good governance and the contribution the Panel makes to achieving that aim. The Panel's meetings are open to the public and its reports are available on the Council's webpages and I welcome the public's attendance at our meetings.

The report provides an overview of the key issues considered by the Panel during the year ending September 2014. The Panel is of the view that the Council's governance and internal control procedures are generally sound – however everything is not perfect – it is acknowledged that there is room for improvement.

The external auditor, after completing their audit of the 2012/13 Statement of Accounts, issued their Annual Report to the Panel in September 2013. They remarked upon a perceived lack of a 'culture of compliance' in the areas of project management, procurement and contracting. The Panel were aware of control failings in these areas and the external auditors statement re-emphasised to the Panel the need for change. I am glad to be able to report that improvements have been made, although not as quickly as the Panel would have liked.

The Internal Audit & Risk Manager in his annual report, stated that it was his opinion that the Council's internal control environment and systems of internal control as at 31 March 2014 provide limited assurance over key business processes and adequate assurance over financial systems.

Whilst the Council's Annual Financial Report (AFR) is prepared for the year ending March, the key assurance that the Panel provides to the Council is via the Annual Governance Statement. This Statement has to reflect the governance position of the Council at the date when the AFR is approved, which was September 2014.

Changes are being proposed by the Government that will bring forward the approval date from September to July, for the 2017/18 AFR. The Panel will adjust their work schedule to comply with this change, if it is introduced.

I would like to thank all the Members who served on the Panel during the year and those Officers who have supported its work, particularly Mr Colin Meadowcroft (Head of Legal and Democratic Services) and Mr Steve Couper (Assistant Director (Finance & Resources)) who both left the Authority during the year. They both ably supported the work of the Panel since it was formed in 2004.

Councillor Greg Harlock,
Chairman, Corporate Governance Panel
September 2014

Terms of Reference

The Panel's Terms of Reference require it to discharge the functions of the Council in relation to the corporate governance of the Council.

The Terms of Reference in place for the year ending September 2014 are included at the end of this report. They cover the following areas:

- Reviewing the Council's constitution and Code of Corporate Governance
- Approving the Annual Governance Statement and Statement of Accounts
- Considering the effectiveness of risk management arrangements
- Internal and external audit activities, including annual reports and the external auditor's 'charged with governance' report
- Anti-fraud and whistleblowing arrangements
- Feedback and complaints

The Terms of Reference are reviewed annually by the Panel during their own 'effectiveness review' which this year was completed in August 2014.

CIPFA[1] issued revised audit committee guidance in December 2013[2]. The Panel took the opportunity during the effectiveness review to compare their Terms of Reference against those contained within the CIPFA guidance. A number of changes are being proposed and amendments will be submitted to the December 2014 Council meeting for consideration and approval.

Effectiveness

An effective Corporate Governance Panel can bring many benefits, including:

- raising greater awareness of the need for internal control and the implementation of agreed audit recommendations;
- increasing public confidence in the objectivity and fairness of financial and other reporting;
- reinforcing the importance and independence of internal and external audit and other similar review process; and
- providing additional assurance through a process of independent and objective review.

The Panel's work activities have been designed so that they not only provide assurance to the Council and meet the Terms of Reference, but also allow the Panel to make a positive contribution towards maintaining good governance practices across the Council.

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[1] The Chartered Institute of Public Finance & Accountancy
[2] Audit Committees, Practical Guidance for Local Authorities and Police

The Panel met six times during the reporting period.
A brief outline of the main business conducted by the Panel is listed in the table below and on the following pages.

November 2013	January 2014	March 2014	May 2014	July 2014	September 2014
Approved changes to the whistleblowing policy & procedure	Approved the Fraud Prosecution Policy	Noted the measures introduced to support Officer compliance with the Code of Procurement	Considered the outcome of the external peer review of the internal audit service	Discussed with the Managing Director how she intended to improve key control compliance	Approved the 2013/14 annual governance statement
Considered the internal audit review of the job evaluation and pay review process	Noted the outcomes from the 2012 National Fraud Initiative	Reviewed external audit plan for 2013/14	Considered the internal audit annual report and opinion, for the year to March 2014	Approved the 2014/15 internal audit plan	Considered the External Auditors 2013/14 'report to those charged with governance' and action plan
Noted the initiative taken by the Managing Director to 'improve the culture of compliance' by setting up six Officer govern-ance groups	Reviewed delivery of the 2013/14 internal audit plan and issues of concern identified	Noted new audit committee guidance issued by CIPFA	Noted the progress made on introducing issues contained in the 2012/13 annual governance statement	Reviewed the outcome of the effectiveness review of the Licensing Committee/Licensing & Protection Panel	Approved the 2013/14 statement of accounts
	Noted the progress in introducing agreed external audit recommendations	Reviewed the risk register and management of risks	Reviewed external audit 2012/13 grant certification	Noted the Office of Surveillance Commissioner report on the Council's management of covert surveillance activities	Reviewed the risk register and management of risks
	Noted a report on the terminology used in internal audit reports and opinions	Reviewed the employee handbook			
Review annual reports					
• Corporate Business Continuity	• Corporate Fraud Team activity 2012/13 • Whistleblowing concerns received	• Approved changes to accounting policies	• Corporate Fraud Team activity 2013/14		

How effective is the Panel?

The Panel, at the conclusion of their own effectiveness review, considered themselves to be acting effectively and fulfilling their Terms of Reference. The following opportunities to further improve effectiveness were identified:

- The Panel is to develop a work plan so that it can proactively seek assurance upon areas of concern.
- The continued poor performance with the introduction of agreed internal audit actions remains a matter of concern. A report detailing the progress that is being made with the introduction of agreed audit actions is to be presented to each Panel meeting.
- Members of the Panel will be requested to complete a skills assessment to identify training needs.
- The scheduling of Panel meetings is to be reviewed with a view to the Panel meeting two weeks prior to Council. This will allow any recommendations made (on Constitutional or other significant governance issues) by the Panel to be considered by Council in a timely manner.

Whilst the earlier table details the areas considered by the Panel, the significant issues of note are summarised in the following paragraphs.

The overall governance of the Council

Review of the Code of Corporate Governance and the evidence that supports how the Council is delivering against it.	The Panel continue to take a pro-active role. The information and evidence statements prepared by Officers that show how the Council is performing against its key governance aims and principles are robustly challenged. This approach is in line with best practice and ensures that any significant issues for inclusion in the Annual Governance Statement are discussed and agreed with the Panel before the first draft of the Statement is prepared.
Approving the Annual Governance Statement on behalf of the Council.	The 2013 Annual Governance Statement (AGS) was radically different in content and design than that of previous years. The 2014 AGS has been written in a similar style. The approach the Panel took in writing a Statement that is at a high level, strategic and in an open and readable style has been recognised by CIPFA. The Internal Audit & Risk Manager was invited to two of their training events to outline the approach the Panel takes to preparing the AGS. The Panel believe that it is important that our stakeholders understand the Council's governance structures and have introduced into the 2014 AGS a 'timeline' that provides brief details of significant governance changes that have been made during the year.

Significant governance issues included in the 2013/14 Annual Governance Statement:

~ Explain the Council vision

~ Develop the performance 'golden thread'*

~ Review partnership commitments*

~ Comply with procurement rules

In noting the progress that had been made in delivering the six significant governance issues identified in the 2012/13 AGS, the Panel noted that two* of the six issues had not been fully addressed. As they remained outstanding they have been included in the 2013/14 Statement.

Following concerns that the Panel had with Officer's non-compliance with the Code of Procurement, they recommended to the Council in November 2013 a number of changes to the Code of Procurement to enforce Officer compliance.

In March 2014 the Procurement Manager updated the Panel on the measures that had been taken and were planned to be taken to reinforce the message to Officer's that they must comply with the Code of Procurement. Whilst there have been no major non-compliance issues identified during the year, the Panel consider that reinforcing compliance with the Code of Procurement should remain a significant governance issue for 2013/14.

Approving the Annual Financial Report 2013/14

Unqualified financial statement and value for money opinion issued by the external auditor.
(This paragraph may be subject to change).

The 2013/14 financial report was externally audited and approved prior to the statutory deadline of 30 September 2014. The external auditors issued both an unqualified value for money and financial statement opinion.

Panel are concerned that they don't have sufficient opportunity to review and challenge the annual financial report.

Changes introduced by the Accounts & Audit Regulations 2011 removed the statutory requirement for the Panel to approve the financial statements prior to them being externally audited. Both the 2012/13 and 2013/14 'financial accounts' were therefore not presented to the Panel until its September meeting and only a matter of days before the statutory deadline for their approval. This gave the Panel little time to discharge their terms of reference responsibilities.

The Panel has requested the Responsible Financial Officer to provide it with an Annual Report to evidence the arrangements that are in place across the Council to support the achievement of Value for Money (VfM).

The Council has a responsibility to deliver its services economically, efficiently and effectively. It does not have a specific framework/strategy that outlines how this will be achieved. A lot of information on how VfM is being delivered is available, but not collated or reviewed by Members. Providing a formal report to the Panel (and possibly other Member forums) will allow the Panel to form a view as to the effectiveness of the arrangements for ensuring VfM is being achieved.

Internal audit plan and annual opinion

The annual opinion of the Internal Audit & Risk Manager as at 31 March 2014 was that the Council's internal control environment and systems of internal control as at 31 March 2014 provided *limited assurance* over key business processes and *adequate assurance* over financial systems.

The Panel were disappointed that for the second consecutive year, a limited opinion was given over key business processes.

At the time they considered the annual audit report (May 2014) Panel noted that little progress had been made in the areas of project management (a PM toolkit was launched in June 2014) and within overall establishment control and that nine "limited" and one "little" assurance audit reports had been issued.

The Panel are concerned that the Facing the Future programme and the need to drive out savings and efficiencies may lead to increasing numbers of internal audit reports being issued that are in the 'limited' or 'little' categories.

Consistently poor performance in introducing on time, agreed audit actions.

Panel have continued to express concern and disappointment at the low number of agreed audit actions that were introduced on time and called for improved management control and oversight to reduce the number of internal audit reviews with poor assurance opinions. The Managing Director attended the July 2014 Panel meeting to specifically deal with both of these points. She assured the Panel that a culture of compliance was being promoted throughout the authority. The implementation of agreed audit actions would be a priority for the Management Team

The Panel have considered how they could exert influence over the area of audit actions, and have decided to consider at each future meeting, commencing November 2014, the current performance achieved.

The Internal Audit Service were subject to an external, independent peer review in March 2014. The review concluded that Internal Audit is effective in delivering:

~ credible assurance
~ improved management of risks

The Internal Audit Service are required by Regulation to review how effectively they work each year. After considering the 2011 review the Panel requested that an external peer review of the service be conducted.

Identifying a person to undertake the peer review has been challenging. The cost of using the professional bodies or accountancy

~ improved corporate governance arrangements and

~ support to the achievement of corporate objectives.

(Commissioning an independent review of internal audit was identified as a development issue in last year's report).

firms were too high. In September 2012, Mr Richard Gaughran, the Head of the Welland Internal Audit Consortium agreed to undertake the review at no cost to the Council. Due to other commitments, Mr Gaughran was not able to undertake the review until March 2014. In the intervening years, the Internal Audit & Risk Manager continued to undertake a self-assessment review.

The Panel are pleased with the outcome of the review; which showed that the internal audit service is effective.

Approving the internal audit work plan

The Panel approved the internal audit plan for 2013/14 in July 2014, some 4 months into the current financial year. The Panel agreed to this delay due to the impact of the senior management re-structure and the uncertainty surrounding proposals for the sharing of a number of services. The audit plan that was approved included these areas.

Countering fraud and the work of the Corporate Fraud Team

The Panel's fraud working group has continued to meet and gained a fuller understanding of the fraud risks faced by the authority and the action that is being taken to counter them.

The fraud sub-group has continued to meet regularly.

In May 2014 the Panel considered the 2013/14 annual report of the corporate fraud team. This showed that during the year the team had received 1,070 allegations of fraud, investigated 330 cases and identified fraud with a value of £444,000. It prosecuted 28 of the most serious cases and a further 34 individuals were cautioned or fined. It also worked with registered social landlords to recover 11 social housing properties that were being used unlawfully.

Developing data warehousing and localised data matching that resulted in over £300,000 of new homes bonus being identified and claimed.

Amongst District Council's the Corporate Fraud Team is leading the way in the use of data warehousing and data matching. An initiative that is wholeheartedly supported by the Panel.

During 2013/14 a one off data matching exercise was undertaken that resulted in a large number of potential frauds or discrepancies being identified across a number of service areas. The most noticeable of these, in terms of financial rewards, was the identification of 34 long term empty properties that were in occupation raising over £300,000 in new home bonus

The Corporate Fraud Team won the innovation category in the National Fraud Authority, Fighting Fraud Awards 2013.	In early 2013 the Council received funding from both the Local Government Association and the Department for Communities and Local Government to establish a County wide fraud-hub based upon the data-warehousing principles. This initiative has been supported by the Panel and has already uncovered additional fraud and error. The innovative work that is being undertaken was recognised through the Fighting Fraud Awards. The Audit Commission have also included, within their 2013 'Protecting the Public Purse' report, the work that the fraud team have undertaken on tenancy fraud and data-matching as an example of good practice.
Investigating the creation of a shared fraud service	Due to the successful and innovative work that the fraud team has carried out, it has been approached be a number of neighbouring authorities to create a shared fraud service. Again the fraud working group has been kept informed of these developments and been consulted regularly about how such a service would operate and its impact upon the authority.
Updating the whistleblowing policy and guidance.	In December 2012, the Panel reviewed the Council's whistleblowing policy and guidance to ensure it remained fit for purpose. Changes were made to reflect legislative changes arisen from the Enterprise and Regulatory Reform Act 2013. A 'protected disclosure' is now recognised by the Council as one that is made 'in the public interest'.
Fraud e-learning course to be made available to all employees. *(Launching the fraud course was identified as a development issue in last year's report).*	A fraud and corruption awareness e-learning course devised by the National Fraud Authority and Deloitte's was uploaded onto the Council's e-Learning system. The e-learning course will help to raise staff awareness of fraud risks and gives advice on how to identify and report suspected incidences of fraud.

Reviewing the Constitution

The November 2013 Council meeting adopted the recommendations of the Panel and introduced a number of changes to the Code of Procurement to reduce the	The Panel is responsible for proposing to Council, changes to the Council's Constitution. In previous years Panel have undertaken a review of the Constitution towards the end of

opportunity for contractors to influence the tendering process.	each financial year so allowing changes to be considered by Council and adopted from the start of the municipal year. During the year to September 2014, four reviews have been undertaken of various aspects of the Constitution. The Panel wish to revert to an annual review, only having to recommend changes to Council in exceptional circumstances. One such exceptional case arose in November 2013 when Panel considered that urgent changes to the Code of Procurement were required to reduce the opportunity for contractors to influence the tendering process. The Panel, also made a number of recommendations to the Council in respect to the Constitution. These included: • Removing independent co-opted members of the public from the Overview & Scrutiny Panels and introducing 'one-off' experts to assist with specific reviews. • Allowing photography, broadcasting or recording of public meetings. • Changes to improve the management of Council meetings and the Members Allowances Scheme. • Transferring the following functions from the Panel to the Standards Committee: Determining and monitoring compliance with the Council's feedback procedure and compensation payments; and Considering the reports of the Local Government Ombudsman.
Removal of the Employee Code of Conduct from the Constitution and introducing an Employee Handbook. *(Introducing the employee handbook was identified as a development issue in last year's report).*	One of the major initiatives progressed by the Panel in recent years has seen the introduction of an Employee Handbook. The Handbook, which is not a part of the Constitution, contains a code of ethics based around the Seven Principles of Public Life (the Nolan Principles) and describes the standards, attitudes and behaviours expected from all employees. The Managing Director is responsible for keeping the Handbook up-to-date and ensuring that all employees receive a copy and understand its contents. The Employment Panel have taken over the responsibility for the oversight of the Handbook's contents.

The management of risk

Cabinet have taken over responsibility for the approval of the risk management strategy. The Panel are to continue to concentrate on ensuring there are effective arrangements for the management of risk.

During the year, the Council agreed that responsibility for approving the Council's risk management strategy should move away from the Panel and become the responsibility of the Cabinet. The Cabinet approved the risk management strategy in July 2014 and appointed a Member risk management champion.

The Panel received reports in March and September 2014 that detailed the changes to the risk register in the previous six month periods and the level of assurance that management were providing on the operation of controls that mitigated inherent risks. This information supports both the annual governance and statutory reporting processes.

The areas referred to above deal with the core business of the Panel. A number of reports and other issues were also considered during the year that had a direct impact upon governance systems and processes across the Council. The most significant of these were:

Considering the outcome of the **effectiveness review** of the **Licensing Committee** and **Licensing & Protection Panel**. The Panel noted that both the Committee and Panel were generally acting effectively.

Introduction of an Officer led Governance Board and supporting Working Groups. Responding to the external auditor's statement about the perceived lack of a 'culture of compliance', the Managing Director informed the Panel in November 2013, that six governance groups were to be set up, reporting directly to a Governance Board. These groups would be responsible for raising awareness of the importance of good governance across the Council, in the areas of:

Risk	Project Management
Customers	Culture and Compliance
Finance	Procurement

With regard to the progress of the new Governance Boards, Members were assured that they and the Overview and Scrutiny Panels would be kept informed of their progress.

Future Developments

The Panel wish to continue to build upon the solid governance processes and procedures that are in place across the Council. In addition to the opportunities for improvement that are listed earlier in the report, there are other developments planned.

Introducing an assurance framework to improve the information gathering process for the annual governance statement.

Undertake an effectiveness review of the S106 Agreement Advisory Group.

Appendix A

Corporate Governance Panel
Terms of Reference approved by Council 30 April 2014

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

The Panel supports the Council and Managing Director by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements. It provides this support by:

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.

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 charter;
   - approving 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, statement of accounts, and considering any matters arising from the audit.

FRAUD AND CORRUPTION

9. Reviewing and monitoring the policy, procedure and arrangements for investigating disclosures under the Public Interests Disclosure Act 1998 (whistleblowing).
10. Monitoring the Anti-Fraud and Corruption Strategy and receive annual updates on countering fraud.

ANNUAL REPORT

11. Reviewing and monitoring the policy, procedure and arrangements for 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:

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

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	**Review of the Effectiveness of the Corporate Governance Panel**
Meeting/Date:	**Corporate Governance Panel – 25 September 2014**
Executive Portfolio:	**Resources: Councillor J A Gray**
Report by:	**Internal Audit & Risk Manager**
Ward(s) affected:	**All Wards**

Executive Summary

All members of the Panel were invited to a meeting on the 26 August to participate in the review of their own effectiveness. Councillor’s E Butler, G Harlock and R West attended. After undertaking the review 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. A number of changes are required to the Panel’s terms of reference (see Appendix 1) to take into account the audit committee guidance issued by CIPFA in December 2013. The most significant changes are:
    a. Formalising the responsibility to review the arrangements for securing value for money;
    b. Building upon the functional reporting role of the Panel by requiring to be formally consulted on proposals for the appointment of external providers of internal audit services;
    c. Considering the governance arrangements within any shared service; and
    d. Formalising the initiative introduced last year to meet privately with the external auditor when it is considered necessary.

2. The progress report that is considered at each Panel meeting should be amended to show the actions that have been completed in the previous year. This will allow Panel to refer back to previously agreed actions and if necessary, request update reports to assure themselves that the issues identified have been actioned.

3. A report detailing the progress that is being made with the introduction of agreed audit actions should be presented to each Panel meeting, starting November 2014. The 2015 effectiveness review will consider if the report should continue to be received.

4. The Panel is still largely reactive, rather than proactive in seeking assurance upon key governance areas. So that they can gain assurance upon areas of

concern, the Panel (either individually or collectively) should contribute more to the development of the internal audit plan.

5. The dates of the Panel meetings should be reviewed and where possible, after taking into account statutory reporting dates, be timetabled so that they are held two weeks prior to Council meetings.

Last year's review recommended that Panel Members should undertake a skills assessment and that a formal induction training plan for new Panel Members should be devised. Neither has been introduced. Both areas have been included in the action plan (Appendix 2) that has been prepared to address the issues noted in the report.

Issues for consideration by the Panel

When undertaking the review, there were two matters identified that it was felt appropriate to refer to the Panel for further consideration. These are:

6. Improving the effectiveness of Members; and
7. The Panel receiving the draft Annual Financial Report prior to audit.

Financial implications

If any decisions are taken that require external consultants to be appointed, the costs and budget will have to be identified. There are no other financial implications.

Legal implications

There are no legal implications arising from the report.

Recommendations:

It is recommended that the Panel:

1. Note the results of the outcome of the review of the effectiveness of the Panel;

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

3. Note and endorse the opportunities that have been identified to further improve effectiveness as contained in the Executive Summary (points 2, 3, 4 and 5) and Action Plan (Appendix 2); and

4. Determine what action, if any, they wish take in respect of points 6 and 7.

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 six of the last seven years. This report summarises the outcome of the review of the effectiveness of the Panel, undertaken on 26 August 2014.

1.2 The Internal Audit & Risk 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 have been compiled over a number of years and 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. This year’s review has also taken into account the CIPFA audit committee guidance issued in December 2013. The review considered 74 questions together with a range of supplementary information.

2. OUTCOME OF THE REVIEW

2.1 The Members who attended the review meeting were 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, it was the view of the meeting 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 of the Panel were identified. These are listed below.

Issue	Changes proposed
a. The terms of reference of the Panel need to be amended to take into account a number of areas that are included within the CIPFA suggested terms of reference for an audit committee, as contained in the publication ‘Audit Committees: Practical Guidance for Local Authorities and Police 2013’.	The changes proposed are listed in full in Appendix 1.

Issue	Changes proposed
b. During the review a comparison was made between the actions agreed by the Panel and the information subsequently included in the Progress Report. It was discovered that two recommendations arising from a report on improving internal controls from September 2013 were not carried forward from one Progress Report to another and subsequently the agreed recommendations have not been introduced.	The Progress Report considered at each Panel meeting should be amended to show both the outstanding actions and a summary of the actions that have been completed during the previous 12 months. This will allow Panel to refer back to previously agreed actions and if necessary, request update reports to assure themselves that the issues identified have been properly addressed.
c. The continued poor performance with the introduction of agreed internal audit actions remains a matter of concern. Whilst the Managing Director has reported to the Panel that delivery of the actions would be priority for the new Management Team, the Panel need to take positive action to support them in improving performance.	A report detailing the progress that is being made with the introduction of agreed audit actions should be presented to each Panel meeting, starting November 2014. (The report will support the Panel's decision of May 2014, that the relevant Corporate Director attend the Panel to explain the reasons for the non-introduction of agreed actions). The 2015 effectiveness review to consider if the progress made is sufficient and whether the report should continue to be received.
d. The Panel is still largely reactive, rather than proactive in seeking assurance upon key governance issues. The initiative introduced in 2012 of commissioning reviews has not continued.	The Panel Members currently have the opportunity to contribute to the preparation of the Internal Audit plan. More should be made of this and governance areas of concern discussed with the Internal Audit & Risk Manager. Areas identified for inclusion in future audit plans were: i. The operation of the scheme of delegation; ii. Public communication is undertaken in a meaningful way on service performance, finances and governance arrangements; iii. Service risks arising from the Facing the Future programme are being identified and properly managed; and iv. The Officer Governance Board and Working Groups are improving governance, risk and internal control arrangements across the Council.

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Issue	Changes proposed
e. The current timetable of meetings is such that the Panel, on average, meets some 30 days prior to full Council. Following the Council decision to not meet in November, it will be over 80 days before issues considered at the September Panel meeting (Annual Financial Report, Annual Governance Statement, Annual report on the work of the Panel) are referred to Council.	The dates of the Panel meetings should be reviewed and where possible, after taking into account statutory reporting dates, be timetabled so that they are held two weeks prior to Council meetings to allow recommendations and issues to be reported in a timely manner.

3. OTHER AREAS FOR CONSIDERATION

Evaluating Member effectiveness

3.1 The meeting had a wide ranging discussion on how Panel Members skills and experience could be effectively identified and assessed and what procedures were in place to improve the performance of Members (both of those who sit on the Panel and across the Council). Unlike employees, Members performance is not routinely appraised or evaluated. A small number of Members have personal development plans.

3.2 Within the private sector, it is considered ‘best practice that the performance of the board as a whole, of its committees and of its members, is evaluated at least once a year’ (Higgs Review 2003). Given the responsibilities of Members to ensure that the Council is working effectively and that Cabinet in particular have even greater responsibilities for financial and human resources, the review group wished the Panel to consider whether it should support the evaluation of Member performance; and if so, suggests that the matter is referred to the Member Development Panel for further consideration.

Draft Annual Financial Report

3.3 The Accounts and Audit Regulations 2011 removed the requirement that the Annual Financial Report (statement of accounts) had to be formally approved by Members before the 30 June immediately following the end of the financial year. The Annual Financial Report for 2012/13 was therefore only presented to the September 2013 Panel meeting and the 2013/14 Report will be presented to this meeting.

3.4 Notwithstanding the statutory requirements, the review meeting discussed the advantages and disadvantages in receiving draft accounts prior to audit and whether only receiving them after audit, in September, was sufficient to allow the Panel to discharge their governance responsibilities.

3.5 The review group felt that the Panel as a whole should consider this matter. This would also give the Panel the opportunity to hear the views of the Responsible Financial Officer and External Audit.

4. ACTIONS AGREED FROM THE 2013 REVIEW

4.1 There were seven actions agreed as a result of the 2013 review. Five have been introduced:

Agreed Action	Action Taken
The approval of the risk management strategy should become a responsibility of the Cabinet.	Change to terms of reference agreed by Council in November 2013.
The Panel's terms of reference be amended.	Change to terms of reference agreed by Council in November 2013.
The terminology associated with individual and annual audit assurance opinions and risk register control assurance statements to be explained.	Report presented to Panel in January 2014.
Internal audit reports are circulated to Panel members.	Reports emailed in September 2013 and then on a quarterly basis.
The Panel to prepare a formal annual report.	Presented to Council in November 2013.

4.2 The two outstanding actions both relate to the identification of skills and training needs of Panel Members and are listed below. They have both been included in the action plan arising from this review.

Agreed Action
Members of the Panel to complete a skills assessment to identify training needs.
A formal induction training plan should be developed. The training plan be delivered to Members within 3 months of their appointment to the Panel.

5. TIMETABLE FOR IMPLEMENTATION

5.1 Appendix 2 contains an action plan based upon the outcome of the review. A report will be presented to Panel in March 2015 outlining the progress that has been made.

LIST OF APPENDICES INCLUDED

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

BACKGROUND PAPERS

Notes of 26 August 2014 meeting, effectiveness of the Corporate Governance Panel.

CONTACT OFFICER

David Harwood. Internal Audit & Risk Manager
Tel No. 01480 388115

Appendix 1

Corporate Governance Panel
Proposed Terms of Reference

The Corporate Governance Panel ~~To~~ discharges the functions of the Council in relation to ~~the C~~ corporate ~~G~~ governance matters ~~of the Council~~ and acts as ~~to be~~ the Council's "Audit" Committee.

The Panel supports the Council and Managing Director by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements. It provides this support ~~by~~ across the following areas:

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. Review the effectiveness of the governance arrangements within any outsourced and/or shared service.
4. To consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
5. Review and approve ~~Approving~~ the annual governance statement and reviewing the achievement of any outstanding improvements.
6. Considering proposals to change the Council's Constitutional arrangements and making appropriate recommendations to the Council.

RISK MANAGEMENT

7. Ensuring there are effective arrangements for the management of risk across the Council.

INTERNAL AUDIT

8. Ensuring there are effective arrangements for the system of internal audit of the Council including:
    - reviewing and approving the internal audit charter;
    - approving internal audit plans, significant changes to the plan and/or its resourcing requirements and receiving the internal audit annual (and interim) report~~s~~ on progress in delivery;
    - monitoring the introduction of agreed audit actions;
    - considering upon request, specific internal audit reports;
    - ~~considering a regular review of its effectiveness~~ annually reviewing internal audit effectiveness including contributing to the quality assurance and improvement programme and the external review.

9. To be consulted by the Responsible Financial Officer on proposals for the appointment of external providers of internal audit services and/or shared internal audit services.

EXTERNAL AUDIT

10. Receiving and considering external audit reports including the adequacy of management response to issues identified; meeting privately with external audit when necessary.

FINAL ACCOUNTS

11. Approving the accounting policies, statement of accounts, and considering any matters arising from the audit.

Corporate Governance Panel
Proposed Terms of Reference

FRAUD AND CORRUPTION

12. Reviewing and monitoring the policy, procedure and arrangements for investigating disclosures under the Public Interests Disclosure Act 1998 (whistleblowing).
13. Monitoring the Anti-Fraud and Corruption Strategy and receive annual updates on countering fraud.

ANNUAL REPORT

14 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:

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

End

Appendix 2

Corporate Governance Panel
Action Plan arising from 2014 effectiveness review

Ref	Issue	Action Proposed	To be completed by
1	The Panel's terms of reference to be amended as set out in Appendix 1.	Amending the terms of reference of the Corporate Governance Panel.	Report to be presented to Council in December 2014.
2	The Progress Report is amended to show those actions that have been completed in the previous year as well as those that are due.	The Democratic Services Manager amends the format of the Progress Report.	The 26 November 2014 Panel meeting.
3	A report detailing the progress that is being made with the introduction of agreed audit actions should be presented to each Panel meeting.	The Internal Audit & Risk Manager reports progress to the Corporate Governance Panel.	The 26 November 2014 Panel meeting.
4	The Panel is still largely reactive, rather than proactive in seeking assurance upon key governance areas. The Panel should contribute more to the development of the internal audit plan.	In addition to requesting Panel Members input, (prior to preparing the audit plan) the Internal Audit & Risk Manager should meet with the Chairman of the Panel to discuss/identify any specific areas of governance concern.	March 2015..
5	Panel meetings be timetabled (after taking into account statutory reporting dates) so that they are held two weeks prior to Council meetings.	Request the Democratic Services Manager to consider changing the Panel's meeting dates for the 2015/16 municipal year and onwards.	May 2015.
6	Members of the Panel to complete a skills assessment to identify training needs.	The Head of Resources to circulate to Panel a skills assessment questionnaire based upon the CIPFA knowledge & skills framework.	December 2014.
7	A formal induction training plan should be developed. The training plan to be delivered to Members within 3 months of their appointment to the Panel.	The Head of Resources to develop a training plan that covers the areas outlined in the terms of reference.	April 2015.
8	The two recommendations arising from the report on improving internal controls (September 2013) are introduced. 1. Introduce a procurement strategy; and 2. The Council becomes a signatory to the Prompt Payment Code.	The Head of Resources ensures that the two outstanding recommendations are introduced.	1. March 2015 2. March 2015

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Agenda Item 7

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Risk Register Update
Meeting/Date:	Corporate Governance Panel – 25 September 2014
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Internal Audit & Risk 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, 12 March 2014 to 1 September 2014.

There have been no risks added or deleted from the register in the period.

415 controls are recorded in the register in respect of 155 individual risk entries.

90% of the controls have been assessed by management to be either at the substantial or adequate level.

57% 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.

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 2014 meeting. No new risks have been added to the register or been deleted in the reporting period. The full risk register is available on the risk management intranet site.

2. CURRENT REGISTER

2.1 There are four 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 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. No risk option forms have been presented to Cabinet since the Panel last met in March 2014.

2.3 Responsibility for the completion of the risk options forms rests with Heads of Service. Following the senior management re-structure, all of these post-holders are now employed by the Council. The Internal Audit & Risk Manager intends to meet with each Head of Service, to provide training on the risk register software and explain to them the Council’s approach to identifying and mitigating significant risks. Following these meetings, they will prepare risk option forms in respect of very high residual risks.

2.4 With the introduction of the Corporate Plan in April 2014, work is underway to allocate risks to the new themes and aims. It is expected that this will be completed over the next few weeks. Risks contained in the register currently reflect Growing Success, the previous Corporate Plan.

2.5 The report that the Panel will receive in February 2015 will be aligned to the new Corporate Plan. Whilst it would be possible to prepare a reconciliation showing how the risks have moved between the respective Corporate Plan themes and aims it is proposed that this is not done, but simply presented as aligned to the current Corporate Plan. Information in respect of new and deleted risks will be reported to the Panel as normal.

3. CONTROLS ASSURANCE

3.1 430 controls were recorded in the register as at 1 September 2014 in respect of 155 individual risk entries.

The levels of assurance are as follows:

No of Controls	Assurance Level			
	Substantial	**Adequate**	**Limited**	**None**
430	260	127	37	6
	60%	30%	9%	1%

3.2 57% of the assurances have been updated in the past six months (33% at March 2014). 6% of assurances are more than twelve months old (1% at March 2014).

4. KEY IMPACTS/RISKS

4.1 The significant service risks that have the potential to affect the delivery of the Corporate Plan need to be identified, controlled and monitored. If this process does not take place, there is the possibility that the desired outcomes within the Corporate Plan will not be achieved. Maintaining an adequate and effective risk register and risk management process is a key management control.

4.2 As the risk register has become more robust, the Internal Audit Service have been able to place greater reliance on its content for annual audit planning purposes. This in turn has allowed them to undertake audit reviews on the Council's significant risks, reviewing and challenging both the controls listed and the controls assurance ratings. If the risk register is not maintained by Heads of Service then its value to internal audit will diminish as will the overall assurance that internal audit provides to both Heads of Service and the Corporate Governance Panel on the effectiveness of the risk management process.

5. LEGAL IMPLICATIONS

(Comments from the Head of Legal & Democratic Services)

5.1 There are no legal implications arising from this report.

6. RESOURCE IMPLICATIONS

(Comments from the Head of Resources)

6. 1 There are no financial implications arising from this report.

7. LIST OF APPENDICES INCLUDED

Appendix

1	Risk matrix – inherent to residual scoring: Corporate risks
2	: Operational risks
3	Assurance on controls for very high inherent risks
4	Risks with controls that are not working effectively
5	Risk assessment model from risk management strategy

BACKGROUND PAPERS

Risk register

CONTACT OFFICER

David Harwood. Internal Audit & Risk Manager
Tel No. 01480 388115

Corporate Risks

Appendix 1

Inherent Risks before controls

September 2014

Likelihood					
5			1	1	1
4			6	4	4
3			6	6	2
2					
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 2014

Likelihood					
5					
4			6		3 a
3		3	3	2	1 b
2		1	9	2	1 c
1					
Impact	1	2	3	4	5

total **31**

+0

March 2014

Likelihood					
5					
4			5		3
3		3	4	2	2
2			9	2	1
1					
Impact	1	2	3	4	5

total **31**

	'Very High' Residual Risks	Sept 2013	Mar 2014	Accepted by Cabinet
		Likelihood X Impact		
130 a	Reducing Govt. financial support	**4 / 5**	**4 / 5**	July 2012
237 a	Affordable new homes	4 / 5	**4 / 5**	Dec 2012
248 a	Failure to achieve financial savings	**4 / 5**	**4 / 5**	----
239 b	Town Centre redevelopment	**3 / 5**	**3 / 5**	----
47 c	Investment decisions not appropriate	**2 / 5**	**2 / 5**	July 2012

Corporate

Appendix 2

Operational Risks

Inherent Risks
before controls
September 2014

Likelihood					
5		3	6	3	2
4		6	19	11	3
3	1	7	26	18	5
2		4	4	3	2
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 2014

Likelihood					
5					
4	1	4	9	1 [a]	
3	3	12	11	3	1 [b]
2	1	22	35	9	2 [c]
1		2	5	2	1
Impact	1	2	3	4	5

total
124

+0

March 2014

Likelihood					
5					
4	1	4	9		
3	3	12	11	4	1
2	1	22	35	9	2
1		2	5	2	1
Impact	1	2	3	4	5

Total
124

		'Very High' Residual Risks	Sept 2013	Mar 2014	Accepted by Cabinet
		Likelihood X Impact			
243	a	Failure to deliver savings via MAC	4 / 4	4 / 4	----
241	b	Reduced retained business rates	3 / 5	3 / 5	----
15	c	ICT security is breached	2 / 5	2 / 5	July 2012
58	c	Information or data is lost	2 / 5	2 / 5	July 2012

Operational

Assurance Details

Corporate Objective	Risk No	Inherent Risk	No of Controls	Residual Risk	Assurance Level: Substantial	Adequate	Limited	None		Area of Panel Assurance [1]	Assurance shortfall	Risk Type: Corporate	Operational
Enable sustainable growth													
Failure to deliver environmental policy/strategy	30		4				4			a		✓	
Partnerships are not effective	74		1				1			j	X	✓	
Increasing insurance premiums	126		3		1		2			f			✓
Climate change strategy	146		2					2		a	X	✓	
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													
Reduced CCTV service	230		1		1					a			✓
Delays to Huntingdon town centre development	239		1			1				a		✓	
Reduction in Govt DFG funding	254		1			1				a			✓
Improve communications (internal)													
Service recovery/business continuity ineffective	6		5		4	1				g			✓
Unencrypted data is sent externally	122		4		2	2				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		1	3	1			g			✓
Ineffective site security	32		3		2	1				g			✓
Staffing capacity: deadlines not met	49		4		4					a			✓
Information or data is lost	58		4			4				g			✓
Fraud occurs	75		6		1	4	1			g			✓
Theft	140		4		4					g			✓
Loss of access/structure: Pathfinder House	145		3		2	1				g			✓
Government Connect secure network	163		1			1				c			✓
Power loss to main IT servers	177		6		4	1	1			f			✓

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

Assurance Details

Appendix 3

Corporate Objective	Risk No	Inherent Risk	No of Controls	Residual Risk	Assurance Level					Area of Panel Assurance [1]	Assurance shortfall	Risk Type	
					Substantial	Adequate	Limited	None				Corporate	Operational
Sensitive HB info e-sent via insecurely means	191		1		1					g			✓
Loss of vehicle fleet operating licence	192		3		2	1				a			✓
Breach of Data Protection Act	217		5		4		1			c			✓
Loss of use of admin buildings	229		3		2		1			g			✓
IT staff capacity issues	244		2			2				g			✓
Desktop PC's are not supported	250		1			1				g		✓	
Inappropriate social media activity	251		1			1				g		✓	
Individual electoral registration	256		1			1				c		✓	
Increasing staff absence	73		4		2	2				a		✓	
To learn and develop (internal)													
Council does not invest in or develop staff	2		4		2	2				a		✓	
Staff absence through injury	14		6			3	3			g			✓
Serious injury or death of customers or staff	16		5			3	2			g			✓
Bailiff contract (Health & Safety)	31		3		3					f			✓
To maintain sound finances (internal)													
Budget estimates are inaccurate	24		5		1	4				d			✓
Investment decisions not appropriate	47		4		1	3				d		✓	
Project management ineffective	48		3		1	1	1			e			✓
Failure to achieve financial savings	130		2			1	1			d		✓	
S106 Agreements are not monitored	208		3			2	1			e			✓
MMI liabilities	223		1			1				d			✓
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	X	✓	

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 Assurance Shortfall

Appendix 4

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. *Note: The AGS includes as a significant issues, the requirement to review partnership commitments.*
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.
Chief Officers' Management Team					
248	Non achievement of savings leading to other savings needing to be found at short notice	**Very High**	**Very High**	Limited	The savings plan (which is required to be a realistic expectation of savings to be achieved or exceeded) has not yet been agreed.

Appendix 5

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

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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 – 25 September 2014
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Internal Audit & Risk Manager
Ward(s) affected:	All Wards

Executive Summary
The anticipated work programme for the Panel for the next year is shown at Appendix 1. This is based upon the Panel's current terms of reference.

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.

The formal Panel training day was held on Thursday 11 September. 3 Members of the Panel attended. In total there were 25 delegates (13 Members and 12 Officers). Feedback suggests that the day was a success.

Financial implications
Training can be provided by appropriate officers, external audit or external trainers (subject to budgetary constraints).

Recommendation
It is recommended that the Panel consider:
a) what training they wish to receive prior to the November meeting; and
b) any training needs identified from the formal Panel training day.

Background papers
None

Contact Officer
David Harwood. Internal Audit & Risk Manager
Tel No. 01480 388115

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Appendix 1

Anticipated Work Programme

November 2014

Whistleblowing : policy review & investigations
Whistleblowing concerns received
Annual reports – Freedom of Information
– Business Continuity Planning
Internal Audit interim progress report

January 2015

Progress on introducing external audit recommendations
External Audit: Grant certification
Review of the anti-fraud & corruption strategy

March 2015

Review of Council constitution incl.
- Code of financial management
- Code of procurement
- Employee code of conduct

Internal Audit Plan
External Audit: Audit plan and grant claims
Risk register review
Progress on issues raised in the Annual Governance Statement

May 2015

Review of the internal audit service
Internal audit annual report & opinion
Corporate Fraud Team investigation activity
Corporate Board and assurance mapping

July 2015

Preparing the Annual Governance Statement
Effectiveness review of Licensing Committee
Internal Audit Plan

September 2015

Approval of the statement of accounts
Approval of the Annual Governance Statement
External audit – ISA 260 report
Effectiveness of the Panel
Risk register review

In addition to the items listed above, reports may be submitted on an ad-hoc basis on

Accounting policies	National Fraud Initiative
External audit recommendations	Effectiveness reviews of Panels/Committees
Constitutional matters	Other governance matters (e.g. equality)
Money laundering and bribery	

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By virtue of paragraph(s) 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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