A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in **CIVIC SUITE 0.1A, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN** on **WEDNESDAY, 16 SEPTEMBER 2015** at **7:00 PM** and you are requested to attend for the transaction of the following business:-

Contact (01480)

APOLOGIES

1. MINUTES (Pages 5 - 12)

To approve as a correct record the Minutes of the meeting held on 15th July 2015. **M Sage 388169**

2. MEMBERS' INTERESTS

To receive from Members declarations as to disclosable pecuniary and other interests in relation to any Agenda Item.

3. CORPORATE GOVERNANCE PANEL PROGRESS REPORT (Pages 13 - 16)

To receive the Corporate Governance Panel Progress Report. **M Sage 388169**

4. APPROVAL FOR PUBLICATION OF THE 2014/2015 ANNUAL GOVERNANCE STATEMENT AND THE ANNUAL FINANCIAL REPORT (Pages 17 - 194)

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. CHANGE IN EXTERNAL AUDITOR AND AUDIT FEES 2015/16 (Pages 195 - 204)

To receive a report by the Head of Resources regarding a change to the External Auditor and the Audit Fees for 2015/16. **C Mason 388157**

6. IMPLEMENTATION OF AGREED AUDIT ACTIONS (Pages 205 - 214)

To consider a report by the Internal Audit and Risk Manager providing performance information regarding the implementation of internal audit actions for the year ending 31st August 2015. **D Harwood 388115**

7. REVIEW OF THE EFFECTIVENESS OF THE CORPORATE GOVERNANCE PANEL (Pages 215 - 224)

To consider a report by the Internal Audit and Risk Manager detailing the outcome of the annual review of the effectiveness of the Corporate Governance Panel.

D Harwood 388115

8. ANNUAL REPORT OF THE PANEL (Pages 225 - 240)

To consider the Annual Report to the Council in respect of the year ending September 2015 on the work that has been undertaken by the Corporate Governance Panel.

D Harwood 388115

9. CONSULTATION PAPER - DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT: A FRAMEWORK (Pages 241 - 250)

To receive a report by the Internal Audit and Risk Manager on the consultation paper and the proposed response from the Council.

D Harwood 388115

10. WORK PROGRAMME AND TRAINING (Pages 251 - 254)

To consider a report by the Internal Audit and Risk Manager regarding the Panel's Work Programme and to decide what training the Panel would like in preparation for the next or future agendas.

D Harwood 388115

Dated this 9 day of September 2015

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 Melanie Sage, Democratic Services Team, Tel No. 01480 388169/e-mail Melanie.Sage@huntingdonshire.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Committee/Panel.

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

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

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

If you would like a translation of Agenda/Minutes/Reports or would like a large text version or an audio version please contact the Elections & 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, 15 July 2015.

PRESENT: Councillor M Francis – Chairman.

Councillors T D Alban, E R Butler, Mrs P A Jordan and R J West.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors B S Chapman and Mrs D C Reynolds.

14. MINUTES

The Minutes of the meeting held on 3rd June 2015 were approved as a correct record and signed by the Chairman.

15. MEMBERS' INTERESTS

There were no declarations of interest received from those Members that were present.

16. CORPORATE GOVERNANCE PANEL PROGRESS REPORT

The Panel received and noted a report (a copy of which is appended in the Minute Book) of actions taken in response to previous decisions.

In response to a question regarding progress on the evaluation of Member performance it was explained that Officers would explore the history of this and update the Panel accordingly.

The Panel received a verbal update regarding the Implementation of Audit Actions following its recommendation to the Council at its meeting in June, that the concerns of the Panel regarding the number of internal audit actions that are significantly overdue be referred to the Cabinet so that appropriate action is taken to address these concerns.

At the Panel's meeting in June there were thirteen audit actions outstanding. The Panel was informed that to date three of those audit actions had been implemented; five were partially implemented and five had not been implemented. However, by the end of the year twelve of the audit actions would have been implemented with the exception of the audit action relating to the main accounting system as a cash receipting system was required which would not be in place before March 2016.

If the Council approved the recommendation a report would be presented to the Cabinet meeting in September. The outcome of the Cabinet meeting would be incorporated into the Implementation of Audit Actions report which would be a standing item on the Panel's

Agendas.

17. STATUTORY DISMISSAL PROCEDURES FOR HEADS OF PAID SERVICE, MONITORING OFFICERS AND THE RESPONSIBLE FINANCIAL OFFICER

The Panel received a report by the LGSS HR Business Partner (a copy of which is appended in the Minute Book) presented in her absence by the Head of Resources, which proposed that the Panel recommend to the Council that the Constitution be amended to reflect the new regulations and to incorporate the requirements of the new Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015.

The Regulations amend the statutory disciplinary and dismissal procedures of English Local Authorities' Heads of Paid Service, Monitoring Officers and Chief Financial Officers, and replace the statutory Designated Independent Person (DIP) process, outlined in the current Local Authorities (Standing Orders) (England) Regulations 2001.

The new Regulations require Authorities to have in place the new process *'no later than the first ordinary meeting of the Authority falling after 11th May 2015'*.

The Regulations state that before an Authority considers whether to dismiss an officer, it must convene a Panel made up of Councillors and at least two Independent Persons. In response to questions it was explained to the Panel that the Independent Persons are appointed via a recruitment process and if the Council cannot recruit two Independent Persons it may invite Independent Persons appointed by another Council and that irrespective of whether the dismissal is as a result of a majority or a unanimous decision the Employee has a right of appeal against any disciplinary action or dismissal by the Council.

The report was initially considered by the Employment Panel and it was noted that in considering the report the Employment Panel were satisfied to recommend the report to the Panel for further progression. Whereupon the Panel

RECOMMEND

that the Constitution be amended to reflect the new regulations and to incorporate the requirements of the new Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 as attached to the Officer's report.

18. PREPARING THE 2014/2015 ANNUAL GOVERNANCE STATEMENT

The Panel received a report (a copy of which is appended in the Minute Book) from the Internal Audit and Risk Manager to agree the process to be followed in preparing the 2014/15 Annual Governance Statement (AGS).

It was explained to the Panel that the Corporate Management Team

(CMT) wished to streamline the review process by increasing the involvement of the Senior Management Team (SMT) in the evidence and documentation review process.

Following the review by SMT a report will be prepared for the Panel that summarised the outcome of the review and detailed those areas of the Code of Corporate Governance that SMT considered had not been met or required improvement.

Any issues identified during review by SMT would be considered by the Panel to determine which were significant enough to include in the AGS. Following which the Internal Audit and Risk Manager will prepare a draft AGS, and after obtaining CMT, SMT and the External Auditors comments, invite the Panel to make comments on its contents at an informal meeting of the Panel. This will allow a final version of the AGS to be prepared prior to its submission to the formal Panel meeting in September 2015.

In response to a question it was explained that the Informal Panel meeting was not open to the public as it was not an official Panel meeting and the level of discussion was not necessarily appropriate to be open to the public.

Reference was made to paragraph 3.6 of the Officer's report that provided a guide for SMT when deciding whether or not particular issues or events should be considered for inclusion in the AGS. The Panel questioned whether there was a risk that something could be omitted from the AGS. The Panel was informed that the risk was minimal as the Panel had an opportunity to challenge the contents of the AGS.

In response to a question it was explained to the Panel that CMT wished to involve SMT in the AGS process to encourage peer challenge and to raise awareness of Officer's responsibilities. In concluding the Panel

RESOLVED

i. to agree the process to be followed in the preparation of the 2014/15 Annual Governance Statement; and

ii. to approve the range of significant governance issues definitions as detailed at paragraph 3.6 in the Officer's report.

19. DISPOSAL AND ACQUISITION POLICY: CHANGE TO THE CONSTITUTION

Further to the meeting of the Cabinet in June, the Panel received and noted a report (a copy of which is appended in the Minute Book) by the Head of Resources to recommend to the Council that the Constitution be amended to reflect the new Disposal and Acquisitions Policy.

As the former thresholds and procedures within the Constitution were considered too restrictive, and to enable a more commercial approach to the management of the Council's property portfolio, a new Disposal and Acquisitions Policy and governance arrangements had been agreed by the Cabinet to enable the Authority to manage its estate of land and buildings within a commercial environment.

Having initially been considered by the Overview and Scrutiny Panel (Economic Well-Being), the Cabinet agreed to the incorporation of the following amendments to the Policy as recommended by the Overview and Scrutiny Panel:

- where disposal and acquisition decisions are made, that these be retrospectively reported to the Overview and Scrutiny Panel (Economic Well-Being); and
- the new financial thresholds are reviewed 12 months following approval.

It was explained to the Panel that as the Council was required to generate £8million of savings by 2019/2020 a way of generating additional income was via selling assets or purchasing capital assets within the commercial environment.

In addition to amendments to the thresholds for the disposal and acquisition of land and property, the Cabinet approved the formation of a Treasury and Capital Management Group which had to be reflected in the Constitution.

In response to questions regarding transparency of the Council's estate, the Panel was informed that whilst the purchase or sale of property or land was under negotiation the information was commercially sensitive and was therefore confidential. However, once contracts were complete information could be released.

The Panel enquired whether the Council had a sufficient level of expertise to realise the value of its assets and for negotiation purposes. It was explained to the Panel that a Commercial Investment Strategy was being developed to identify such matters as well as establish proposed investment levels, risk appetite and other factors that were essential in such a strategy.

The Panel had responsibility for considering changes to the Constitution, which included the Code of Financial Management and Code of Procurement. During the Panels discussions it was emphasised that the Policy itself was the responsibility of the Cabinet and that the report had been presented to the Panel as it was responsible for considering proposals to review the Council's Constitutional arrangements and to make appropriate recommendations to the Council. Purchasing and selling land and property was not a new concept to the Council and external agents were used to obtain a view on the current market values.

In response to a question it was confirmed that the Authority could purchase residential property. However, commercial assets currently had a better value.

As a further safeguard for good governance an additional recommendation was proposed by a Member of the Panel, that the Treasury and Capital Management Group be constituted to include a third member of the Cabinet in the event of the Leader or Deputy Leader holding the Resources Portfolio, to ensure that three Cabinet

Members always have a seat on the Treasury and Capital Management Group, which was accepted by the Panel.

Having considered the Officer's report and the amendment, the Panel

RECOMMEND

a. that the Constitution be amended to reflect the Disposal and Acquisitions Policy attached in Annex A of the Officer's report; and

b. that the Treasury and Capital Management Group be constituted to include the Leader, Deputy Leader and the Executive Councillor for Resources (or in the event of the Leader or Deputy Leader holding the Resources Portfolio a third member of the Cabinet) together with relevant members of the Corporate Management Team and the Responsible Financial Officer.

20. INTERNAL AUDIT SERVICE: ANNUAL REPORT

As required by the Public Sector Internal Audit Standards (PSIAS) the Panel was provided with an Annual report and opinion (a copy of which is appended in the Minute Book) by the Internal Audit and Risk Manager on the work undertaken by Internal Audit during the period 1st April 2014 to 31st March 2015 to support the opinion statement that the Council's internal control environment and systems of internal control as at 31st March 2015 provide adequate assurance over key business processes and financial systems.

The Panel was informed that 21 audits had not been delivered due to the loss of 147 auditor days during the year. The reasons for this were listed in the Officer's report which included an Auditor post being vacant from mid October 2014 and being unable to recruit a suitable person or source cover arrangements with another authority or the Internal Audit Contractor.

It was highlighted to the Panel that an Audit which had raised particular concern related to the E-Recruitment software system which was managed by LGSS. The Auditors had 'read only' access to the software and therefore could only undertake a limited amount of testing and had to rely on gathering evidence from discussions with Recruiting Managers and successful Applicants. As no assurance had been received from LGSS that the system was working as intended, and without sufficient testing evidence, it was not possible to issue an opinion on the effectiveness of the E-Recruitment system.

The Annual Report also referred to the previously advised problems encountered whilst migrating the SharePoint based systems and the loss of data stored within the Audit Actions Database. The system was not currently operational to enable Officers from all services to input data directly into the system and it was unlikely to be in the near future. Therefore Internal Audit had been advised to source commercial software externally.

The Panel discussed at length issues surrounding the E-Recruitment software system. The Panel were informed that the Employment

Panel were equally unhappy with the performance of the system and had been for some time. The Corporate Team Manager was currently liaising with LGSS in order to address the various issues. However, the Council was tied into a two year contract. It was explained that whilst interviewing a number of successful candidates on their experiences of using the E-Recruitment software, Internal Audit were informed by a number of individuals that they had contemplated abandoning the application due to the software. The Panel expressed strong concerns regarding the inadequacies of the LGSS E-Recruitment system.

Having to purchase commercial software externally to record Audit Actions would have cost implications and the Panel enquired of the likely costs. The Panel was informed that following cursory investigations the cost was likely to be in the region of £6500.

The Panel were informed that an Auditor had been recruited to the vacant post and was already commencing three of the audits listed within the report as not having been undertaken. It was expected that the 2015/16 Audit Plan would be delivered if there are no further resourcing issues.

In response to a question the Head of Resources assured the Panel that those audits listed within the Officer's report as having not been undertaken were not a cause of concern and that the audits had been prioritised correctly.

The Panel referred to the table listed within the Officer's report that provided information on the audits reports and the assurance opinion issued. It was explained that there were four different levels of assurance and the definitions were included within the report.

The Panel considered and noted the report having taken account of the Internal Audit and Risk Manager's opinion when considering the Annual Governance Statement for 2014/2015 and

RESOLVED

to note the report.

21. INTERNAL AUDIT SERVICE: ANNUAL EFFECTIVENESS AND CHARTER REVIEW

The Panel has considered a report (a copy of which is appended in the Minute Book) from the Internal Audit and Risk Manager detailing the outcome of the review of the effectiveness of the Internal Audit Service and the Internal Audit Charter.

The Public Sector Internal Audit Standards (PSIAS) requires that the Internal Audit Service had in place a Quality Assurance and Improvement Programme (QAIP) and an Audit Charter.

The QAIP consisted of two types of assessment – internal assessment and external assessment and these were explained more fully within the Officer's report.

One of the internal assessments was the periodic assessment against the PSIAS, designed to assess conformance with the Internal Audit Charter and the efficiency and effectiveness of the service. The Panel was presented with a report detailing the outcome of the Internal Audit and Risk Manager's assessment of this and with the results of the action plan arising from the external 'independent validation' of Internal Audit, which was reported to the Panel in May 2014.

The Internal Audit Charter was reviewed periodically by the Internal Audit and Risk Manager and there were a number of amendments required to reflect legislative changes and the introduction of operational shared services for ICT, Building Control and Legal Services. Significant amendments were proposed within the following sections of the Charter and were explained more fully within paragraph 3.8 of the Officer's report, including -

- relationship with Members and Senior Management;
- roles and responsibilities; and
- quality and assurance programme.

The revised Internal Audit Charter had been included within the Officer's report as Appendix C.

The Panel were referred to Appendix A of the Officer's report which provided an update on the Improvement Plan agreed following the 2014 external assessment of the Internal Audit Service and Appendix B of the Officer's report which provided an Improvement Plan following the 2015 review, which incorporated deadline dates for when the action should be completed.

It was noted that there were no issues that required inclusion in the Annual Governance Statement following the 2015 review.

Regarding Shared Services the Panel were informed that the Internal Audit Charter incorporated that where the Council provided 'shared services' to, or received 'shared services' from other organisations, the Internal Audit and Risk Manager will liaise with the Internal Audit Service in other organisations and agree the scope of the assurance that was to be provided or received and take account of that requirement when preparing the Annual Audit Plan.

Whereupon the Panel,

RESOLVED:

i. to note the outcome of the Internal Audit and Risk Manager's self-assessment which demonstrates that the Internal Audit Service conforms with the PSIAS;

ii. to note the results of the Action Plans prepared to address the areas of non-conformance identified;

iii. to confirm that the non-conformance issues are not significant enough to be considered for inclusion in the Annual Governance Statement; and

iv. to agree the changes to the Internal Audit Charter.

22. WORK PROGRAMME AND TRAINING

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 the forthcoming twelve months.

The Panel had agreed a training programme at its previous meeting and were informed that a joint training session with Members of the Corporate Governance Panel and the Overview and Scrutiny Panel (Economic Well-Being) was being arranged on the final accounts process to enable Members a better understanding prior to the consideration of the Annual Financial Report in September.

Prior to the Panel being presented with the Annual Audit Letter from the External Auditors it was usual practice for the Chairman and Vice-Chairman to meet with the External Auditor immediately prior to the meeting. As a long serving Member of the Panel it was agreed that Councillor Butler will also be in attendance at this meeting.

It was agreed that a short information session on Procurement would be delivered to the Panel prior to the December meeting. Whereupon it was

RESOLVED

that the Corporate Governance Panel note the programme of work and proposed training.

Chairman

CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
23/07/2014	**Review of effectiveness** Agreed to undertake a review of the S106 Agreement Advisory Group during 2014/15.	December 2015	The financial systems that monitor S106 funding are being replaced. It was intended to undertake an internal audit review of the S106 process prior to undertaking the effectiveness review of the Advisory Group. It is suggested that the review be postponed until December 2015 so as to allow the new financial system and associated reporting systems to be introduced.	Internal Audit & Risk Manager	No
25/09/2014	**Effectiveness of the Panel** Referred the evaluation of Member performance to the Member Development Group.		The Managing Director called a meeting with the Chairman and Vice Chairman to discuss this further. However, this was then cancelled. Subsequently the Managing Director, Corporate Director (Services) and Corporate Team Manger have recently discussed the matter at a meeting held with the Chairman. This issue was also discussed at the informal Panel meeting held on 19 August 2015. As the Member Development Group no long meets, Members agreed that the evaluation of Member performance should be considered and dealt with at a Member, rather than Officer level. The Panel Chairman	Corporate Team Manager	Yes

CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
			is to take this matter forward.		
26/11/2014	**<u>Training</u>** The Panel are of the opinion that there is a need for mandatory training for Members of the Corporate Governance Panel.		The Corporate Director (Services) has been asked to consider this as part of her review of the Constitution	Corporate Director (Services)	No (to remain until Constitution review completed).
26/11/2014	**<u>Value for Money at HDC</u>** Requested that the report of the Overview and Scrutiny Panel (Economic Well-Being) detailing the outcome of the Select Committee on Project Management should be considered by the Panel.		A report on the findings of the Project Management Select Committee have been presented to the Overview & Scrutiny (Economic Well-Being) Panel and the Cabinet meetings in April and subsequently reported to Full Council. Various recommendations were approved on how project management can be further improved including: • Project updates to be included in the quarterly performance reports to Overview and Scrutiny Panels; • A review by the Overview & Scrutiny (Economic Well-Being) Panel be arranged for 6 months' time to review steps followed in delivering the In-Cab Technology project and other projects currently in the delivery stage, including their procurement processes, and to	Corporate Director (Services)	Yes

CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
			assess how well the highlight reports for these projects are working; • A review by Members of the Project Management Select Committee be arranged for 12 months' time to review financial reporting on projects and the post-delivery stage.		
	Suggested that the Council's Procurement Manager should be invited to attend a future meeting of Panel.	2nd December 2015	The Panel have agreed a training programme and that a short information session on Procurement be delivered to the Panel prior to the December meeting.	Head of Resources	Yes
03/06/2015	**<u>Fraud Working Group</u>** The Panel agreed that the subject of a new Fraud Working Group will not be considered until the Work Programme of the Corporate Fraud Team has been agreed by the Corporate Management Team.	Not before December 2015		Head of Customer Services	No
15/07/2015	**<u>Internal Audit Service: Annual Report</u>** The Panel expressed strong concerns regarding the inadequacies of the LGSS E-		The Corporate Team Manager has been notified of the concerns of the Panel and these will be considered as part of the management of the LGSS contract.	Corporate Team Manager	Yes

CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
	Recruitment system.				

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Approval for Publication of the 2014/15 Annual Governance Statement and the Annual Financial Report
Meeting & Date:	Corporate Governance Panel – 16th September 2015
Executive Portfolio:	Executive Councillor for Resources: Jonathan Gray
Report by:	Head of Resources: Clive Mason
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 Annual Financial Report and their view on value for money. Both the Annual Financial Report 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 reporting arrangements for shared services and project management practices. 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:

1. Receives the Auditor's Draft ISA 260 report (Appendix A).

2. In principal, approves the Annual Governance Statement (Appendix B) and authorises the Executive Leader and Managing Director to sign the Statement on behalf of the Council, once the External Auditors have confirmed that the Annual Governance Statement will not be qualified.

3. In principal, approves the Letter of Representation (Appendix C) and authorises the Head of Resources to sign it on behalf of the Council, once the External Auditor had confirmed that both the Annual Governance Statement and the Annual Financial Report will not be qualified.

4. In principal, approves the Annual Financial Report (Appendix D) and authorises the Chairman of the Panel to sign the accounts on behalf of the Council once the external auditors have confirmed that the Annual Financial Report will not be qualified.

1. PURPOSE

1.1 To complete the processes for finalising and publishing the Council's Annual Governance Statement (AGS) and Annual Financial Report (AFR) for 2014/15.

2. BACKGROUND

2.1 The Panel is designated as "those charged with governance" and consequently it is required to approve both the AGS and AFR prior to publication 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.

2.2 At the accounts clearance meeting held on the 3rd September between the External Auditor and the Head of Resources, the External Auditor noted that as a consequence of the Corporate Governance Panel (CGP) meeting being held a week earlier than in previous years, he had some doubt that the final validation checks of both the AGS and the AFR would be complete by the date of the meeting. Consequently the Panel is asked to agree, in principal:

i. both the AGS and the AFR, as well as the Letter of Representation, and

ii. following confirmation by the External Auditor (deadline of the 23rd September) that both documents are unqualified, delegate authority to the:

- Executive Leader and the Managing Director to sign the AGS,
- Head of Resources to sign the Letter of Representation, and
- For the Chairman of CGP to sign the AFR,

on behalf of the Council.

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

3.1 The draft ISA 260 that will be presented to the meeting by the Council's External Auditors, PricewaterhouseCoopers LLP (PwC) is attached as Appendix A.

3.2 At the time of drafting this report, there are a few areas of audit work that remain outstanding, these are shown on page 2 of **Appendix A** and are summarised below:

- Financial controls e.g. Journals.
- Some of the disclosure notes to the accounts (including Related Party Transactions).
- Asset Verification.
- Testing of the Council Tax Support Scheme and Housing Benefit returns.
- Finalising the review of Value for Money and the AGS.
- PwC's internal review procedures.

3.3 Also highlighted in yellow within the draft ISA 260 are some detailed comments from the external audit that members may wish to consider.

3.4 It should be noted that at this time the External Auditor does not anticipate that a material issue will arise that will affect the issue of an unqualified audit opinion in respect of both the AGS and the AFR.

3.5 There are 5 issues raised by the Auditors within the draft ISA 260 report in respect of the AFR. However, they are minor in nature and the details of these adjustments and the management action is shown in **Table 1** below:

Issues & Misstatements raised by the External Audit in respect of the 2014/15 Annual Financial Report		**Table 1**
Description of Issue & Misstatement	**Amount £'000**	**Management Action**
ACCOUNTING POLICIES		
Property, Plant and Equipment The depreciation policy in respect of Property, Plant and Equipment additions in the year of purchase should state that depreciation is not charged in the first year after acquisition or enhancement.	Nil	The Accounting Policies for 2015/16 will be amended. There is no impact on the reported general fund, earmarked reserves or non-cash balances.
INTERNAL CONTROL		
No formal authorisation process for journals The current policy of journal review is that any journals over £0.850m that are raised by the junior accounting team are reviewed. No other review is carried out.	Nil	As noted, where an accountant below Principal Accountant level generates a journal of more than £850,000, this is reviewed by either a Principal Accountant or the Accountancy Manager (this does not apply to "interface" journals). For journals below £850,000 that are produced by an accountant below Principal Accountant, a new process will be introduced whereby a random 10% sample of journals will be reviewed by either a Principal Accountant or the Accountancy Manager.
Bank reconciliations The authority is in the process of rectifying historic reconciling items on the bank reconciliations, however, there are still a number of reconciling items that date back a number of years.	Nil	With regard to historic balances within the bank reconciliation, these have been removed, and were removed in Period 13 of 2014/15.

Furthermore, there is no evidence that the bank reconciliations are reviewed.	Nil	All bank reconciliations from September 2015 onwards will be reviewed by the Accountancy Manager.
No formal authorisation process for fixed asset disposals The authority does not have any formal process for reviewing or authorising fixed asset disposals.	Nil	A formal Disposals and Acquisitions Policy: Land and Property was approved by Cabinet on Thursday 18th June 2015.

3.6 In addition to reviewing the AFR, the Auditors are required to give a view on Value for Money within the Council. The Auditors anticipate an unqualified opinion in respect of the Value for Money conclusion.

3.7 The enclosed draft ISA 260 report was only received by the Council on 5th September, following the clearance of all outstanding issues a final ISA 260 will be circulated to all members of CGP. Accompanying the final ISA 260 will be a note confirming the changes between the draft ISA 260 that is attached as Appendix A and the final ISA 260.

4. APPROVE THE ANNUAL GOVERNANCE STATEMENT

4.1 The Panel, on behalf of the Council is required to review once a year the effectiveness of its system of internal control and following that review, approve the AGS. The AGS will be published alongside the AFR and is shown at **Appendix B**.

4.2 The Panel held an information meeting to discuss the evidence supporting the Code of Corporate Governance and identify significant areas for improvement. A copy of the draft AGS has been circulated to all Panel members and their comments invited. This led to a small number of minor changes being made.

4.3 The governance statement includes two significant areas for improvement.

- Develop robust and effective reporting arrangements for shared services.
- Improve project management practices including officer compliance with the project management toolkit.

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

4.5 The Panel is asked to agree, in principal the draft AGS and once the External Auditor has confirmed that the AGS is unqualified, that the Executive Leader and the Managing Director are then authorised to sign on behalf of the Council.

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; a draft of the letter is attached as **Appendix C**. 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. The outstanding items are highlighted in yellow.

5.2 The Panel is asked to agree, in principal the draft letter and once the External Auditor has confirmed that both the AGS and AFR are unqualified, that the Head of Resources is then authorised to sign 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 the AFR, 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 AFR; a copy is attached at **Appendix D**.

6.2 The Panel is asked to agree, in principal the draft AFR, which includes the Statement of Accounts. Once the External Auditor has confirmed that the AFR is unqualified, then the Chairman of CGP will sign on behalf of the Council.

6.3 The issues that have been raised by the Auditor in respect of the AFR 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 3.7.

7. COMMENTS OF OVERVIEW & SCRUTINY PANEL

7.1 This report is not reviewed by Overview & Scrutiny.

8. KEY IMPACTS/RISKS?
HOW WILL THEY BE ADDRESSED?

8.1 Paragraph 3 above outlines the audit recommendations and the associated management actions to address these recommendations.

9. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

9.1 Actions required and applicable timescales for implementation are noted above in paragraph 3 above.

10. LINK TO THE CORPORATE PLAN

10.1 Ensuring we are a customer focused and service led council – to become more business-like and efficient in the way we deliver services. The production of the AFR is also a statutory requirement.

11. CONSULTATION

11.1 In line with the Account and Audit regulations the AFR was available for inspection by the general public from the 6th July to the 30th July 2015. From the 12th August 2015, the general public were able to contact PwC with any queries regarding the AFR.

12. LEGAL IMPLICATIONS

12.1 There are no direct legal implications arising from this report.

13. RESOURCE IMPLICATIONS

13.1 As noted above in the report.

14. REASONS FOR THE RECOMMENDED DECISIONS

14.1 The process that has been followed in preparing both the AGS and the AFR has been thorough and in line with statutory regulations.

14.2 The significant issues that have been identified for inclusion within the AGS are referenced within the statement and are a reflection of the current situation.

14.3 Both the AGS and the AFR have been subject to external audit review by the Council's auditors, PricewaterhouseCoopers.

15. LIST OF APPENDICES INCLUDED

Appendix 1 – Auditor's Report – Draft ISA 260 Report
Appendix 2 – 2014/15 Annual Governance Statement
Appendix 3 – Draft Letter of Representation
Appendix 3 – 2014/15 Annual Financial Report

BACKGROUND PAPERS

Working papers are held in Resources.

CONTACT OFFICER

Clive Mason, Head of Resources
☎ 01480 388157

David Harwood, Internal Audit Manager
☎ 01480 388115

Rebecca Maxwell, Accountancy Manager
☎ 01480 388117

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Huntingdonshire District Council

Report to those charged with governance

Report to the Corporate Governance Panel of the authority on the audit for the year ended 31 March 2015 *(ISA (UK&I)) 260)*

Government and Public Sector

September 2015

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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.

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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.

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Executive summary

Background

This report tells you about the significant findings from our audit. We presented our plan to you in February 2015. Since this plan our risk assessment has remained unchanged, except that we have reviewed the plan and reassessed the level of audit risk in relation to the valuation of non-current assets. We have increased the rating of this audit risk, from elevated to significant, in light of updated PwC guidance. Further details on this risk are set out in the audit plan section below.

Audit Summary

We have completed the majority of our audit work. Subject to no issues arising in the completion of our work we expect to be able to issue an unqualified audit opinion on the Statement of Accounts for the year ended 31 March 2015, by the 30 September 2015 deadline.

The key outstanding matters, where our work has commenced but is not yet finalised, are:

- testing of manual journals;
- review of the detailed disclosures in the Statement of Accounts;
- testing of the valuation and existence of non-current assets, including infrastructure;
- testing of council tax support;
- testing of related party transactions;
- testing of Housing Benefit returns;
- approval of the Statement of Accounts and letters of representation;
- finalising work supporting our Value for Money opinion;
- detailed review of the Annual Governance Statement;
- internal review procedures; and
- completion procedures including subsequent events review.

There are 4 key judgments which require the Corporate Governance Panel's attention – further details are set out commencing on pages 8-9. The Audit Committee need to confirm the proposed treatment of unadjusted misstatements listed in Appendix 1.

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Please note that the final version of this report will be sent to PSAA in accordance with the requirements of its standing guidance. We look forward to discussing our report with you on 16 September 2015. Attending the meeting from PwC will be Clive Everest and Chris Wlaznik.

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Audit approach

Our audit approach was set in our audit plan which we presented to you in February 2015. This risk assessment has been updated as set out on page 2.

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.

Risk	Categorisation	Audit approach and 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 ●	As part of our assessment of your control environment we have considered those areas where management could use discretion outside of the financial controls in place to misstate the financial statements. We have performed the following procedures: • Reviewed the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; • Tested the appropriateness of journal entries and other year-end adjustments, targeting higher risk items such as those that affect the reported deficit/surplus; • Reviewed accounting estimates for bias and evaluated whether judgment and estimates used are reasonable (for example pension scheme assumptions, valuation and impairment assumptions); • Understood and evaluated key controls over material theft of assets, such as bank reconciliations and dual signatories for large payments/ purchases, and independently circularised banks and loan providers; • Evaluated the business rationale underlying any significant and unusual transactions; and • Performed unpredictable procedures targeted on fraud risks. [No issues were noted with the testing performed to date].

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Risk	Categorisation	Audit approach and 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 risk of fraud in recognition of <u>expenditure</u> in local government.	Significant ●	We have obtained an understanding of and evaluated key controls over the recognition of revenue and expenditure. We have evaluated and tested the accounting policies for income and expenditure recognition to ensure that these are consistent with the requirements of the Code of Practice on Local Authority Accounting. We have also performed detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk. We have considered journals affecting revenue and expenditure recognition within our work on management override above. [No issues were noted with the testing performed to date].

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Risk	Categorisation	Audit approach and results of work performed
Valuation of non-current assets ▶ The Council's measurement of its properties at fair value involves a range of assumptions and the use of external valuation expertise. ISAs (UK&I) 500 and 540 require us, respectively, to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates. Whilst you are only required to re-value your property, plant and equipment (PPE) at least once every 5 years, there is a requirement to assess the carrying value of your assets for impairment every year. Specific areas of risk include: • The accuracy and completeness of detailed information on assets; • Whether the Council's assumptions underlying the classification of assets are appropriate; and • The valuer's methodology, assumptions and underlying data, and our access to these. Because of the significant value of PPE in the Council's accounts, and the level of judgement involved in revaluations, we have reassessed this as a **significant** risk for the 2014/15 audit.	Significant ●	Where asset valuations are undertaken in-year we have: • agreed the source data used by your valuer to supporting records; • assessed the work of your valuer through use of our own internal specialists; and • agreed the outputs to your fixed asset register and statements. Where assets were not revalued in-year, we have reviewed your impairment assessment and your consideration of the appropriate current value of these assets, and evaluated whether your assets are held at an appropriate value in your statements at the year-end. We have also sought confirmation from the Council, supported by its external valuer, that there has not been a material increase in value of these assets in the year that should be recognised in the accounts. This is particularly relevant this year as the largest class of its assets by value, the Leisure Centres, were not revalued as they were covered in 2013/14. [No issues were noted with the testing performed to date].

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Intelligent scoping

In our audit plan presented to you in February 2015 we reported our planned overall materiality which we used in planning the overall audit strategy, based on the total expenditure for 2013/14. Our materiality varied because we have updated it for the actual total expenditure per the draft statements for 2014/15.

Our revised materiality levels are as follows:

	£
Overall materiality	£1,706,000
Clearly trivial reporting de minimis	£85,300

Overall materiality has been set at 2% of actual expenditure for the year ended 31 March 2015.

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 Audit Committee at its meeting in February 2015.

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Significant audit and accounting matters

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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:

- testing of manual journals;
- review of the detailed disclosures in the Statement of Accounts;
- testing of the valuation and existence of non-current assets;
- testing of council tax support;
- testing of related party transactions;
- approval of the Statement of Accounts and letters of representation;
- finalising work supporting our Value for Money opinion;
- detailed review of the Annual Governance Statement;
- internal review procedures; 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.]

Accounting issues

We have identified the following accounting issues which we wish to bring to the attention of the Authority:

- Pensions liability
- Valuation of property, plant and equipment
- NDR safety net calculation; and
- Recognising provisions and other expenditure – NDR provision

1. Pensions liability

The most significant estimate in the Statement of Accounts is in the valuation of net pension liabilities for employees in the Cambridgeshire Pension Fund, for which Huntingdonshire District Council is an admitted body. Your net pension liability at 31 March 2015 was £80 million (2014 - £61 million).

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 prior year *Report to the Corporate Governance Panel*, as expected we have 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 2015. 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.

The final figure for scheme assets is still outstanding and therefore we are unable to conclude on this work at this stage. We will update the Corporate Governance Panel when this work is complete.

2. Valuation of Property, Plant and Equipment

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 £65.5m, largely made up of land and buildings (net book value of £48.6m). The Authority has utilised the expertise of an external valuation expert, Barker Storey Matthews (BSM), to value a proportion of the Authority's PP&E and investment properties. The Authority operates a 3 year cycle of revaluation and this year (year 2) covered £9.3million of land and buildings, resulting in an upward revaluation of £150k.

Leisure Centres represent the largest element of the Council's estate, and these have not been valued during 2014/15 as they were revalued in 2013/14. BSM have however determined that there is no material impairment to recognise against the carrying value of those assets in 2014/15. However, given the significant value of Leisure Centres we have requested that the Authority obtains assurances from their expert valuers that there is no material revaluation in year. A relatively small percentage increase in value of Leisure Centres has the potential to result in a material movement in the financial statements.

We have only recently obtained the valuation report from BSM and still need to complete our audit procedures. Our valuation expert will consider the following items when reviewing the valuation:

- The valuer's qualifications, credentials and objectivity;

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- The suitability of the methodology adopted in valuing the assets; and
- The key inputs in the valuations, where visible.

At the time of writing this work was not complete and we will update the Corporate Governance Panel at the meeting.

3. *NDR Safety Net Calculation*

In August the Department for Communities and Local Government release a revised calculation template for the non-domestic rates safety net calculation. As a result of the revised calculation the Authority's position in respect of 2014/15 moved from a levy position of £72,000 to a safety net provision of £772,000, a total increase of £845,000.

We have considered the revised calculation and concluded that the calculation is appropriate. We are currently discussing with the Council whether this should be recorded as an adjustment to the 2014/15 accounts, increasing the reported income, or reported as a non-adjusting event such that this income is recorded in the 2015/16 accounts.

4. *Provision against Non-Domestic Rates Appeals*

Each year the Authority provides against appeals made against non-domestic rates assessments. At 31 March 2015 the total provision in the Collection Fund stands at £8.3million, an increase from last year's provision which was £5.1m. The Council in turn reports 40% of this provision in its own accounts, being £3.1m.

The Council utilises the services of an external expert, AnalyzeLocal to inform their provisioning, as they did last year.

The level of provision is driven by three key factors: the number of claims; the success rates on appeal, and the average value of successful appeals. The number of claims has risen in 2014/15 due to a 31 March 2015 deadline being set nationally for historic claims. This would be expected to increase the level of provision required, but we would also expect that management's estimate take account of the fact that a number of these late claims may be of lower merit and more speculative than those in the past. We have challenged management to show that this has been factored into the expert's estimate.

In order to assess the reasonableness of management's estimate, we have conducted a high level review based on the historic success rates of appeals in 2014/15, and the average amount of such successful claims. This suggests that the Authority's provision may be overly prudent, with the 2014/15 estimate being £1m greater than our calculation. In conjunction with the lack of adjustment of later claims to reflect their probably lower likelihood of success this may indicate a material overstatement of this provision in the Collection Fund, but not the Council's own finances as reported, as the Council only bears 40% of these costs.

We have asked the Authority to provide additional explanation to support the appropriateness of the level of provision.

At the time of writing this information was still outstanding.

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. We do not have any uncorrected financial misstatements or disclosure misstatements to report to date. See Appendix 1.

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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.

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. The following significant judgements and accounting estimates were used in the preparation of the financial statements:

- Valuation of Property, Plant and Equipment and Investment Properties;
- Depreciation of Property, Plant and Equipment;
- Bad Debt Provision;
- Accruals; and
- Provisions, including the provision for Non-Domestic Rates appeals

Insofar as we have completed work in these areas we have concluded that these judgments are materially correct for inclusion in the statements.

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 2013/14, requested specific representations on use of valuation experts.

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 declaration 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.

We have identified no significant issues however, as in the previous year, the Authority has not captured all instances of when Members are acting as representatives to organisations, nor Directorships. However, our findings did not identify any related party transactions in those cases.

We currently have an outstanding query with the Authority regarding the value of one of the disclosed related party transaction.

Audit independence

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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, PwC has also undertaken other 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 2015 is included on page 14. 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.

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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.

At the time of writing we have conducted a high level review of the AGS and provided comments to management. We have not yet completed our detailed review of the AGS to consider whether it complies 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 will provide an update to the Corporate Governance Panel during the meeting.

Economy, efficiency and effectiveness

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

The Audit Commission guidance includes two criteria:

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

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

At the time of writing we have discussed with the Authority its Medium Term Financial Plans and the pressures which it faces, along with the Council's plans to seek financial balance. However, we have yet to complete our work which requires us to assess the reasonableness of the assumptions made by the Authority in the Plan.

At this stage we anticipate issuing an unqualified value for money conclusion, but will update the Corporate Governance Panel at the meeting.

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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.

The significant matters that we wish to bring to your attention are summarised in the table below

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 rated the matters identified as either High Risk (Red), Medium Risk (Amber) or Low Risk (Green) below.

Summary of significant internal control deficiencies

Deficiency	Level	Recommendation	Management's response
No formal authorisation process for journals The current policy for journal review is that any journals over £850k raised by the junior accounting team are reviewed. No other review is carried out	Medium	The authority should consider performing further reviews of the journals raised. We would recommend either all journals are reviewed as they are raised or a sample of journals across all individuals is reviewed on a monthly basis.	As noted, where an accountant below Principal Accountant level generates a journal of more than £850,000, this is reviewed by either a Principal Accountant or the Accountancy Manager (this does not apply to "interface" journals). For journals below £850,000 that are produced by an accountant below Principal Accountant, a new process will be introduced whereby a random 10% sample of journals will be reviewed by either a Principal Accountant or the Accountancy Manager.

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Bank reconciliations The authority is in the process of rectifying historic reconciling items on the bank reconciliations, however, there are still a number of reconciling items that date back a number of years. Furthermore, there is no evidence that the bank reconciliations are reviewed.	Medium	The authority should continue to rectify the historic reconciling items to ensure that these are no longer included on the statements. The authority should also perform reviews of the bank reconciliations and retain the evidence of this review	With regard to historic balances within the bank reconciliation, these have been removed, and were removed in Period 13 of 2014/15. All bank reconciliations from September 2015 onwards will be reviewed by the Accountancy Manager.
No formal authorisation process for fixed asset disposals The authority does not have any formal process for reviewing or authorising fixed asset disposals.	Medium	The authority should look to implement a formal authorisation process for disposals to ensure fixed assets are being disposals of appropriately.	A formal Disposals and Acquisitions Policy: Land and Property was approved by Cabinet on Thursday 18th June 2015.
Depreciation Policy Fixed assets are not depreciated in the first year of purchase so depreciation on newly purchased assets is understated. We are comfortable that this does not cause a material misstatement, however, management should consider including a note in their accounting policies to state this	Low	Management should update their accounting policies in the statements to disclose their accounting policy in relation to the first year of depreciation.	The Depreciation Policy will be updated for the 2015/16 Annual Financial Report.

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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 Audit Committee in February 2015 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 attached in appendix two.

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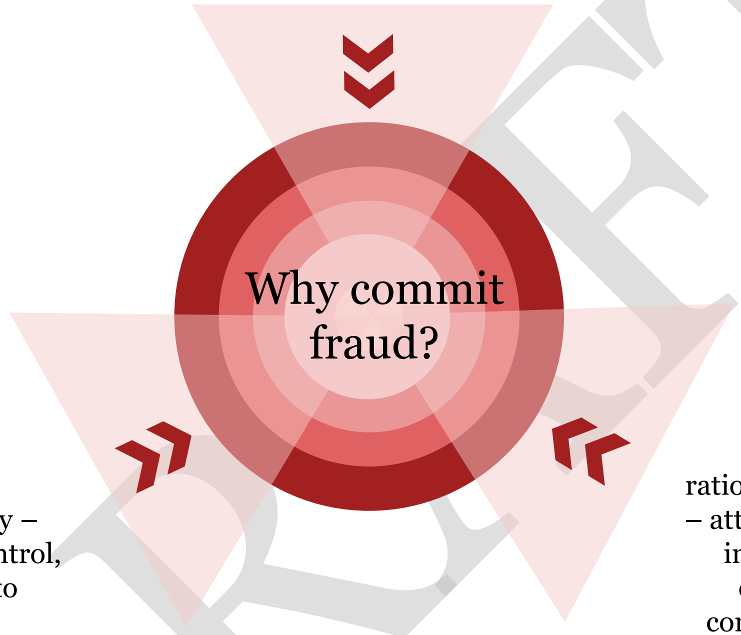
The Fraud Triangle

Management or other employees have an incentive or are under pressure

Incentive pressure



Opportunity

Circumstances exist that provide opportunity – ineffective or absent control, or management ability to override controls

Rationalisation / attitude

Culture or environment enables management to rationalise committing fraud – attribute or values of those involved, or pressure that enables them rationalise committing a dishonest act

DRAFT

Fees update

Fees update for 2014/15

We reported our fee proposals in our plan.

Our actual fees were in line with our proposals and are detailed in the table below.

	2014/15 outturn	2014/15 fee proposal
Statement of Accounts (including whole of government accounts)	70,981	70,981
External audit local risk work	7,500	7,500

Our fee for certification of grants and claims is yet to be finalised for 2014/15 and will be reported to those charged with governance in [date] within the Certification Report to Management in relation to 2014/15 grants.

[Points on any overruns/ changes of scope to be inserted when complete]

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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 £85,300.

We have not identified any uncorrected financial misstatements at the time of writing.

No	Description of misstatement (factual, judgemental, projected)		Income statement		Balance sheet	
			Dr	Cr	Dr	Cr
1	Dr xxx Cr xxx Being an adjustment to…	F				
2	Dr xxx Cr xxx Being an adjustment to…	J				
3	Dr xxx Cr xxx Being an adjustment to…	P				
Total uncorrected misstatements			**x**	**x**	**x**	**x**

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The following disclosure matters have been identified which are not compliant with the requirements, and have not yet been amended:

No	Note	Description

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Appendix 2: Letter of representation

[On Authority headed paper]

PricewaterhouseCoopers LLP
10 Bricket Road
St Albans
Hertfordshire
AL1 3JX

Dear Sirs

Representation letter – audit of Huntingdonshire District Council's (the Authority's) Statement of Accounts for the year ended 31 March 2015

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 2015 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the Service Reporting Code of Practice 2014/15.

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:

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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 2014/15; 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 2014/15 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, grouped by category, is attached to this letter in 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.

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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 the 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 XX 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 2014/15.

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 2014/15.

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:

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- 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 for 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 Authority.

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.

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Financial Instruments

- 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.

- 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 Increase in Salaries 4.3%
    - Rate of Increase of Pensions 2.4%
    - Rate of discounting scheme liabilities 3.2%

    Longevity at 65 for current pensioners

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- Men 22.5
- Women 24.5

Longevity at 65 for future pensioners

- Men 24.4
- Women 26.9

Using the work of experts

I agree with the findings of Baker Storey Matthews (BSM), 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. In particular we concur with BSM's assessment that there has been no material increase in the value of fixed assets not formally revalued in 2014/15.

I also agree with 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 Statement of Accounts and in the Collection Fund is a best estimate on the work performed by Inform CPI – Analyse Local.

National Domestic Rate appeals provision

[To be drafted when final position determined].

....

Clive Mason CPFA

Responsible Financial Officer – Head of Resources

For and on behalf of Huntingdonshire District Council

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Date ……………………

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Appendix 1 - Related parties and related party transactions

Name	Relationship to HDC	Declared related party transaction
Ablewhite, Jason	Member	
Akthar, Sid	Member	
Baker, Keith	Member	
Baker, Mike	Member	£37,000 (Community Grant for voluntary organisations)
Bates, Ian	Member	
Boddington, Barbara	Member	
Bucknell, Peter	Member	
Bull ,Graham	Member	
Butler, Eric	Member	
Cambs City Council	Shared Services	
Cambs County Council	Shared Services	
Carter, Robin	Member	
Cawley, Stephen	Member	
Chapman, Barry	Member	
Churchill, Ken	Member	
Conboy, Sarah	Member	
Criswell, Steve	Member	
Curtis, Angela	Member	
Curtis, Ian	Member	
Davies, John	Member	
Dew, Douglas	Member	
Dickinson, Angela	Member	
Duffy, Lisa	Member	
Farrer, Bob	Member	
Francis, Mike	Member	
Fuller, Ryan	Member	
Gardener, Ian	Member	
Giles, Derek	Member	
Gray, Jonathan	Member	
Hansard Andrew	Member	
Hardy, Andrew	Member	

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Name	Relationship to HDC	Declared related party transaction
Harlock, Greg	Member	
Harrison, Roger	Member	
Harty, David	Member	
Hayward, Terry	Member	
Howe, Robin	Member	
Hyland, Barry	Member	
Ingram, Steve	Chief Officer	
Jordan, Patricia	Member	
Kadewere, Patrick	Member	
Kadic, Laine	Member	
Lancaster, Joanne	Chief Officer	
Longford, Paula	Member	
MacKender-Lawrence, Alan	Member	
Mason, Clive	Chief Officer	
Mathews, Rita	Member	
McCurdy Nigel	Chief Officer	
Mitchell, Peter	Member	
Morris, John	Member	£199,652 (Crash bed for homelessness)
Oliver, Mark	Member	
Reeve, Peter	Member	
Reynolds, Deborah	Member	
Sanderson, Tom	Member	
Shellens, Mike	Member	
Slatter, Julie	Chief Officer	
South Cambs District Coucil	Shared Services	
Tuplin, Dick	Member	
Tysoe, Darren	Member	
Ursell, Paul	Member	
VanDeKerkhove, Steve	Member	
West, Richard	Member	

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Appendix 2 - Uncorrected misstatements

LEFT IN TO ADD MISSTATEMENTS IF THEY ARISE

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pwc

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

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

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130610-142627-JA-UK

Huntingdonshire
DISTRICT COUNCIL

Annual Governance Statement 2014/2015

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.

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.

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 2014/15 Annual Financial Report were considered by the Corporate Governance Panel at its meeting on 16 September 2015 , 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

Code of Corporate Governance

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
- Corporate Management Team

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. This statement therefore describes the key changes to, and developments within the Council's governance framework during 2014/15 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 2014/15 Annual Financial Report.

- Annual financial report
- External audit reports
- Internal audit reports
- Interception of Communications Commissioners report
- Scrutiny reviews
- Effectiveness reviews of the Licensing Committee
- Member/Officer working group review of the Code of Corporate Governance
- Officer governance groups

- Embed within the Council robust project management practices
- Develop the shared service governance arrangements

Assurances Received

Opportunities to Improve

Annual Governance Statement

Dealing with last year's key improvement areas

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

Action taken
A Corporate Plan for the period 2014/16 was approved by Council in April 2014 and refreshed for 2015/16.

Service Plans developed and introduced in April 2015 tied to delivering Corporate Plan priorities and listing key actions, performance measures and indicators.

Employees named as responsible for delivering key actions etc, have specific, measurable, achievable, relevant and time based targets included in their 2015/16 appraisals.

Publicise the vision statement & strategic themes and outcomes to key stakeholders

Action taken
The Corporate Plan 2014-16 was agreed in April 2014 and was made available to all staff and through our web site to all stakeholders.

The 2013/14 annual governance statement contained four key improvement areas. As outlined below, significant progress has been made in each area. Progress is such that they are no longer considered as warranting highlighting as a key improvement area for 2015/16.

Review partnership commitments with an emphasis on the benefit obtained and contribution towards the Corporate Plan.

Action taken

A review of partnership commitments has been completed and reported to the Senior Management Team in February 2015.

The review:

- aligned partnerships with the corporate plan
- identified whether the current definition of partnerships and assessment criteria needed amending, and
- identified if any current partnerships did not meet the assessment criteria.

Following consideration of the report, further work was requested to determine priorities for partnership attendance and to prepare a list of partnerships that will be supported.

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

Action taken

A publicised and scheduled plan of 12 training courses covering the significant procurement areas were delivered during 2014/15.

The Procurement Manager attends Service Team meetings in order to brief Managers on any changes to procurement practice and gather intelligence on forthcoming procurements.

Compliance with the Code of Procurement has improved. This has been evidenced by Internal Audit through their attendance at the opening of quotations and the Procurement Managers monthly review of the electronic contracts register which has shown an increase in the quality of information being recorded.

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 structure and the roles and responsibilities of Councillors and Officers.

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.

Overview & Scrutiny.
Three Panels comprising 12 Members each with a remit to scrutinise a 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, health and housing policy.
The Economic Well-Being Panel is responsible for scrutinising the Budget/Treasury Management and a number of the Council's internal support functions.
The Environmental Well-Being Panel is responsible for scrutinising planning and waste policies.

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;
Eight Councillors form the Cabinet, each have specific areas of responsibility.
Sets out key decisions to be taken in a Notice of Key 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.

Corporate Management Team.
Managing Director
Corporate Director - Services (Monitoring Officer)
Corporate Director - Delivery
Head of Resources (S151 Officer)

The Council, Cabinet, Panels and Committees are responsible for

Responsible for

Leadership and Direction
Governance
Corporate Plan
Performance Management
Financial Strategy

Policies and Procedures
For example:
Codes of Conduct
Risk Management
Whistleblowing
Health and Safety

Which are implemented through

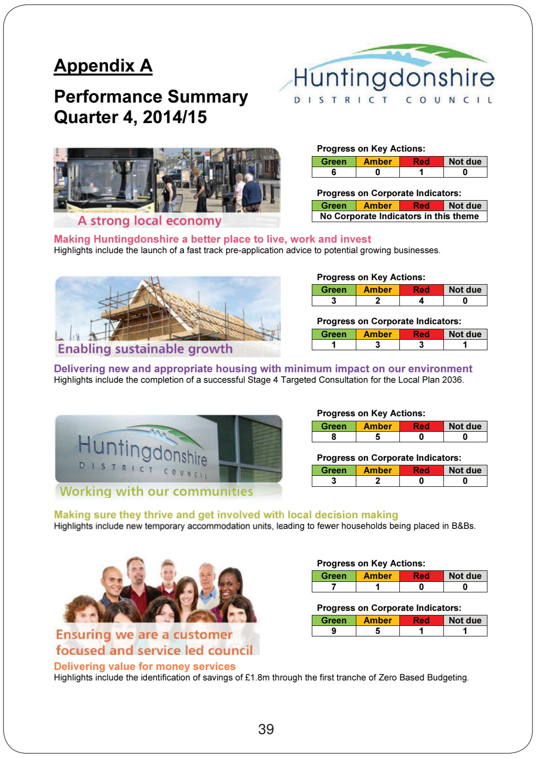
Day to day running of the Council

The Corporate Management Team is supported by a group of seven managers, known as the senior management team. The Managing Director restructured the senior management team during the year and new managers took up post between July and September 2014.

The Council is required to appoint a Monitoring Officer whose role includes ensuring that decision making is lawful and fair and who supports the work of the Standards Committee. The Head of Legal & Democratic Services was appointed to this statutory post until leaving the authority in July 2014. Interim arrangements were introduced prior to the Corporate Director (Services) commencing work in September 2014 and being appointed to the post.

As noted elsewhere, the Council is undergoing significant change to meet the financial challenges it is facing. To ensure that the Constitution provides an effective and efficient framework within which decisions can be taken and allow the Council to carry out its business effectively, an independent review of the Constitution has been commissioned. It is expected that a new Constitution will be adopted for the 2016/17 municipal year.

As reported in last year's annual governance statement, due to delays in approving the Corporate Plan and agreeing key performance indicators, little performance information (with the exception of financial management information), was reported to Councillors in the early part of 2014/15. From September 2014, performance information has been routinely reported to all three Overview & Scrutiny Panels and the Cabinet.



Appendix A

Performance Summary Quarter 4, 2014/15

Huntingdonshire DISTRICT COUNCIL

A strong local economy

Progress on Key Actions:

Green	Amber	Red	Not due
6	0	1	0

Progress on Corporate Indicators:

Green	Amber	Red	Not due
No Corporate Indicators in this theme			

Making Huntingdonshire a better place to live, work and invest
Highlights include the launch of a fast track pre-application advice to potential growing businesses.

Enabling sustainable growth

Progress on Key Actions:

Green	Amber	Red	Not due
3	2	4	0

Progress on Corporate Indicators:

Green	Amber	Red	Not due
1	3	3	1

Delivering new and appropriate housing with minimum impact on our environment
Highlights include the completion of a successful Stage 4 Targeted Consultation for the Local Plan 2036.

Working with our communities

Progress on Key Actions:

Green	Amber	Red	Not due
8	5	0	0

Progress on Corporate Indicators:

Green	Amber	Red	Not due
3	2	0	0

Making sure they thrive and get involved with local decision making
Highlights include new temporary accommodation units, leading to fewer households being placed in B&Bs.

Ensuring we are a customer focused and service led council

Progress on Key Actions:

Green	Amber	Red	Not due
7	1	0	0

Progress on Corporate Indicators:

Green	Amber	Red	Not due
9	5	1	1

Delivering value for money services
Highlights include the identification of savings of £1.8m through the first tranche of Zero Based Budgeting.

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The Executive Leader of the Council presented a 'State of the District' annual report to the Council in July 2015. This reflected upon the achievements of the Council during 2014/15 and outlined the challenges for the years ahead.

To meet the requirements of the Local Government Transparency Code 2015, the Council has introduced a process to ensure that all mandatory datasets (i.e. expenditure over £500, contracts awarded) are published on its website on either a quarterly or annual basis. The first data was published in December 2014.

In June 2014, in response to guidance from the Government, a new Code of Conduct for Councillors was introduced. The main change was to increase the areas in which Councillors should declare any interests.

The Council adopted a new employee code of conduct in July 2014. The code is principles based and includes seven core values that reflect the Nolan principles.

The Council agreed that the Code's handbook format and the need for it to be frequently reviewed meant that it was no longer appropriate for it be to include in the Constitution. The Managing Director (in consultation with the Employment Panel) is responsible for its content.

Insight

Employee Code of Conduct
7 Core Values

- Selflessness
- Honesty
- Integrity
- Objectivity
- Accountability
- Openness
- Leadership

Corporate Governance Panel

The Corporate Governance Panel, as its name suggests, has responsibility for receiving 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 the reports, the Panel raised a number of concerns about control systems and processes. The most significant of these were:

Issue of concern	Action taken
The lack of any project management guidance.	A programme and project management toolkit was launched in June 2014.
Delays in introducing agreed internal audit actions.	The Panel requested that future meetings should receive an update on the current position. Whilst an improvement was noted, the Panel continued to have concerns and raised the matter at the July 2015 Council.
The continuing 'little' assurance opinion that has been given over the system for the collection of general debts.	The Head of Resources has appointed temporary staff to the debtors team and a fundamental review of operational procedures is underway.

Corporate Governance Panel

May 2014	July 2014	September 2014
Considered outcome of peer review of internal audit service	Discussion with the Managing Director on improving officer compliance in key control areas	Approve the 2013/14 annual governance statement (AGS)
Considered Internal Audit annual report and opinion, March 2014	Approve internal audit plan 2014/15	Consider External Auditors 2013/14 'report to those charged with governance' and action plans (ISA 260)
Note progress on issues from 2012/13 AGS	Review of effectiveness of Licensing Committee/Licensing & Protection Panel	Approve the 2013/14 annual financial report
Review external audit 2012/13 grant certification	Considered changes to Members Allowances Scheme	Review the risk register and management of risks
Approve Constitution changes to improve management of Council meetings	Note Interception of Communications Commissioner report of June 2014	Considered options, then recommended to Cabinet the retention of a corporate fraud team following launch of the DWP's single fraud investigation service in May 2015
Review annual reports		
• Corporate Fraud Team activity 2013/14		• Panel's own effectiveness review and annual report to Council

[1] This report became a standing agenda item from November 2014 onwards

The Panel were also concerned that the Internal Audit Service had not been able to deliver the agreed 2014/15 internal audit plan due to problems in recruiting staff (Further details are provided on page 17).

The Panel also consider each year how effective they have been in overseeing the Council's governance arrangements. Their August 2015 review concluded that they had been acting effectively.

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 and the outcome of its own effectiveness review. This allows the Council to take comfort that key governance processes are being reviewed.

November 2014	**March 2015**	**June 2015**	**July 2015**
Reviewed 1st annual report on achievement of Value for Money	Review external audit plan for 2014/15 and 2013/14 grant certification	Approved anti-fraud and corruption strategy	Considered Internal Audit annual report and opinion, March 2015
Approve changes to whistleblowing policy & procedure	Note the progress in introducing external audit recommendations	Approve changes to whistleblowing policy & procedure	Approve the Internal Audit Charter
Review delivery of Internal Audit plan	Reviewed proposed Constitution changes and recommend their adoption to Council	Approve a training programme for the Panel	Reviewed proposed Constitution changes and recommend their adoption to Council
Note progress on the introduction of agreed internal audit actions [1]	Approve 2015/16 Internal Audit plan	Review the risk register and management of risks	
	Note progress on issues from 2013/14 AGS		
• FoI, EIR & DPA [2] requests and improvement action plan • Whistleblowing concerns received	• Accounting policies	• Corporate Fraud Team activity 2014/15 • Whistleblowing concerns received	• Effectiveness of internal audit service

[2] Freedom of Information, Environmental Information Regulations, Data Protection Act

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 both July 2014 and 2015 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 2015 risk management strategy recognises this and different 'risk appetite' limits have been set that reflect seven key service aspects.

Risk review process

Significant risks that may be potentially damaging to the achievement of the Council's Corporate Plan objectives are recorded in a risk register and 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 then reported twice each year to the Corporate Governance Panel (CGP) and is a key component of the Council's overall assurance framework. From September 2015, the Cabinet will be receiving this information instead of the CGP.

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 and the 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. They are not listed in priority order.

Risk	Effect upon the Council
Reductions in government funding Failure to achieve planned savings	Non-statutory services are reduced or stopped. Statutory services are reduced to minimum levels
Failure to deliver the shared service vision	Efficiency savings are not realised; service levels reduce
Council's funds not invested appropriately	Loss of the value of the investments and significant reduction in interest received
Reducing availability of affordable housing	Continued uncontrollable pressure upon the homelessness budget
ICT Security controls are breached	Reputational damage, cost of rectifying weakness, possible significant fines
Personal data and information is accidentally released or published	Prosecution, possible financial penalties and reputational damage
Council unable to deliver sustained economic growth, including the redevelopment of Huntingdon town centre	Failure in achieving the Corporate Plan aim of delivering a strong local economy
Local Plan is not approved	Inability to manage the development process and increased likelihood of overturn by the Planning Inspectorate

Managing the risk of fraud

In June 2015 the Corporate Governance Panel approved a revised Anti-Fraud and Corruption Strategy which took account of accepted best practice and the requirement for the Corporate Fraud Team to focus on issues other than welfare fraud. This is a major change of focus and the Corporate Fraud Team are developing a work programme to meet the aims of the Strategy.

Throughout 2014/15 the Council continued to take the lead on managing the Cambridgeshire Tenancy Fraud Forum (CTFF). It received 108 referrals in 2014/15, which were investigated by the appropriate partner authority.

External funding for the CTFF ended in March 2015, however the Council (on behalf of five local authorities and four housing associations) successfully bid for £330k of funding from Central Government to introduce the Cambridgeshire Anti-Fraud Network (CAFN) which will investigate all types of fraud, including tenancy fraud. This funding lasts until March 2016.

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 frauds.

The Council has a whistleblowing policy. This is reviewed annually by the Corporate Governance Panel. In December 2014 the Council accepted Corporate Governance Panel's recommendation that it should become a signatory to Public Concern at Works (PCaW) 'First 100 Campaign' – which required the Council to commit to support the PCaW Whistleblower Code of Practice. In June 2015, the whistleblowing policy was amended to reflect the Code of Practice. This narrowed the scope of coverage. Previously any person was able to raise an issue under the policy, it now applies only to Council employees and those contractors who are working for the Council whether on their own premises or the Councils. The Council still wishes that all potential wrongs are reported to it, so it has retained the external facing 24 hr telephone line, dedicated email address and web-form.

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.

Anti-Fraud and Corruption Statement

Huntingdonshire District Council is committed to the highest possible standards of honesty, openness and accountability.

It will ensure that internal procedures are in place to identify, deter and prevent the risk of fraud and corruption and maintain clear and well publicised arrangements for receiving and investigating complaints.

The Council will pursue appropriate action, including the recovery of any losses it has suffered, in every case where fraud and corruption has been found.

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 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 Head of Resources is the Responsible Financial Officer and is a member of the Corporate Management Team. He has responsibility for delivering and overseeing the financial management arrangements of the Council and 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. 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.

A zero based budget (ZBB) review commenced in September 2014 with a view to driving out costs from the base budget. Four service areas were subject to ZBB during 2014/15, undergoing a robust challenge of their budget and resourcing requirements by both Accountancy staff and then a Cabinet 'Star Chamber'. The £1.8m of savings identified from the review are reflected in the Council's 2015/16 budget.

A shared CCTV service with Cambridge City Council began operating in July 2014. Building Control, Legal and IT services are to begin operating as shared services with Cambridge City Council and South Cambridgeshire District Council in October 2015. In June 2015, the Cabinet approved the governance arrangements for shared services – these include the establishment of a Joint Committee to oversee the delivery of shared services and agreement of cost sharing principles. The Cabinet report that sets out in detail the governance arrangements is available on the Council's website.

Key Improvement Area for 2015/16

Develop robust and effective reporting arrangements for shared services.

To ensure that the approved budget is not overspent, good financial management is more important than ever. Councillors have continued to receive the Financial Performance Monitoring Suite, which incorporates the Financial Dashboard.

Whilst the revenue budget is usually the focus of attention, the monitoring of capital spending and the achievement of value for money is also important. In November 2014, the Managing Director presented a post-project review report to the Overview & Scrutiny Panel (Economic Well-Being) on the building of the Huntingdon multi-storey car park and the re-development of One Leisure, St Ives. The report raised a number of concerns about project and financial management and the governance of both projects.

These concerns included the lack of reporting to Members, increases to project budgets not accurately reflecting anticipated out-turn, flaws in business case assumptions and financial modelling and poor contract management.

Key Improvement Area for 2015/16

Improve project management practices including Officer compliance with the project management toolkit.

The Overview & Scrutiny Panel (Economic Well-Being) set up a Project Management Select Committee to undertake a detailed review of both projects. The Select Committee met in February 2015 and in addition to the review also received updates (through demonstrations of the project management toolkit and reporting mechanisms) of the improvements to procedures and process that had been made. The Select Committee made six recommendations which dealt with project management monitoring and associated information to be provided to the Panel. The recommendations were accepted by both the Panel and Cabinet in April 2015. The Panel intend to maintain oversight of the project management process during the year.

In November 2014 the Head of Resources submitted a report to the Corporate Governance Panel on the Council's achievement of value for money (VFM). The report detailed both the assurance that could be provided and a number of processes that were in place, including the external auditors' opinion, Officer governance boards, and the project management and lean methodologies that had recently been introduced. The report, which also sets out a summary of VFM activity at service level is available on the Council's website.

Internal and External Audit assurance

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

Internal Audit

One of the key assurance statements the Council receives is the annual report and opinion of the Internal Audit & Risk Manager. In respect of the 12 month period ending March 2015, their opinion was that the "Council's internal control environment and systems of internal control provide adequate assurance over key business processes and adequate assurance over financial systems". The adequate assurance opinion improves upon the limited assurance opinion given last year.

The internal audit service only delivered 45% of the internal audit plan during the 2014/15 year. The main reason for this was its inability to recruit an auditor to a vacant post that arose in October 2014. The post was filled in June 2015. The plan was amended to reflect the staff resources available and the need to undertake the quarterly key control reviews of the five main financial systems. Due to significant issues within the accounts receivable system, it was agreed with the Head of Resources that the March 2015 quarterly review would not be completed due to a comprehensive and fundamental review of systems and procedures being undertaken to address a number of issues identified in previous internal audit reviews.

In July 2015 the Panel reviewed the Internal Audit Charter (which sets out the internal audit role and its responsibilities and clarifies its independence). One significant change was made - the requirement that all three Council's involved in the shared services liaise and agree upon the type and nature of assurance they will provide to one another.

Internal audit are required by Regulation to review how they work each year. The Corporate Governance Panel considered the Internal Audit & Risk Manager's self-assessment review in July 2015. They concluded that Internal Audit was acting effectively and in accordance with professional standards. They noted that a number of improvements to current internal audit procedures had been identified and an action plan prepared. Panel decided that there were no issues of 'non-conformance' that needed to be included in this statement.

External Audit

The statutory financial statements for 2014/15 have been audited and an unqualified opinion been issued. The external auditor has also issued an unqualified value for money opinion for 2014/15.

Significant Governance Issues

The progress that has been made in dealing with the governance issues that were identified in the 2013/14 Statement are contained on pages 8 and 9.
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 robust and effective reporting arrangements for shared services.	Corporate Director (Services)	March 2016
Improve project management practices including Officer compliance with the project management toolkit.	Corporate Director (Services)	March 2016

Councillor Jason Ablewhite
Executive Leader

Joanne Lancaster
Managing Director

Signed on behalf of Huntingdonshire District Council

Huntingdonshire
DISTRICT COUNCIL

Annual Governance Statement
2014/2015

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's) Statement of Accounts for the year ended 31 March 2015

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 2015 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the Service Reporting Code of Practice 2014/15.

I acknowledge my responsibilities as Responsible 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 2014/15
- supported by the Service Reporting Code of Practice 2014/15; 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 2014/15 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, grouped by category, is attached to this letter in **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 the 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 2** 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 2014/15.

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 2014/15.

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 for 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 Authority.

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.

Financial Instruments

- 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.

- 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 2014/15.

- 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 Increase in Salaries 4.3%
    - Rate of Increase of Pensions 2.4%
    - Rate of discounting scheme liabilities 3.2%

    Longevity at 65 for current pensioners

    - Men 22.5
    - Women 24.5

    Longevity at 65 for future pensioners

    - Men 24.4
    - Women 26.9

Using the work of experts

I agree with the findings of Baker Storey Matthews (BSM), 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. In particular we concur with BSM's assessment that there has been no material increase in the value of fixed assets not formally revalued in 2014/15.

I also agree with 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 Statement of Accounts and in the Collection Fund is a best estimate on the work performed by Inform CPI – Analyse Local.

National Domestic Rate appeals provision

[To be drafted when final position determined].

....
Clive Mason CPFA

Responsible Financial Officer – Head of Resources

For and on behalf of Huntingdonshire District Council

Date ……………………

Summary of Uncorrected Misstatements

Appendix 1

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 £85,300.

We have not identified any uncorrected financial misstatements at the time of writing.

No	**Description of misstatement (factual, judgemental, projected)**	**Income statement**	**Balance sheet**	
Dr	**Cr**	**Dr**	**Cr**	
1	Dr xxx Cr xxx Being an adjustment to...	F		
2	Dr xxx Cr xxx Being an adjustment to...	J		
3	Dr xxx Cr xxx Being an adjustment to...	P		
Total uncorrected misstatements	**x**	**x**	**x**	**x**

Related Party and Related Party Transactions

Appendix 2

Name	Relationship to HDC	Declared related party transaction
Ablewhite, Jason	Member	
Akthar, Sid	Member	
Baker, Keith	Member	
Baker, Mike	Member	£37,000 (Community Grant for voluntary organisations)
Bates, Ian	Member	
Boddington, Barbara	Member	
Bucknell, Peter	Member	
Bull ,Graham	Member	
Butler, Eric	Member	
Cambs City Council	Shared Services	
Cambs County Council	Shared Services	
Carter, Robin	Member	
Cawley, Stephen	Member	
Chapman, Barry	Member	
Churchill, Ken	Member	
Conboy, Sarah	Member	
Criswell, Steve	Member	
Curtis, Angela	Member	
Curtis, Ian	Member	
Davies, John	Member	
Dew, Douglas	Member	
Dickinson, Angela	Member	
Duffy, Lisa	Member	
Farrer, Bob	Member	

Name	Relationship to HDC	Declared related party transaction
Francis, Mike	Member	
Fuller, Ryan	Member	
Gardener, Ian	Member	
Giles, Derek	Member	
Gray, Jonathan	Member	
Hansard Andrew	Member	
Hardy, Andrew	Member	
Harlock, Greg	Member	
Harrison, Roger	Member	
Harty, David	Member	
Hayward, Terry	Member	
Howe, Robin	Member	
Hyland, Barry	Member	
Ingram, Steve	Chief Officer	
Jordan, Patricia	Member	
Kadewere, Patrick	Member	
Kadic, Laine	Member	
Lancaster, Joanne	Chief Officer	
Longford, Paula	Member	
MacKender-Lawrence, Alan	Member	
Mason, Clive	Chief Officer	
Mathews, Rita	Member	
McCurdy Nigel	Chief Officer	
Mitchell, Peter	Member	
Morris, John	Member	£199,652 (Crash bed for homelessness)
Oliver, Mark	Member	
Reeve, Peter	Member	

Name	**Relationship to HDC**	**Declared related party transaction**
Reynolds, Deborah	Member	
Sanderson, Tom	Member	
Shellens, Mike	Member	
Slatter, Julie	Chief Officer	
South Cambs District Coucil	Shared Services	
Tuplin, Dick	Member	
Tysoe, Darren	Member	
Ursell, Paul	Member	
VanDeKerkhove, Steve	Member	
West, Richard	Member	

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Appendix D

Huntingdonshire District Council

Annual Financial Report

For the year ended 31 March 2015

Contents

Annual Financial Report

Statement of Accounts

Main Financial Statements

Notes to the Accounts

Supplementary Financial Statements

Explanatory Foreword

By the Head of Resources

As the Council's Responsible Financial Officer, I am pleased to present the Council's 2014/15 Annual Financial Report which outlines the Council's financial performance for the year ended 31 March 2015.

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 2014/15.
- The Financial Statements.
- Technical information.

Commentary and review of 2014/15

Review of the Year

2014/15 has been another challenging year for the Council with the reduction of grant funding from Central Government as austerity measures continue.

The Council set a net budget for the year of £20.870m (2013/14; £22.764m), a net decrease of £1.894m (8.3%). After allowing for the following non-ring fenced government grants:

- Revenue Support Grant of £4.562m (2013/14; £6.019m),
- Business Rates Retention scheme (NDR) of £4.218m (2013/14; £4.004m),
- New Homes Bonus and Council Tax Freeze Grant £3.426m (2013/14; £2.906m),
- Council Tax Collection Fund surplus of £21,000 (2013/14; £76,000)

and the use of revenue reserves of £1.005m (2013/14; £2.253m), this left the Council to raise £7.639m (2013/14; £7.506m) from Council Tax. This equated to a Council Tax of £133.18 (2013/14; £133.18) for a Band D equivalent property, freezing the Council Tax for a second year running.

The Council's success in supporting the development of new homes across the District has meant the Council has been able to benefit from the New Homes Bonus. During 2014/15 659 new homes were completed against a target of 721, missing the target by 62 homes.

The following paragraphs outline how the Council has performed during 2014/15:

Theme: Strong local economy

Local Enterprise Partnership (LEP)
On 29 January 2015, the Government announced an additional £38m of investment for the Local Enterprise partnership (LEP) via the second phase of its Growth Deal Funding.

The District will benefit directly from the funding of a local Highways & Civil Engineering academy to provide skilled labour for the many key transport schemes planned over the coming years. £16.6m will go into the LEP's Growing Places Fund scheme that provides affordable finance to overcome key barriers to growth. This will be available for local authorities and organisations will be able to put forward applications for this funding.

This is in addition to the £3.6m and £11.0m previously awarded for the Alconbury Weald Enterprise Zone High Tech Company Expansion and the Alconbury Weald Technical and Vocational Centre respectively in July 2014.

Increased influence of the component LEP local authorities over the course of the past financial year correlates directly to improved levels of funding received. Exerting influence over LEP infrastructure prioritisation will be an on-going priority.

Alconbury Weald Enterprise Campus
The Building Foundations for Growth (BFG) grant funding of £5.0m from the Department of Communities and Local Government (DCLG) secured in March 2014 for demolition and remediation works on the Alconbury Enterprise Campus has been received during this financial year. The business case for the application was based on the bringing forward of the delivery of the Enterprise Zone by approximately 3 years.

Urban & Civic, partner applicants have delivered the works and received the majority of the grant (just over £3.0m). The Council as the accountable body are in possession of just under £2.0m from an unanticipated underspend and the deduction of £0.5m (equating to land value uplift) from eligible costs. In accordance with DCLG's grant determination letter this must be spent delivering growth priorities for the Enterprise Zone, as a result the £2.0m underspend has been earmarked within a specific reserve for capital funds.

Fast track Pre-Application planning advice
Fast track pre-application planning advice has been operational since January 2015 with a nominated case officer responsible for the process. The aim is to enable accelerated business growth with Huntingdonshire district. As at the end of March no fast-track eligible pre-applications had been received.

Enterprise Zone (EZ) skills
The Council has been leading on the establishment of a new one-stop-shop service (called 'EDGE: sharper skills for Enterprise') which will be a key part of the EZ skills strategy. EDGE will bring together a range of existing job brokerage and skills development services, making access more effective and joined up for businesses and people. EDGE is an innovative example of an output that addresses Public Sector Rewiring, a new format of delivery which adds value to partners and prospective customers alike.

The EZ Skills Group is currently firming up EDGE service planning, while EDGE frontline operational resources have just completed their induction training and are planning for the official launch event in Westminster in October 2015. The service planning will bring with it revised target/outcome reporting that will reflect the joint activities of EDGE.

A successful apprenticeship promotion event was held in December 2014 with 75 businesses and around 600 Year 8 students attending the exhibition.

Theme: Enable sustainable growth

Local Plan
Following the latest round of consultation on the Local Plan that ended in March 2015, work will continue in 2015/16 to carry out additional surveys/work required to enable it to be submitted.

Local Housing
2014/15 has seen significant progress on 3 large sites. Outline planning permission was granted in October 2014 for 5,000 homes, 150 hectares of employment land and associated facilities. The Council's Development Management Panel has also resolved to support in principle two applications for a total of some 3,800 homes, employment land and associated land to the east of St Neots.

Crest Nicholson, a major house builder, was selected by Defence Infrastructure Organisation, to take forward the proposed redevelopment of Wyton airfield in October 2014.

A seminar was held on 21 January 2015 for District, County and Parish Councillors from the areas that surround Wyton. Work on the Wyton project, including infrastructure, master-planning and community engagement, will continue through 2015/16 and beyond.

Affordable housing continues to be negotiated, where relevant, in line with the Local Plan policy and viability of sites, although a further Government policy amendment has introduced a 'vacant building credit' whereby the floor area of existing buildings on a site can be subtracted from the affordable housing obligation. This will further reduce the Council's ability to provide affordable housing on brownfield sites, most notably at RAF Brampton where no affordable housing is likely to be provided.

In 2014/15, staff vacancies within the Development service meant that staff costs were £0.193m less than budgeted. Recruitment to the vacant posts was delayed due to the Zero Based Budgeting (ZBB) and shared service reviews that were taking place. The reduced capacity within the team has had the following impact: the determined planning application timescale targets were not achieved; work programmes such as the improvement strategy, the action plan for St Neots, updating the Buildings at Risk Register and the Design Guide update were not completed.

The above work programmes were all part of the Council's Corporate Plan and at the end of 2014/15 6 out of 9 actions were outstanding (4 Red and 2 Amber), this equates to 67% of actions not achieved. There are fewer 2015/16 objectives as a result of the outstanding 2014/15 objectives.

Theme: Working with our communities.

<u>CCTV</u>
A shared service commenced operation in July 2014, bringing together the CCTV control rooms of Huntingdonshire District Council and Cambridge City Council. The shared service provides financial savings to each of the local authorities, but also increases efficiency and resilience of the service. However the start-up costs for the service were higher than expected due to increased costs for moving the CCTV equipment (£34,000) and higher redundancy costs (£9,000). The Council's additional net share from these increased costs was £20,000.

<u>Community</u>
The Community Chest budget provides small capital grants to community groups and associations for the provision of community activities and community resources. 83% of the £30,000 2014/15 award has been claimed by recipients. The money was awarded on a 12 month claim down period from the date of the award, the outstanding claims are expected to be submitted by the end of July 2015.

<u>Sports and Active Lifestyles</u>
The Sports and Active Lifestyle team have achieved excellent performance during 2014/15 with attendance of 46,110 for all Sports and Active Lifestyle Team activities (23% up on the previous year) and:

- 933 attendances to Street Sports with 200 young people attending.
- 2,638 attendances to other diversionary or positive activities, with 1,421 young people attending.
- Best results so far for Cardiac Rehabilitation Group Classes (16% up on 2013/14), Right Start Group Exercise Classes (17% up on 2013/14), Adult Sports Tasters (52% up 2013/14) and Exercise Referral (41% up on 2013/14). However this has had an impact on the length of time that individuals are waiting to access the scheme.
- Health Walks are also up 16% on 2013/14 but not an all-time best.
- A review of the charging regime of some activities, including the instructed use of the outdoor gym has meant that usage numbers have declined and ultimately the class cancelled as it was unsustainable.

One Leisure

- During 2014/5 there were 2,306,758 admissions to the five One Leisure facilities – this is a 10% increase on the previous year.
- The cost of operating the facilities has reduced significantly and the end of year out-turn reported (excluding recharges) an operating loss of £61,000, this is a £314,000 improvement on the previous year's performance. As shown in Note 29 the total operating loss was £1.873m for 2014/15.
- One Leisure St Ives including the Burgess Hall (£0.226m) and One Leisure St Neots (£0.293m) provide a substantial operating surplus (before internal recharges are included) and significantly improved on the previous year.
- However there are still areas of the service that are not performing as expected (these results are for all 5 sites and do not take into account internal recharges);
    - Zest café is still down on target by £36,000,
    - Leo's fun zone is also down on target by £16,000,
    - Fitness classes are down against budget by £94,000.

  These results have been affected by increased competition and by the Councils pay review which has impacted on the morale of staff and the ability to retain Fitness Instructors from leaving.
- One Leisure Sawtry reported a deficit of £0.183m, £28,000 worse than the previous year. A review of Sawtry Operation is being undertaken during 2015/16.
- The net cost per head across all of One Leisure is -£0.02, which is an improvement from -£0.21 for the previous year.
- There are a total of 158,589 members of One Leisure and 27,479 are currently active (January – March 2015).
- A review of the membership package for One Leisure was undertaken this has resulted in the introduction of a number of new membership packages to meet customer needs.

Housing Needs & Resources

At the end of 2014/15, three properties with shared facilities were introduced and are used to temporarily house homeless families. This allows the Housing Needs team to find better temporary accommodation for customers who need the Councils help the most and reduce the reliance on B&B. The implementation of these new properties has contributed towards the reduction of £22,000 in the B&B expenditure for 2014/15 compared to 2013/14.

The Housing Needs team have successfully bid for funding (with partners) from the Government to continue providing a Domestic Violence support service helping victims of domestic violence stay safe. The amount awarded was £96,000.

Improving the Energy Efficiency of Homes in the District

In 2014/15, as part of the Cambridgeshire wide Action on Energy scheme the council had a target of undertaking 400 Home Energy assessments in homes across Huntingdonshire. After a slow start the number of assessments increased as the year progressed, resulting in a final total of 375 assessments undertaken and the allocation of over £350,000 of grant funding from the Governments Green Deal Communities Fund to improve the thermal efficiency of homes in the district.

Theme: Ensuring we are a customer focused and service led council

Zero Based Budgeting (ZBB)

The ZBB process was introduced in 2014/15 to deliver savings and efficiencies in the base budget. Tranche 1 of the ZBB process was completed during 2014/15 and presented to Cabinet in February 2015. The total net savings were £2.4m; this was as a result of ZBB savings of £1.8m, 'Facing the Future' savings of £0.8m and additional growth expenditure of £0.2m. The budget was approved by Full Council in February 2015.

Improving the Energy Efficiency of the Council's Buildings
There is considerable potential for the Council to save energy and money by improving the thermal efficiency of its own buildings. In 2014/15, Desktop Energy Efficiency Assessments were undertaken at each of the Council's 9 main sites.

The assessments identified potential savings £110,000 per annum through the implementation of invest-to-save energy efficiency projects at the Councils sites. To enable the prioritisation of projects going forward, full business cases will be developed during 2015/16.

Communications
The Council carried out a staff survey during July and August 2014 and the results were considered poor and indicated that staff morale was particular low. An Action Plan was produced and implemented from September 2014. The updates on the action plan have been regularly reported back to the Council's staff focus group sessions (self-selected) and the Member Employment Panel with most actions being completed by December 2014 and only a few still outstanding; some of which were targeted for 2015/16. The survey will be repeated in 2015/16, with the same base of questions so that the Council can see the changes from 2014/15.

Housing Benefits
Different elements of Housing Benefits are reviewed each year by the Councils external auditors. During the 2013/14 audit, the auditors found £205 of incorrect payments during their sampling from a total level of payments of just over £36million. The Department of Works and Pension (DWP) audit requirements set out that if an error is found in the sample tested, additional testing is required regardless of the values involved. This additional testing cost the Council an extra £8,869.

Fraud Team
The award of £330,000 of funding from the DCLG to the Council and partners to work more closely on tackling fraud across Cambridgeshire is an indication of the appetite for the Council to tackle fraud. The bid indicated a significant return in investment and was successful against a number of other rival bids.

During 2014/15 there were significant changes to the way fraud is investigated. In early 2015/16 some officers from the Council will be transferring to the Department of Works and Pension (DWP), considerable effort went into planning and delivering this change. The Council have retained a smaller fraud team, removing a number of posts from the establishment which will save £65,000 from 2015/16 onwards.

Document Centre
The Council has seen continued income from the selling of Document Centre services. The team now has a client list of over 250 external customers and in 2014/15 brought in external income of £71,000 to contribute to the net cost of the service.

Information Management
The Information Management Division (IMD) completed the roll out of replacement desktops and PCs across the Council during 2014/15, which enabled all systems to be supported when Microsoft withdrew support for Windows XP.

The IMD team also kept the website 'up' 99.8% of the time and have won an award for the best LLPG in the East of England and started their journey towards a shared service with South Cambridgeshire DC and Cambridge City Council. The shared service is intended to go live in 2015/16.

The Council's website has limited self-service functionality for users. It was recognised in 2014/15 that a project would be needed to upgrade the website to allow further self-service functionality for customers as well as delivering more efficient back office processes. However, this project was not initiated as quickly as anticipated, an additional post was carried in Customer Services for longer than intended.

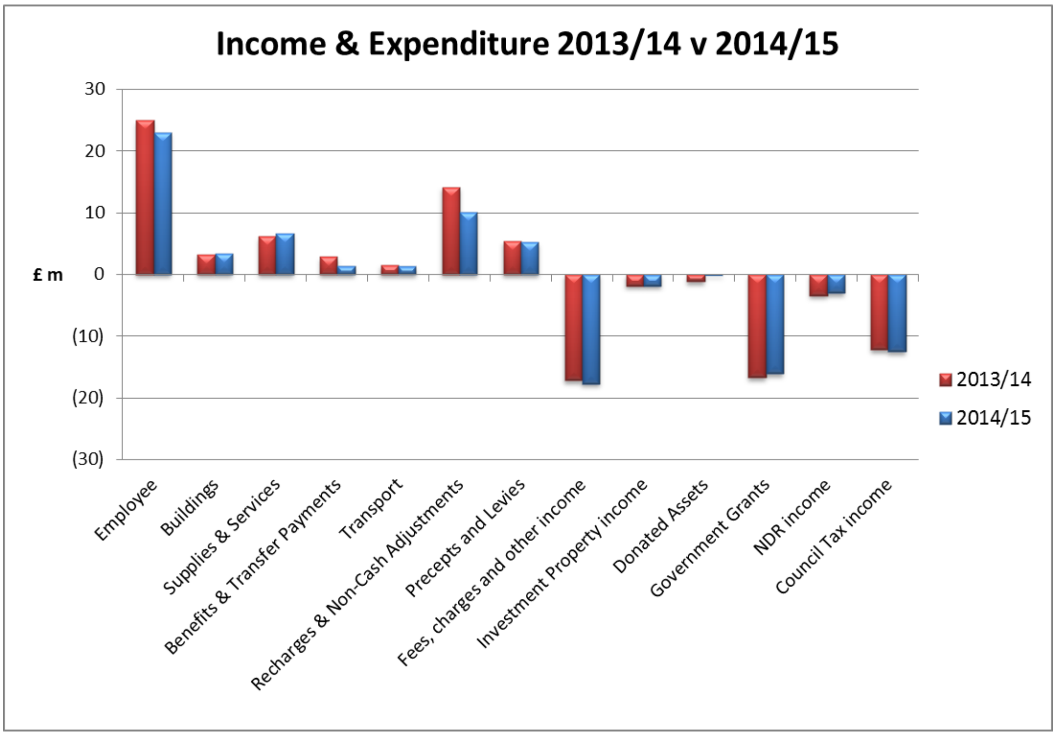
Revenue Spending and Sources of Income

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 2014/15. It shows an increase of £0.603m to reserves compared to a budgeted reduction of £1.005m. A breakdown of all the changes to earmarked reserves during 2014/15 is shown at the foot of the table below:

2013/14 Outturn £000		Budget £000	2014/15 Outturn £000	Variation £000
95,805	Gross Expenditure	81,575	86,128	4,553
(9,033)	Statutory Adjustments	(5,064)	(3,962)	1,102
86,772		76,511	82,166	5,655
	Income and Other Items			
(16,212)	Fees & Charges	(15,208)	(16,879)	(1,671)
(42,401)	Government Grants (including reimbursement of housing benefits)	(38,160)	(43,152)	(4,992)
(242)	Investment Income	(606)	(85)	521
(2,740)	Trading undertakings (surplus)/deficit	(1,667)	(2,815)	(1,148)
(61,595)		(55,641)	(62,931)	(7,290)
25,177	**Net expenditure**	**20,870**	**19,235**	**(1,635)**
	Funding			
(7,506)	Council Tax	(7,639)	(7,649)	(10)
(9,662)	Revenue support grant and other special grants	(7,987)	(8,895)	(908)
(3,442)	Non-Domestic Rates	(4,218)	(3,076)	1,142
(85)	Collection fund (surplus)/deficit	(21)	(101)	(80)
(1,419)	Capital Grants	0	(38)	(38)
(1,160)	Donated Assets	0	(79)	(79)
(23,274)		**(19,865)**	**(19,838)**	**27**
1,903	**Deficit met from reserves/(Surplus) to Reserves**	**1,005**	**(603)**	**(1,608)**
	Application of General Fund Reserve			
(3,669)	Disapplied to meet the costs of Council services		3,283	
	Earmarked Reserves			
2,009	- contribution to Capital Investment Reserve		0	
1,241	- contribution to Special Reserve		0	
2,768	- contribution to Collection Fund Reserve		0	
477	- increase in Capital Grants Reserve		(3,133)	
22	- increase in S106 Reserve		(19)	
(945)	- increase in other earmarked reserves		(734)	
1,903	**Total**		**(603)**	

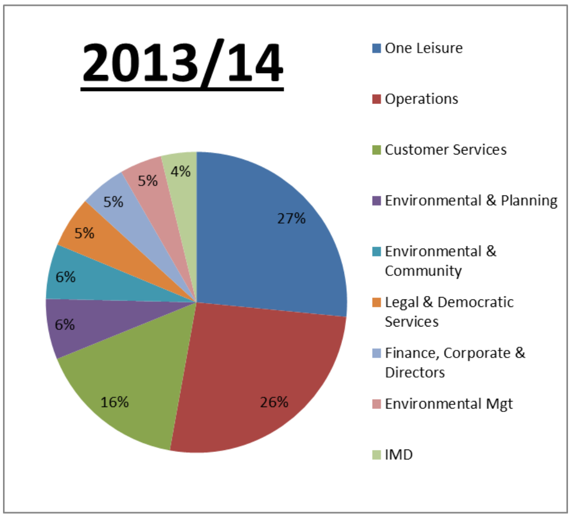
Analysis of Revenue Income & Expenditure

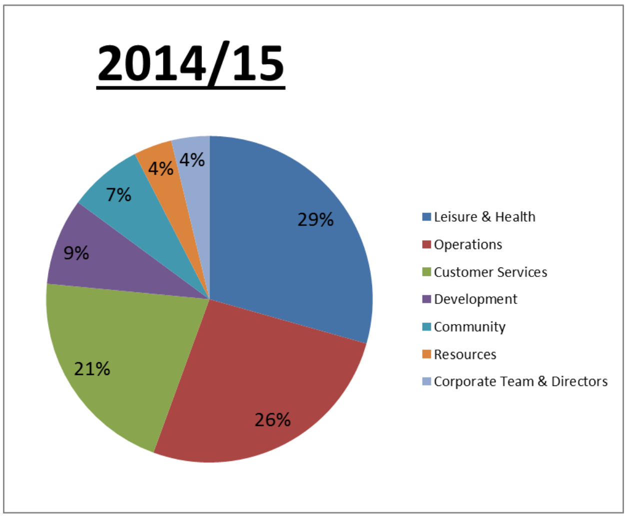
The graph below compares the income and expenditure for 2014/15 against the previous year 2013/14.



Full Time Equivalent Staff

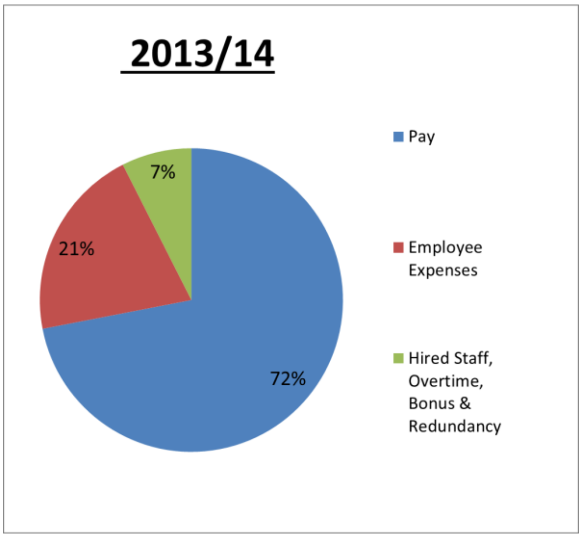
As at 31 March 2015 the Council employed 607 full time equivalent employees, this is a reduction of 66.5 FTE's (9.87%) compared to 31 March 2014. The following graph shows the Council's staff numbers in 2014/15 and 2013/14 for each service.

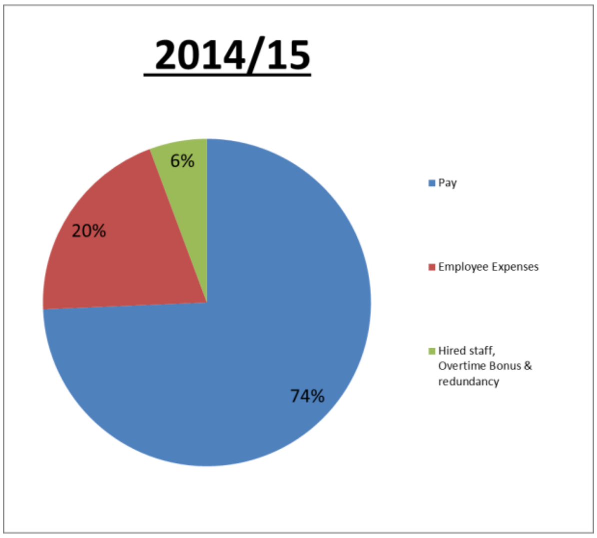




Cost of Employment

Of the total cost of employing staff, £22.259m in 2014/15, this is a reduction of £1.986m compared to 31 March 2014. The split of this cost based on pay type is as follows:





Reserves

The table below shows the movement in the useable reserves during the year to 31 March 2015.

Revenue Usable Reserves 2014/15	B/f £000	Contributions To £000	Contributions From £000	C/f £000
General Fund	**8,684**	**603**	**0**	**9,287**
Earmarked				
Capital Investment	2,009	2,728	0	4,737
Delayed Projects	245	17	0	262
Special Reserve	2,500	0	0	2,500
S.106	2,885	663	(645)	2,903
Other	4,579	791	(75)	5,295
	12,218	**4,199**	**(720)**	**15,697**
Total Usable Reserves	**20,902**	**4,802**	**(720)**	**24,984**

The 2014/15 Outturn report reported a service expenditure underspend of £2.699m and additional funding of £2.017m against the original budget approved in February 2014. On the 18 June 2015 the report was presented to Cabinet who approved the report's recommendation for the following transfers to Earmarked reserves:

- £0.100m Alconbury & Molesworth Support and Challenge reserve.
- £0.261m Carry forwards to the 2015/16 service revenue budget.
- £0.443m TCA Funding for Shared Service reserve.
- £0.500m Chequers Court Development reserve.
- £2.728m Commercial Investment Strategy reserve.

Capital Spending

The final capital budget for 2014/15 was £3.488m and the table below shows the movement from the original capital programme approved in February 2014. The programme is split £2.9m on assets and £0.1m on loans.

Capital Programme	£ m	£ m
Original Approved Capital Programme 2014/15	4.623	
Approved Slippage from 2013/14	1.945	
February 2015 Approved Changes	(3.080)	
Updated Capital Programme for 2014/15		**3.488**
Capital Outturn		2.999
Variation Against Updated Budget		**(0.489)**

The most significant scheme in 2014/15 was the Alconbury Weald remediation project. The project expenditure totalled £3.015m, which was funded in total by a central government grant. The remainder of the grant of £1.985m has been set aside to fund expenditure in future years.

Other schemes in the 2014/15 programme were disabled facilities grants and housing improvement grants to householders (£1.390m), updating of IT and business systems (£0.450m) and replacement of the vehicle fleet (£0.820m).

Sales of assets in the year were limited, the most significant being clawback of housing right to buy receipts (£0.675m), and the sale of the Greenhouse environmental home in St Neots (£0.210m). The total receipts (£1.087m) have been used to reduce the requirement to borrow to finance the capital programme, which will have a consequential impact in reducing that amount needed to meet future year's minimum revenue provision commitments.

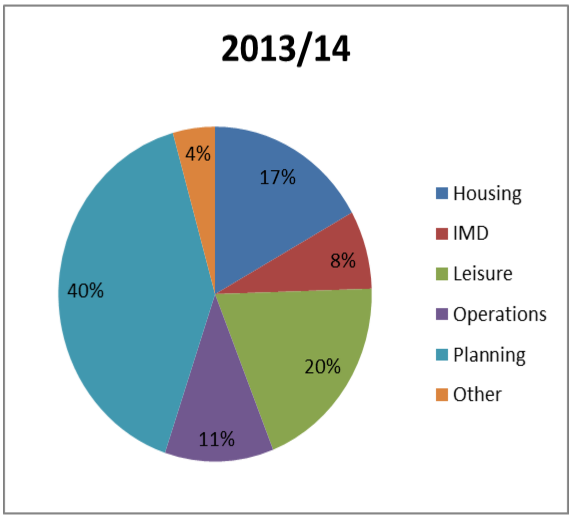
The table below shows the breakdown of the capital spend by project, the capital contributions and the funding pie charts show the capital spend by service area.

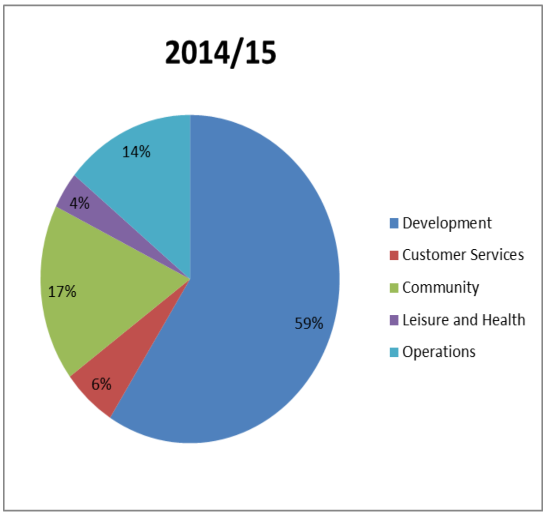
2013/14 £m	Capital Spending	2014/15 £m
0.3	Environmental Projects	0.1
2.0	Housing Grants	1.4
0.7	Vehicle Replacement Programme	0.8
0.7	Information & Communication Technology	0.5
3.2	St Neots Railway Station Improvements	0.0
0.3	Leisure & Recreation	0.2
1.4	One Leisure St Ives Redevelopment	0.1
0.5	Huntingdon West Development	0.6
4.6	Multi-Storey Car Park	0.2
0.0	Alconbury Weald Remediation	3.0
0.2	Other	0.6
13.9	**Gross Expenditure**	**7.5**
	Less	
(5.4)	External contributions and capital grants	(4.3)
(0.0)	Castle Hill House capital receipt	(0.2)
8.5	**Net Expenditure**	**3.0**
	Funded from	
(1.0)	Capital Receipts	(0.9)
(0.3)	Capital Receipts Reserve Applied	(0.0)
(1.1)	Provision for Debt Repayment	(1.3)
(6.1)	Borrowing	(0.8)
(8.5)		**(3.0)**

2013/14 £m	Capital Investments	2014/15 £m
1.6	Loans to Organisation	0.1
1.6	**Net Expenditure**	**0.1**
	Funded from	
(1.6)	**Borrowing**	**(0.1)**
(1.6)		**(0.1)**

Capital Expenditure by Service

The pie charts below show the capital spend by service area for 2014/15 and the previous year 2013/14.





Short term borrowing for the Council is undertaken throughout the year to help maintain daily cash flow and for the year this averaged £1.8m per day. 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.

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.

In March 2014 the long-term rating of both the Royal Bank of Scotland and NatWest Bank were downgraded to Baa1. This rating is below the Council's minimum investment credit criterion of AA-. Following advice from ArlingClose, the Council's treasury management advisors, the bank was withdrawn from the Council's counterparty list for investment purposes. The NatWest bank will continue to be used for operational banking purposes (cash flow and day-to-day banking) but not for investments. All bank accounts held with NatWest are maintained at or as close to zero as day to day banking processes allow.

The Financial Statements

The Council's financial statements for 2014/15 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 2014/15 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 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	**79.268**	**(59.938)**	**19.330**
Other Operating Expenditure	4.641	0	4.641
Financing & Investment Income & Expenditure	3.091	(2.895)	196
Taxation & Non-Specific Grant Income	18.477	(43.135)	(24.658)
(Surplus) or Deficit on Provision of Services			**(491)**
Other CIES adjustments			**15.177**
Total Comprehensive Income & Expenditure			**14.686**

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 2014	**21.859**	**(9.109)**
Total Comprehensive Expenditure & Income	0.491	(15.177)
Adjustments between accounting & funding basis.	7.095	(7.095)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**7.586**	**(22.272)**
Transfers to/from Earmarked Reserves	(0.371)	0.371
Increase/(Decrease) in 2014/15	**7.215**	**(21.901)**
Balance – 31 March 2015	**29.074**	**(31.010)**

Usable Reserves:	**31 March 2015 £m**
General Fund	9.287
Earmarked Reserves	15.697
Capital Grants Unapplied	4.090
Total	**29.074**

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 2015 £m
Long Term Assets	90.067
Current Assets	12.591
Current Liabilities	(12.537)
Long Term Liabilities	(92.057)
Net Assets	**(1.936)**
Useable Reserves	29.074
Unusable Reserves	(31.010)
Total Reserves	**(1.936)**

For the first time, the Councils balance sheet is showing a negative balance of (£1.936m) which is a reduction of £14.686m on the previous year's balance of £12.750m; a negative balance indicates that the Councils liabilities exceed its assets. However, this reduction is solely due to an increase in the deficit on the pension fund of £18.620m to £80.084m. A detailed explanation of the Council's pension liabilities is shown in Note.39 Defined Benefit Pension Scheme and in summary:

- 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.

At this time, the statutory arrangements for funding the Pension deficit mean that the financial position of the Council remains fair.

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 2015 £m
- operating activities	5.700
- investing activities	798
- financing activities	(6.043)
Net increase or (decrease) in cash and cash equivalents	**0.455**
Cash & Cash Equivalents	
- at the beginning of the reporting period	(0.223)
- at the end of the reporting period	**0.232**

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	(91.905)	
NDR	(55.700)	
Total Income		**(147.605)**
Expenditure		
Precepts, Demands and Shares:		
- Central Government	29.029	
- Huntingdonshire District Council	32.189	
- Parish Precepts	4.819	
- Cambridgeshire County Council	69.580	
- Cambridgeshire Fire and Police	14.669	150.286
Collection Fund adjustments:		
- Prior year net surplus for preceptors	(2.110)	
- Debts Impaired	0.720	
- Provision for Appeals	3.163	1.773
Total Expenditure		**152.059**
Deficit/(Surplus) for the year		**4.454**
(Surplus) at beginning of the year		**7.072**
Deficit/(Surplus) for the year		4.454
Deficit/(Surplus) at end of year		**11.526**

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 2013. 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 2015 actuarial valuation identified a deficit of £80.084m, which was an increase of £18.620m on the deficit of £61.464m that was reported as at 31 March 2014.

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 2014/15, totalling £0.237m (2013/14; £2.133m). The provisions are in respect of local land charge litigation £0.198m and employee litigation £39,000. The two existing prior year provisions are for the outstanding NDR valuation appeals £3.319m and the Alconbury Weald Enterprise Zone £79,000 which is planned to be paid in 2015/16.

Contingent Assets and Liabilities
The Council has no contingent assets. In respect of contingent liabilities, the total disclosed for 2014/15 is £5.496m (2013/14; £4.625m).

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

Technical Information

Huntingdonshire's financial statements for 2014/15 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 2014/15 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 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 2014/15.

Statement of Accounting Policies
The accounting polices applicable to the 2014/15 statement of accounts are the same as those that were applied to the 2013/14.

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
There are no material changes to the Statement of Accounts.

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 2014/15.

Clive Mason CPFA

Head of Resources

16 September 2015

Further Information
Further information about the accounts is available from Rebecca Maxwell, Accountancy Manager.
☎ 01480 388157 or email rebecca.maxwell@huntingdonshire.gov.uk

Independent Auditors Report to be inserted once audit has been completed.

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 2015 and its income and expenditure for the year ended 31 March 2015

Clive Mason CPFA
Head of Resources

16 September 2015

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 16 September 2015 delegated authority to me as Chairman of the Panel to approve the Statement of Accounts.

Cllr Mike Frances
Chairman of the Corporate Governance Panel

16 September 2015

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 2014/15						
BALANCE AT 31 MARCH 2014 B/F	**8,684**	**12,218**	**957**	**21,859**	**(9,109)**	**12,750**
Surplus/(Deficit) on provision of services	491	0	0	**491**	0	**491**
Other comprehensive income and expenditure	0	0	0	**0**	(15,177)	**(15,177)**
Total comprehensive income and expenditure	**491**	**0**	**0**	**491**	**(15,177)**	**(14,686)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	3,962	0	3,133	**7,095**	(7,095)	**0**
Net increase/(decrease) before transfers to earmarked reserves	**4,453**	**0**	**3,133**	**7,586**	**(22,272)**	**(14,686)**
Transfers (from)/to earmarked reserves (Note 8)	(3,850)	3,479	0	**(371)**	371	**0**
Increase/(Decrease) in Year	**603**	**3,479**	**3,133**	**7,215**	**(21,901)**	**(14,686)**
BALANCE AT 31 MARCH 2015 C/F	**9,287**	**15,697**	**4,090**	**29,074**	**(31,010)**	**(1,936)**
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**

Comprehensive Income and Expenditure Statement

2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure £000		2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000
16,042	(7,235)	8,807	Cultural and Recreational Services	11,485	(7,214)	4,271
5,322	(1,514)	3,808	Environmental Services	5,198	(1,625)	3,573
3,351	(155)	3,196	Refuse Collection	3,187	(170)	3,017
4,977	(2,392)	2,585	Planning Services	7,477	(8,448)	(971)
44,269	(40,206)	4,063	Housing Services	41,643	(38,112)	3,531
5,858	(5,283)	575	Highways and Transport Services	2,927	(2,482)	445
661	(315)	346	Council Tax Benefits	681	(186)	495
1,349	(639)	710	Local Taxation Collection	1,353	(588)	765
926	(639)	287	Other Central Services	1,149	(531)	618
2,534	(67)	2,467	Corporate and Democratic Core	2,709	(584)	2,125
1,945	(67)	1,878	Non-Distributed Costs	1,459	2	1,461
87,234	**(58,512)**	**28,722**	**Cost of Services** (note 27)	**79,268**	**(59,938)**	**19,330**
4,644	0	4,644	Other Operating Expenditure (Note 9)	4,641	0	4,641
3,165	(3,086)	79	Financing and Investment Income and Expenditure (Note 10)	3,091	(2,895)	196
18,124	(46,047)	(27,923)	Taxation and Non-specific Grant Income (Note 11)	18,477	(43,135)	(24,658)
113,167	**(107,645)**	**5,522**	**(Surplus)/Deficit on provision of services**	**105,477**	**(105,968)**	**(491)**
		(9,617)	(Surplus) or deficit in the revaluation of non-current assets (Note 23)			(802)
		348	Impairment losses on non-current assets charged to the Revaluation Reserve (Note 23)			24
		748	Actuarial losses/(gains) on pension assets and liabilities (Note 39)			15,955
		(8,521)	**Other comprehensive income and expenditure**			**15,177**
		(2,999)	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**14,686**

Balance Sheet

31 March 2014 £000		Notes	31 March 2015 £000
66,811	Property, Plant and Equipment	12	65,489
65	Heritage Assets	13	65
19,615	Investment Property	14	20,874
1,782	Intangible Assets	15	1,452
2,406	Long Term Debtors	16	2,187
90,679	**Long Term Assets**		**90,067**
1,909	Short Term Investments	16	2,463
62	Inventories	17	94
9,670	Short Term Debtors	18	9,297
0	Cash and Cash Equivalents	19	232
144	Assets held for sale	20	505
11,785	**Current Assets**		**12,591**
(223)	Cash and Cash Equivalents	19	0
(6,282)	Short Term Borrowing	16	(282)
(7,461)	Short Term Creditors	21	(8,620)
(2,133)	Provisions	40	(3,635)
(16,099)	**Current Liabilities**		**(12,537)**
(11,368)	Long Term Borrowing	16	(11,202)
(783)	Other Long Term Liabilities	16	(771)
(61,464)	Net Pensions Liability	39	(80,084)
(73,615)	**Long Term Liabilities**		**(92,057)**
12,750	**Net Assets**		**(1,936)**
21,859	Useable Reserves	22	29,074
(9,109)	Unusable Reserves	23	(31,010)
12,750	**Total Reserves**		**(1,936)**

Clive Mason CPFA
Head of Resources

16 September 2015

Cash Flow Statement

2013/14 £000		2014/15 £000
(5,522)	Net Deficit on the provision of services	491
8,553	Adjustments to net surplus or deficit on the provision of services for non-cash movements	7,808
(1,940)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(2,599)
1,091	Net cash flows from Operating Activities (**Note 24**)	**5,700**
(2,211)	Investing Activities (**Note 25**)	798
(5)	Financing Activities (**Note 26**)	(6,043)
(1,125)	Net increase/(decrease) in cash and cash equivalents	**455**
902	Cash and cash equivalents at the beginning of the reporting period	(223)
(223)	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**232**

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 2014/15 financial year and its position at the year-end 31 March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

The underlying concepts of the accounts include the:

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

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

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

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

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

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

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

Amounts recognised as due to the Council are credited to the Comprehensive Income and Expenditure Statement if the conditions attached to the grant or contribution have been met. However, if the conditions require that the grant or contribution is returned where these conditions are not met, it cannot be credited to the Comprehensive Income and Expenditure Statement.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment

Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

The Council receives monies from developers, S106 monies, which are credited to the Comprehensive Income and Expenditure Statement and transferred to an earmarked fund. The condition for these contributions is that they are returnable 10 years after receipt if they are not used. It is considered that 10 years is too far into the future to be treated as receipts in advance.

➢ Accruals of Income and Expenditure

Income and expenditure are accounted for in the year to which they relate, not simply when cash payments are made or received, by the creation of debtors and creditors which are recorded in the Balance Sheet. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where the Council is acting as an agent for another party (e.g. in the collection of NDR 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 2014/15. 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 2014/15, 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:

Fair Value:	Land and Buildings, Investment Properties
Depreciated Historic Cost:	Vehicles, Plant and Equipment, Infrastructure, Intangibles
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 1 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 2014/15 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 asset 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. From 2013/14, the Council adopted the following which clarifies the policy to be applied in differing circumstances:

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 where these loans are repaid, at least on an annual basis, 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

    - Finance leases

      Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

      Lease payments are apportioned between:

      - a charge for the acquisition of the interest in the property, plant and equipment, applied to write down the lease liability, and
      - a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

      Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period.)

      The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

In practice the Council has two categories of finance leases in primary rental for industrial units and secondary leases for certain items of equipment.

- <u>Operating leases</u>.

  Rentals paid under operating leases are debited to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

- The Council as Lessor

  - <u>Finance Leases</u>

    Where the Council grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease (long-term) debtor in the Balance Sheet.

    Lease rentals receivable are apportioned between:

    - a charge for the acquisition of the interest in the property – applied to write down the lease debtor, and
    - finance income which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

    The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for this capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

    The written-off values of disposals are not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

  - <u>Operating Leases.</u>

    Where the Council grants an operating lease over a property the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

➢ Revenue Expenditure funded from Capital under Statute

Revenue expenditure funded from capital under statute represents expenditure that may be capitalised under statutory provisions but does not result in the creation of property, plant and equipment. Items incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where it has been determined to meet the cost of the item from existing capital resources or by borrowing, amounts charged are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Accounting Policies in respect of Current Assets

➢ Inventories

The Council has a number of inventories but none either individually or in aggregate are material to the accounts. However, the valuation approach in respect of the main inventory types (Fuel and Stock for Sale) is First In First Out.

➢ Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

➢ Provisions and Contingent Liabilities

- Provisions

  Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires a financial settlement and a reliable estimate of the obligation can be made. Provisions are debited to the Comprehensive Income and Expenditure Statement and are measured at the best estimate of the expenditure that is likely to be required. When payments are made they are charged to the provision.

- Contingent Liabilities

  A contingent liability arises from an event which is too uncertain or the amount of the obligation cannot be reliably estimated. The liability is disclosed as a contingent liability 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 – Consolidate 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.

  http://www.iasplus.com/en/standards/ifrs/ifrs10

- **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 Council’s interest is not material.

  http://www.iasplus.com/en/standards/ifrs/ifrs11

- **IFRS 13 – Fair Value Measurement**

  This standard outlines the fair value measurement and disclosure requirements that the Council will be required to make where fair value measurement is used. The standard defines fair value as the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

  The Council uses fair value measurement basis in Note 12 Property Plant and Equipment, Note 14 Investment Property and Note 16 Financial Instruments. Any amendments due to the adoption of this IFRS will be prospective from 1 April 2015 and therefore it is not anticipated that a third balance sheet will need to be presented.
  It is expected that this will have a marginal impact on the Council.

  http://www.iasplus.com/en/standards/ifrs/ifrs13

- **IRRIC 21 – Levies**

  This standard provides guidance on when to recognise a liability for a levy imposed by government, both for levies that are accounted for in accordance with IAS37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

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

  http://www.iasplus.com/en/standards/ifric/ifric21

- **Annual Improvements to IFRSs 2011 - 2013 Cycle**

  The IASB has an improvement process for efficiently dealing with a collection of amendments to IFRSs. This process enhances the quality of the standards, clarifies guidance and corrects minor inconsistencies. The amendments do not propose new principles or changes to existing ones. The IFRSs included in this cycle will not have a material impact on the Council's financial statements:
    - IFRS 1: Meaning of effective IFRSs,
    - IFRS 3: Scope exceptions for joint ventures,
    - IFRS13: Scope of paragraph 52 (portfolio exception),
    - IAS 40: Clarifying the interrelationship of IFRS3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

  http://www.iasplus.com/en/projects/completed/aip/annual-improvements-2011-2013

- **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.

http://www.iasplus.com/en-gb/standards/ias/ias27-2011

- **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.

  Balance Sheet Restatement

  The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, page 293/295 has stated that the changes in respect of IFRS 10, 11 12 and 13 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 new Conservative government has announced that there will be a summer budget in July of 2015 and it is anticipated that there will be further austerity measures for local government. In light of the current financial environment, the Council has adopted the Zero Based Budgeting (ZBB) methodology to deliver savings and efficiencies, of which £2.4m was identified in the 2015/16 budget approved in February 2015. The Medium Term Financial Strategy (MTFS), which was also approved in February 2015, removed the reliance on Revenue Support Grant (RSG) from Central Government funding to where in 2019/20 it has been removed completely from the funding profile. Additional to these measures, it is the Council's vision, as set out in the 'Plan on a page' to remove reliance on Central Government funding over the MTFS. At present further ZBB reviews are ongoing and these may impact on service provision.

  However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

- In line with the Code of Practice on local authority accounting in the United Kingdom 2014/15, 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 2014/15 for land is £13.427m and Buildings (NBV) is £16.367m (2013/14; land is £13.067m and Buildings (NBV) is £14.466m).

- 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 £80.084m for 2014/15; this has increased by £18.620m since 2013/14. 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.

- The participants in the Council's Non Domestic Rates Collection Fund share the costs of any successful appeals to reduce the rateable value of a property. This includes the cost of any outstanding appeals which may be backdated prior to 1 April 2014.

  To estimate the provision for outstanding appeals, the Council has sought and reviewed expert opinion from "inform CPI Limited". An estimated provision of £8.298m has been included in the Collection Fund in respect of successful appeals costs. Of the total estimated provision, £6.663m is for backdated costs prior 1 April 2014 and £1.635m for costs attributable to 2014/15. The Council's share of any such Collection Fund costs is 40% or £3.319m 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 2015 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 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 £0.486m.
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 £0.209m.
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 £19.905m. • A 1 year increase in life expectancy would result in an increase in pension liability of 3% or £5.770m. • A 0.5% increase in the salary increase rate would result in an increase in pension liability of 3% or £6.719m. • A 0.5% increase in the pension increase rate would result in an increase in pension liability of 7% or £12.732m.
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 31 March 2015 the Council has a net debtors balance of £9.297m	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 £40,335 impact on revenue. However, to achieve such an increase in the BDP, the actual debt would have to increase by £120,152.
Sundry Creditors (Housing Benefits)	During the year the Council pays Housing Benefits to local residents who are entitled to receive it; these payments are reimbursed by Central Government subsidy. The Subsidy reimbursement relates to amounts paid on or before 28 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.	The amount of Housing Benefit in payment at any given time is dependent on the number of claims made at that time, which is itself affected by both local and national economic conditions. Consequently it is difficult to provide a meaningful sensitivity analysis.

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 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 Ltd". It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by Safety Net calculation (the calculation of which is limited by regulation). A 10% variation in the estimated provision would be £0.829m for the Collection Fund of which £0.332m 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 2014/15 no such items of income or expenditure were incurred (2013/14; 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 30 June 2015.

With regard to 2014/15:

- **Adjusting Events**
  The financial statements and notes have not been adjusted for any such material events which took place after the 31 March 2015.

- **Non-Adjusting Events**

  Partnership Working
  During the Spring of 2014 the Council made a public announcement that is was entering into a 'strategic partnership' with Cambridge City Council and 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. The Building Control, Information Management & Communications and Legal Services are the first main phase of services that will be shared and the Business Cases were approved in July 2015 with a "go-live" date of October 2015. At this stage, the level of savings estimated by the Council for these three services is not material but this is the start of a formal process of cost sharing that will roll-out over the next few years.

  NDR Safety Net Calculations
  In August 2015, Central Government updated the basis for the NDR Safety net / levy calculation for 2014/15. The change has resulted in a non-adjusting event of £845,000. The impact of this is that this will be additional income to the Council i.e. be a movement to a net asset position.

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.

2014/15

	Useable Reserves			
	General Fund balance £000	**Capital receipts reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(3,788)	0	0	3,788
Amortisation of intangible fixed assets	(423)	0	0	423
Fair value of investment properties	1,259	0	0	(1,259)
Net Revenue expenditure funded from capital under statute	(1,096)	0	0	1,096
Net carrying amount of non-current assets sold	(410)	0	0	410
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:	116	0	0	(116)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	1,331	0	0	(1,331)
Adjustments involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to fund capital expenditure	0	1,087	0	(1,087)
Proceeds of sale of non-current assets	897	(897)	0	0
Repayment of loan	0	(190)	0	190
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	0	0	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	(22)	0	0	22
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 5 of Pension Fund)	(6,493)	0	0	6493
Employer's pensions contributions and direct payments to pensioners payable in the year	3,828	0	0	(3,828)
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	(2,395)	0	0	2,395
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	3,133	0	(3,133)	0
Adjustment involving the Accumulated Compensated Absences Adjustment Account				
Adjustments in relation to short-term compensated absences	101	0	0	(101)
Total Adjustments	**(3,962)**	**0**	**(3,133)**	**7,095**

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**

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 31.3.13 £000	Transfers in £000	Transfers out £000	Balance 31.3.14 £000	Transfers in £000	Transfers out £000	Balance 31.3.15 £000	Purpose of Reserve
S106 agreements	**(1,528)**	(253)	74	**(1,707)**	0	566	**(1,141)**	**A**
Commuted S106 payments	**(1,335)**	(4)	161	**(1,178)**	(663)	79	**(1,762)**	**B**
Repairs and renewals funds	**(1,090)**	(292)	180	**(1,202)**	(173)	75	**(1,300)**	**C**
Delayed projects	**(986)**	0	741	**(245)**	(17)	0	**(262)**	**D**
Collection Fund	**0**	(2,768)	0	**(2,768)**	0	0	**(2,768)**	**E**
Capital Investment	**0**	(2,009)	0	**(2,009)**	(2,728)	0	**(4,737)**	**F**
Special reserve	**(1,260)**	(1,241)	1	**(2,500)**	0	0	**(2,500)**	**G**
Other reserves	**(605)**	(99)	95	**(609)**	(618)	0	**(1,227)**	**H**
Total	**(6,804)**	**(6,666)**	**1,252**	**(12,218)**	**(4,199)**	**720**	**(15,697)**	
Net movement in Earmarked Reserves			**(5,414)**			**(3,479)**		

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 and Council Tax 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	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, • Housing Association footpaths reserve, • Alconbury & Molesworth support and challenge fund, and • Chequers Court Development fund

Note 9. Other Operating Expenditure

2013/14 £000		2014/15 £000
5,006	Parish Council precepts	4,820
382	Drainage Board Levies	390
1	Payments to the Government housing capital receipts pool	0
(745)	(Gains)/losses on the disposal of non-current assets	(569)
4,644	**Total**	**4,641**

Note 10. Financing and Investment Income and Expenditure

2013/14 £000		2014/15 £000
440	Interest payable and similar charges	454
2,621	Pensions interest cost and expected return on pensions assets	2,642
(242)	Interest receivable	(85)
(2,738)	Income and expenditure in relation to investment properties and changes in their fair value	(2,764)
(2)	Trading operations	(51)
79	**Total**	**196**

Note 11. Taxation and Non Specific Grant Income

2013/14 £000		2014/15 £000
(12,240)	Council tax income	(12,571)
(3,442)	Non domestic rates	(3,076)
(9,662)	Non-ringfenced government grants	(8,895)
(1,419)	Capital grants	(37)
(1,160)	Donated Assets	(79)
(27,923)	**Total**	**(24,658)**

Note 12. Property, Plant and Equipment

Movements in 2014/15	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 2014	**49,831**	**17,308**	**10,607**	**1,406**	**385**	**9**	**79,546**
Additions in year	529	1,495	0	0	0	370	**2,394**
Revaluation increases and decreases recognised in the Revaluation Reserve	150	0	0	0	0	0	**150**
Revaluation increases and decreases recognised in Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	**0**
Non-enhancing capital expenditure	0	0	0	0	0	0	**0**
Transfer within Property, Plant and Equipment	0	0	0	0	0	0	**0**
Transfer to other types of assets	0	0	0	0	(385)	0	**(385)**
Adjustment for disposal	(535)	(427)	0	0	0	0	**(962)**
At 31 March 2015	**49,975**	**18,376**	**10,607**	**1,406**	**0**	**379**	**80,743**
Accumulated Depreciation	**(553)**	**(9,017)**	**(3,165)**	**0**	**0**	**0**	**(12,735)**
At 1 April 2014							
Depreciation charged in year	(1,667)	(1,633)	(488)	0	0	0	**(3,788)**
Depreciation written out to revaluation reserve	778	0	0	0	0	0	**778**
Depreciation written out to Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	**0**
Adjustment for disposal	73	418	0	0	0	0	**491**
At 31 March 2015	**(1,369)**	**(10,232)**	**(3,653)**	**0**	**0**	**0**	**(15,254)**
Net Book Value							
At 31 March 2015	**48,606**	**8,144**	**6,954**	**1,406**	**0**	**379**	**65,489**
At 31 March 2014	**49,278**	**8,291**	**7,442**	**1,406**	**385**	**9**	**66,811**

Movements in 2013/14	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 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 At 1 April 2013	**(2,627)**	**(7,770)**	**(2,683)**	**0**	**0**	**0**	**(13,080)**
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**

Capital Commitments

As at 31 March 2015 the Council was contractually committed to capital works valued at approximately £2.546m (31 March 2014; £1.671m).

The main schemes are:

		£m
Community	Loves Farm Community Centre	0.097
Development	Alconbury Weald – Building Foundations for Growth	1.984
Development	Housing Grants	0.465
Total		**2.546**

Note;
The Council is committed to spending £1.984m on the Alconbury Weald Enterprise Campus. This is the balance of the Building Foundations for Growth capital grant funding, for which due diligence is not yet complete.

Revaluations

Land and buildings
These assets are held at current value (fair value) and are revalued as at 1 April 2014 onwards. The Council currently operates a three year rolling programme of revaluations in place of the previous five year valuation. 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 (7th edition). With specific reference made to UK Appendix 5 – Valuation of Local Authority Assets.

- 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 lives are based on how long the asset will deliver economic benefits for any purpose. This is based on the type of construction, the current age, and the condition of the asset.

- 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**	**Total £000**
Valued at Fair Value as at:		
31 March 2015	9,513	9,513
31 March 2014	39,093	39,093
Total Cost of Valuation	**48,606**	**48,606**

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 2014/15.

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

	Cultural £000	Total Heritage Assets £000
Cost or Valuation		
At 1 April 2014	**65**	**65**
At 31 March 2015	**65**	**65**
Cost or Valuation		
At 1 April 2013	**65**	**65**
At 31 March 2014	**65**	**65**
Net Book Value		
At 31 March 2015	**65**	**65**
At 31 March 2014	**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.

2013/14 £000		2014/15 £000
(1,871)	Rental income from investment property	(1,869)
324	Direct operating expenses arising from investment property	364
(1,547)		**(1,505)**
(1,191)	Revaluation Adjustment	(1,259)
(2,738)	Net (gain)/loss	**(2,764)**

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

2013/14 £000		2014/15 £000
18,424	**Balance at start of the year**	**19,615**
1,191	Net gain/(loss) for fair value	1,259
19,615	**Balance at end of the year**	**20,874**

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 life assigned to software is generally five years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.423m was charged to revenue in 2014/15. This was either charged to the Information Management Division for inclusion in the overhead across all the service headings in the Net Expenditure of Services, or directly to services.

Intangible Capital Commitments
As at 31 March 2015 the Council was not committed contractually to capital works (31 March 2014; Nil).

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

2013/14 £000		2014/15 £000
	Balance at start of year:	
3,306	Gross carrying amounts	3,655
(1,752)	Accumulated amortisation	(1,873)
1,554	**Net carrying amount at start of year**	**1,782**
524	Additions	157
(296)	Amortisation for the period	(423)
(175)	Disposals or retirements	(237)
175	Amortisation on Disposal	173
1,782	**Net carrying amount at end of year**	**1,452**
3,655	Gross carrying amounts	3,575
(1,873)	Accumulated amortisation	(2,123)
1,782	**Net carrying amount at end of year**	**1,452**

Note 16. Financial Instruments

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

Long-term 2013/14 £000	Long-term 2014/15 £000		Current 2013/14 £000	Current 2014/15 £000
		Investments and Cash & Cash Equivalents		
0	0	Loans and receivables	1,909	2,695
0	**0**	**Total investments and Cash & Cash Equivalents**	**1,909**	**2,695**
		Debtors		
2,406	2,187	Loans and receivables	9,245	8,868
2,406	**2,187**	**Total Debtors**	**9,245**	**8,868**
		Borrowings		
(11,368)	(11,202)	Financial liabilities at amortised cost	(6,282)	(281)
(11,368)	**(11,202)**	**Total borrowings**	**(6,282)**	**(281)**
		Other Long-Term Liabilities		
(783)	(771)	Fair value through profit and loss	0	0
(783)	**(771)**	**Total Other Long-Term Liabilities**	**0**	**0**
		Creditors		
0	0	Financial liabilities at amortised cost	(6,441)	(7,772)
0	**0**	**Total creditors**	**(6,441)**	**(7,772)**

Gains and losses on income and expense

Financial Liabilities (Liabilities measured at amortised cost) 2013/14 £000	2014/15 £000		Financial Assets (Loans and Receivables) 2013/14 £000	2014/15 £000
440	454	Interest expenses	0	0
0	0	Interest income	(242)	(85)
440	**454**	**Net gain/(loss) for the year**	**(242)**	**(85)**

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.

2013/14 Carrying amount £000	2013/14 Fair value £000		2014/15 Carrying amount £000	2014/15 Fair value £000
		Liabilities		
(26,368)	(27,725)	Financial liabilities	(19,255)	(21,355)
		Assets		
13,560	13,556	Loans and receivables	13,750	13,757

The Financial Liabilities are shown below:

Financial Instrument	2013/14 Carrying amount £000	2014/15 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%)	(1,296)	(1,159)	2.24% 7 August 2013 to 7 August 2023
Salix Loan	(72)	(43)	
Accrued Interest	(115)	(115)	
	(11,483)	**(11,317)**	
Short Term			
PWLB (2.24%)	(137)	(137)	
Portsmouth City Council	(4,000)	0	0.40%; 14 March 2014 to 14 April 2014
South Lanarkshire	(2,000)	0	0.32%; 18 March 2014 to 22 April 2014
Salix Loan	(29)	(29)	
Accrued Interest	(1)	0	
	(6,167)	**(166)**	
Creditors	**(8,495)**	**(7,772)**	
Bank Balance	**(223)**	**0**	
	(26,368)	**(19,255)**	

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 higher than the carrying amount because the portfolio includes investments where the interest rate receivable is higher than the rates available for similar investments at the Balance Sheet date. This shows a notional future gain arising from a commitment to receive interest above current market rates.

The fair value of investments is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same investment from a comparable institution, available at the Balance Sheet date.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 17. Inventories

The main items in 'other inventories' are refuse sacks £0.013m, printing stock £0.005m and uniforms £0.008m (2013/14; £0.009m, £0.004m, £0.008m respectively)

	Leisure Centres		Diesel		Other		Total	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Balance outstanding 1 April 2014	**81**	**66**	**25**	**(28)**	**41**	**24**	**147**	**62**
Purchases	0	0	598	568	49	14	647	582
Issued in year	0	0	(642)	(578)	0	0	(642)	(578)
Stock adjustment	(15)	(22)	(9)	62	(66)	(12)	(90)	28
Balance outstanding 31 March 2015	**66**	**44**	**(28)**	**24**	**24**	**26**	**62**	**94**

Note 18. Debtors

2013/14 £000		2014/15 £000
4,635	Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	3,321
580	Other Local Authorities	1,183
6,014	Other entities and individuals	6,569
(1,559)	Bad debt provision (Impairment of loans and receivables)	(1,776)
9,670		**9,297**

Note 19. Cash and Cash Equivalents

2013/14 £000		2014/15 £000
10	Cash held by the Council	10
1,432	Bank balances	296
(1,665)	Bank current accounts (overdraft)	(74)
(223)	**Net Total Cash and Cash Equivalents**	**232**

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.

2013/14 £000		2014/15 £000
300	**Balance at Start of Year**	**144**
	Assets Transferred to Property, Plant and Equipment	
(300)	Land at St Mary's Street Huntingdon	0
(300)	**Net Assets Held for Sale**	**0**
	Assets Sold	
	Impairment Losses	
0	Land at Hermitage Earith	**(24)**
0		**(24)**
	Transfers from Non-Current Assets	
0	Land at St Marys Street Huntingdon	385
144	Land at Hermitage Earith	0
144		**385**
144	**Balance at End of Year**	**505**

Note 21. Creditors

2013/14 £000		2014/15 £000
967	Central Government bodies - Her Majesty's Revenue and Customs, and Department of Communities and Local Government	2,481
3,827	Other Local Authorities	4,843
336	National Health Service	311
430	Public Corporations'	52
1,901	Other entities and individuals	933
7,461		**8,620**

Note 22. Useable Reserves

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

Statement.

Note 23. Unusable Reserves

2013/14 £000		2014/15 £000
(40,462)	Capital Adjustment Account	(39,220)
(15,161)	Revaluation Reserve	(15,438)
190	Financial Instruments Adjustment Account	212
61,464	Pensions Reserve	80,084
2,767	Collection Fund Adjustment Account	5,162
311	Accumulating Compensated Absences Adjustment Account	210
9,109	**Total Unusable Reserves**	**31,010**

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.

2013/14 £000	2013/14 £000	Capital Adjustment Account	2014/15 £000	2014/15 £000
	(44,361)	**Balance at 1 April**		**(40,462)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
8,003		Charges for depreciation and impairment of non-current assets	3,788	
296		Amortisation of intangible assets	423	
1,786		Revenue expenditure funded from capital under statute	1,096	
42		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	410	
(200)		Adjusting amounts written out of the Revaluation Reserve	(501)	
		Capital financing applied in the year:		
(965)		Use of the Capital Receipts Reserve to finance new capital expenditure	(1,087)	
0		Use of S106 earmarked reserves	(371)	
(2,579)		Application of grants to finance capital expenditure	(116)	
(318)		Application of grants to capital financing from the Capital Grants Unapplied Account	0	
(1,120)		Statutory provision for the financing of capital investment charged against the General Fund (MRP)	(1,331)	
145		Repayment of long term debtors	190	
(1,191)		Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,259)	
	3,899	Total movements		**1,242**
	(40,462)	**Balance at 31 March**		**(39,220)**

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.

2013/14 £000	Revaluation Reserve	2014/15 £000
(6,092)	**Balance at 1 April**	**(15,161)**
(9,655)	Upward revaluation of assets	(928)
38	Other adjustments for assets disposed of or transferred - written off to Capital Adjustments Account	126
(9,617)	**(Surplus) or deficit in the revaluation of non-current assets**	**(802)**
348	Downward revaluation or impairment of assets not charged to the surplus/deficit on the provision of services	24
200	Difference between fair value depreciation and historical cost depreciation - written off to Capital Adjustment Account	501
(15,161)	**Balance at 31 March**	**(15,438)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the differences between accounting for the fair value of loans given to individuals and organisations, and the actual income credited to the General Fund.

2013/14 £000	Financial Instruments Adjustment Account	2014/15 £000
231	**Balance at 1 April**	**190**
(41)	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	22
190	**Balance at 31 March**	**212**

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.

2013/14 £000	Pensions Reserve	2014/15 £000
58,434	**Balance at 1 April**	**61,464**
748	Actuarial (gains) or losses on pensions assets and liabilities	15,955
6,244	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	6,493
(3,962)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,828)
61,464	**Balance at 31 March**	**80,084**

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 2014/15 and previous years although it is only actually transferred from the Collection Fund in line with regulations.

2013/14 £000	Collection Fund Adjustment Account	2014/15 £000
(97)	**Balance at 1 April**	**2,767**
2,864	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic income calculated for the year in accordance with statutory requirements	2,395
2,767	**Balance at 31 March**	**5,162**

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.

2013/14 £000	Accumulating Compensated Absences Adjustment Account	2014/15 £000
323	**Balance at 1 April**	**311**
(323)	Settlement or cancellation of accrual made at the end of the preceding year	(311)
311	Amounts accrued at the end of the current year	210
311	**Balance at 31 March**	**210**

Note 24. Operating Activities

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

2013/14 £000		2014/15 £000
(242)	Interest Received	(87)
440	Interest Paid	454

Note 25. Investing Activities

2013/14 £000		2014/15 £000
(12,660)	Purchase of property, plant and equipment, investment property and intangible assets	(8,410)
(1,689)	Other payments for investing activities	(47)
965	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,087
4,276	Proceeds from short-term and long-term investments	(576)
6,897	Other receipts from investing activities	8,744
(2,211)	**Net cash flows from investing activities**	**798**

Note 26. Financing Activities

2013/14 £000		2014/15 £000
(1,544)	Other receipts from financing activities	123
1,368	Movement on long-term borrowing	(166)
171	Movement on short-term borrowing	(6,000)
(5)	**Net cash flows from financing activities**	**(6,043)**

Note 27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice, however, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across services in a bespoke manner that best fits the Council's needs. These reports are prepared on a different basis from the basis used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to the services in the Comprehensive Income and Expenditure Statement);
- The cost of retirement benefits is based on cash flows (payment of employer's pension's contributions) rather than current service cost of benefits accrued in the year.

The following statements reconcile the revenue expenditure by service as reported to Members and Chief Officers, with that in the comprehensive income and expenditure account. The analysis by service is reported to Members three times a year – budget (February), forecast outturn (the following February) and actual net expenditure (July). The income and expenditure of the main services is as follows:

2014/15	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	(1,795)	(1,526)	(7,110)	(730)	(5,619)	(16,780)
Government grants	(1)	(36,054)	(177)	0	(1,119)	(37,351)
Total income	**(1,796)**	**(37,580)**	**(7,287)**	**(730)**	**(6,738)**	**(54,131)**
Employee expenses	3,270	58	4,892	11,490	3,281	22,991
Other service expenses	1,490	36,848	2,985	3,437	3,059	47,819
Support service recharges	3,070	3,239	2,278	6,501	6,662	21,750
Total operating expenses	**7,830**	**40,145**	**10,155**	**21,428**	**13,002**	**92,560**
Recharges to other accounts	(364)	32	42	(21,868)	(284)	(22,442)
Net expenditure	**5,670**	**2,597**	**2,910**	**(1,170)**	**5,980**	**15,987**

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**	**(1,046)**	**4,412**	**14,842**

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.

2013/14 £000		2014/15 £000
14,842	**Net expenditure in service analysis**	**15,987**
13,950	Amounts in the Comprehensive Income and Expenditure Statement not included in the service analysis of revenue expenditure for budget monitoring	3,320
(70)	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	23
28,722	**Net cost of services in Comprehensive Income and Expenditure Account**	**19,330**

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.

2014/15	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	(16,780)	0	79	**(16,701)**	(941)	**(17,642)**
Income from Council Tax	0	0	0	**0**	(12,570)	**(12,570)**
Income from NDR	0	0	0	**0**	(21,553)	**(21,553)**
Income from Investment properties	0	0	0	**0**	(1,869)	**(1,869)**
Interest and investment income	0	0	0	**0**	(85)	**(85)**
Donated asset	0	0	0	**0**	(79)	**(79)**
Government Grants	(37,351)	(5,886)	0	**(43,237)**	(8,933)	**(52,170)**
Total income	**(54,131)**	**(5,886)**	**79**	**(59,938)**	**(46,030)**	**(105,968)**
Employee expenses	22,991	0	0	**22,991**	(4)	**22,987**
Other service expenses	47,819	0	(37)	**47,782**	130	**47,912**
Support service recharges	21,750	0	0	**21,750**	752	**22,502**
Recharges to other accounts	(22,442)	0	(19)	**(22,461)**	12	**(22,449)**
Depreciation and impairment	0	9,206	0	**9,206**	0	**9,206**
Interest payments	0	0	0	**0**	454	**454**
Pensions interest cost and expected return on pensions assets	0	0	0	**0**	2,642	**2,642**
Expenditure in relation to investment properties and changes in their fair value	0	0	0	**0**	(895)	**(895)**
Precepts and levies	0	0	0	**0**	5,210	**5,210**
NDR Payments to Other Local Authorities	0	0	0	**0**	18,477	**18,477**
Gain or loss on disposal of property, plant and equipment	0	0	0	**0**	(569)	**(569)**
Total operating expenses	**70,118**	**9,206**	**(56)**	**79,268**	**26,209**	**105,477**
(Surplus) or deficit on the provision of services	**15,987**	**3,320**	**23**	**19,330**	**(19,821)**	**(491)**

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)	**24,928**
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**

Note 28. Acquired and Discontinued Operations

There are no acquired or discontinued operations during 2014/15 (2013/14; 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 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.

2013/14 £000		2014/15 £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.	
(1,819)	Gross Income	(2,125)
1,230	Gross Expenditure	1,493
(589)	**(Surplus)/Deficit**	**(632)**
	Leisure Services	
	The Council operates 5 leisure centres across the district, under the name One Leisure; 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, Spa facilities and Ten-Pin Bowling.	
(6,738)	Gross Income	(6,774)
8,970	Gross Expenditure	8,647
2,232	**(Surplus)/Deficit**	**1,873**
1,643	**Net (Surplus)/Deficit on Trading Operations included in Net Cost of Service**	**1,241**
	Trading Operations included in the Financing and Investment Income and Expenditure	
	Information Management Department: IT Software	
	The Council's 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).	
(61)	Gross Income	(13)
85	Gross Expenditure	52
24	**(Surplus)/Deficit**	**39**
	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.	
(151)	Gross Income	(144)
256	Gross Expenditure	127
105	**(Surplus)/Deficit**	**(17)**

	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.	
(406)	Gross Income	(380)
343	Gross Expenditure	356
(63)	**(Surplus)/Deficit**	**(24)**
	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.	
(38)	Gross Income	(71)
52	Gross Expenditure	72
14	**(Surplus)/Deficit**	**1**
	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.	
(214)	Gross Income	(233)
172	Gross Expenditure	219
(42)	**(Surplus)/Deficit**	**(14)**
	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.	
(98)	Gross Income	(100)
58	Gross Expenditure	64
(40)	**(Surplus)/Deficit**	**(36)**
(2)	**Net (Surplus)/Deficit on Trading Operations included in Financing and Investment Income and Expenditure**	**(51)**
1,641	**Net (Surplus)/Deficit on Trading Operations**	**1,190**

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:

2013/14 £000		2014/15 £000
376	Allowances	374
34	Expenses	23
410		**397**

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.

2013/14	£		£	2014/15
14	50,000	but less than	55,000	10
3	55,000	but less than	60,000	3
0	60,000	but less than	65,000	1
3	65,000	but less than	70,000	2
1	70,000	but less than	75,000	2
2	75,000	but less than	80,000	2
2	80,000	but less than	85,000	0
1	85,000	but less than	90,000	0
1	90,000	but less than	95,000	0
1	95,000	but less than	100,000	0
0	130,000	but less than	135,000	1
28				**21**

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.

2014/15 Post holder	Salary including allowances £	Election Fees (1) £	Termination Costs £	Salary including allowances and fees £	Bonus £	Benefits in kind £	Total remuneration £	Employer pension contributions £	Remuneration including pension contributions £
Managing Director	125,955	7,899		**133,854**			**133,854**	22,250	**156,104**
Corporate Director (Services) (2)	44,917			**44,917**			**44,917**	7,995	**52,912**
Corporate Director (Delivery) (3)	48,395			**48,395**			**48,395**	8,548	**56,943**
Assistant Director Environment, Growth and Planning (4)	16,824		**40,518**	**57,342**			**57,342**	2,752	**60,094**
Head of Resources (S151 Officer) (5)	65,594	610		**66,204**			**66,204**	11,654	**77,858**

Key – 2014/15

Note 1 The election fees do not include fees for General, European and County Council elections paid for by third parties.
Note 2 The Corporate Director for Services, started at the Council on 1 September 2014.
(annualised salary; excluding employer pension contributions is £77,000)
Note 3 The Corporate Director for Delivery, started at the Council on 17 August 2014.
(annualised salary; excluding employer pension contributions is £77,000)
Note 4 The Assistant Director (Environment, Growth and Planning) post was created on 1 March 2013 and the post holder left the Council on 10 June 2014.
(annualised salary; excluding employer pension contributions is £79,000)
Note 5 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 £66,000)

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2013/14 Post holder	Salary including allowances £	Election Fees (1) £	Salary including allowances and fees £	Benefits in kind (7) £	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 (3)	42,146	0	**42,146**	2,182	**44,328**	7,435	**51,763**
Managing Director, Resources (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 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 1 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 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 10 June 2014, and the post will be deleted from the establishment at that point.
(annualised salary; excluding employer pension contributions is £78,000).

Note 7 Benefits in Kind relating to Car Benefit.

Note 32. External Audit Related Costs

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

2013/14 £000		2014/15 £000
84	External audit	79
28	Grant claim certification	18
0	National Fraud Initiative	2
(10)	Audit Commission rebate	(6)
102		**93**

Of the £28,000 Grant claim certification costs noted within 2013/14, £3,000 is in respect of 2012/13.

Note 33. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2013/14 £000		2014/15 £000
	Credited to taxation and non-specific income	
6,019	Revenue support grant	4,563
2,940	New Homes Bonus	3,358
703	Other Non-ring fenced Grants	892
0	Council Tax Freeze Grant	82
1,160	Donated Assets	79
10,822	**Total**	**8,974**
	Credited to Services	
36,979	Rent allowances	35,081
296	Council tax benefits	0
651	Benefits administration	786
557	Improvement grants	530
3,436	Transportation Development	356
0	Alconbury Weald Development Grant	5,000
0	Shared Services Grant	529
482	Other	870
42,401	**Total**	**43,152**

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:

2013/14 £000	Grants Receipts in Advance	2014/15 £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:

2013/14 £000	Capital Grants Unapplied Account	2014/15 £000
210	Government grant for housing	210
0	Building Foundations for Growth	1,985
747	Community Infrastructure Levy	1,895
957		**4,090**

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 2014/15 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 Council's 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 2014/15, the Council has:

- paid £7.472m to Cambridgeshire County Council; £3.474m for pension payments and £3.998m for services (2013/14; £6.509m), and
- received £2.749m from the County Council (2013/14; £5.903m).

Each year the Council appoints members onto local organisations to represent the Council. The 'Representatives on Organisations' list was approved by Cabinet on the 17 July 2014 and a copy can be found at the following website location - http://moderngov.huntsdc.gov.uk:8070/documents/s67246/Reps%20on%20Organisation%202014.pdf

In respect of 2014/15:

- No officers have disclosed any significant interests.
- By 30 June 2014, of the 52 members who served during the year, 35 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, two members, Councillor Morris and Councillor M Baker (as either an individual or family interest) has disclosed a related party with which there was a transaction requiring disclosure; this is shown below.

Councillor	Organisation	Relationship with Organisation	Payments received from the Council
Morris	King’s Street Housing Society	Board Member	£199,652 (crash bed for homelessness)
M Baker	Hunts Voluntary	Chairman	£37,000 (community grant for voluntary organisations)

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.

As mentioned in Note 6, the Council has entered into a ‘strategic partnership’ with Cambridge City Council and South Cambridgeshire District Council. In June 2014 a combined CCTV shared service was created between the Council and Cambridge City Council.

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.

2013/14 £000		2014/15 £000
26,972	**Opening Capital Financing Requirement**	**34,685**
7,537	Property, Plant and Equipment	2,315
524	Intangible Assets	157
5,779	Revenue Expenditure Funded from Capital under Statute	4,998
1,689	Repayable Advances	47
15,529	**Additional Requirement**	**7,517**
	Sources of finance	
(965)	Capital receipts	(1,087)
(5,413)	Grants and other contributions in year	(3,939)
(318)	Capital Grants Unapplied Reserve	0
(1,120)	Minimum revenue provision	(1,331)
0	S106 reserve	(371)
(7,816)		**(6,728)**
34,685	**Closing Capital Finance Requirement**	**35,474**
	Movements in year	
7,713	Increase in underlying need to borrowing (unsupported by government financial assistance)	789

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:

2013/14 £000		2014/15 £000
1,773	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:

2013/14 £000		2014/15 £000
	Finance lease liabilities (net present value of minimum lease payments)	
0	Current	0
545	Non-current	545
3,027	Finance costs payable in future years	2,988
3,572	**Minimum lease payments**	**3,533**

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

	Minimum lease payments		Finance lease payments	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £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	3,377	3,338	545	545
	3,572	**3,533**	**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 2014/15 £0.081m contingent rents were payable by the Council (2013/14; £0.089m).

Operating Leases

The Council has a number of operating leases for land which vary from 3 years to 50 years. There were leases for pool cars and cars for individual members of staff, these have now been terminated, with no liability in 2013/14 or 2014/15, however, there were some residual payments totalling £0.014m within 2013/14. 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:
.

2013/14 £000		2014/15 £000
29	Not later than 1 year	27
73	Later than 1 year and not later than 5 years	59
28	Later than 5 years	15
130		**101**

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

2013/14 £000		2014/15 £000
66	Minimum lease payments	**61**

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.

2013/14 £000		2014/15 £000
1,654	Not later than 1 year	1,628
5,703	Later than 1 year and not later than 5 years	5,848
19,367	Later than 5 years	17,999
26,724		**25,475**

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 2014/15 the Council has recognised impairments to Property, Plant and Equipment of £0.024m (2013/14; £5.038m).

Note 38. Termination Benefits and Exit Packages

Other departures (Including Voluntary Redundancy):
In respect of:

- 2014/15, 0 voluntary redundancies were approved.
  A further employee left the council in 2014/15 where there was pension enhancement
- 2013/14, 4 voluntary redundancies were approved. All 4 left the Council in 2013/14.

Compulsory Redundancy:
In respect of:

- 2014/15, the Council approved the compulsory redundancy of 3 employees
- 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.

All costs in respect of Termination benefit and exit packages have been debited 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 band.

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages agreed		Total cost of packages	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14 £000	2014/15 £000
£0 to less than £20,000	3	1	2	0	5	1	42	11
£20,000 to less than £40,000	2	0	2	1	4	1	111	23
£40,000 to less than £60,000	2	0	0	0	2	0	91	0
£60,000 to less than £80,000	2	0	0	0	2	0	144	0
£80,000 to less than £100,000	1	1	0	0	1	1	84	89
£100,000 to less than £150,000	1	1	0	0	1	1	114	126
	11	**3**	**4**	**1**	**15**	**4**	**586**	**249**

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. The last valuation took place as at 31 March 2013.
To avoid the impact of potential reductions in the workforce the actuary proposed that a fixed percentage of 17.8% be applied for 2014/15, 2015/16 and 2016/17.
This should be used to provide for future service liabilities, together with a lump sum contribution to reduce the existing deficit related to past service.
The lump sums proposed were:
2014/15 £0.789m
2015/16 £1.135m
2016/17 £1.510m

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.

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:

2013/14 £000		2014/15 £000
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
3,579	Current Service Cost	3,648
44	Past Service Cost	203
	Financing and Investment Income and Expenditure:	
6,830	Net interest expense	6,965
(4,209)	Expected Return on Scheme Assets	(4,323)
6,244	**Total post-employment benefit charged to the deficit on the provision of services**	**6,493**
	Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:	
	Re-measurement of the net defined benefit liability comprising:	
2,943	Return on plan assets (Excluding the amount included in the net interest expense)	7,609
2,862	Actuarial gains and losses arising on changes in demographic assumptions	0
(7,387)	Actuarial gains and losses arising on changes in financial assumptions	(25,383)
834	Other experience	1,819
(748)		(15,955)
5,496	**Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement**	**9,462**
	Movement in Reserves Statement	
(6,244)	Reversal of net charges made to the surplus/deficit on the provision of services for post-employment benefits in accordance with the Code	(6,493)
	Actual amount charged against the General Fund Balance for Pensions in the Year:	
3,767	Employer’s contributions payable to the scheme	3,686
195	Retirement benefits payable to pensioners*	142
(2,282)	**Total Movement in Reserves Statement**	**(2,665)**

* 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 cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2015 is a loss of £69.19m, and to the 31 March 2014 is a loss of £53.634m.

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 2014 £000		31 March 2015 £000
151,909	**Opening balance as at 1 April**	**162,360**
3,579	Current Service Cost	3,648
6,830	Interest Cost	6,965
947	Contributions by scheme participants	951
(2,862)	Actuarial losses / (gains) from changes in demographic	0
7,387	Actuarial losses / (gains) from changes in financial assumptions	25,383
(834)	Other	(1,819)
44	Past service costs	203
(4,445)	Benefits paid	(5,216)
(195)	Estimated unfunded benefits paid *	(142)
162,360	**Closing balance at 31 March**	**192,333**

* 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 2014 £000		31 March 2015 £000
93,475	**Opening fair value of scheme assets balance as at 1 April**	**100,896**
4,209	Interest Income	4,323
2,943	The return on plan assets (Excluding amount included in net interest expense)	7,609
3,767	Contributions by the employer	3,686
947	Contributions by employees into the scheme	951
195	Contributions for unfunded benefits*	142
(4,445)	Benefits paid	(5,216)
(195)	Unfunded benefits paid*	(142)
100,896	**Closing Balance at 31 March**	**112,249**

* 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 £11.932m (2013/14; £7.152m).

Scheme History

2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000		2014/15 £000
(123,552)	(132,435)	(151,909)	(162,360)	Present value of liabilities	(192,333)
82,115	81,094	93,475	100,896	Fair value of assets	112,249
(41,437)	**(51,341)**	**(58,434)**	**(61,464)**	**Deficit in the scheme**	**(80,084)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment benefits. The total liability of £192.33m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £80.08m. 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 £3.63m into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2016. With regard to discretionary benefits, there were no such awards in 2014/15 (2013/14; 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.

2013/14	County Fund – Main Assumptions	2014/15
4.6%	Rate of increase in salaries	4.3%
2.8%	Rate of increase in pensions	2.4%
4.3%	Rate of discounting scheme liabilities	3.2%
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
22.5 years	Men	22.5 years
24.5 years	Women	24.5 years
	Longevity at 65 for future pensioners	
24.4 years	Men	24.4 years
26.9 years	Women	26.9 years

Local Government Pension Scheme Assets Comprised:

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

31 March 2014 £000		31 March 2015 £000
1,345	Cash and cash equivalents	3,364
	Equity instruments by industry:	
8,810	Consumer	11,118
8,327	Manufacturing	6,882
3,575	Energy and utilities	3,162
10,179	Financial institutions	9,180
2,975	Health and care	5,465
6,033	Information technology	5,075
280	Other	0
40,179	Sub-total equity	40,882
	Private equity:	
6,002	All not in active markets	7,958
6,002	Sub-total private equity	7,958
	Other investment funds:	
15,380	Bonds	17,115
32,442	Equity	34,579
5,548	Other	8,351
53,370	Sub-total other investment funds	60,045
100,896	**Total Assets**	**112,249**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2014/15 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2015.

2010/11	2011/12	2012/13	2012/13 Restated	2013/14		2014/15
(2.17%)	(6.3%)	8.1%	8.85 %	2.92%	Differences between expected and actual return on assets	2.62%
(1.54%)	(1.1%)	0.06%	0.06%	0.51%	Experience gains/ losses on liabilities	0.95%

Assumptions from 2010/11 to 2011/12 have not been restated since updated assumptions were not obtained from the Scheme Valuer.

Sensitivity analysis:

Increase in assumption 31 March 2014 £000	Impact on the defined benefit obligation in the scheme	Increase in assumption 31 March 2015 £000
4,871	Longevity (increase or decrease in 1 year)	5,770
5,210	Rate of increase in salaries (increase or decrease by 0.5%)	6,719
10,519	Rate of increase in pensions (increase or decrease by 0.5%)	12,732
(15,961)	Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(19,905)

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				
	Enterprise Zone Retained NDR (1) £000	**NDR Appeals Provision (2) £000**	**Employee Litigation (3) £000**	**Local Land & Charges (4) £000**	**Total £000**
Balance at 1 April 2013	**0**	**0**	**0**	**0**	**0**
Balance at 31 March 2014	**79**	**2,054**	**0**	**0**	**2,133**
Amounts used in 2014/15	0	(1,411)	0	0	**(1,411)**
Amounts charged 2014/15	0	2,676	39	198	**2,913**
Balance at 31 March 2015	**79**	**3,319**	**39**	**198**	**3,635**

Short Term Provision

1. 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 Enterprise Zone. As no formal request to draw down this retention had been made by the Local Enterprise Partnership as at 31 March 2015, a provision for this liability has been recognised.

2. NDR Appeals Provision
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. Following a review which included taking external expert advice a provision for appeals outstanding was estimated to be £8.298m; of which £3.319m would have to be met by the Council, and £4.979m by other Collection Fund participants.

3. Employee Litigation
Amount set aside to meet the cost of employee litigation.

4. Local Land Charges
A group of Property Search Companies have sought to claim refunds on Land Charges from Local Authorities. The Council has been informed that the settlement of this claim will be within the next 12 months, although this claim has neither been verified nor accepted by the Council.

The provision included is a prudent estimate based on the latest information available and includes legal costs and interest.

Contingent Liabilities

The Council's Contingent Liabilities cover various on-going litigations and these are detailed below. In the 2013/14 Annual Financial Report (Note 40) the total value of liabilities that was reported was £4.625m; however, this included £0.186m in respect of Local Land Charges. During 2015/16, the variables relating to the Local Land Charges liability have crystallised and it is now shown within the Provisions table shown earlier within this note. Consequently, the total expected value of these liabilities is £4.746m (2013/14; £4.439m)

2013/14 Estimated value of contingent liability £000	Details of Contingent Liability	2014/15 Estimated value of contingent liability £000
	Environmental Related:	
3,450	**Contaminated Land** The Environmental Protection Act 1990 Part IIA makes the Council Liable for the costs of remediation of contaminated land where no other responsible person can be identified. The Council is in discussion with Cambridgeshire County Council over the planning position of a site owned by a company which is currently treating the leachate from a possible orphan site. If the planning application made to the County Council is approved, this will reduce the probability of abandonment and the likelihood of the Council becoming liable will reduce considerably. However, at this time there is a possibility that the Council could be liable if the site is abandoned. Current estimates are that the cost of leachate treatment would cost £150,000 per annum for 30 Years.	3,750
3,450	**Total for Environmental Related**	**3,750**
	Housing Related:	
458	**Disabled Facilities Grants** The Council has agreed to paying disabled facilities grants; however, as yet the schemes have not yet started. The expense will only be incurred if the householders carry out the home alterations.	465
458	**Total for Housing Related**	**465**

	Corporate Related	
511	**Municipal Mutual Insurance Liquidation**	511
	Some years ago, the Council was 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 Contingent Liability shown for 2014/15 is the balance of the total claims paid by MMI on behalf of the Council.	
20	**Assets of Community Value**	20
	In 2014/15, the Council has listed 2 sites owned by private individuals or companies as Assets of Community Value, as required by the Localism Act 2011. The Assets of Community Value scheme includes provisions for owners to claim compensation for loss and expense incurred through the assets 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.	
531	**Total for Corporate Related**	**531**
4,439	**Total for Contingent Liabilities**	**4,746**

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 £17.908m (2013/14; £23.340m) 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 2015 that this was likely to occur and there are no investments that as at 31 March 2015, 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 2015 £000	Historical experience of default %	Historical experience of default adjusted for market conditions %	Impairment allowance 31 March 2015 £000	Impairment allowance 31 March 2014 £000
Sundry debtors	3,146	4.55%	4.55%	1,471	1,337

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

31/03/14 £000		31/03/15 £000
268	Less than three months	260
227	Three to six months	220
795	Six months to one year	1,197
1,313	More than one year	1,469
2,603		**3,146**

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 £1.3m matures in August 2023 and £5m each in December 2057 and 2058. Therefore there is no immediate concern about funding the repayment.

31/03/14 £000		31/03/15 £000
6,282	Less than one year	281
11,368	More than one year	11,202
17,650		**11,483**

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 2014/15 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	79
Impact on the surplus on the Provision of Services	79
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)	3,194

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.

Collection Fund

Non-Domestic Rates 2013/14 £000	Council Tax 2013/14 £000	TOTAL 2013/14 £000		Non-Domestic Rates 2014/15 £000	Council Tax 2014/15 £000	TOTAL 2014/15 £000
			INCOME			
0	(88,721)	(88,721)	Council Tax Receivable	0	(91,905)	(91,905)
(55,343)	0	(55,343)	Non Domestic Rates Receivable	(55,700)	0	(55,700)
(512)	0	(512)	Enterprise Zone Relief	0	0	0
(71)	0	(71)	Transitional Relief	0	0	0
(55,926)	**(88,721)**	**(144,647)**	**Total Income**	**(55,700)**	**(91,905)**	**(147,605)**
			EXPENDITURE			
			Repay Previous Years Surplus			
0	0	0	Central Government	(1,423)	0	(1,423)
0	76	76	District Council - General	(1,138)	101	(1,037)
0	404	404	County Council	(256)	520	264
0	64	64	Police	0	84	84
0	14	14	Fire	(28)	30	2
0	558	558		(2845)	735	(2110)
			Precepts Demands and Shares			
28,674	0	28,674	Central Government	29,029	0	29,029
23,422	7,506	30,928	District Council - General	24,327	7,639	31,966
0	4,649	4,649	District Council - Parishes	0	4,819	4,819
270	0	270	District Council - Retained Amounts	223	0	223
5,270	61,997	67,267	County Council	5,229	64,351	69,580
0	10,028	10,028	Police	0	10,402	10,402
586	3,622	4,208	Fire	581	3,686	4,267
58,222	87,802	146,024		59,389	90,897	150,286
			Charges to Collection Fund			
262	289	551	Less Write Off Uncollectable Amounts	73	219	292
(69)	12	(57)	Less Increase / (Decrease) in Bad Debt Provision	237	(31)	206
5,135	0	5,135	Less Increase / (Decrease) in Provision for Appeals	3,163	0	3,163
221	0	221	Less Cost of Collection	222	0	222
5,549	301	5,850		3,695	188	3,883
63,771	**88,661**	**152,432**	**Total Expenditure**	**60,239**	**91,820**	**152,059**
			Movement in Fund Balance			
7,845	**(60)**	**7,785**	**(Surplus)/Deficit For Year**	**4,539**	**(85)**	**4,454**
0	(713)	(713)	(Surplus)/Deficit Brought Forward 1 April	7,845	(773)	7,072
7,845	**(773)**	**7,072**	**(Surplus)/Deficit Carried Forward 31 March**	**12,384**	**(858)**	**11,526**

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. Council Tax

Tax base at 31 March 2015 **Tax band**	**Properties**	**Exemptions & discounts**	**Band D multiplier**	**Band D equivalent**
A	11,432	(2,027)	6/9	6,270
B	19,678	(2,345)	7/9	13,482
C	17,547	(1,607)	8/9	14,169
D	11,632	(871)	9/9	10,761
E	8,783	(659)	11/9	9,929
F	3,640	(261)	13/9	4,881
G	1,711	(122)	15/9	2,649
H	163	(26)	18/9	274
Total	**74,586**	**(7,918)**		**62,415**

Council tax charge per band D property for 2014/15 £1,584.76.
Council tax charge per band D property for 2013/14 £1,557.92.

3. Non Domestic Rates (NDR)

The uniform business rate set by the Government for 2014/15 was 48.2p (2013/14 46.2p).

Total rateable value at 31 March 2015 £142.03m.
Total rateable value at 31 March 2014 £140.80m.

4. 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 £0.829m 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 by the end of the financial year.

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.

Local Enterprise Partnership
A Government initiative to boost economic growth within defined and agreed geographical areas. Funding to enable this growth is derived from the Non Domestic Rates collected for that area and channelled into the "partnership" to fund schemes.

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 1 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.

Zero Based Budgeting
A budgeting methodology where the starting point is zero and the budget is based on service need and anticipated demand for that year.

ABBREVIATIONS

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
DCLG	Department for Communities and Local Government
DRC	Depreciated replacement cost
FTE	Full Time Equivalent
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
LEP	Local Enterprise Partnership
LGPS	Local Government Pension Scheme
LLPG	Local Land and Property Gazetteer (UK)
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
NBV	Net Book Value
NDR	Non Domestic Rates
NNDR	National Non Domestic Rates (Business Rates)
PWLB	Public Works Loans Board
RICS	Royal Institution of Chartered Surveyors
RSG	Revenue Support Grant
S106	Section 106
SOLACE	Society of Local Authority Chief Executives
ZBB	Zero Based Budgeting

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Change in External Auditor and Audit Fees 2015/16
Meeting/Date:	Corporate Governance Panel – 16th September 2015
Executive Portfolio:	Executive Councillor for Resources: Jonathan Gray
Report by:	Head of Resources: Clive Mason
Ward(s) affected:	All

Executive Summary:

As a consequence of:

- the abolition of the Audit Commission's public audit responsibility,
- the re-tendering of the Audit Commission "private sector provider" external audit contracts on the 31st March 2015, and the
- transfer of responsibility for the appointment of external auditors to each local authority from 2017,

the Audit Commission has appointed Ernst & Young as the Councils External Auditor for the two years 2015/16 and 2016/17. As well as the auditor being there to provide external oversight of the Councils governance arrangements, they are also required to audit the Councils Annual Financial Report and certain Grants and Returns.

The reported 2015/16 scale fee for this service is £71,372, a decrease of 20.1% compared to the previous years Audit Commission scale fee. However, there is the potential for an increase in the final audit fee over the scale fee as a consequence of the time involved in audit queries, additional audit checking or even because of a change in auditor (i.e. difference in interpretation of auditing standards between the new and previous auditor).

Recommendation:

That the Panel considers the report and comments in respect of the change in Auditor and the audit fee for 2015/16.

1. PURPOSE

1.1 To inform the Panel of a change in auditor and the scale fees for 2015/16.

2. BACKGROUND

The External Audit Environment

2.1 External audit of local authorities in England had been the responsibility of the Audit Commission since it was established in 1983. Audit Commission powers were set out in the Audit Commission Act 1998.

2.2 In August 2010, the Department for Communities and Local Government (DCLG) announced plans to put in place new arrangements for auditing England's local public bodies. Proposals to abolish the Audit Commission were contained in the Draft Local Audit Bill in 2012, which followed a consultation paper, the Future of Local Public Audit, published in 2011. The government's key aim is, as far as possible, to bring the public sector audit regime into line with the private sector.

2.3 Under the proposals, local authorities would gain the right to choose their own auditors, and a new decentralised audit regime covering local government, police and health bodies would be established. The Financial Reporting Council would become the primary regulator within the new framework and the National Audit Office would prepare and maintain the Code of Audit Practice and associated guidance to auditors.

2.4 Local authority external audit in England was split between the Audit Commissions own audit practice, District Audit and the private sector. However, during 2012 the District Audit service was discontinued and all local authorities who had previously had District Audit were appointed a private sector auditor for a period of five-years.

External Audit and Huntingdonshire District Council

2.5 Huntingdonshire District Council has for a number of years had a private sector auditor. Up until 2009/10 this was Grant Thornton LLP and from 2010/11 until 2014/15 PricewaterhouseCoopers (PwC).

2.6 As a consequence of the new local authority audit regulations, all local authorities will be permitted to appoint their own auditor from 2017/18 onwards. However, the contracts for private sector auditors that had previously been appointed by the Audit Commission had an end date of the 31st March 2015 (i.e. their last audit year being 2014/15). Consequently this means that there is a two-year gap before individual local authority appointments can take place (namely 2015/16 and 2016/17); as PwC did not bid for this contract our appointed auditors for the two intervening years is to be Ernst & Young (EY).

3. ERNST & YOUNG

3.1 EY commenced engagement with officers in April 2015 following their appointment; a copy of their Annual Audit and Certification Fees 2015/16 letter is attached at Appendix 1.

3.2 The total cost of external audit for 2015/16 audit is £71,372, a reduction of £17,989 (20.13%) compared to 2014/15. However, the fee is split between the fee applicable to the code fee (the audit of the accounts/being our appointed auditor) and that of certification of claims and returns. **Table 1** shows that the saving has been largely due to the reduction in the code fee (25.0%).

Table 1	Change in Indicative Audit Fee			
	2014/15	2015/16	Reduction	
	£	£	£	%
Code Fee	70,981	53,236	17,745	25.00
Certification of claims and returns	18,380	18,136	244	1.33
Total	**89,361**	**71,372**	**17,989**	**20.13**

<u>Fee assumptions</u>

3.3 EY have noted that the audit fees in their letter (Appendix 1) are based on certain assumptions that would need to be met to maintain the fees at this level. In respect of the:

3.3.1 **Code Fee**; the assumptions EY have made are shown in **Table 2** below which is shown along with relevant mitigations.

Table 2	Assumption EY have made in respect of the Code Fee	
	EY Assumption	**HDC Mitigation**
1	The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year.	• As noted by PwC in their ISA 260 report elsewhere on the agenda, their audit of the 2014/15 accounts has been completed in line with relevant regulations and standards. • The accounts produced by the Council are themselves produced in line with statutory regulations and standards. • Officers undertake relevant training to ensure that they are up to date in respect of the most recent developments.
2	EY are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards.	Internal audit work will be completed in line with relevant internal audit regulations and standards, and pertinent resource allocations.
3	The financial statements will be available to EY in line with the agreed timetable.	• The timetable will be agreed between EY and the Council. • There are statutory reporting deadlines and these have been complied with since 2011/12. • Resources are aligned to ensure that agreed deadlines are achieved.

4	Working papers and records provided to EY in support of the financial statements are of a good quality and are provided in line with the agreed timetable	• Working papers were fundamentally reviewed and updated for 2012/13 and there have not been any adverse comments in respect of working papers since that date. • Working papers follow a "tried-and-tested" approach that the Responsible Financial Officer has developed over 10 years and 3 different auditors (with no adverse comments).
5	Prompt responses are provided to EY's draft reports	• In respect of the accounts and dependent on the complexity of the audit query, every endeavour is made to answer audit queries within 2 working days. • With regard to draft reports, again responses will be provided promptly within agreed timescales.

3.3.2 Considering the above it should be noted that on occasions professional disagreement can arise between the accountants and the auditors because of the interpretation of accounting standards and regulations. Only following negotiation between the two parties is there agreement either because the accounts have been amended or the auditor has subsequently reconsidered their query are deemed it not material. However such negotiation can unfortunately attract an additional audit charge because of the audit time involved in sorting out the audit query and any additional audit work required.

3.3.3 **Certification of claims and returns**; the assumptions EY have made in respect of the indicative fee are:

"…..based on the expectation that an audited body is able to provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timescales."

3.3.4 In mitigation, the main claims and returns that were audited in the last year were:

i. Housing Benefits Subsidy,
ii. Council Tax Benefits Subsidy,
iii. National Non-Domestic Rates

3.3.5 With regard to the claims and returns in (i) to (iii) above, all are ICT based systems and it is fair to say that the audit primarily reports on the services outcomes/determinations that are drawn from those systems. However, members should be aware that there is a risk that if information is input into the system incorrectly, and this is identified in the audit review, then additional testing would be required attracting an additional audit fee. A recent example locally is in respect of Housing Benefits, as reported to members in March 2015 (Item 5, entitled "External Audit Grant Certification 2013/14).

Risk from change in auditor

3.4 Members should note that a change in auditor does pose a risk of higher cost because, even though audits are conducted to the same auditing standards, different auditors do have:

- differences in interpretation of those standards and therefore their application,
- different considerations in respect of risk facing an organisation, and
- views in respect of governance.

4. LINK TO THE CORPORATE PLAN

4.1 The Policy will support the achievement of the Corporate Plan requirement of “Ensuring we are a customer focused and service led council” by “becoming more business-like and efficient in the way we deliver services”.

5. CONSULTATION

5.1 None

6. LEGAL IMPLICATIONS

6.1 Not direct legal implications.

7. RESOURCE IMPLICATIONS

7.1 The 2015/16 budget for audit fees is £90,000.

7.2 Because the 2014/15 audit is not yet complete, 2013/14 is the last complete year that the final audit fee is known. The increase from scale fee to final fee for both the Code audit and the Certification of claims & returns audit was 19.6% and 51.0% respectively.

7.3 If the 2015/16 audit scale fee increased by rates similar to those that occurred in 2013/14 (paragraph 7.2), the final audit fee would be £91,063; consequently the budget would be marginally exceeded.

8 REASONS FOR THE RECOMMENDED DECISIONS

8.1 So members have the opportunity to comment in respect of the Councils appointed auditor and on the scale fee.

9. LIST OF APPENDICES INCLUDED

Annex 1: Copy of letter from Ernst & Young re. Annual Audit and Certification Fees 2015/16 (dated 21 April 2015).

CONTACT OFFICER

Clive Mason, Head of Resources,
☎ 8157 clive.mason@huntingdonshire.gov.uk

Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

Tel: + 44 1223 394400
Fax: + 44 1223 394401
ey.com

INVESTOR IN PEOPLE

Ms Jo Lancaster
Managing Director
Huntingdonshire District Council
Pathfinder House
St Mary
Huntingdon
Cambridgeshire
PE29 3TN

21 April 2015

Ref: Fee letter/15-16

Direct line: 07770 580128

Email: RMurray@uk.ey.com

Dear Jo

Annual Audit and Certification Fees 2015/16

We are writing to confirm the audit and certification work that we propose to undertake for the 2015/16 financial year at Huntingdonshire District Council.

The 2015/16 audit is our first for you and the first that we will undertake following the closure of the Audit Commission on 31 March 2015. Our contract will now be overseen by Public Sector Audit Appointments Ltd (PSAA), an independent company set up by the Local Government Association, until it ends in 2017 (or 2020 if extended by the Department of Communities and Local Government).

The responsibility for publishing the statutory Code of Audit Practice, under which we will conduct our audit work, has transferred to the National Audit Office.

Indicative audit fee

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies, applying from 2015/16 audits.

The audit fee covers the:

- Audit of the financial statements
- Value for money conclusion
- Whole of Government accounts.

For the 2015/16 financial year the Audit Commission has set the scale fee for each audited body following a tendering of contracts in March 2014. Consequently it is not liable to increase during the remainder of our contract without a change in the scope of our audit responsibilities.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.

The 2015/16 scale fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- We are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards;
- The financial statements will be available to us in line with the agreed timetable;
- Working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

For Huntingdonshire District Council, the fee is set at the scale fee and reflects our assumption that relevant factors, including audit risk and complexity, are not significantly different from those used by the Audit Commission in establishing this figure.

Our audit planning process for 2015/16 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Certification fee

The Audit Commission has set an indicative certification fee for each audited body. The indicative fee is based on the 2013/14 actual certification fees available adjusted to reflect any known schemes that no longer require auditor certification.

The composite indicative fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

The indicative certification fee for 2015/16 relates to work on grant claims and returns for the year ended 31 March 2016. We have set the certification fee at the composite indicative fee level. We will update our risk assessment as the year progresses, and to reflect further changes in the Audit Commission's certification arrangements.

Summary of fees

	Indicative fee 2015/16 £	Indicative fee 2014/15 £
Total Code audit fee	53,236	70,981
Certification of claims and returns	18,136	18,380

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative audit fee will be billed in 4 quarterly instalments of £17,843.

Audit plan

Our plan is expected to be issued in March 2016. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Head of Resources and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours faithfully

Rob Murray

Rob Murray
Director
For and on behalf of Ernst & Young LLP

cc. Clive Mason – Head of Resources

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Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Implementation of Audit Actions

Meeting/Date: Corporate Governance Panel – 16 September 2015

Executive Portfolio: Resources: Councillor J A Gray

Report by: Internal Audit and Risk Manager

Ward(s) affected: All Wards

Executive Summary:

Panel have requested that performance information for the implementation of agree internal audit actions is reported at each of their meetings. Performance for the year ending 31 August 2015 is shown below (and in detail at Appendix 1).

	Status of Action			
	Introduced on time	Introduced Late	Not introduced	**Total**
Red Action	13	3	1	17
Amber Action	47	10	4	61
Total	**60**	**13**	**5**	**78**
% age	**77%**	**17%**	**6%**	

Five actions have not been introduced. All of these actions have been considered previously by the Panel and are due to be considered by Cabinet on the 17 September.

The performance information has been prepared from the audit actions e-database. This sits on the Council's intranet and is managed by Internal Audit. It is designed to be accessed and updated by Managers who have been allocated actions (through the agreed final internal audit report).

The performance information is produced monthly. Managers are reminded at the mid-point of each month to review any outstanding actions, to update the progress / implementation status or to contact the Internal Audit team if they consider that they are unable to achieve the agreed date.

Recommendation:

Panel are recommended to note the report.

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1. WHAT IS THIS REPORT ABOUT/PURPOSE?

1.1 The report provides the Panel with details of the implementation rates achieved by Managers in respect of agreed internal audit actions.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

2.1 The poor performance with the introduction of agreed internal audit actions has been a matter of concern for the Panel. Whilst the Managing Director has reported to the Panel that delivery of the actions is to be a priority for the Management Team, the Panel felt that it needed to take positive action to support them in improving performance and requested that a report on performance be presented to each Panel meeting until such time that performance was considered ‘satisfactory’.

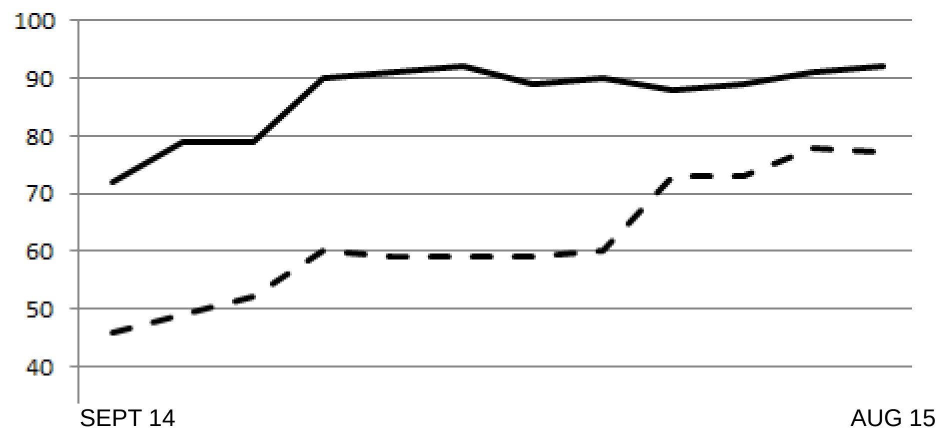
3. ANALYSIS

3.1 Corporate Management Team have set a target of 100% of agreed internal audit actions should be introduced on time.

3.2 There were 78 actions due to be introduced in the year ending 31 August 2015. 77% (60 in number) of agreed audit actions introduced on time. A further 17% (13 in number) of the agreed audit actions have been introduced, but late. There remains 6% (5 in number) outstanding. This information is summarised in Appendix 1.

Of the five actions that have not been introduced, all were reported and discussed by the Panel at their June 2015 meeting. The action that Officers have taken or intend to take is being reported to Cabinet on 17 September. The current position (extracted from the Cabinet report) with respect to each of the five actions is included at Appendix 2.

3.3 Despite the target not being achieved, performance is improving as the graph below shows.



- - = % of actions introduced on time

—— = % of all actions introduced

4. KEY IMPACTS/RISKS? HOW WILL THEY BE ADDRESSED?

4.1 Monitoring the introduction of agreed audit actions is an important management responsibility. The Panel need to have confidence that action is being taken by the agreed deadline to improve the governance and internal control framework and/or further mitigate unacceptable levels of risk.

4.2 The successful implementation of agreed internal audit actions is an indicator of the control tone across the Council and enables it to demonstrate that it maintains high standards of governance and internal control.

5. LINK TO THE CORPORATE PLAN

5.1 The Internal Audit Service provides independent, objective assurance to the Council by evaluating the effectiveness of risk management, control, and governance processes. It identifies areas for improvement across these three areas such that Managers are able to deliver the Corporate Plan objectives as efficiently, effectively and economically as possible.

6. LEGAL IMPLICATIONS

6.1 There are no legal implications arising from this report.

7. RESOURCE IMPLICATIONS

7. 1 There are no financial implications arising from this report.

8. REASONS FOR THE RECOMMENDED DECISIONS

8.1 The report has been requested by the Panel and is for information only. It contributes to the Panels understanding of the improvements being made to the Council's governance and internal control framework.

9. LIST OF APPENDICES INCLUDED

Appendix 1 – Implementation of Agreed Internal Audit Actions as at 31 August 2015.
Appendix 2 – Extract of Cabinet report, 17 September 2015. Progress against outstanding Audit Actions.

BACKGROUND PAPERS

Agreed audit actions database

CONTACT OFFICER

David Harwood – Internal Audit and Risk Manager
Tel No. 01480 388115

Appendix 1

Implementation of Agreed Internal Audit Actions as at 31 August 2015.

Head of Service	**Actions Introduced on Time**	**Actions Introduced on Time**	**Actions Introduced on Time and Late**	**Actions Introduced on Time and Late**	**Not Introduced**		**Total Actions Due in 12 Month Period**
	Number	**Percentage**	**Number**	**Percentage**	**Red**	**Amber**	
Managing Director							
Corporate Team Manager	11	85%	12	92%	0	1	13
Corporate Director, Services							
Head of Resources	3	25%	10	75%	0	2	12
Head of Customer Services	35	95%	37	100%	0	0	37
Head of Operations	1	33%	3	100%	0	0	3
Corporate Director, Delivery							
Head of Development	---	---	---	---	-	-	0
Head of Community	3	100%	3	100%	0	0	3
Head of Leisure & Health	7	70%	8	80%	1	1	10
Total	**60**	**77%**	**73**	**94%**	**1**	**4**	**78**
Target		**100%**					

Red Actions: These are actions that must be implemented as the current exposure to risk is unacceptably high, indicating a major control weakness. Actions will be given a red priority when the residual risk identified may adversely affect the annual governance statement, result in the loss of funds or assets, or lead to service delivery failures which could adversely affect the Council's reputation.

Amber Actions: These are actions that managers should consider introducing as the current risk exposure is high. Control weaknesses have been identified that have the potential to compromise internal control, operational effectiveness or service delivery. Actions will be given amber priority when the residual risk has identified non-compliance with established good practice, the lack or failure of performance management or reporting systems, or failures in subsystems.

Appendix 2

Outstanding Audit Actions as at 30 April 2015 (as reported to CGP, 3rd June 2015) + Head of Services Update

Corporate Team Manager

As reported to Corporate Governance Panel, 3rd June 2015				Head of Service Update for Cabinet: 17th September 2015	
Audit	**Original Audit Findings & Assessed Risk**	**Agreed Action**	**Due Date & Implementation Position at Due Date**	**Comment & Proposed Action**	**Revised Implementation Deadline**
Payments in Lieu 2011/12	**Amber** Overtime and additional hours are paid at different rates (1, 1.5 or 2 times hourly rate) with little guidance as to the application of each rate. This issue was identified in the June 2007 internal audit review of Overtime. The Head of HR agreed that standard procedures for overtime would be introduced by November 2007 to ensure that employees receive the same overtime rates. This action was not introduced.	LGSS will review our current procedures for the payment of overtime with a view to standardising practice.	March 2015 Outstanding. This will be included in our Pay Policy and Flexible Working Policy scheduled for review during 2015/16.	**Not implemented (at time of report drafting)** As per the contract, the times are currently being agreed for policy updates for 2015/16 with LGSS and / or the use of consultancy days to enable this to be completed.	September 2015

Head of Service: Resources

As reported to Corporate Governance Panel, 3rd June 2015				Head of Service Update for Cabinet: 17th September 2015	
Audit	**Original Audit Findings & Assessed Risk**	**Agreed Action**	**Due Date & Implementation Position at Due Date**	**Comment & Proposed Action**	**Revised Implementation Deadline**
Repairs and Maintenance of HDC property and equipment 2013/14	**Amber** 18% of property on the fixed asset register has not been assigned to a manager. It should also be noted that the fixed asset register does not contain all the Council's operational property *Property assets may not be maintained*	Once the appropriate Head of Service have been recruited, they should works towards delivering a corporate fixed asset register that covers all council owned property. A manager will be named as being responsible for the management and maintenance of each property on the register.	March 2015 Outstanding.	**Not implemented** Commercial Estate – all associated assets are assigned to the Head of Resources. Operational Estate – these assets primarily fall within the remit of Facilities Management within Operational Services. There is currently a review underway of all property to ensure that the asset register + gazetteer are complimentary. Where there are assets not assigned, these are being duly assigned. Once this review is completed, all assets will be duly assigned. Repairs and maintenance is undertaken on a reactive basis.	October 2015

As reported to Corporate Governance Panel, 3rd June 2015				Head of Service Update for Cabinet: 17th September 2015	
Audit	**Original Audit Findings & Assessed Risk**	**Agreed Action**	**Due Date & Implementation Position at Due Date**	**Comment & Proposed Action**	**Revised Implementation Deadline**
Commercial Rents and Estates Management 2013/14	**Amber** From review and discussion it has been confirmed that the Current Estates spreadsheet (the main record for recording tenant and property information) is out of date and does not contain all the necessary lease information. (e.g. changes in tenants, underlying property data, rent review completions, due dates etc). *Inaccurate and incorrect data reduces efficiency and increases the risk of errors being made*	The commercial estates module in the Uniform system will be investigated & assessed for ‘fit for purpose’.	<u>February 2015</u> Partially introduced. System still being considered in view of a number of upgrades.	**Fully Implemented** Uniform has been assessed and while there are difficulties with use and it is not an ideal professional property database, the estates module does provide a sufficient range of tools to replace the current spreadsheet.	June 2015
		If the Uniform system is deemed ‘fit for purpose’, the system will be implemented as a replacement for the estates spreadsheet.	<u>January 2015</u> Partially introduced.	**Not implemented (at time of report drafting)** As noted above, the Uniform system is considered a fair database, options are being reviewed to ensure an effective transfer of data	September 2015

Head of Service: Leisure and Health

As reported to Corporate Governance Panel, 3rd June 2015				Head of Service Update for Cabinet: 17th September 2015	
Audit	**Original Audit Findings & Assessed Risk**	**Agreed Action**	**Due Date & Implementation Position at Due Date**	**Comment & Proposed Action**	**Revised Implementation Deadline**
One Leisure Impressions 2013/14	**Red** Impressions facilities are operating without formal business, strategies and targets / performance measures. There has been little management presence or direction at a site level. Staffing arrangements are inconsistent across the sites. *Reduced use and reputation of facilities as a result of poor corporate management*	Formal plans, strategies and targets will be established for the Impressions facility, which will be subject to regular review and monitoring. Staffing structures will be formalised to ensure that appropriate skills and resources are available both at a site and cross – facility level. Meeting schedules will be agreed to ensure that issues are discussed and communicated.	September 2014 Partially introduced. Recruitment process is underway and once complete work will begin on reviewing the impressions structure and operations.	**Partially Implemented** The process of reviewing and developing plans etc. has started and will be completed by the revised implementation deadline.	September 2015

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As reported to Corporate Governance Panel, 3rd June 2015				Head of Service Update for Cabinet: 17th September 2015	
Audit	**Original Audit Findings & Assessed Risk**	**Agreed Action**	**Due Date & Implementation Position at Due Date**	**Comment & Proposed Action**	**Revised Implementation Deadline**
One Leisure Impressions 2013/14	**Amber** Procedure notes in place do not cover all aspects of the service / work undertaken by staff. Guidance is split between the QMS and Impressions Data drives, which may hinder staff in locating and accessing information. At OLS a manual file is retained in the Gym Office containing key policies / procedures, which are reviewed and signed off by staff as appropriate. *Staff may be unaware of the correct procedures to follow*	Procedure notes will be reviewed for relevance and appropriateness. Guidance will cover all key processes / work undertaken within Impressions, including stock control. Guides will be located in a SharePoint site so that staff can easily locate information.	<u>March 2015</u> Partially introduced. Recruitment process is underway and once complete work will begin on reviewing the impressions structure and operations.	**Partially Implemented** Policies and Operating Procedures are currently being reviewed and will be completed by the revised implementation deadline.	September 2015

Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Review of the Effectiveness of the Corporate Governance Panel
Meeting/Date:	Corporate Governance Panel – 16 September 2015
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Internal Audit & Risk Manager
Ward(s) affected:	All Wards

Executive Summary

The annual review of the effectiveness of the Panel has been completed. The Panel Chairman is of the opinion that the Panel is 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. Five new Members were appointed to the Panel in May 2015. In order to get a clear idea of all Panel Members current knowledge of governance matters, a skills assessment should be completed so that training needs can be identified and addressed.

2. Whilst Cabinet are responsible for approving the Risk Management Strategy and ensuring that risk management procedures are in place across the Council, the Panel require assurance that these arrangements are working effectively.

3. The Panel are aware that a review of the Council’s Constitution is underway. They would like early sight of any proposed changes so that they are able to adequate deliberate and consider the changes before making any recommendation to Council.

4. A wide breadth of governance related knowledge is required by Members of the Panel. To ensure that the Panel remains effective, the number of new Members appointed to the Panel each year by the Council should be restricted.

5. As recommended by the Panel in September 2013 and last year’s report, the Council should -
   a. introduce a Procurement Strategy; and
   b. become a signatory to the Prompt Payment Code (PPC)

Seven of the ten actions agreed as a result of the 2014 review (see Appendix 1) have been introduced. The remaining three actions are listed under paragraph 1 and 5 above.

Recommendation(s):

It is recommended that the Panel:

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

2. Endorse the opportunities that have been identified to further improve Panel effectiveness as contained in the Executive Summary (points 1-5a inclusive); and

3. Determines what action, if any, they wish take in respect of point 5b within the Executive Summary.

1. **WHAT IS THIS REPORT ABOUT/PURPOSE?**

1.1 This report summarises the outcome of the annual effectiveness review of the annual Corporate Governance Panel. The review was undertaken in July 2015.

2. **WHY IS THIS REPORT NECESSARY/BACKGROUND**

2.1 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.

3. **OPTIONS CONSIDERED/ANALYSIS**

3.1 Panel considered options for undertaking the review at their June 2015 meeting. Due to five of the eight Panel members being newly appointed in May 2015, it was agreed that the Internal Audit & Risk Manager would conduct the review and share their findings with the Chairman and Vice-Chairman.

3.2 The questions used in the review 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. The review considered 72 questions together with a range of supplementary information.

OUTCOME OF THE REVIEW

3.3 The Chairman of the Panel is of the opinion that the Panel are acting effectively and fulfilling its Terms of Reference. A number of opportunities to further improve the effectiveness of the Panel have been identified and are summarised below.

	Issue	Action to be taken.
a.	Five new Members were appointed to the Panel in May 2015. In order to get a clear idea of all Panel Members current knowledge of governance matters, a skills assessment should be completed so that training needs can be identified and addressed.	The Head of Resources to circulate to Panel members (by 31 October 2015) a skills assessment questionnaire based upon the CIPFA Audit Committee knowledge & skills framework.
b.	Whilst Cabinet are responsible for approving the Risk Management Strategy and ensuring that risk management procedures are in place across the Council, the Panel require assurance that these arrangements are working effectively.	The Head of Resources will provide Panel with an Annual Report (June 2016) that provides them with assurance on the risk governance arrangements (including leadership, integration of risk management into wider governance arrangements, ownership and accountability for risks including project management).

Issue	Action to be taken.
c. The Panel are aware that a review of the Council's Constitution is underway. They would like early sight of any proposed changes so that they are able to adequate deliberate and consider the changes before making any recommendation to Council.	The Corporate Director (Services) will bring forward details of the changes proposed as soon as they are known and have been considered by Corporate Management Team.
d. A wide breadth of governance related knowledge is required by Members of the Panel. To ensure that the Panel remains effective, the number of new Members appointed to the Panel each year by the Council should be restricted.	The Constitution review currently being undertaken should consider options for restricting the number of changes to Panel membership each year or the appointment of Members for longer than one year.
e. As recommended by the Panel in September 2013 and last year's report, the Council should • introduce a Procurement Strategy and • become a signatory to the Prompt Payment Code (PPC)	A Procurement Strategy is to be introduced for 2016/17. The voluntary PCC has been superseded by two pieces of legislation. Together they deliver the same outcome as the PCC – payment of invoices in 30 days and contractors to pay sub-contractors in the same 30 day period. For this reason the Procurement Manager has proposed that the Council do not sign up to the PCC.

OTHER MATTERS OF NOTE

3.4 Arising from the review, a number of other matters were noted which the Panel Chairman has asked to be formally recorded.

- The Panel membership reflects the political membership balance of the Council. Opinions are formed freely and without political bias.
- No changes are required to the Panel's Terms of Reference.
- The Panel are concerned that the Internal Audit Plan was not delivered in 2014/15. They wish to be informed at the earliest possible time if the 2015/16 plan is unlikely to be delivered and what action is to be taken to resolve the matter.
- The Panel are formally monitoring the implementation of agreed internal audit actions and have already raised this matter with the Council. They will do so again if it is warranted.
- Panel agreed in September 2014 that the draft Annual Financial Report (AFR) should be considered and discussed at an informal Panel meeting. This has not occurred as the Panel subsequently agreed that the Head of Resources would lead a discussion on the AFR with Panel members, prior to the AFR being considered at the September 2015 Panel.

ACTIONS AGREED FROM THE 2014 REVIEW

3.5 Seven of the ten actions agreed as a result of the 2014 review (see Appendix 1) have been introduced. The remaining three actions are listed under paragraph 3.3 (item a and e).

4. COMMENTS OF OVERVIEW & SCRUTINY PANEL

4.1 Not applicable. The report is for consideration of the Panel only.

5. KEY IMPACTS/RISKS? HOW WILL THEY BE ADDRESSED?

5.1 The Panel needs to remain effective so that it can provide, on behalf of the Council, independent challenge to both the Executive and Officers. The annual review gives the Panel the opportunity to retrospectively review how it has worked and how it can improve.

5.2 It is proposed that annual reviews of the Panel continue. As with internal audit, it may be appropriate to consider commissioning an external review once every five years so that a fresh perspective on the Panel's effectiveness is obtained.

6. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

6.1 A report will be presented to Panel in March 2016 outlining the progress that has been made in introducing the agreed actions.

7. LINK TO THE CORPORATE PLAN

7.1 An effective Panel plays a key role in the Council's governance framework. It provides the Council with an independent and objective source of assurance on matters relating to financial reporting, internal control, risk management and internal and external audit etc. Good governance underpins all aspects of delivery of the Corporate Plan.

8. CONSULTATION

8.1 No consultation has taken place.

9. LEGAL IMPLICATIONS

9.1 The are no legal implications contained in this report.

10. RESOURCE IMPLICATIONS

10. 1 Depending upon the decision of the Panel, there may be an number of actions that will need to be introduced. These will be introduced within existing resources.

11. OTHER IMPLICATIONS

11.1 There are no other implications arising from this report.

12 REASONS FOR THE RECOMMENDED DECISIONS

12.1 The effectiveness review identified many areas of good practice. Improvements to procedures and process can always be made and the review has highlighted a number of such areas. If introduced, these will both improve the effectiveness of the Panel and the governance of the Council.

13. LIST OF APPENDICES INCLUDED

Appendix 1 - Status of agreed actions arising from 2014 effectiveness review

BACKGROUND PAPERS

Effectiveness review of the Corporate Governance Panel.

CONTACT OFFICER

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

Appendix 1

Corporate Governance Panel
Status of agreed actions arising from 2014 effectiveness review

Ref	Issue	Panel's Response	Action Taken	
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.	✓	Council amended Panel's Terms of Reference in December 2014.
2 3	The Progress Report is amended to show those actions: a. that have been completed in the previous year; and b. those that are due.	The Democratic Services Manager amends the format of the Progress Report.	✓ ✓	The progress report has been amended. It now contains a list if actions that are due (part b). There is no summary of actions that have been completed in the previous year (Action 2a). The report does however identify actions that have been completed and identifies them for deletion from further progress reports. This approach allows Panel the opportunity to continue to question an issue and for it to remain 'live' until they are satisfied that the issue has been satisfactorily dealt with. (This was a compromise approach adopted by the Panel to ensure that the progress report did not become unwieldy.)
4	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.	✓	With the exception of the July 2015 meeting, Panel has received a report since their November 2014 meeting.

Appendix 1

Corporate Governance Panel
Status of agreed actions arising from 2014 effectiveness review

Ref	Issue	Panel's Response	Action Taken	
5	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.	✓	The (former) Chairman of the Panel and the Internal Audit & Risk Manager met on a number of occasions to discuss areas of governance concern.
6	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.	✓	This was actioned as requested.
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.	✓	A training plan was presented to the Panel in June 2015, the first meeting of the new municipal year.
8	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.	✗	This item is outstanding and has been carried forward into the 2015 action plan.

Appendix 1

Corporate Governance Panel
Status of agreed actions arising from 2014 effectiveness review

Ref	Issue	Panel's Response	Action Taken	
9	The two recommendations arising from the report on improving internal controls (September 2013) are introduced. a. Introduce a Procurement Strategy	The Head of Resources ensures that the two outstanding recommendations are introduced.	✘	1. The draft Procurement Strategy was sent to the Procurement Governance Group in November 2014. Due to the absence of the Procurement Manager this action was not progressed as quickly as envisaged. A revised Strategy is to be considered further by the Group at its next meeting.
10	b. The Council becomes a signatory to the Prompt Payment Code (PPC).		✘	2. The Council has not become a signatory to the PPC. The voluntary PPC has been superseded by two pieces of legislation – "The Late Payment of Commercial Debts Regulations 2013" requires that all valid and correct invoices are paid within 30 days of receipt; and "The Public Contracts Regulations 2015" requires that the Council's Terms and Conditions require our prime contractors to pay all subcontractors to the contract within 30 days for each valid invoice. The Procurement Manager has proposed that the Council do not sign up to the PCC.

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Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Annual Report of the Panel
Meeting/Date:	Corporate Governance Panel – 16 September 2015
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 2015 is attached at Appendix 1.

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 2014/15', 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.

There are no financial implications arising from this report.

Recommendation(s):

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 30th September 2015 Council.

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1. WHAT IS THIS REPORT ABOUT/PURPOSE?

1.1 The Annual Report of the Panel provides the Council with a summary of the work of the Panel.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

2.1 Arising from the 2010/11 Panel effectiveness review, the Panel agreed to provide an Annual Report to Council. The report sets out the impact of the Panel's work upon the Council's internal control and governance environment.

3. OPTIONS CONSIDERED/ANALYSIS

3.1 The Annual Report has been prepared by the Internal Audit & Risk Manager. It summarises the work undertaken by the Panel during the year ending 30th September 2015.

3.2 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 2014/15', 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.

3.3 To deal with this, and to allow for any other changes that the Panel consider are necessary, 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.

4. COMMENTS OF OVERVIEW & SCRUTINY PANEL

4.1 Not applicable. The report is for consideration by the Panel only.

5. KEY IMPACTS/RISKS?
HOW WILL THEY BE ADDRESSED?

5.1 The Annual Report has been submitted to the Panel in draft. This gives the Panel the opportunity to review it and agree any changes before it is presented to Council on 30th September 2015.

6. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

6.1 Once agreed, the Annual Report will be made available to all Council Members and presented to the September 2015 Council.

7. LINK TO THE CORPORATE PLAN

7.1 The report will be available on the Council's website. As such it will assist with customer engagement, both at Member level and with other stakeholders.

8. CONSULTATION

8.1 No consultation has taken place.

9. LEGAL IMPLICATIONS

9.1 The are no legal implications contained in this report.

10. RESOURCE IMPLICATIONS

10. 1 There are no resources implications contained in this report.

11. OTHER IMPLICATIONS

11.1 There are no other implications arising from this report.

12 REASONS FOR THE RECOMMENDED DECISIONS

12.1 The Panel need to be satisfied that the Annual Report reflects their work. Changes may be required to the report once the Panel have discussed its contents. Delegating authority to the Chairmen to approve the report, will allow it to be agreed and presented to Council on 30 September 2015.

13. LIST OF APPENDICES INCLUDED

Appendix 1 – 2015 draft annual report of the Panel

BACKGROUND PAPERS

Corporate Governance Panel minutes and reports.

CONTACT OFFICER

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

Appendix 1

Corporate Governance Panel

Chairman’s Annual Report to Council

for the year ending 30 September 2015

Huntingdonshire
DISTRICT COUNCIL

Introduction by the Chairman of the Corporate Governance Panel

This is the fifth 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 website 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 2015. The Panel is of the view that the Council's governance and internal control procedures are generally sound.

There are two areas – one good and one not so good – that the Panel have taken the lead on progressing.

In December 2014 the Council introduced a new employee Code of Conduct. The Code is very different than previous versions that have been issued and sets out in a clear manner the values and behaviours that all employees are expected to exhibit in carrying out their work and dealing with customers.

Last year's report highlighted the Panel's concerns over the poor performance in introducing agreed internal audit actions. Whilst there has been an improvement, the Panel do not feel that it is great as it should have been. In July 2015, the Panel brought this to the Council's attention. The Panel intend to keep this matter under review during the coming year.

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 2015 provide adequate assurance over key business processes and adequate assurance over financial systems. This is an improvement upon last year.

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 2015. It is for that reason that this report covers the same period, rather than financial years.

Finally, I would like to thank all the Members who served on the Panel during the year and those Officers who have supported its work.

Councillor Mike Francis
Chairman, Corporate Governance Panel
September 2015

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 2015 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 2015. The Panel are of the opinion that the Terms of Reference (included at Annex A) remain appropriate and no changes are proposed.

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.

A brief outline of the main business conducted by the Panel during the reporting year is listed in the table below and on the following pages.

November 2014	March 2015	June 2015	July 2015	September 2015
Reviewed 1st annual report on achievement of Value for Money	Review external audit plan for 2014/15 and 2013/14 grant certification	Approved anti-fraud and corruption strategy	Considered Internal Audit annual report and opinion, March 2015	Approved the 2014/15 annual governance statement
Approve changes to whistleblowing policy & procedure	Note the progress in introducing external audit recommendations	Approve changes to whistleblowing policy & procedure	Approve the Internal Audit Charter	Considered the External Auditors 2014/15 ‘report to those charged with governance’ and action plan
Review delivery of Internal Audit plan	Reviewed proposed Constitution changes and recommend their adoption to Council	Approve a training programme for the Panel	Reviewed proposed Constitution changes and recommend their adoption to Council	Approved the 2014/15 statement of accounts
Note progress on the introduction of agreed internal audit actions [1]	Approve 2014/15 Internal Audit plan	Review the risk register and management of risks		
	Note progress on issues from 2013/14 AGS			

Review annual reports				
• FoI, EIR & DPA requests and improvement action plan [2] • Whistleblowing concerns received	• Accounting policies	• Corporate Fraud Team activity 2014/15 • Whistleblowing concerns received	• Effectiveness of internal audit service	• Annual effectiveness review of the Panel and annual report to Council

[1] This report became a standing agenda item from November 2014 onwards
[2] Freedom of Information, Environmental Information Regulations, Data Protection Act

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:

- Panel members should undertake a skills assessment so that their training needs can be identified and addressed.
- A wide breadth of governance related knowledge is required by Members of the Panel. The 2016 constitution review should consider options for restricting the number of changes to Panel membership each year or the appointment of Members for longer than one year.

The Panel also agreed in September 2014 that the Corporate Director (Services) be requested to consider the potential for mandatory training for Members of the Panel as part of her review of the District Council's Constitution.

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 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 Statement is prepared.
Approving the Annual Governance Statement on behalf of the Council.	At the September 2015 meeting, the Panel approved the 2014/15 Annual Governance Statement. The Panel continue to believe that it is important that the Council's stakeholders understand the Council's governance structures and consider that the style of the annual governance statement allows this. The Panel are of the opinion that there are two areas that need specific mention – the development of robust and effective reporting arrangements for shared services; and to continue to improve project management practices.

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

~ Explain the Council vision

~ Develop the performance 'golden thread'*

~ Review partnership commitments*

~ Comply with procurement rules

In March 2015 the Panel discussed the progress that had been made in delivering the four significant governance issues identified in the 2013/14 AGS.

The Panel were pleased with the action taken in respect of each area and decided that all were being sufficiently managed that they did not require to be included as an issue in the 2014/15 AGS.

Introduction of a new Employee Code of Conduct.

(This was identified as a development issue in last year's report).

One of the major initiatives progressed by the Panel in the last year saw the introduction of a new employee Code of Conduct in December 2014.

The Code, 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 Code up-to-date and ensuring that all employees receive a copy and understand its contents. The Employment Panel have taken over responsibility from the Corporate Governance Panel for the oversight of the Code's contents.

Approving the Annual Financial Report 2014/15

Unqualified financial statement and value for money opinion issued by the external auditor.

The 2014/15 financial report was externally audited and approved prior to the statutory deadline of 30 September 2015. The external auditors issued both an unqualified value for money and financial statement opinion.

The Panel are aware that from 2017/18 the financial report will need to be ready for external audit review by the 31 May and be approved by the Panel by the 30 July. They are also aware that the Council missed the deadline for preparing the 2010/11 accounts due to introduction of new accounting standards. The Panel intend to request updates on the progress being made to ensure that the new dates are achieved.

Delivering Value for Money

The Panel reviewed the arrangements that are in place across the Council to support the

The Council has a responsibility to deliver its services economically, efficiently and effectively. The Panel is aware that the

achievement of Value for Money (VfM).

Council does not have a written framework or strategy that outlines how this will be achieved. It requested a report from the Head of Resources that set out how the Council achieves value for money.

The report detailed the arrangements in place, which included the external auditors unqualified VfM opinion of the last three years, Governance Boards, lean thinking and associated reviews, procurement activity and performance management reporting. The Panel noted that notwithstanding the introduction of zero based budgeting or the likelihood of shared service initiatives, few service led value for money studies had been undertaken.

Internal audit plan and annual opinion

The annual opinion of the Internal Audit & Risk Manager as at 31 March 2015 was that the Council's internal control environment and systems of internal control provided *adequate assurance* over key business processes and *adequate assurance* over financial systems.

The Panel noted the annual internal audit opinion which was an improvement upon last year.

In July 2014 when discussing the amount of change that was occurring in the Council, Panel expressed concern that the need to drive out savings and efficiencies may lead to a reducing internal control environment and increasing numbers of internal audit reports being issued that are in the 'limited' or 'little' categories. It is pleasing that this does not appear to be the case.

The Panel, having been previously made aware of the difficulties that Internal Audit faced in recruiting to a post that had been vacant since October 2014, noted that it had been filled in June 2015. The shortfall of audit resources very badly affected the delivery of the internal audit plan. Having discussed this with the Internal Audit & Risk Manager, the Panel were satisfied that sufficient changes were made to audit plan coverage so that all the key financial systems were reviewed.

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

As last year, the Panel have continued to express concern and disappointment at the low number of agreed audit actions that were introduced on time. Despite receiving reports from November 2014 onwards and expressing their dissatisfaction, progress has been slow. In June 2015 the Panel referred the matter to Council and requested them to refer the matter to Cabinet; which was done.

The Panel intend to monitor the progress that has been made, and will if necessary, refer the matter to Council again.

Approving the internal audit work plan

The Panel approved the internal audit plan for 2015/16 in March 2015.

At this time, the Internal Audit Service was not fully staffed and Panel were informed that resources were not sufficient to deliver the plan. Despite taking an optimistic view on recruitment, there remained a shortfall of more than 100 days.

As noted earlier in the report, an auditor was recruited in June 2015 and it is expected that the audit plan will be delivered. The Chairman of the Panel is informed of progress in delivering the audit plan on a quarterly basis.

Countering fraud and the work of the Corporate Fraud Team

The Panel's fraud working group has fulfilled its terms of reference and stopped meeting.

The fraud sub-group ceased to meet from September 2014 as it had fulfilled its terms of reference, recommending to the Panel and Cabinet that a corporate fraud team be retained once the Dept. for Works and Pensions single fraud investigation service became responsible for welfare fraud in May 2015.

In May 2015 the Panel considered the 2014/15 annual report of the corporate fraud team. This showed that during the year the team had received 1,028 allegations of fraud, investigated 345 cases and identified fraud with a value of £464,000. It prosecuted 29 of the most serious cases and a further 28 individuals were cautioned or fined. It also worked with registered social landlords to recover 7 social housing properties that were being used unlawfully.

Updating the whistleblowing policy and guidance.

In November 2014 the Panel reviewed the Council's whistleblowing policy and guidance to ensure it remained fit for purpose. They also considered the aims of Public Concern at Works (PCaW) whistleblowing code of practice and in December 2014, the Council agreed with the Panel's recommendation that it should formally sign up to the Code and work towards compliance with it.

The Panel revisited the whistleblowing policy in June 2015 and adopted a number of changes that reflected the PCaW Code. In doing so, it had to narrow the definition of 'whistleblower'. Previously any person was able to raise an issue under the policy, it now applies only to Council employees and those contractors who are working for it.

Approved a revised Anti-Fraud and Corruption Strategy.

To reflect the December 2014 Code of Practice on managing the risk of fraud and corruption (published by the Chartered Institute of Public Finance and Accountancy), the Panel approved a revised anti-fraud and corruption strategy in June 2015.

The Strategy reflects a new requirement to focus on non-welfare fraud areas. The Panel in discussing this matter, accepted this would be a major change of approach and a work programme is being developed by the corporate fraud team to help them the aims of the Strategy. Once the work programme has been reviewed by the Panel, they intend to consider if the fraud sub-group is to reconvene so that it can continue to be informed of the progress that is being made.

Reviewing the Constitution

The Council have adopted the recommendations of the Panel and introduced a number of changes to the Constitution to allow it to operate more effectively.

The Panel is responsible for proposing to Council changes to the Council's Constitution.

They undertake a review of the Constitution towards the end of each financial year so allowing changes to be considered by Council and adopted from the start of the municipal year. In exceptional circumstances, the Panel may also consider changes to the Constitution at other times of the year. Two such exceptional cases occurred in July 2015 when the Panel recommended to Council that amendments should be made to the Constitution to:

- reflect changes to the dismissal procedures for the Councils three statutory Officers and;
- reflect a commercial approach to the disposal and acquisitions of property by amending monetary thresholds to assist with decision making .

Changes to the Code of Financial Management and Code of Procurement were reviewed and recommended to Council for approval at the Panel's March 2015 meeting.

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 Panel received reports in September 2014 and June 2015 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.

Annex A

Corporate Governance Panel
Terms of Reference approved by Council 17 December 2014

The Corporate Governance Panel discharges the functions of the Council in relation to the corporate 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 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 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 on progress in delivery;
   - monitoring the introduction of agreed audit actions;
   - considering upon request, specific internal audit reports;
   - 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 the external auditor when necessary.

FINAL ACCOUNTS

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

Annex A

Corporate Governance Panel
Terms of Reference approved by Council 17 December 2014

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

Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Consultation paper - Delivering Good Governance in Local Government; a Framework
Meeting/Date:	Corporate Governance Panel – 16 September 2015
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Internal Audit & Risk Manager
Ward(s) affected:	All Wards

Executive Summary

A consultation paper has been issued by CIPFA (The Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives and Senior Managers) on planned revisions to the Delivering Good Governance in Local Government: Framework. The Framework underpins the Council's own local Code of Corporate Governance and any changes to the Framework will be required to be reflected in the local Code.

Evidencing the delivery of the local Code is an important role for the Panel and a key element in the preparation of the Annual Governance Statement (AGS).

The proposed response to the consultation from the Council is attached as Appendix 1 (the consultation document is available to view via the link at the end of this report). Members will recall that during their informal meeting of 19 August 2015 (when they considered evidence to support delivery of the local code) there were discussions about the process for evaluating Member performance. Question six of the consultation refers to the relationship between Members and Officers. The opportunity has been taken in the response to reflect Panel's views on Member evaluation.

There is no timetable for the publication of the final document. The consultation suggests that the Framework will be published during the current financial year, so allowing changes to the local Code to be made. This would mean that the 2015/2016 AGS would need to take account of an updated local Code of Corporate Governance.

There are no financial implications arising from this report.

Recommendation(s):

The Panel are recommended to consider the consultation paper and the draft response and decide what additional comments they wish to make.

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1. WHAT IS THIS REPORT ABOUT/PURPOSE?

1.1 This report gives the Panel the opportunity to comment on proposed changes to the model CIPFA/SOLACE governance framework. The Council's Code of Corporate Governance is based on a previous version of the framework.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

2.1 As the Panel are responsible for approving the local Code of Corporate Governance it is appropriate that they have the opportunity to review and consider the proposed changes to the framework and that their views are made known to CIPFA/SOLACE.

3. OPTIONS CONSIDERED/ANALYSIS

3.1 The revised Framework is based on the June 2014 *International Framework for Good Governance in the Public Sector* developed by CIPFA and the International Federation of Accountants (a global organisation representing approximately 2.5m Accountants). Whilst it has the same overall aims and objectives as the previous Framework the narrative used to describe its Principles and sub-principles is different. For that reason, it has not been compared to the previous Framework to identify additions or omissions, but reviewed afresh.

It is considered that the Framework will not be overly burdensome or difficult to implement.

3.2 The Framework is suggesting that seven main Principles be introduced, these are:

- A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B Ensuring openness and comprehensive stakeholder engagement.
- C Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D Determining the interventions necessary to optimize the achievement of the intended outcomes.
- E Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F Managing risks and performance through robust internal control and strong public financial management.
- G Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

3.3 The proposed response is included at Appendix 1. The response has been reviewed by the Corporate Management Team. As the International Framework was consulted upon extensively before being adopted it reflects current best practice thinking. For this reason, the consultation response is not particularly detailed or long.

3.4 Consultation question 5 refers to the relationship between Members and Officers. The response reflects the Panels recent discussions on evaluating Member performance – which was that providing training to enable Members to work effectively as a Councillor was the responsibility of the Council, but evaluating how effectively they were as a Councillor should be a party political matter.

4. COMMENTS OF OVERVIEW & SCRUTINY PANEL

4.1 Not applicable.

5. KEY IMPACTS/RISKS?
HOW WILL THEY BE ADDRESSED?

5.1 The preparation and publication of an Annual Governance Statement in accordance with *Delivering Good Governance in Local Government: Framework* fulfils the Councils statutory requirement (as per the Accounts & Audit Regulations 2015) to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its statement of accounts.

5.2 The Council will be expected to adopt a new local Code of Corporate Governance based upon the final published Framework. Whilst the current local Code could still be retained and not updated, it is likely that the External Auditor would refer to this omission in their Annual Report to Panel. The Annual Governance Statement would also need to refer to this.

6. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

6.1 The Council's response will be submitted prior to the consultation closing date, 28 September.

7. LINK TO THE CORPORATE PLAN

7.1 Good governance encourages better informed decision making, the efficient use of resources and strengthens accountability for the stewardship of those resources. All of which will assist the Council to deliver its Corporate Plan objectives.

8. CONSULTATION

8.1 None

9. LEGAL IMPLICATIONS

9.1 Once the final Framework is published, a revised Code of Corporate Governance will need to be adopted. Specific legal implications will be outlined at that time.

10. RESOURCE IMPLICATIONS

10. 1 There are no direct resource implications arising from this report.

11. OTHER IMPLICATIONS

11.1 There are no other implications arising from this report.

12 REASONS FOR THE RECOMMENDED DECISIONS

12.1 The Panel will be responsible for approving any changes to the local Code of Corporate Governance and the consultation process gives them the opportunity to influence the final Framework document that will be published. A draft response has been prepared and the Panel are being requested to endorse that response and consider whether any further comments should be made.

13. LIST OF APPENDICES INCLUDED

Appendix 1 Proposed response

BACKGROUND PAPERS

Consultation paper. Delivering Good Governance in Local Government: a Framework
http://www.cipfa.org/policy-and-guidance/consultations/delivering-good-governance-in-local-government

CONTACT OFFICER

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

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Delivering Good Governance in Local Government; a Framework Consultation Response

1 Would this framework *Good Governance in Local Government* assist you in developing and modernising your own local code of governance/governance arrangements?

Response *A reserved 'yes'. Whilst the framework has extended from six to seven the number of core principles, many of the individual descriptions do not appear to greatly expand upon or add to the current Framework principles or their sub-principles.*

2 Would this draft Framework assist you in establishing governance arrangements for collaborative working (alternative delivery vehicles, partnerships etc.)?

Response *No more than the current Framework.*

3 Are there any parts of the Framework that you would find difficult to follow/comply with?

Response *Yes – see Q5.*

4 Have we got the terminology right, with particular reference to collaborative working? If not, how could it be improved?

Response *Terminology in some places is unclear. Specific examples have been included at the end of the response.*

With respect to collaborative working it is not clear why 'using formal and informal consultation and engagement to determine the most appropriate and effective interventions' only refers to institutional stakeholders and not all stakeholders.

5 Principle E looks at the relationship between members and officers. Have we got the tone and balance right? If not, how could it be improved?

Response *The tone and balance appears to be right.*

Included within E is the following 'reviewing individual member performance on a regular basis and considering any training or development needs as well as taking account of their attendance record'.

The Council's Corporate Governance Panel has recently considered how individual member performance should be evaluated. They were of the view that evaluation is a party political matter and, via the ballot box, one for the wider electorate. It was felt that senior management for example, *should be concerned with how an individual member performed as a Chairman of a committee and make training available to help them improve in that role but it would be inappropriate for senior management to review an Elected Members overall performance or attendance.*

If the statement is to remain, then consideration should be given to making it the responsibility of the appropriate politician to review individual member performance and attendance.

If the requirement is to remain then there may also be the unintended consequence of making the review information available in response to a Freedom of Information request. Notwithstanding principle A, this may have the opposite affect to that which is envisaged.

6 Is any further guidance required with regard to the development of a local code?

Response *No.*

7 What further guidance is required with regard to the preparation of the annual governance statement (AGS)?

Response *Whilst the Framework in G includes 'reporting at least annually in a timely manner to demonstrate to stakeholders in an understandable way on issues including how the authority is performing, whether it is delivering value for money and the stewardship of its resources', this does not explicitly refer to the AGS. If that is the intention then a clear reference to the AGS should be included. Otherwise it could be construed to mean an annual report or some alternative document.*

The statement on page 25 with regard to the AGS also includes the word 'urges' when referring to the preparation of the AGS. Publication of the AGS is now a statutory requirement (Accounts & Audit Regulations 2015) as is the timing of its approval. This should be referenced in the Framework.

A short statement detailing the issues that would be expected to be included within the AGS would be beneficial.

8 Are there any other aspects of governance that are not in the draft Framework which you believe should be addressed?

Response *No.*

9 How might the Framework be improved?

Response *Despite what has been written on page 8 of the consultation page, the Framework will be used by many as their local code without any further changes. It would assist if the phrasing and language could be reviewed so that it is easier for both stakeholders, including Members (coming to the code for the first time) to understand.*

Experience with the current Framework suggests that rather than the narrative being listed as bullet points, it would help if these could be consecutively numbered.

10 Are there any other issues or areas that are not in the draft Framework which you believe should be addressed in the guidance note?

Response *No.*

11 It is envisaged that the revised Framework would apply from the financial year 2015/2016. Please could you let us know if you have any concerns regarding the proposed timetable?

Response *Is it the intention that the Framework is applied retrospectively to 2015/2016? If so, presumably the 2015/2016 annual governance statement would be reflective of it. This is not appropriate as depending on the date of the publication of the agreed Framework, revisions to the local code may not be made by Council's until February or March 2016 meetings.*

The option should be available for public sector bodies to either follow their current code for 2015/2016 AGS reporting or adopt and report on the new Framework and local code.

Q4. Terminology

Some aspects of terminology are unclear and need to be explained further or re-written. The highlighted text details our concerns. Whilst the Framework is intended to be used by public sector bodies to determine its own local code, it is important that there is little ambiguity in the Framework wording so that local interpretations are similar.

<u>Principle A</u>

Behaving with integrity

> Demonstrating and communicating values through appropriate policies/processes such as codes of conduct and policies dealing with whistle blowing and conflicts of interest and reviewing such policies **~~and~~** on a regular basis to ensure that they are operating effectively

<u>Principle B</u>

Openness

> Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. **In due course, that they are clear** about the impact and consequences of those decisions

Engaging stakeholders effectively, including individual citizens and service users

> Taking account of the interests of future generations of tax payers and service users **to ensure intergenerational equity**

<u>Principle C</u>

Defining outcomes

> Developing and publishing **sustainability** indicators in terms of economic, social and environmental benefits as a means of measuring whether intended outcomes have been achieved
>
> The difference between sustainability indicators and KPI’s (principle D) needs to be made clear.

<u>Principle D</u>

> Local authorities achieve their intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of interventions is a critically important strategic choice **~~and~~ [that]** authorities have to make to ensure they achieve their intended outcomes. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed **continually [suggest regularly or frequently]** to ensure that achievement of outcomes is optimized.
>
> End

Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Work Programme & Training
Meeting/Date:	Corporate Governance Panel – 16 September 2015
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Internal Audit & Risk Manager
Ward(s) affected:	All Wards

Executive Summary
The anticipated programme of work of the Panel for the next year is shown at Appendix 1. This is based upon the Panel's current terms of reference and the need for Panel to obtain assurance over the Council's governance arrangements.

At the July meeting, it was agreed that training before the December meeting would focus on procurement. It is proposed that training in March 2016 will focus upon the new constitution.

Following discussions between the Panel Chairman and the Managing Director it has been agreed that a report will be presented to the Panel in December that discusses the future role for the Panel and the possible focus for future works. Depending on the outcome of the discussions on that report, both the work plan of the Panel and future training requirements may need to be amended.

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 note the programme of work and the training that is proposed for March 2016.

Background papers
None

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

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Appendix 1

Anticipated Programme of Work

December 2015

External Audit – annual audit letter
– grant certification 2014/15
Annual reports – freedom of Information
– business continuity planning
Internal audit interim progress report
Programme of anti-fraud & corruption work.
Implementation of agreed audit actions

March 2016

Progress on introducing external audit recommendations 2014/15
External audit: audit plan and grant claims
Accounting policies
Internal audit plan
Progress on issues raised in the 2014/15 annual governance statement
Risk management
Implementation of agreed audit actions

June 2016

Review of the internal audit service and charter
Internal audit annual report & opinion
Corporate fraud team investigation activity
Whistleblowing : policy review & concerns received
Implementation of agreed audit actions

July 2016

Annual effectiveness review of the Panel and annual Panel report to Council
Approval of the 2015/16 annual governance statement
Implementation of agreed audit actions

September 2016

Approval of the statement of accounts
External audit – ISA 260 report
Risk management
Implementation of agreed audit actions

In addition to the items listed above, reports may also be required to be submitted on an ad-hoc basis (e.g. effectiveness reviews of Panels/Committees, constitution matters).

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