



## Civic Affairs

**Committee Members:** Councillors McPherson (Chair), Benstead (Vice-Chair), Cantrill, Holt, Robertson and Sinnott

**Alternates:** Councillors Pitt and Ratcliffe

*Published & Despatched: Thursday, 18 June 2015*

**Date:** Friday, 26 June 2015  
**Time:** 5.00 pm  
**Venue:** Committee Room 1 & 2 - Guildhall  
**Contact:** Sarah Steed

### AGENDA

**1 APOLOGIES FOR ABSENCE**

**2 DECLARATIONS OF INTEREST**

Members are asked to declare at this stage any interests that they may have in any of the following items on the agenda. If any member is unsure whether or not they should declare an interest on a particular matter, they are requested to seek advice from the Head of Legal Services before the meeting.

**3 MINUTES OF PREVIOUS MEETING** *(Pages 7 - 22)*

To approve the minutes of the meeting held on 18 May & 28 May 2015.

**4 PUBLIC QUESTIONS**

**5 CAMBRIDGESHIRE BOUNDARY REVIEW** *(Pages 23 - 48)*

**6 REVIEW OF THE MEMBERS ALLOWANCES SCHEME** *(Pages 49 - 52)*

**7 CHANGES TO THE OFFICER EMPLOYMENT PROCEDURE RULES IN RESPECT OF DISCIPLINARY ACTION** *(Pages 53 - 62)*

- 8 **ANNUAL REPORT ON PREVENTION OF FRAUD & CORRUPTION POLICY** *(Pages 63 - 78)*
- 9 **EFFECTIVENESS OF INTERNAL AUDIT: ANNUAL REVIEW 2014 / 2015** *(Pages 79 - 90)*
- 10 **ANNUAL AUDIT OPINION 2014 / 2015** *(Pages 91 - 118)*
- 11 **ASSURANCE FRAMEWORK, DRAFT ANNUAL GOVERNANCE STATEMENT AND DRAFT CODE OF CORPORATE GOVERNANCE 2014/15** *(Pages 119 - 156)*
- 12 **EXTERNAL AUDIT 2014/15 AUDIT PLAN** *(Pages 157 - 180)*
- 13 **STATEMENT OF ACCOUNTS 2014-15** *(Pages 181 - 342)*

# Information for the Public

## Location

The meeting is in the Guildhall on the Market Square (CB2 3QJ).

Between 9 a.m. and 5 p.m. the building is accessible via Peas Hill, Guildhall Street and the Market Square entrances.

After 5 p.m. access is via the Peas Hill entrance.

All the meeting rooms (Committee Room 1, Committee 2 and the Council Chamber) are on the first floor, and are accessible via lifts or stairs.

## Public Participation

Some meetings may have parts that will be closed to the public, but the reasons for excluding the press and public will be given.

Most meetings have an opportunity for members of the public to ask questions or make statements.

To ask a question or make a statement please notify the Committee Manager (details listed on the front of the agenda) prior to the deadline.

- For questions and/or statements regarding items on the published agenda, the deadline is the start of the meeting.
- For questions and/or statements regarding items NOT on the published agenda, the deadline is 10 a.m. the day before the meeting.

Speaking on Planning or Licensing Applications is subject to other rules. Guidance for speaking on these issues can be obtained from Democratic Services on 01223 457013 or [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk).

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The Council is committed to being open and transparent in the way it conducts its decision making. The public may record (e.g. film, audio, tweet, blog) meetings which are open to the public.

Anyone who does not want to be recorded should let the Chair of the meeting know. Those recording meetings are strongly urged to respect the wish of any member of the public not to be recorded.

**Fire Alarm**

In the event of the fire alarm sounding please follow the instructions of Cambridge City Council staff.

**Facilities for disabled people**

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A loop system is available in Committee Room 1, Committee Room 2 and the Council Chamber.

Accessible toilets are available on the ground and first floor.

Meeting papers are available in large print and other formats on request prior to the meeting.

For further assistance please contact Democratic Services on 01223 457013 or [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk).

**Queries on reports**

If you have a question or query regarding a committee report please contact the officer listed at the end of relevant report or Democratic Services on 01223 457013 or [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk).

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## **CIVIC AFFAIRS**

18 May 2015  
6.00 - 6.20 pm

**Present:** Councillors McPherson (Chair), Benstead (Vice-Chair), Cantrill, Pitt, Hart and Robertson

### **Officers Present:**

Chief Executive: Antoinette Jackson  
Head of Legal Services: Simon Pugh  
Committee Manager: Toni Birkin

## **FOR THE INFORMATION OF THE COUNCIL**

### **15/21/CIV Apologies for Absence**

Apologies were received from Sean Brady (Independent Person) and Rob Bennett (Deputy Independent Person).

### **15/22/CIV Declarations of Interest**

No interests were declared.

### **15/23/CIV Minutes of Previous Meeting**

The minute of the meeting held on the 18<sup>th</sup> March 2015 were agreed and signed as a correct record.

Councillor Hart requested that her previous comments regarding area committee allowances be noted and considered in any future review of the Members Allowance Scheme.

### **15/24/CIV Public Questions**

There were no public questions.

### **15/25/CIV Constitution Updates**

The committee received a report from the Head of Legal Services regarding proposed changes to the Executive portfolios and Scrutiny Committees.

**Resolved** (unanimously):

- I. To note the changes in Executive portfolios with responsibility for public health moving from the Executive Councillor for Environment, Waste and Public Health to the Executive Councillor for Community, Arts and Recreation as set out in Appendix 1 of the Officer's report.
- II. To recommend to Council the revised scrutiny arrangements set out in Appendix 2 of the Officer's report.

**15/26/CIV Nominations For Committees For The Municipal Year 2015/16**

The Committee considered a paper setting out the proposed Committee allocations by party and the nominations received. The Committee considered the rules on political balance set out in the Local Government and Housing Act 1989 in developing the recommendations set out below.

Councillor Pitt updated the Committee on the Liberal Democrat Group's nominations.

The Committee noted the Minorities Group nominations.

The Committee noted the Leaders approval of the following Councillors to the Executive. Opposition Spokes were also noted.

<b>The Executive</b>	<b>Opposition Spokes</b>
Leader & Exec Cllr for Strategy & Transformation – Lewis Herbert	Councillor Bick
Deputy Leader & Exec Cllr for City Centre & Public Places – Carina O'Reilly	Councillor Austin
Exec Cllr for Finance and Resources – George Owers	Councillor Bick
Exec Cllr for Housing – Kevin Price	Councillor Avery
Exec Cllr for Environment & Waste – Peter Roberts	Councillor Pitt
Exec Cllr for Planning Policy & Transport – Kevin Blencowe	Councillor C Smart
Exec Cllr for Communities– Richard Johnson	Councillor Reid

Councillor Cantrill was noted as the Opposition Spokes for Civic Affairs.

The Committee discussed the numbers and proportionately of Strategy and Resources Committee. The numbers would need to increase to 10 should Councillor Hipkin take up the seat Minorities Group were entitled to with the Liberal Democrats numbers staying at 3. The Head of Legal Services reminded the Committee that Council could agree to Committee size that did not meet proportionality requirements if all Groups agreed to this.

**Post meeting notes:** Councillor Hipkin confirmed that he would like to take a place on the Strategy and Resources Committee.

**Resolved** (unanimously) to:

- i. Recommend Council to agree to the number and size of committees and to note the nominations listed below

### SCRUTINY COMMITTEES

COMMUNITY SERVICES	NOMINATION(S)	CURRENT NUMBERS (1) =Alternate	PROPOSED NAMES OF NOMINATIONS TO THE COMMITTEE
	Labour	5 (1)	Sinnott, Ratcliffe, Baigent, Sarris, Bird, Benstead (Alt)
	LD	3 (1)	Austin, Reid, O' Connell Holt (Alt)
		8 Total	

ENVIRONMENT	NOMINATION(S)	CURRENT NUMBERS (1) =Alternate	PROPOSED NAMES OF NOMINATIONS TO THE COMMITTEE
	Labour	6 (1)	Gawthrope, Perry, Ratcliffe, Robertson, M Smart, Baigent,  Sarris (Alt)
	LD	3 (1)	C Smart, Pitt, Gehring  Moore (Alt)
	Minorities	1 10 Total	Gillespie

<b>HOUSING</b>	<b>NOMINATION(S)</b>	<b>CURRENT NUMBERS</b> (1) =Alternate	<b>PROPOSED NAMES OF NOMINATIONS TO THE COMMITTEE</b>
	Labour	5 (1)	Todd-Jones, Baigent, Ashton, Bird, Sarris Gawthrope (Alt)
	LD	2 (1)	Avery, Moore Cantrill (Alt)
	Minorities	1 (1)	Holland
		8 Total	

<b>STRATEGY &amp; RESOURCES</b>	<b>NOMINATION(S)</b>	<b>CURRENT NUMBERS</b> (1) =Alternate	<b>PROPOSED NAMES OF NOMINATIONS TO THE COMMITTEE</b>
	Labour	6 (1)	Robertson, Sinnott, Baigent, Benstead, M Smart, Sarris Abbott (Alt)
	LD	3 (1)	Bick, Holt, Cantrill C Smart (Alt)
	Minorities	1	Hipkin
		10 Total	

## REGULATORY COMMITTEES

<b>PLANNING</b>	<b>NOMINATIONS(S)</b>	<b>CURRENT NUMBERS</b> (1) =Alternate	<b>PROPOSED NAMES OF NOMINATIONS TO THE COMMITTEE</b>
	Labour	4 (1)	Dryden, Blencowe, Gawthrope, Hart, Bird (Alt)
	LD	3 (1)	C Smart, Pippas, Tunnacliffe, Holt (Alt)
	Minorities	1 (1)	Hipkin
		8 Total	

<b>JOINT DEVELOPMENT CONTROL COMMITTEE</b>	<b>NOMINATIONS</b>	<b>CURRENT NUMBERS (2)= Alternate</b>	<b>PROPOSED NAMES OF NOMINEES TO THE COMMITTEE</b>
	Labour	4 (2)	Blencowe, Baigent, Bird, Price, Gawthrope (Alt) Herbert (Alt)
	LD	2 (2)	C Smart, Holt Moore (Alt)
		6 Total	

<b>LICENSING</b>	<b>NOMINATIONS</b>	<b>CURRENT NUMBERS (1)= Alternate</b>	<b>PROPOSED NAMES OF NOMINEES TO THE COMMITTEE</b>
	Labour	7 (1)	Benstead, Bird, Ratcliffe, Gawthrope, McPherson, O'Reilly, Owers Smith (Alt)
	LD	4 (1)	Pippas O' Connell, Bick, Austin Moore (Alt)
	Minorities	1 (1)	Meftah
		12 Total	

OTHER COMMITTEES

<b>CIVIC AFFAIRS</b>	<b>NOMINATIONS</b>	<b>CURRENT NUMBERS (1)= Alternate</b>	<b>PROPOSED CHANGES AND NOMINATIONS</b>
	Labour	4 (1)	McPherson, Benstead, Sinnott, Robertson Ratcliffe (Alt)
	LD	2 (1)	Holt, Cantrill Pitt (Alt)
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<b>EMPLOYMENT APPEALS SUB</b>	<b>NOMINATIONS</b>	<b>CURRENT NUMBERS (1)= Alternate</b>	<b>PROPOSED CHANGES AND NOMINATIONS</b>
<b>EMPLOYMENT APPEALS SUB</b>	Labour	5	Price, Gawthrope, Blencowe, Sarris, Bird
	LD	3	Smart, Holt, Moore
		8 Total	

<b>COMMITTEE/SUB COMMITTEE</b>	<b>NOMINATIONS</b>	<b>CURRENT NUMBERS (1)= Alternate</b>	<b>PROPOSED CHANGES AND NOMINATIONS</b>
<b>JOINT AREA COMMITTEE (with County Council)</b>	Labour	4	Blencowe, Smith, Ratcliffe, Robertson
	LD	2	C Smart, Tunnacliffe, (Alt Moore)
		6 Total	

<b>COMMITTEE/SUB COMMITTEE</b>	<b>NOMINATIONS</b>	<b>CURRENT NUMBERS (1)= Alternate</b>	<b>PROPOSED CHANGES AND NOMINATIONS</b>
<b>CITY DEAL ASSEMBLY</b>	Labour	2	Price Baigent
	LD	1	Bick



## 15/27/CIV Nominations For Chairs And Vice Chairs Of Scrutiny & Regulatory Committees

The Committee received nominations for Chairs and Vice Chairs of Scrutiny and Regulatory Committees.

**Resolved** (unanimously) to:

- i. Note the nominations for Chairs and Vice Chairs of Scrutiny and Regulatory Committees as follows:

Committee	Labour Nominations		Liberal Democrat Nominations	
	Chair	Vice Chair	Chair	Vice
Community Services	Sinnott	Ratcliffe		
Environment	Gawthrope	Perry		
Housing	Todd-Jones	Baigent		
Strategy & Resources	Robertson	Sinnott		
Planning	Dryden	Blencowe		
Joint Development Control (City Lead)	Blencowe			
Licensing	Benstead	Bird		Pippas
Civic Affairs	McPherson	Benstead		
Employment Appeals Sub	Price			
Development Plan Scrutiny Committee	Sarris	Gawthrope		

## 15/28/CIV Nominations for Honorary Councillors

**Resolved:** (unanimously) to recommend to Council the appointment of the following former Councillors as Honorary Councillors

- Max Boyce
- Sheila Stuart
- Julie Smith

## **15/29/CIV Appointment of Independent Persons**

**Resolved** (unanimously) to:

- i. Recommend that Council confirm the continued appointment of Mr Sean Brady as the Council's Independent Person and Mr Robert Bennett as the Council's Deputy Independent Person.

The meeting ended at 6.20 pm

**CHAIR**

**CIVIC AFFAIRS**18 May 2015  
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<b>JOINT</b>	<b>NOMINATIONS</b>	<b>CURRENT</b>	<b>PROPOSED</b>
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**15/29/CIV Appointment of Independent Persons**

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The meeting ended at 6.20 pm

**CHAIR**

## CAMBRIDGE CITY COUNCIL

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REPORT OF: Democratic Services Manager

TO: Civic Affairs Committee

26/6/2015

WARDS: All affected

### **ELECTORAL REVIEW OF CAMBRIDGESHIRE**

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#### **1 INTRODUCTION**

The report invites the Committee to comment on the draft recommendations for Cambridgeshire County Council city divisions made by the [Local Government Boundary Commission for England](#) and recommends a City Council response to the consultation.

#### **2. RECOMMENDATIONS**

- i) To oppose the two member member division recommended by the Commission for Castle/Newnham and to propose instead two single member divisions for Castle and Newnham with Madingley Road being the boundary line as submitted by the City Council to the Commission in January 2015.
- ii) To support the County Council's opposition to two member division in the city.

#### **3. BACKGROUND**

- 3.1 The Local Government Boundary Commission for England (the Commission) is reviewing the Cambridgeshire County Council electoral arrangements. This Committee considered and agreed at its 28 January 2015 meeting a response to the Commission's consultation which was proposing division arrangements for the County which would result in 63 councillors, from the current 69, which in turn would mean 12 councillors for the city from the current 14.

- 3.2 The Commission published its draft recommendations on 12 May and invites comments on these up to 6 July. It then intends to publish final recommendations on 29 September, with a view that the County Council elections in May 2017 will be run on the new pattern of divisions.
- 3.3 In drawing up a pattern of electoral divisions, the Commission's three main considerations are set out in law to:
- improve electoral equality by equalising the number of electors each councillor represents
  - reflect community identity
  - provide for effective and convenient local government
- 3.4 The Commission's recommendations for the city are set out in appendix 1. It took into account revised electorate figures for the city as resolved by Committee on 28 January (see paragraphs 14-16 of its report). The Commission also reviewed its proposals on division patterns (paragraphs 21-25) based on projected electorates, again as resolved by the Committee on 28 January. The City Council's submission approved by Committee from January is in appendix 2.

#### **The proposed two member division-Castle/Newnham**

- 3.5 The Commission's draft recommendations propose an overall Council size of 61, with the city allocated 12 councillors, but from 11 divisions. It proposes a two member division- Castle/Newnham (with three more two member divisions proposed in the County). This proposal is surprising in so much that there had been no expression of preference by the County Council nor the City Council for anything other than single member divisions. Although the Commission is making judgements based on its criteria (and it states that it has made a site visit to Castle/Newnham), it could be argued that this proposal doesn't satisfy enough the need to reflect the community identity criteria for Newnham and Castle, the centres of which are at either ends of the proposed merged division. Unlike the Commission, we think that Madingley Road is a clear community distinguisher which is recognised in both those local communities. The Commission should also be reminded that the projected variances by 2020 based on the city's submission in January would be +5% for Castle and 0% for Newnham, well within the Commission's electoral levels of variance.

- 3.6 At the time of publishing this report it is understood that the County Council will object to the recommendation for two member divisions and it is proposed that the City Council also objects to the proposal for Castle/Newnham.
- 3.7 The Commission's draft recommendations for the remainder of the city broadly adhere to the city's submission from January 2015 and there are no officer comments on these.
- 3.8 The Committee resolved at its January meeting that co-terminosity between the county divisions and city wards is very desirable for good governance and were a two member division created then this would break that.
- 3.9 As reported in January to the Committee, whatever pattern of divisions the Commission finally proposes there would be consequences in terms of administering the electoral register and elections:
- i) A full polling district review would need to be carried out before December 2016 (potentially starting in June 2016).
  - ii) The 2017 elections would need to be managed by placing several polling district registers in one polling place (station) and keep them as far as possible to the current polling place arrangements. Especially as it would be confusing and expensive (and probably impossible) to engage a separate building for each district. It would be sensible to retain the current polling place arrangements as much as possible, because if a city council by-election were to happen on the same day, we would need to keep voting for that by-election in the same building.

#### 4. **OPTIONS**

The Committee can choose not to submit a response to the Commission's draft recommendations.

#### 5. **IMPLICATIONS**

- (a) **Financial Implications** there are none
- (b) **Staffing Implications** - the administration of elections will be more complicated without co-terminosity (for however long that period will

be) and this will need to be carefully managed. This is on top of the significant transitional change we are still managing with Individual Electoral Registration.

- (c) **Equal Opportunities Implications**
- (d) **Environmental Implications**
- (e) **Procurement**
- (f) **Consultation and communication**
- (g) **Community Safety**

None of the above apply to this report.

**BACKGROUND PAPERS:** The following are the background papers that were used in the preparation of this report: No background papers.

The author and contact officer for queries on the report is [Gary.Clift@cambridge.gov.uk](mailto:Gary.Clift@cambridge.gov.uk) 01223 457011.

Date originated: 16 June 2015  
Date of last revision: 16 June 2015

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## Summary

### Who we are

The Local Government Boundary Commission for England (LGBCE) is an independent body set up by Parliament. We are not part of government or any political party. We are accountable to Parliament through a committee of MPs chaired by the Speaker of the House of Commons.

Our main role is to carry out electoral reviews of local authorities throughout England.

### Electoral review

An electoral review examines and proposes new electoral arrangements for a local authority. A local authority's electoral arrangements decide:

- How many councillors are needed
- How many wards or electoral divisions should there be, where are their boundaries and what should they be called
- How many councillors should represent each ward or division

### Why Cambridgeshire?

We are conducting an electoral review of Cambridgeshire County Council as the Council currently has high levels of electoral inequality where some councillors represent many more or many fewer voters than others. This means that the value of each vote in county council elections varies depending on where you live in Cambridgeshire. Overall, 32% of divisions currently have a variance of greater than 10%.

### Our proposals for Cambridgeshire

Cambridgeshire County Council currently has 69 councillors. Based on the evidence we received during previous phases of the review, we consider that a decrease in council size by eight to 61 members will ensure the Council can discharge its roles and responsibilities effectively.

### Electoral arrangements

Our draft recommendations propose that Cambridgeshire County Council's 61 councillors should represent 53 single-member divisions and four two-member divisions. None of our proposed 57 divisions would have an electoral variance of greater than 10% from the average for Cambridgeshire by 2020.

**You have until 6 July 2015 to have your say on the recommendations. See page 32 for how to have your say.**



# 1 Introduction

1 This electoral review is being conducted following our decision to review Cambridgeshire County Council's electoral arrangements to ensure that the number of voters represented by each councillor is approximately the same across the county.

## What is an electoral review?

2 Our three main considerations in conducting an electoral review are set out in legislation<sup>1</sup> and are to:

- Improve electoral equality by equalising the number of electors each councillor represents
- Reflect community identity
- Provide for effective and convenient local government

3 Our task is to strike the best balance between them when making our recommendations. Our powers, as well as the guidance we have provided for electoral reviews and further information on the review process, can be found on our website at [www.lgbce.org.uk](http://www.lgbce.org.uk)

## Consultation

4 We wrote to the Council inviting the submission of proposals on council size. We then held a period of consultation on division patterns for the county. The submissions received during our consultation have informed our draft recommendations. This review is being conducted as follows:

Stage starts	Description
21 October 2014	Decision on council size
28 October 2014	Division pattern consultation
12 May 2015	Draft recommendations consultation
7 July 2015	Analysis of submissions received and formulation of final recommendations
29 September 2015	Publication of final recommendations

## How will the recommendations affect you?

5 The recommendations will determine how many councillors will serve on the Council. They will also decide which division you vote in, which other communities are in that division and, in some instances, which parish council wards you vote in. Your division name may also change, as may the names of parish or town council wards in the area. The names or boundaries of parishes will not change as a result of our recommendations.

<sup>1</sup> Schedule 2 to the Local Democracy, Economic Development and Construction Act 2009.

## What is the Local Government Boundary Commission for England?

6 The Local Government Boundary Commission for England is an independent body set up by Parliament under the Local Democracy, Economic Development and Construction Act 2009.

Members of the Commission are:

Max Caller CBE (Chair)  
Professor Colin Mellors (Deputy Chair)  
Dr Peter Knight CBE DL  
Alison Lowton  
Sir Tony Redmond  
Professor Paul Wiles CB

Chief Executive: Jolyon Jackson CBE

## 2 Analysis and draft recommendations

7 Legislation<sup>2</sup> states that our recommendations are not intended to be based solely on the existing number of electors<sup>3</sup> in an area, but also on estimated changes in the number and distribution of electors likely to take place over a five-year period from the date of our final recommendations. We must also try to recommend strong, clearly identifiable boundaries for the divisions we put forward at the end of the review.

8 In reality, the achievement of absolute electoral fairness is unlikely to be attainable and there must be a degree of flexibility. However, our approach is to keep variances in the number of electors each councillor represents to a minimum.

9 In seeking to achieve electoral fairness, we work out the average number of electors per councillor by dividing the electorate by the number of councillors as shown on the table below.

	2014	2020
Electorate of Cambridgeshire	478,908	521,380
Number of councillors	61	61
Average number of electors per councillor	7,851	8,547

10 Under our draft recommendations, none of our proposed divisions will have an electoral variance of greater than 10% from the average for the county by 2020. We are therefore satisfied that we have achieved good levels of electoral fairness for Cambridgeshire.

11 Additionally, in circumstances where we propose to divide a parish between district wards or county divisions, we are required to divide it into parish wards so that each parish ward is wholly contained within a single district ward or county division. We cannot make amendments to the external boundaries of parishes as part of an electoral review.

12 These recommendations cannot affect the external boundaries of Cambridgeshire County Council or result in changes to postcodes. They do not take into account parliamentary constituency boundaries. There is no evidence that the recommendations will have an adverse effect on local taxes, house prices, or car and house insurance premiums and we are not, therefore, able to take into account any representations which are based on these issues.

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<sup>2</sup> Schedule 2 to the Local Democracy, Economic Development and Construction Act 2009.

<sup>3</sup> Electors refers to the number of people registered to vote, not the whole adult population.



## Submissions received

13 See Appendix B for details of submissions received. All submissions may be inspected at our offices and can also be viewed on our website at [www.lgbce.org.uk](http://www.lgbce.org.uk)

## Electorate figures

14 As prescribed in the Local Democracy, Economic Development and Construction Act 2009, the Council submitted electorate forecasts for 2020, a period five years on from the scheduled publication of our final recommendations in 2015. These forecasts were broken down to polling district level and projected an increase in the electorate of approximately 9% by 2020. The highest proportion of this growth across the county is expected in Cambridge with significant development in the Arbury and Trumpington areas.

15 During our consultation on division arrangements, we received several queries from members of the public regarding the electorate forecasts. In each instance we raised these with Cambridgeshire County Council and, accordingly, made some changes to the projections for Cambridge City.

16 Having considered the further information provided by the Council, we are satisfied that the projected figures are the best available at the present time and these figures form the basis of our draft recommendations.

## Council size

17 Cambridgeshire County Council currently has 69 councillors. The County Council submitted a proposal to decrease the council size from 69 to 63 members. The Liberal Democrat Group on Cambridgeshire County Council submitted a proposal to increase council size from 69 to 71. We requested further information from the County Council as to whether it had considered alternative council sizes and why any alternatives be less effective than 63 councillors. The Council responded that it had considered alternative sizes based on 57, 59, 61 and 63 councillors.

18 Having considered both submissions, we decided the County Council's evidence was more persuasive. The County Council demonstrated that it could operate efficiently and effectively under its proposed council size and ensure effective representation of local residents. We therefore invited proposals for division arrangements based on a council size of 63 councillors.

19 As we developed our draft recommendations, we discovered that 63 councillors did not provide the best allocation of county councillors between Cambridgeshire's five districts. As detailed later in this report, we found it particularly difficult to develop a pattern of divisions in Fenland that would have good electoral equality and reflect community identities. As a consequence, we examined alternative division arrangements under council sizes of between 64 and 61 members. We have concluded that 61 councillors will ensure a good allocation of councillors across Cambridgeshire. As stated in our Guidance, we will use our discretion to vary the number of councillors from the figure previously agreed if we find that an alternative will provide 'a better fit' of divisions across the county. On this basis we have decided to put forward draft recommendations based on a council size of 61 members.



20 A council size of 61 provides the following allocation between the district councils in the county:

- Cambridge – twelve councillors
- East Cambridgeshire – eight councillors
- Fenland – nine councillors
- Huntingdonshire – seventeen councillors
- South Cambridgeshire – fifteen councillors

## Division patterns

21 During consultation on division patterns, we received 62 submissions. While we did not receive a submission from the County Council, the Cambridge Labour Party submitted a county-wide proposal. Cambridge City Council and the North East Cambridgeshire Conservative Association submitted district-wide proposals for Cambridge City and Fenland respectively. The remainder of the submissions provided localised comments for division arrangements in specific areas of the county.

22 As we developed our draft recommendations with the forecasts provided by the County Council, we discovered that a pattern of divisions based on 63 councillors did not provide for the best allocation between the five districts in Cambridgeshire. We noted it was particularly difficult in Fenland district to achieve good electoral equality based on the 10 divisions that were initially allocated to Fenland. We analysed potential division arrangements for the county based on alternate council sizes of 64, 62 and 61 councillors.

23 Having carefully considered the alternative council sizes and the evidence received, we consider that 61 councillors for Cambridgeshire would achieve the best allocation between the five districts. It would also achieve improved electoral equality, particularly in Fenland district. A pattern of divisions based on either 64 or 62 councillors would result in poor levels of electoral equality in East Cambridgeshire, Fenland, Huntingdonshire, and South Cambridgeshire districts.

24 Our draft recommendations are for 53 single-member divisions and four two-member divisions. We consider that our draft recommendations will provide for good electoral equality while reflecting community identities and interests where we have received such evidence during consultation.

25 A summary of our proposed electoral arrangements is set out in Table A1 (on pages 34–8) and on the large map accompanying this report. We welcome all comments on these draft recommendations. We also welcome comments on the division names we have proposed as part of the draft recommendations.

## Detailed divisions

26 The tables on pages 8–28 detail our draft recommendations for each district in Cambridgeshire. They detail how the proposed division arrangements reflect the three statutory<sup>4</sup> criteria of:

- Equality of representation
- Reflecting community interests and identities
- Providing for convenient and effective local government

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<sup>4</sup> Local Democracy, Economic Development and Construction Act 2009.

Cambridge City

Division name	Number of Cllrs	Variance 2020	Description	Detail
Arbury	1	1%	This division lies in the north-west of the city and comprises the Arbury community.	This division is largely based on the city-wide proposals we received for Cambridge. However, we have made one amendment to these proposals. We propose that Ascham Road, Atherton Close, Gurney Way and parts of Gilbert and Milton roads are also included in Arbury division. In our view, this arrangement better reflects the Arbury community and achieves good electoral equality for the division.
Barnwell	1	0%	This division lies in the east of the city and comprises the Barnwell community and part of the Romsey community.	This division is based on the city-wide proposals we received for Cambridge. The Barnwell community is wholly contained within a single division. We received an objection to the city-wide proposals from a political group on the basis that it would not reflect community identity as part of Romsey Town is separated from Barnwell by the railway line. We considered including all of Romsey Town in its own single-member division. However, this would result in poor electoral equality as there are too many electors north of Fairfax and Vinery roads. The railway line also forms a strong boundary to the west. Therefore, we have decided to adopt the proposals for Barnwell division which better reflect the statutory criteria.
Castle & Newnham	2	-1%	This division lies in the west of the city and comprises the Newnham community to the south. To the north of Madingley Road are the remnants of the Castle, University Colleges and part of the Arbury community.	The city-wide proposals received for Cambridge proposed two single-member divisions which used Madingley Road as the boundary between the two divisions. However, both divisions had poor levels of electoral equality. Having visited the area, we considered that communities on either side of Madingley Road were of similar character and that this area would be better placed in a two-member division. Our two-member division would provide good electoral equality and



				avoid dividing communities either side of Madingley Road. We also noted that Grange Road provides access between the Newnham area in the south and communities north of Madingley Road. This particular division is expected to see significant development over the coming years.
Cherry Hinton	1	3%	This division lies in the east of the city and comprises the Cherry Hinton community.	<p>This division is partly based on the city-wide proposals we received for Cambridge. A local resident proposed that Gazelle Way and Yarrow Road are included within Cambridge City. As divisions must be wholly contained within district boundaries, we are unable to accommodate such an arrangement. We have made some minor modifications to the proposals for Cherry Hinton division.</p> <p>We propose that this division includes properties on Perne Road which are between Cherry Hinton Road and Natal Road. This also includes Gisborne Road, Langham Road and Perne Avenue. In the south of the division, we propose that the boundary run to the rear of properties and roads which only access onto the south side of Cherry Hinton Road. This arrangement would better reflect community identities as these properties face towards the Cherry Hinton community. Cherry Hinton division would also provide good levels of electoral equality and provide for effective and convenient local government.</p>
Chesterton	1	5%	This division lies to the north-east of the city centre and is bounded by the River Cam to the south. The division comprises the Chesterton community.	This division is partly based on the city-wide proposals we received for Cambridge. However, we have made several modifications to these proposals. In the west of the division, Ascham Road, Atherton Close, Gurney Way and parts of Gilbert Road and Milton Road are transferred to Arbury division (see above). We also propose that Trafalgar Road, Trafalgar Street and part of Chesterton and Milton roads are transferred to our proposed Castle & Newnham division. In the north of the division, we propose that a section of Milton



				Road which continues after the junction with Union Lane is transferred to King's Hedges division. In the north-east, we propose to include Evergreens and parts of Green End Road into King's Hedges division. This would better reflect the access routes between the High Street and properties which access onto Water Lane. We consider that these arrangements provide an improved reflection of community identities and better electoral equality.
<b>King's Hedges</b>	1	5%	This division lies to the north of the city centre and comprises the King's Hedges area and parts of the East Chesterton community.	King's Hedges division is largely based on the city-wide proposals submitted for Cambridge. We have made some modifications to these proposals which are explained in the Chesterton division section above. As a result, we are satisfied that this division reflects community identities and is projected to have good electoral equality.
<b>Queen Edith's</b>	1	-8%	This division lies to the south-east of the city and comprises a community centred around Queen Edith's Way.	Queen Edith's division is largely based on the city-wide proposals submitted for Cambridge. We have made modifications to this division to improve electoral equality in neighbouring Trumpington division (see below). The boundary for Queen Edith's division runs to the rear of Cherry Hinton Road up to the city boundary and behind properties on Beaumont Road and Worts' Causeway. The boundary then follows the centre of Hills Road, behind Luard Road and the railway line. We are content that this division appears to reflect community identities and it provides for good electoral equality.
<b>Romsey</b>	1	1%	This division lies to the east of the city centre and comprises the greater part of the Romsey Town community.	This division is partly based on the city-wide proposals for Cambridge. The modifications we have made are explained in the Cherry Hinton division section (see above). We received an objection from a political group to the city-wide proposal for Romsey division, particularly its northern boundary. The group argued that it would not reflect community identity as part of Romsey Town would be

				included in Barnwell division To include all of Romsey Town in a single-member division would result in poor electoral equality. We therefore propose a Romsey division which includes most of the Romsey community. We consider this division would provide the best balance of the statutory criteria.
<b>St Paul's</b>	1	-4%	This division takes in part of the city centre and comprises a significant number of Cambridge University colleges within the ring road. It also comprises the Newton community and part of the Petersfield community. This division is undergoing large-scale housing development.	This division is based on the city-wide proposals received for Cambridge. We received an objection to these proposals from a political group. The group argued that dividing the Park Street area between two divisions 'does not respect that local community'. The group also argued that Gonville Place and Lensfield Road, both of which form the southern end of the Cambridge ring road, mark a division between communities on either side and should not be included in the same division. We are not persuaded we have received sufficient evidence to adopt this alternative proposal. We have decided to adopt the city-wide proposal for St Paul's division. We are content that this division reflects community identity and that it provides for good electoral equality.
<b>St Matthew's</b>	1	-1%	This division takes in the remaining parts of the city centre and comprises a number of Cambridge University colleges. It also contains part of the Petersfield community.	This division is based on the city-wide proposals received for Cambridge. We received an objection to these proposals from a political group. The group argued that the city-wide proposals ignore East Road as a division between communities. We do not consider that East Road divides communities. Moreover, we consider it to be a focal point for communities on either side. Therefore, we have decided to adopt the city-wide proposals for St Matthew's division. We are content that this division appears to reflect community identity and it provides for good electoral equality.
<b>Trumpington</b>	1	-10%	This division lies to the south of the city and comprises the Trumpington community. This	This division is largely based on the county-wide proposals for Cambridge. To improve electoral equality in this division, we propose that Luard Close, Sedley Taylor Road and the

		<p>division is currently undergoing large-scale housing development along its southern fringe.</p>	<p>west side of Hills Road, including The Perse School, are included in Trumpington division. We further propose to include Alwyne Road, Babraham Road and Worts' Causeway from Queen Edith's division. We are content that this division appears to reflect community identity and it provides for good electoral equality.</p>
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## Appendix A

Table A1: Draft recommendations for Cambridgeshire County Council

	Division name	Number of councillors	Electorate (2014)	Number of electors per councillor	Variance from average %	Electorate (2020)	Number of electors per councillor	Variance from average %
Cambridge City								
1	Arbury	1	7,593	7,593	-3%	8,615	8,615	1%
2	Barnwell	1	8,288	8,288	6%	8,538	8,538	0%
3	Castle & Newnham	2	14,854	7,427	-5%	16,858	8,429	-1%
4	Cherry Hinton	1	8,684	8,684	11%	8,839	8,839	3%
5	Chesterton	1	8,679	8,679	11%	8,977	8,977	5%
6	King's Hedges	1	9,029	9,029	15%	8,996	8,996	5%
7	Queen Edith's	1	7,183	7,183	-9%	7,828	7,828	-8%
8	Romsey	1	8,408	8,408	7%	8,670	8,670	1%
9	St Paul's	1	7,844	7,844	0%	8,231	8,231	-4%
10	St Matthew's	1	8,002	8,002	2%	8,490	8,490	-1%
11	Trumpington	1	4,595	4,595	-41%	7,708	7,708	-10%

## Cambridge City Council-submission to the LGBCE

We wish to draw your attention to revised estimates on Cambridge electors

The County Council's submission to the Boundary Commission was based on numbers taken from the Electoral Register of February 2014 and the projections for new housing made in December 2013.

These numbers understate the figures for the City in that:

i) They overlooked new student accommodation projected to house 2,410 students. As University records show that approximately 16% of students are not citizens of the UK, EU or a Commonwealth country, it is reasonable to assume that 84% (ie 2,025) are expected to be eligible to vote in UK elections.

ii) The most recent projections for new housing in the City, published in December 2014, updates information about housing that should be considered as part of the review period. Some sites should be included as they will be brought forward quicker than previously expected eg. in Queen Edith's division. It also shows that some new build has been wrongly allocated to the present wards. Much of the new build on the Darwin Green site will not be in the present Castle ward as previously expected, but in Arbury and the new build on the CB1 site will be in the present Trumpington ward rather than Petersfield. These errors of placement have now been accepted by the Boundary Commission which reissued its data last week.

The December 2014 projections for housing, and the consequent calculations for numbers of electors, are not yet available for the other Districts. The overall numbers for the County are therefore uncertain.

The City Council believes that projected numbers in the rest of the County are uncertain and these might make the City under-represented if LGBCE retain the proposed 63 divisions, in that divisions in the city could be significantly larger than those in the rest of the County.

The City Council agrees that co-terminosity between County Council divisions and City Council wards is very desirable for good governance and any period when this is not the case should be as short as possible.

Recognising that the data above may not affect LGBCE proposals for city ward numbers and in case Cambridge is allocated twelve county councillors, the City Council supports the County Labour Group's submission (attached) while continuing to investigate the accuracy of the elector numbers and the potential impact on the number of county councillors allocated to each District and the city's total share of overall county councillors.



# Labour Group Submission to the LGBCE for Cambridge District in Cambridgeshire County Council

## Contents

1. Requirements provided by the Local Government Boundary Commission
2. Principles governing Labour's proposals for Cambridge District
3. The detailed proposal
4. Map of the proposal

### **1. Requirements provided by the Local Government Boundary Commission**

The Local Government Boundary Commission has written as follows to county and district councils in Cambridgeshire:

In developing its work programme for 2014-15, the Commission identified Cambridgeshire County Council as requiring a Further Electoral Review. Each year, the Commission studies the levels of electoral imbalance arising in each local authority area in order to establish whether there is a need, because of imbalances which have arisen, for an electoral review.

Electoral imbalances arise when voters are either over-represented or under-represented by their councillor(s) when compared to average levels of representation for the authority as a whole. Under the criteria adopted by the Commission, if the following criteria [sic] is met, then consideration is given to the need for a review. These criteria are:

- \* Any local authority with an electoral division or ward that has an electoral variance in excess of 30%. For Cambridgeshire, this means a division having over 30% more or fewer electors per councillor than is average for the county council as a whole; and/or
- \* Any local authority where more than 30% of divisions or wards have an electoral variance in excess of 10% from the average for that authority; and
- \* The imbalance is unlikely to be corrected by foreseeable changes to the electorate within a reasonable period.

Cambridgeshire County Council meets these selection criteria. The data shows that 19 (31.67%) of the 60 electoral divisions have an electoral variance in excess of 10% from the average for the authority.

The Local Government Boundary Commission has set out the key requirements for valid proposals or responses:

... to have regard to:

- the need to secure equality of representation;
- the need to reflect the identities and interests of local communities; and
- the need to secure effective and convenient local government.

3.6 Included in the community identities and interests criterion is the desirability of fixing boundaries which are and will remain easily identifiable, and which will not break local ties. Our aim is to identify clear and long-lasting boundaries for ward/division. We also take into account factors such as the location and boundaries of parishes and the physical features of the local area when drawing boundaries.

3.7 In addition, in reviewing two-tier county councils we are required to have regard to the boundaries of district or borough wards. We will seek to use them as the building blocks for county electoral divisions. In making our recommendations, we must ensure that every electoral division is wholly within a single district, so that no division crosses the boundary between two neighbouring districts.

## **2. Principles governing Labour's proposals for Cambridge District**

Labour's proposals for the Cambridge District review are intended to respond appropriately to the Commission's guidelines. The proposals also assume, as the Commission has resolved, that Cambridgeshire County Council will comprise 63 members by 2017 with no dual-member divisions. Respect has been paid primarily, as required, to the principle of equal electoral districts – a principle which earlier iterations appear to have failed adequately to respect. The proposals reflect the problem posed by major growth in some parts of the city and the essential pre-requisite that the proposals should 'correct imbalances' by anticipating growth up to 2020. The proposals are made on the basis of the information which Cambridgeshire County Council has provided noting that, by the time the new registers are intended to come into operation in 2017, half of this anticipated growth is likely already to have occurred.

The proposals also reflect the Commission's concerns for:

- boundaries between divisions 'which are and will remain easily identifiable'
- historic village identities (these are the proposed Chesterton Division, Cherry Hinton, Trumpington, and Newnham)
- historically identifiable geographical locations which have constituted wards or divisions in the past (these are Arbury, the proposed Barnwell Division, Castle, King's Hedges, Romsey, the proposed St Matthew's Division, the proposed St Paul's Division, and Queen Edith's)

In addition, a further principle has been developed here: that the universities and university colleges should be dispersed and diluted amongst as many divisions as is compatible with considerations of numbers and geography.

These principles are developed in greater detail below:

1. Equal divisions constitute the cardinal principle in establishing valid representative electoral areas.
2. There are significant physical boundaries to communities in the city: the river, the railway line, and certain roads:
  - a. The river boundary should only be breached where there are many and flexible crossings. In practice, this means the city centre, where many colleges stretch across both sides of the river. In addition, smaller watercourses such as Vicar's Brook do not form physical boundaries but are clearly identifiable features suitable for use as division boundaries.
  - b. The railway line frequently divides communities, especially where there are a limited number of crossings and where traffic levels cause them to form bottlenecks. The present Abbey and Cherry Hinton divisions already cross railway lines and this has not caused representational problems, while connections between Trumpington and Addenbrookes Hospital are being improved by the construction of new bridges. However, the Mill Road railway bridge between the present Petersfield and Romsey divisions and the Hills Road railway bridge between the present Coleridge and Trumpington divisions are clearly bottlenecks and it is not therefore appropriate for divisions to be connected over them.

- c. Roads are often community identifiers but they are equally often barriers which militate against effective division boundaries. For example, while Mill Road may appear to be a unifying feature to outsiders for whom it is primarily a retail location, the residential communities on either side of Mill Road in the present Petersfield Division are divided by Mill Road and are distinct communities of fundamentally different characters. This is reflected by the existence of different community organisations: Petersfield Area Community Trust (PACT) and South Petersfield Residents' Association (SOPRA).
3. Community identity is a significant issue but can be difficult to pin down. Local councillors and activists can easily confuse existing division boundaries in which they may have thrived politically with what constitutes a 'community'.
4. Villages such as Cherry Hinton, Chesterton, Newnham, and Trumpington are historic parishes. However, these areas have seen significant development since they were incorporated and the generally transient nature of much of Cambridge's population means that it is unwise to adhere too slavishly to historical boundaries.
5. The area surrounding the historic castle mound is a significant feature whose community identity has not been respected in recent boundary arrangements.
6. The present Market Division has long been a local government ward/division and has represented the defined geographic area of the city centre. However, this does not mean it represents a community. The division has historically experienced some of the lowest turnouts in Cambridge District, largely due to its large student population, and this has meant non-student electors in Market have in practice had their votes count more than electors elsewhere in the city. There are therefore benefits in diffusing the impact of the university colleges across as wide a number of divisions as is compatible with topographical coherence: to the proposed divisions of Castle, Newnham, St Matthew's, and St Paul's.
7. Moreover, the students of Cambridge University do not constitute a unified community. The collegiate nature of the university means that students look to their colleges rather than to their university for key services. Their shared interests with students at Anglia Ruskin University (most of whom resident in the Mill Road area) also deserves to be taken into consideration. Like all other residents of the city centre area, students are affected by issues like public safety on the greens and commons as well as congestion in the city centre. It is proposed that no effort should be made to group colleges together artificially into one division. By placing colleges with residential areas with which they share interests, it is hoped that political engagement with university students will be measurably improved.
8. Schools and colleges may have inherited, or with their catchment areas generated, weaker versions of community identities. Examples include Chesterton and Coleridge. But secondary school catchments are wider, and those of primary schools narrower (such as St Luke's, St Matthew's, and St Paul's), than the areas or parishes from which they commonly derive their names. Catchment areas are thus mentioned in the proposals where they support community identities. But the absence of a shared catchment area for a proposed division does not constitute evidence of absence of community identity.
9. Communities in Cambridge without these historic or institutional features have often made valiant efforts to establish themselves with communal activities such as the Mill Road and Romsey Fairs, Arbury Carnival, and Abbey People.
10. These communities, though often dynamic, experience ebbs and flows which ought not to confer on them unchallenged status as valid communities in the face of the over-riding principle that one person's vote should be worth neither more nor less than another's.



### 3. The detailed proposal

The proposal is summarised below:

	Proposed division	Proposed 2014 voters	% variance from 2014 average	Predicted growth/shrinkage by 2020	Predicted 2020 total	% variance from predicted 2020 average
1	Arbury	7899	+2	+134	8033	-5
2	Barnwell	8431	+8	+263	8694	+3
3	Castle	7844	+1	+1016	8860	+5
4	Cherry Hinton	8162	+5	+80	8242	-3
5	Chesterton	8583	+11	+269	8852	+4
6	King's Hedges	9012	+14	-40	8972	+5.9
7	Newnham	5973	-23	+2464	8437	0
8	Queen Edith's	7897	+2	+310	8207	-3
9	Romsey	8481	+9	+140	8621	+2
10	St Matthew's	8094	+4	+125	8219	-3
11	St Paul's	8447	+9	+392	8839	+4
12	Trumpington	4262	-45	+3510	7772	-8.3
	Total	93,085	7757	8663*	101,748*	8478

\* Note that these two totals amount to 10 voters more than the County Council's predicted growth figures, the source of which we cannot locate.

Explanations for these proposed divisions are below:

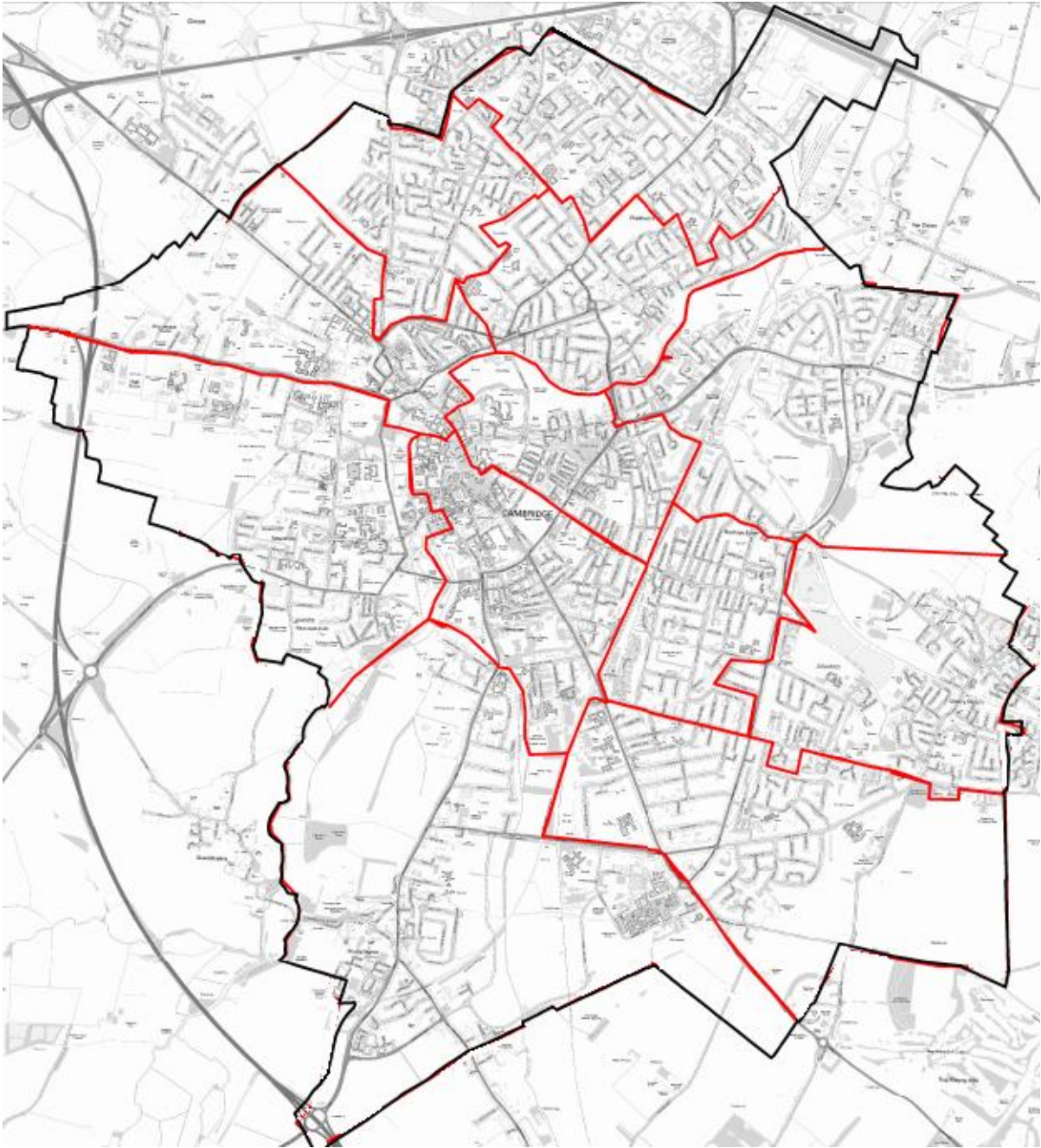
1. **Arbury Division** is clearly bounded on the west by the eponymous Arbury Road, which it now includes. It also includes those streets which directly access the north end of Arbury Road. North of Campkin Road, housing on Arbury Road is located only on the western (Arbury) side. The road also divides the catchment area of Arbury Primary School from that of King's Hedges Primary School and that of Chesterton Community College from that of North Cambridge Academy. Arbury Road thus serves as a meaningful and clearly identifiable barrier. The division clearly includes the entire length of Histon Road and extends as far as Windsor Road to the west. In the south it is clearly bounded by Victoria Road then extends eastwards to include streets north of Chesterton Community College, bisecting Gilbert Road at the traffic lights outside the school. The division thus includes those roads which lead off Victoria Road to the north which also have traffic access northwards to Darwin Drive and Bateson Road. As had been the case in earlier iterations of the boundaries, it also includes North Street.
2. **Barnwell Division** is extended to include all communities bordering on Coldhams Common, which acts as a key shared interest particularly with respect to leisure. Its north side is established by the River Cam. The boundary with Romsey Division is clearly identified by the traffic barriers all along the roads at the north end of the existing Romsey Division. The proposed boundary also reflects distinct community differences in Romsey, bisecting historic nineteenth- and twentieth-century terraced housing from mid-twentieth-century semi-detached housing which was originally council-owned. The boundary with the proposed St Matthew's Division is clearly set at Newmarket Road. As a major transport artery with limited pedestrian crossings, it forms a clearly and largely impermeable boundary.
3. **Castle Division** clearly comprises the eponymous and historic Castle area bounded in the north by Victoria Road, known informally as the 'Triangle', and includes those roads to which only

Victoria Road provides vehicular access. It clearly consists of those streets between Histon Road and Madingley Road, including the north side of Madingley Road itself. South of the river, it includes areas of Magdalene College and St John's College, both of which occupy properties on both sides of the Cam and residential areas which (due to bollards) can only be accessed north of the Cam.

4. **Cherry Hinton Division** contains the historic village and is clearly bounded by the airport to the north, by the city boundary to the east, and by Cherry Hinton Brook to the west. To the south and south west, its boundaries are set to include the north side only of Cherry Hinton Road and Perne Road but also to include Perne Avenue and Gisborne Road. It also includes two roads to the south of Cherry Hinton Road whose vehicular access is confined to Cherry Hinton Road.
5. **Chesterton Division** approximates the historic Chesterton village. While this abolishes the present East Chesterton and West Chesterton divisions, this distinction is meaningful primarily to political activists rather than to residents. Road signs direct motorists neither to East Chesterton nor West Chesterton but to Chesterton. School catchment areas are not divided along Elizabeth Way and the Chesterton Residents' Association serves communities currently in both East Chesterton and West Chesterton. Historically and architecturally, Elizabeth Way provides a wholly artificial and false boundary between divisions. The proposed division's boundaries are set clearly to reflect existing features. In the east it has those roads to which only Fen Road provides vehicular access, separated between Franks Lane and Cam Causeway to the north and Fallowfields and Cheney Way to the south. Further north, the junction of Green End Road with High Street and Water Lane forms the boundary. The division takes in roads accessible only from Scotland Road as well as communities on both sides of Milton Road. In the north, Chesterton Community College marks the boundary while, in the west, Mitcham's Corner forms a clear boundary. The division thus includes all of Milton Road as far east as Arbury Road and streets between Gilbert Road and Arbury Road.
6. **King's Hedges Division** is situated to the east of Arbury and encompasses communities on both sides of Milton Road with Chesterton as the bordering division. The importance of Arbury Road as a dividing line between communities has already been laid out and the proposed division excludes the entirety of Arbury Road. Milton Road, however, serves to unite the communities that look onto it. Both Woodhead Drive (to the north) and the Fraser Road area (to the south) have vehicular access only onto Milton Road and communities on both sides are served by the Guided Busway and the Citi 2 service. Road signage on Arbury Road and Milton Road at Mitcham's Corner also point to this area as King's Hedges. Children on both sides of Milton Road attend North Cambridge Academy. The properties in the parts of the division south of Milton Road include a high proportion of new developments (particularly in the 'Apples' estate) and they thus have similar interests to those historically located in King's Hedges rather than with the more established communities in Chesterton.
7. **Newnham Division** respects the historic village identity of the area west of the River Cam and south of Madingley Road. It includes Queens' College which bridges the river, Silver Street, and Little St Mary's. It conforms exactly to the catchment area of Newnham Croft Primary School.
8. **Queen Edith's Division's** northern side is clearly demarcated as the area south of Cherry Hinton Road, excluding only a small area (Bullen Court and Missleton Court) whose only vehicular access is via Cherry Hinton Road. To the west it is bounded by the railway as far south as Long Road. The area around Addenbrooke's Hospital is identified as part of the major development in the south of the city associated with Trumpington and the boundary of Queen Edith's Division is therefore set to exclude those properties on Hills Road and Babraham Road which abut the hospital site.

9. **Romsey Division** incorporates all the existing division minus those parts of northern Romsey absorbed into the new Barnwell Division, following the line of the existing traffic barriers. It is bounded by the railway in the west until that meets Hills Road at which point it is clearly then bounded in the south by Cherry Hinton Road, of which it retains only the north side. To the east it is bounded by, but does not include, Perne Road, Perne Avenue, and Gisborne Road. It does include Brooks Road and Brookside. The name Romsey is chosen in recognition of the historic consideration that Coleridge Division was originally created out of Romsey. Unlike the present Petersfield Division, Mill Road east of the railway serves as a community unifier. Residents in the existing Romsey and Coleridge divisions identify themselves as residents east of the railway and locate Mill Road as the central spine of their community. In particular, Mill Road serves as a key transport route for Coleridge residents who access the road via Coleridge Road.
10. **St Paul's Division** is created from the northernmost part of the existing Trumpington Division, the southern and western part of existing Market Division, and the southern part of the existing Petersfield Division. Its boundaries are clearly set at the railway to the east as far north as the Mill Road railway bridge. It includes all those streets to the west of Mill Road (but not Mill Road itself), Parker's Piece, and Emmanuel College, as well as those streets west of Sidney Street as far north as the junction at the Round Church. It excludes St John's College. To the west it is bounded by the River Cam but excludes Queens' College, Silver Street and Little St Mary's Street. To the south west it is bounded by Vicar's Brook and Empty Common, and includes the developments on the Cambridge University printing and government offices site. The proposed division reflects strong community identity between southern Petersfield and Newtown. Both areas are connected by Hills Road, especially retail facilities and bus services, and use similar community facilities such as St Paul's Church. Both areas are also served by St Paul's Primary School. The community in southern Petersfield is also strongly demarcated from the community in northern Petersfield by Mill Road, reflected in the two residents' associations serving the two different communities.
11. **St Matthew's Division** is clearly demarcated to the east by the railway and to the north by Newmarket Road as far west as Elizabeth Way. It includes all the east side of the existing Market Division up to and including Christ's College, Sidney Street, and Park Street up to the vehicle barriers. Its south-west side is clearly demarcated by Parkside and Mill Road as far east as the railway bridge. The proposed St Matthew's Division restores the historic local government electoral ward/division which covered the area now known as northern Petersfield and the area surrounding the Grafton Centre. This is reflected in the name of the local primary school, whose catchment area would conform with the proposed division, and the 1960s housing estate built alongside Norfolk Street and East Road commonly known as the St Matthew's Estate. The present boundaries rely on the artificial and false boundary of East Road which provides a popular interchange for residents accessing northern Petersfield from the Grafton Centre and *vice versa*.
12. **Trumpington Division** is based on the historic village, retaining the southernmost parts of the existing division, but excluding those northern parts which become St Paul's Division whose boundary is Vicar's Brook and the Brooklands Avenue junction with Trumpington Road. This also matches the catchment area of Fawcett Primary School. It also incorporates all of Long Road and the roads abutting Addenbrooke's Hospital on the west side of Hills Road and Babraham Road. Further development in the south of the city will lead to an increase in the numbers of voters in this division and care has been taken to ensure that this division will continue to provide electoral equality in 2020 and beyond. New bus connections now mean that Addenbrooke's is accessible from Trumpington. The division thus respects the continuing identity of Trumpington as a community partially separate from Cambridge and also unites the city's hospital and a large number of its employees in the same division.

**4. Map of the proposal**





## CAMBRIDGE CITY COUNCIL

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REPORT OF: Democratic Services Manager

TO: Civic Affairs Committee

26/6/2015

WARDS: None directly affected

### **REVIEW OF MEMBERS' ALLOWANCES**

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#### **1 INTRODUCTION**

1.1 This report seeks approval to the process for reviewing the Members' Allowances Scheme during 2015/16.

#### **2. RECOMMENDATIONS**

2.1 To comment and then agree on the Panel's Terms of Reference as in paragraph 3.7

2.2 To agree the approach to recruiting the Panel as set out in paragraph 3.9

#### **3. BACKGROUND**

3.1 The Committee at its meeting on 18 March agreed that it was appropriate to review the allowances scheme and in agreeing to the review was not committing to any changes that may be proposed by it.

3.2 The provision of allowances to members is covered by the Local Authorities (Members Allowances) (England) Regulations 2003. It is for each local authority to decide its allowances scheme and the amounts to be paid under that scheme. An Independent Remuneration Panel provides the authority with advice on its allowances scheme and the amounts to be paid. The local authority must have regard to this advice.

3.3 The Independent Remuneration Panel last reported in March 2011. However, the Scheme has remained unchanged since 2008/09 and some

of the principles of the current scheme go back to the first scheme under the new Regulations first adopted in 2002/03.

The work programme

3.4 The Panel's work will be overseen by the Director of Customer and Community Services with officer support by the Executive Assistant to the Leader and Members and the Democratic Services Manager. The timetable will be:

- Panel recruitment/induction- July onwards
- Panel evidence gathering- September to November
- draft report issued to all Group Leaders for comment/clarifications - December
- final report to Civic Affairs Committee- 17 February 2016
- recommendation from Civic Affairs Committee to Council- 14 April 2016

3.5 At least one member of the Panel will present its report to Committee on 17 February 2016.

3.6 How the Panel conducts its business will be a matter for it with advice and support by officers, however there will be evidence gathering, comparison with other schemes and requests to hear evidence from individual councillors and group representatives. Councillor Hart's reference at previous civic affairs committee meetings to the area committees special responsibility allowance will be picked up, as the Panel will be looking 'afresh' at all allowances and the basis upon which they are paid.

3.7 The terms of reference of the last Panel, listed below, still appear relevant but the committee is asked to comment and amend if it wishes to:

"To recommend a scheme to the Council which-

- i) recognises that councillors undertake council work for the sake of public service and not private gain
- ii) recognises in both basic and special responsibility allowances the varying demands placed upon councillors, dependent upon their roles and responsibilities
- iii) fairly and equitably compensates councillors, so far as the Panel thinks appropriate, for the time and effort they can reasonably be expected to devote to their work as a councillor
- iv) is economic, efficient to administer and effective
- v) is easy to understand and explain

- vi) recognises the level of out of pocket expenses councillors incur
- vii) has flexibility to reflect changes of responsibilities of councillors during the course of the year”

3.8 The Panel will make recommendations on:

- the level of basic allowance
- which roles should receive a special responsibility allowance
- what childcare and dependent care allowance should be
- what duties should travel and subsistence apply to
- a co-opted member allowance
- whether allowances can be backdated
- whether annual adjustments may be made with reference to an index and if so for how long

The composition of the Independent Remuneration Panel

3.9 A Panel must have a minimum of three members. The current Panel has been dormant for over four years and it is recommended that a new Panel is formed. It is important that the Panel convened to do this work has both the confidence of councillors in being able to understand their roles, but also the people of Cambridge in being properly independent. It is therefore proposed that one member should be the Independent Person or Deputy Independent Person with the two other members, who must have a local connection to the city, appointed by the Director of Customer and Community Services in consultation with the Chair and spokes of the Committee. There will be an open recruitment process which has been used in previous appointments.

3.10 Panel members will be provided with remuneration for the time commitment undertaken but also reflecting that the work is for public service and not private gain. The remuneration will be similar to that which other local district panels receive and it will be funded by the democratic services budget. The appointments will be for this year but could be extended upon review. The Director of Customer and Community Services has the authority to remove any Panel member were there to be any issues which called into question the integrity of the Panel’s conduct or work.

#### 4. **CONSULTATIONS**

The Director of Customer and Community Services and Head of Legal Services have seen this report.

## 5. **OPTIONS**

The Committee has agreed that a review of allowances is appropriate. The Council is not obliged to accept a Panel's recommendations, but what it cannot do is disregard a Panel's recommendations and agree a higher level of allowances than that being recommended.

## 6. **IMPLICATIONS**

### (a) **Financial Implications**

There is an annual budget for allowances. Decisions taken on allowances may have budget implications.

### (b) **Staffing Implications** (if not covered in Consultations Section)

None

### (c) **Equal Opportunities Implications**

The Panel will consider the equalities issues as part of its work.

### (d) **Environmental Implications**

### (e) **Procurement**

### (f) **Consultation and communication**

### (g) **Community Safety**

None implications of the above.

**BACKGROUND PAPERS:** The following are the background papers that were used in the preparation of this report:

None.

The author and contact officer for queries on the report is Gary Clift 01223 457011.

Report file:

Date originated: 16 June 2015

Date of last revision: 16 June 2015



## Agenda Item

### CAMBRIDGE CITY COUNCIL

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REPORT OF: Head of Legal Services

TO: Civic Affairs Committee 26/6/2015

WARDS: None directly affected

### **CHANGES TO THE OFFICER EMPLOYMENT PROCEDURE RULES IN RESPECT OF DISCIPLINARY ACTION**

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#### **1 INTRODUCTION**

- 1.1 Parliament has approved changes to the Local Authorities (Standing Orders) (England) Regulations 2001. The Regulations set out provisions we are required to have in our Constitution. Amending regulations mean we have to make changes to the Officer Employment Procedure Rules in the Constitution.
- 1.2 The changes are to the rules relating to disciplinary action against, or the dismissal of, the head of paid service, chief financial officer and monitoring officer.
- 1.3 The reasons put forward by the Government for the changes are set out in section 5 of this report.

#### **2. RECOMMENDATION**

- 2.1 That Council is asked:
  - a) To amend the Officer Employment Procedure Rules in accordance with Appendix 1 to this report.
  - b) To amend the terms of reference of the Employment (Senior Officer) Committee in accordance with Appendix 2 to this report.

- c) To authorise the Head of Human Resources to convene a panel of “independent persons”, as and when required by the Local Authorities (Standing Orders) (England) Regulations 2001 and to determine its procedure.

### **3. THE PREVIOUS RULES**

#### **3.1 The 2001 Regulations contained these provisions:**

- No disciplinary action could be taken against the head of paid service, chief financial officer or monitoring officer other than in accordance with a recommendation in a report made by a “designated independent person”.
- The designated independent person was such person as may be agreed between the Council and the relevant officer. If there was no agreement, the designated independent person would be nominated by the Secretary of State.
- The designated independent person had statutory investigative powers, including access to documents and a right to require members of staff to answer questions.
- The Council could suspend relevant officers for the purpose of investigating alleged misconduct but only for a period of up to two months. The designated independent person had power to extend or to revoke periods of suspension.
- The designated independent person was required to make a report stating whether (and, if so, to what extent) the evidence supported any allegation of misconduct, and recommending any disciplinary action that appeared to them to be appropriate.
- A decision to dismiss the head of paid service could only be taken by full Council.

### **4. THE NEW RULES**

#### **4.1 The previous rules are revoked entirely, apart from the requirement that a decision to dismiss the head of paid service could only be taken by full Council. The new rules do the following:**

- They remove the role of the designated independent person.

- They apply only to the dismissal of the head of paid service, chief financial officer and monitoring officer and not to disciplinary action short of dismissal.
- They remove the restriction on suspension of these officers during investigation of misconduct.
- They extend the provision that only full Council can dismiss the head of paid service to include the dismissal of the head of paid service and monitoring officer. (In fact, the Council’s current employment procedure rules already make this a Council decision for all three officers.)
- They state that, before Council considers whether to dismiss these officers, it must convene a panel made up at least two “independent persons” to offer advice to the Council. These are the same independent persons appointed under the Localism Act to advise on standards issues. If the Council cannot recruit two independent persons to the panel it has appointed, it may invite independent persons appointed by another council.
- The panel of independent persons would review any recommendation for dismissal made by the Employment (Senior Officer) Committee and its advice would be considered by full Council before a decision on the recommendation is made.
- The Council can appoint more than two independent persons to a panel.
- Although the Regulations are not clear on this point, the DCLG has advised that the panel is to be made up solely of independent persons, with no councillor representation.

## **5. THE REASONS FOR THE CHANGES**

- 5.1 An Explanatory Memorandum to the new Regulations sets out the policy justification for the changes. It states:

*There have been for some time concerns that the DIP process in its application to councils is in practice complex and expensive. It has placed councils as the employer at a great disadvantage in comparison to the position of the employee, particularly given that the recommendation of the DIP must be followed. The Local Government Association Group has estimated that the minimum legal cost of the*

*process is £100,000, excluding the cost of the investigation, preparing the case and briefing lawyers. The DIP process is time consuming particularly where the council and the senior officer concerned could not agree on a DIP, where the process can take over 15 months to reach completion.*

*In addition, where there are disciplinary actions against these most senior officers, there have been some suggestions that some councils prefer to negotiate severance payments rather than go through the formal DIP process. This is evidenced in the House of Commons Communities and Local Government Committee's report, which highlights the view of the Local Government Association witness that undertaking a performance management process for top staff can currently be "very damaging and timing consuming." The Government believes that such a process is not appropriate as it defeats the purpose of having the DIP process in place. Councils ought to act in the best interest of local taxpayers and not be paying inflated sums to senior officers in order to avoid taking the costly and bureaucratic DIP route.*

*These Regulations simplify, as well as localise, the disciplinary process for the most senior officers by removing the bureaucratic and mandatory requirement that a DIP should be appointed. In place of the DIP process, the decision will be taken transparently by full council, who must consider any advice, views or recommendations from an independent panel, the conclusions of any investigation into the proposed dismissal, and any representations from the officer concerned. This means that councils can consider and decide the best disciplinary process that will deliver value for money for their local taxpayers, whilst retaining independent scrutiny.*

## **6. THE EMPLOYMENT (SENIOR OFFICER) COMMITTEE**

- 6.1 The Council established this committee in 2013 to deal with employment matters relating to senior officers. Its terms of reference include disciplinary action in relation to the head of paid service, chief financial officer and monitoring officer.
- 6.2 Some changes to the terms of reference of the Committee are needed to reflect the new regulations. The principal changes are:
- The removal of references to the "designated independent person" and

- The requirement for a recommendation to dismiss one of the three statutory officers to be considered by the Independent Panel before the recommendation goes before full Council.

## 7. CONSULTATIONS

7.1 The Chief Executive (Head of Paid Service), and the Head of Finance (Chief Financial Officer). The Head of Human Resources has also been consulted. The author of this report is the Monitoring Officer.

## 8. OPTIONS

8.1 The changes to the Council's Employment Procedure Rules are mandatory. The Council has discretion over the membership of the Employment (Senior Officer) Committee, including a power to require attendance by more than two "independent persons".

## 9. IMPLICATIONS

- (a) **Financial Implications** There are no direct financial implications. Section 5 of this report sets out a Government view that the new rules will be cheaper to operate than the old rules.
- (b) **Staffing Implications** These are addressed in the body of the report.
- (c) **Equality and Poverty Implications** The rules still provide greater protection for the three "statutory officers" than for other employees. The justification for this (as set out in the Explanatory Memorandum) is that these officers have statutory duties that they must discharge personally but within a political environment. The intention is to ensure that these officers can discharge their duties without any fear of being influenced by elected members and being dismissed without good reason.
- (d) **Environmental Implications** Nil: the proposals have no climate change impact
- (e) **Procurement** There are no procurement implications.
- (f) **Consultation and communication** No further consultation or communication is proposed beyond consideration of the recommendations at Civic Affairs and full Council. The recommended

changes will be included in the Council's Constitution, which is published on the Council's website and available for inspection.

(g) **Community Safety** There are no community safety implications.

**BACKGROUND PAPERS:** The following are the background papers that were used in the preparation of this report:

Letter to Chief Executives from the Department of Communities and Local Government dated 25 March 2015

Text of an email from Tayo Peters, DCLG, to the Association of Democratic Services Officers Forum.

The Local Authorities (Standing Orders) (England) Regulations 2001

The Local Authorities (Standing Orders) (England) (Amendment)

Regulations 2015 and Explanatory Memorandum

To inspect these documents contact Simon Pugh, Head of Legal Services on (01223) 457401 or [simon.pugh@cambridge.gov.uk](mailto:simon.pugh@cambridge.gov.uk). Simon Pugh is also the author and contact officer for queries on this report.

## Appendix 1: Changes to the Officer Employment Procedure Rules

### DELETE:

#### 2 Disciplinary Action Against Chief Finance Officer, Head Of Paid Service And Monitoring Officer

- 2.1 In paragraph 2.2, "chief finance officer", "council manager", "disciplinary action", "head of the authority's paid service" and "monitoring officer", have the same meaning as in regulation 2 of the Local Authorities (Standing Orders) (England) Regulations 2001 and "designated independent person" has the same meaning as in regulation 7 of those Regulations.
- 2.2 No disciplinary action in respect of the head of the authority's paid service (unless he is also a council manager of the authority), its monitoring officer or its chief finance officer, except action described in paragraph 2.3, may be taken by the authority, or by a committee, a sub-committee, a joint committee on which the authority is represented or any other person acting on behalf of the authority, other than in accordance with a recommendation in a report made by a designated independent person under regulation 7 of the Local Authorities (Standing Orders) (England) Regulations 2001 (investigation of alleged misconduct).
- 2.3 The action mentioned in paragraph 2.2 is suspension of the officer for the purpose of investigating the alleged misconduct occasioning the action; and any such suspension must be on full pay and terminate no later than the expiry of two months beginning on the day on which the suspension takes effect.

### REPLACE WITH:

#### 2. Disciplinary Action Against Chief Finance Officer, Head Of Paid Service And Monitoring Officer

- 2.1 In the following paragraphs—

(a) "*the 2011 Act*" means the Localism Act 2011(b);

(b) "*chief finance officer*", "*disciplinary action*", "*head of the authority's paid service*" and "*monitoring officer*" have the same meaning as in regulation 2 of the Local Authorities (Standing Orders) (England) Regulations 2001;

(c) "*independent person*" means a person appointed under section 28(7) of the 2011 Act;

(d) "*local government elector*" means a person registered as a local government elector in the register of electors in the authority's area in accordance with the Representation of the People Acts;

(e) "*the Panel*" means a committee appointed by the authority under section 102(4) of the Local Government Act 1972 for the purposes of advising the authority on matters relating to the dismissal of relevant officers of the authority;

- (f) “*relevant meeting*” means a meeting of the authority to consider whether or not to approve a proposal to dismiss a relevant officer; and
- (g) “*relevant officer*” means the chief finance officer, head of the authority's paid service or monitoring officer, as the case may be.
- 2.2 A relevant officer may not be dismissed by an authority unless the procedure set out in the following paragraphs is complied with.
- 2.3 The authority must invite relevant independent persons to be considered for appointment to the Panel, with a view to appointing at least two such persons to the Panel.
- 2.4 In paragraph 3 “*relevant independent person*” means any independent person who has been appointed by the authority or, where there are fewer than two such persons, such independent persons as have been appointed by another authority or authorities as the authority considers appropriate.
- 2.5 Subject to paragraph 2.6, the authority must appoint to the Panel such relevant independent persons who have accepted an invitation issued in accordance with paragraph 3 in accordance with the following priority order—
- (a) a relevant independent person who has been appointed by the authority and who is a local government elector;
- (b) any other relevant independent person who has been appointed by the authority;
- (c) a relevant independent person who has been appointed by another authority or authorities.
- 2.6 An authority is not required to appoint more than two relevant independent persons in accordance with paragraph 5 but may do so.
- 2.7 The authority must appoint any Panel at least 20 working days before the relevant meeting.
- 2.8 Before the taking of a vote at the relevant meeting on whether or not to approve such a dismissal, the authority must take into account, in particular—
- (a) any advice, views or recommendations of the Panel;
- (b) the conclusions of any investigation into the proposed dismissal; and
- (c) any representations from the relevant officer.
- 2.9 Any remuneration, allowances or fees paid by the authority to an independent person appointed to the Panel must not exceed the level of remuneration, allowances or fees payable to that independent person in respect of that person's role as independent person under the 2011 Act



## Appendix 2.

### The Employment (Senior Officer) Committee: Terms of Reference

Appointed by:	From time to time in accordance with the wishes of the political groups.
Membership:	(a) 6 members allocated between political groups in accordance with the rules on political balance set out in the Local Government and Housing Act 1989
Chair/Vice Chair:	To be appointed by the members of the Committee.
Decision making:	By the majority of members present and voting. The Chair has a casting vote if required.
Terms of Reference:	<ol style="list-style-type: none"> <li>1. To deal with the recruitment to the post of Chief Executive and to recommend a selected applicant to Council for appointment.</li> <li>2. To recruit, appoint, take disciplinary action against and dismiss Directors</li> <li>3. To suspend and keep under review the Chief Executive, Directors, the Monitoring Officer or section 151 Chief Finance Officer whilst an investigation takes place into alleged misconduct.</li> <li><del>4. To appoint a designated independent person under regulation 7 of the Local Authorities (Standing Orders) (England) Regulations 2001</del></li> <li>4. To take disciplinary action <u>short of dismissal</u> against the Chief Executive, the Monitoring Officer or section 151 Chief Finance Officer. <del>in accordance with a recommendation in a report made by a designated independent person under regulation 7 of the Local Authorities (Standing Orders) (England) Regulations 2001.</del></li> <li>5. To consider and if necessary recommend to Council to dismiss or terminate the employment of the Chief Executive, the Monitoring Officer or section 151 Chief Finance Officer.</li> </ol>

Note: The committee will be governed by the provisions contained within Part 4I of the Constitution (Officer Employment Procedure Rules)

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## CAMBRIDGE CITY COUNCIL

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REPORT OF: HEAD OF FINANCE (S151 OFFICER)

TO: CIVIC AFFAIRS COMMITTEE

26/06/15

WARDS: All

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### ANNUAL REPORT ON PREVENTION OF FRAUD & CORRUPTION POLICY

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#### 1 Introduction

- 1.1 The Council introduced the Prevention of Fraud and Corruption (PFC) Policy in 1998 and in line with good practice, the Policy is reviewed and reported on annually to this committee.
- 1.2 The PFC Policy was updated in 2013 to cover the implications of the Bribery Act 2010.
- 1.3 One of the recommendations by the Ministry of Justice to support the implementation of the Bribery Act was that organisations need to monitor and review the effectiveness of their anti-bribery policy and procedures. This is achieved through the annual review of the Prevention of Fraud and Corruption Policy by Civic Affairs Committee
- 1.4 The PFC Policy sets out the culture for the organisation in terms of not tolerating any act of fraud or corruption and a commitment that all concerns raised will be properly investigated. The Policy also sets out the reporting and investigation arrangements for different types of allegation.
- 1.5 A copy of the PFC Policy is attached at Appendix 1 to this report. A couple of minor amendments have been made to the Policy to reflect recent changes in legislation as follows:
  - In April 2015, responsibility for Housing Benefit (HB) fraud investigation transferred to the Single Fraud Investigation Service operated by the Department for Work & Pensions (DWP). This work was previously undertaken by the Council's Fraud Prevention Team (FPT) within Revenues and Benefits. The FPT will act as the 'single point of contact' for HB fraud enquiries and will continue to undertake Housing Tenancy and Council Tax Support fraud investigations.
  - The National Fraud Initiative (NFI) is now operated by the **Cabinet Office**, previously it was managed by the Audit Commission.

These changes are highlighted and underlined in the policy document at Appendix 1.

1.6 This report also provides Members of Civic Affairs with a summary of fraud/whistle-blowing activity for the period 1 April 2014 to 31 March 2015.

## 2 Recommendations

2.1 Members of Civic Affairs Committee are asked to:

- Approve the changes recommended to the Policy at Appendix 1.
- Note the details of fraud/whistle-blowing activity provided for the period 1 April 2014 – 31 March 2015 in section 3 of this report.

## 3 Fraud Investigation

3.1 Dependant on their nature, fraud investigations are carried out by either the Fraud Prevention Team (FPT), who are located within the Customer and Community Directorate; or by Internal Audit.

### *Fraud Prevention Team*

3.2 The FPT prevents, detects and pursues those who commit fraud against Cambridge City Council. Historically the team concentrated on benefit fraud, but for the last two years its remit has been expanded to investigate:

- i. Social housing fraud,
- ii. Local taxation and discount fraud,
- iii. Local support scheme fraud,
- iv. Benefit fraud,
- v. Some internal investigations.

3.3 Since April 2015, responsibility for investigating Housing Benefit fraud transferred to the DWP's Single Fraud Investigation Service (SFIS). In addition to the remaining tasks above, the team acts as the single point of contact for the DWP, facilitating their fraud investigations when CCC is paying the welfare benefit in question.

3.4 The team now consists of 2.0 FTE, of which 1.0 FTE is funded by a successful bid to the Department for Communities and Local Government (DCLG). The team has also recently established a Fraud Prevention Apprentice post in collaboration with Cambridge Regional College and further DCLG funding for a 6 month appointment to support the Housing fraud work has also been secured.

3.5 As a result of investigations, the following was achieved during 2014-15:

Description	Previous year value	2014/15 value
Investigations resulting in Council Tax discounts / exemptions being removed, generating additional income.	£20,268	£30,981
Benefit fraud identified [can / is being recovered].	£129,422	£146,212

A total of 37 benefit claims were terminated following investigation [this figure would otherwise have been paid out in a year].	£185,672	£187,895
2 customers withdraw their claims for benefit when questioned about their validity [this would have been paid in a year].	£5,003	£10,301
Customer welfare benefit error identified [can / is being recovered].	£72,633	£103,258
Fines agreed by customers as an alternative to prosecution [Administration Penalties - can / are being recovered].	£7,071	£941
<b>Total</b>	<b>£420,069</b>	<b>£479,588</b>

- 3.6 Investigations conducted for City Homes resulted in 14 Council owned properties being recovered. This means a new home available for 14 households and, in addition, the DCLG estimates each recovered property saves the public purse £18,000.
- 3.7 The total amount of benefit fraud identified this financial year increased from £129,422 to £146,212. Of this, the single largest fraud was £24,308 (compared with £19,565 in the previous year).
- 3.8 During 2014/15 the team successfully prosecuted 20 people (18 for benefit fraud and 2 for social housing fraud) and imposed a further 15 sanctions (principally Formal Cautions). All of the prosecutions and sanctions were successful.

#### *Internal Audit*

- 3.9 Part of the Internal Audit remit is to investigate any other type of fraud, whistleblowing allegation or theft. Internal Audit look to ensure that employees follow the various policies, procedures and Codes of Conduct established to protect the public purse, as well as the integrity of officers. Matters referred to Internal Audit can be received as a direct request from management or via the whistleblowing route. Under the Council's Whistleblowing Policy, employees are encouraged to report any genuine, serious concerns about any aspect of the Council's work to the Head of Internal Audit, who will investigate those concerns.
- 3.10 The Council's current Whistleblowing Policy has not been formally reviewed for almost five years. It is felt appropriate to review the policy now in light of recent recommendations arising from the NHS 'Freedom to Speak up' review and also to take into account how whistleblowing procedures will work under forthcoming changes to service delivery arrangements, such as shared services. This has been included as an action in this year's Annual Governance Statement (AGS) Action Plan, also on this agenda.

- 3.11 During 2014-2015 Internal Audit conducted three investigations at the request of management. In two of these cases actions were agreed with management to address the issue/tighten controls going forward. In the third case action is currently being taken in accordance with the Council's employment policies.
- 3.12 Internal Audit was also involved in an investigation referred through the Whistleblowing route, however no clear evidence could be found to support the allegations made.

#### *Corporate Fraud Delivery Arrangements*

- 3.13 As stated in 3.3 above, responsibility for Housing Benefit fraud investigation has now transferred to the Single Fraud Investigation Service operated by the DWP and fraud investigation resources have been re-aligned accordingly. The Council's Fraud Prevention Team (FPT) still acts as the 'single point of contact' for benefit fraud enquiries and continues to undertake Housing Tenancy and Council Tax fraud investigations.
- 3.14 Following the recent changes to the Fraud Prevention Team and to ensure compliance with CIPFA's Code of Practice on 'Managing the Risk of Fraud and Corruption' issued in 2014, it is now timely to review the Council's fraud risks and its approach to counter-fraud delivery work. This has also been included as an action in this year's AGS Action Plan.

## **4 Fraud Prevention**

- 4.1 The Council continues to give out a strong deterrent message about fraud in both publicly issued and internal documents, for example, on Council Tax leaflets and Housing Benefit claim forms.
- 4.2 Revenues and Benefits follows appropriate DWP 'Security Guidance' and has adopted a Risk Based Verification process. It has a Fraud Referral Procedure for staff to refer cases of suspected fraud through to the Fraud Prevention Team. Regular reminders are sent to people claiming benefit of their responsibilities in respect of overpayments; the aim being to prevent overpayments building up which can make repayment difficult and can encourage concealment and therefore fraud.
- 4.3 The National Fraud Hotline Scheme continues to be publicised in the Council Tax leaflet and publicity is sought for successful benefit prosecutions through the local papers and via the Council's website as this is seen to have a deterrent effect.

## **5 Fraud Detection**

- 5.1 The FPT has set up a Social Housing Fraud Hub with Huntingdon, Peterborough, South Cambs and Fenland District Councils. This involves the sharing of data to detect social housing fraud, such as vacant or illegal sub-letting of council properties.

5.2 The authority is required to participate in the National Fraud Initiative (NFI), a national data-matching exercise organised by the Cabinet Office every other year that matches data within and between audited bodies to prevent and detect fraud. This includes police authorities, fire & rescue authorities as well as other councils and Housing Associations.

5.3 The NFI is a wide-ranging exercise and now includes the following datasets:

- Housing Benefits
- Payroll
- Housing Rents
- Insurance claims
- Creditors
- Market trader licences
- Taxi-driver licences
- Personal licences to supply alcohol
- Housing Waiting List (new for 2014-15)

5.4 Work to investigate the results from the 2014-15 exercise is now underway and the key outcomes from this will be reported to the June 2016 meeting of Civic Affairs.

## **6 Conclusions**

6.1 The Council remains committed to providing services carried out in accordance with the highest ethical standards and takes steps to investigate all concerns arising.

## **IMPLICATIONS**

(a) **Financial Implications**

None

(b) **Staffing Implications**

None

(c) **Equality and Poverty Implications**

None

(d) **Environmental Implications**

None

(e) **Procurement**

None

(f) **Consultation and communication**

None

(e) **Community Safety Implications**

None

The author and contact officer for queries on the report is Bridget Bishop, Principal Auditor, extension 8182.

Date originated: 12 June 2015  
Date of last revision: 12 June 2015



## Appendix 1

### CAMBRIDGE CITY COUNCIL

### PREVENTION OF FRAUD AND CORRUPTION POLICY

## 1 INTRODUCTION

- 1.1 The purpose of this document is to outline the policies and procedures, which the Council has in place for deterring, reporting and investigating fraud, corruption and theft.
- 1.2 The Prevention of Fraud & Corruption Policy covers cases of fraud, corruption and theft committed by employees, Councillors, contractors, partners and members of the public and relates to allegations of such cases, which originate from anyone including Councillors, employees, partners and members of the public.
- 1.3 Following the introduction of the Bribery Act 2010, a supplementary section has been added to the end of this document setting out the City Council's policy on anti-bribery and the implications of the new Act for the City Council.

## 2 CULTURE

- 2.1 Cambridge City Council is committed to providing best value services carried out in accordance with the highest ethical standards. The Council will not tolerate any act of fraud, corruption or theft by either a Councillor or an employee, as such acts reduce the public's confidence in the ability of the Council to be managed in an honest, fair and effective manner. Neither will the Council tolerate fraud or corruption attempted by parties external to the Council.
- 2.2 There is an expectation and requirement that all individuals and organisations associated in whatever way with the Council will act with honesty and integrity and that Council employees at all levels, and Councillors, will lead by example in these matters.
- 2.3 Where sufficient evidence exists in any fraud or corruption case it is the policy of the Council to refer the matter to the Police.
- 2.4 The Council's employees, Councillors and members of the public are encouraged to raise any concerns relating to possible cases of fraud, corruption or theft. Such concerns will be properly investigated and the outcome reported as appropriate.

- 2.5 The Council will endeavour to recover any losses as a result of fraud or corruption from the perpetrators, as appropriate.
- 2.6 The Head of Internal Audit will report annually on the effectiveness of the Policy to the Council's Civic Affairs Committee, including a summary of any investigations concluded during the year.
- 2.7 The Head of Internal Audit will be responsible for identifying lessons learnt from the outcome of any investigation and for ensuring that, where necessary, controls are strengthened in the areas concerned. The Head of Internal Audit will also consider whether it is appropriate to share the outcome of an investigation with managers across the Council, with a view to preventing similar situations arising.

### **3 PROCEDURES FOR THE PREVENTION AND DETECTION OF FRAUD**

- 3.1 The Council has well-defined procedures for the prevention and detection of fraud, corruption and theft:

#### **Internal Control Systems**

- 3.2 The Council's Constitution sets out Financial Regulations and Financial Procedure Rules which Councillors and employees are required to comply with in the conduct of Council business.
- 3.3 The Council has developed and is committed to maintaining systems and procedures which incorporate efficient and effective internal controls to manage the Council's risks and which include adequate separation of duties. These controls prevent and detect irregularities occurring. Directors are required to ensure that such controls are properly maintained and documented. Their existence and appropriateness are independently monitored by Internal Audit and the Council's external auditors.

#### **Recruitment and Employees**

- 3.4 Employees are recruited in accordance with procedures laid down by Human Resources. The HR Recruitment Team is responsible for carrying out all relevant pre-employment checks of potential employees. Criminal Records Bureau (CRB) checks are also undertaken by Human Resources for certain posts identified by management where the employee will be working with children, young people or vulnerable adults. Management are responsible for reviewing references in terms of performance, suitability and integrity.
- 3.5 The Officer Code of Conduct requires employees to maintain conduct of the highest standard such that public confidence in their integrity is sustained. The Code includes guidance on declaring any conflicts of interests, particularly in relation to any commitments outside of the workplace; acceptance of gifts, hospitality and sponsorship and maintaining separation of roles during tendering.

## Councillors

- 3.6 All Councillors on accepting office are required to declare that they will be guided by the National Code of Local Government Conduct. The code sets out the requirements for disclosing pecuniary and other interests and gives guidance on accepting any offers of gifts or hospitality including reporting these matters to the appropriate senior officers of the Council.

## Complaints Procedure

- 3.7 The Council has an established procedure for dealing with complaints from the public. Details are kept of all complaints and there is a complaints co-ordinator for every service. The way in which complaints are dealt with and the need for changes in response to complaints are monitored on a regular basis. If anyone is dissatisfied with the response to their complaint they can contact the Council's Internal Ombudsman. Where the complaint indicates possible fraud or corruption it is referred to the Head of Internal Audit for investigation.

## **Benefit and Housing Tenancy Fraud**

- 3.8 In April 2015, responsibility for Welfare Benefit fraud investigation transferred to the Single Fraud Investigation Service operated by the Department for Work & Pensions (DWP). The Council's Fraud Prevention Team (FPT) within the Revenues and Benefits acts as the 'single point of contact' for Benefit fraud enquiries and undertakes Housing Tenancy and Council Tax fraud investigations.

<b>4 REPORTING AND INVESTIGATING POTENTIAL FRAUD AND CORRUPTION</b>
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- 4.1 Allegations of fraud and corruption can be made **by** or **against** employees, members of the public, Councillors, contractors, suppliers or partners.
- 4.2 Senior managers are responsible for addressing any allegation of fraud or corruption reported to them and should do so by informing the Head of Internal Audit immediately they are discovered.
- 4.3 The Council is committed to the highest possible standards of openness and accountability. In line with that commitment, we expect employees with genuine serious concerns about any aspect of the Council's work to report their concerns to the Head of Internal Audit and this is covered by the Council's Whistleblowing Policy – see [Human Resources Intranet](#).
- 4.4 Employees who report their concerns in good faith will be protected from reprisals or victimisation. However, if employees are found to have made allegations for malicious or vexatious reasons, disciplinary action may be taken against the employee concerned.

- 4.5 The Whistleblowing policy adds an additional method of raising concerns for employees where it is felt inappropriate to approach their line manager, or if their line manager has failed to address their concern properly.
- 4.6 Any allegations against an employee are investigated by the Head of Internal Audit and Human Resources. The relevant Director is informed of the investigation at the outset.
- 4.7 Where Council employees are suspected of fraud or corruption, Human Resources are responsible for ensuring that the investigation is conducted in accordance with Council procedures and employment law to protect the rights of both the Council and the individual(s) concerned. Internal Audit works closely with Human Resources during the investigation. The Manager, supported by Human Resources, is responsible for invoking any disciplinary procedures against the employee(s) concerned.
- 4.8 Allegations about a Councillor should be reported to the Council's Monitoring Officer. Allegations against a Councillor are investigated by the Chief Executive and the Monitoring Officer.
- 4.9 Allegations against members of the public or external organisations must be notified to the Head of Internal Audit immediately they are discovered. The Head of Internal Audit investigates the allegation in conjunction with the relevant department.
- 4.10 The Council also encourages members of the public to raise any genuine concerns, which will be appropriately investigated. If members of the public wish to report an allegation they should contact the Chief Executive or any Director of the Council.
- 4.11 Councillors who wish to report an alleged case of fraud or corruption should contact the Chief Executive, Head of Internal Audit or the relevant Director, as appropriate to the allegation.
- 4.12 In cases of suspected Money Laundering, this should be reported to the Money Laundering Reporting Officer, currently the Head of Internal Audit. More information on the procedures to follow in such cases is included in the Managers' Guide to Anti-Money Laundering.
- 4.13 The process for raising and investigating different types of concern is summarised in the flowchart at Appendix A.
- 4.14 The decision to involve the Police will be made by the Head of Internal Audit in consultation with the relevant Director.
- 4.15 Clear procedures are in place for briefing Members and senior officers of the Council of fraud investigations. See Appendix B for details.

## 5 LIAISON WITH OTHERS

- 5.1 The Council has arrangements in place for the exchange of information with other agencies in relation to the detection and investigation of fraud and corruption, for example with the **Cabinet Office** for the National Fraud Initiative and the Department for Work and Pensions for Housing Benefit fraud. Any transfer of data between the Council and other organisations is conducted in a secure manner.

## 6 COMMITMENT TO FIGHT FRAUD AND CORRUPTION

- 6.1 The Council considers it has taken reasonable and appropriate steps to combat fraud and corruption within the Council. It is determined that these arrangements will continue to be effective in the future. The Council will therefore consider any future measures to combat fraud and corruption where the proposal can be demonstrated to be cost effective and successful. The Council is also committed to participating in any appropriate Central Government led fraud initiatives.
- 6.2 This strategy will be subject to review to ensure it is kept up to date and relevant.

### Definitions of fraud and corruption

For the purpose of this strategy fraud and corruption are defined as:

**FRAUD:** dishonest or improper behaviour or acts intended to secure an advantage, whether financial or non-financial, for the perpetrator or for a third party, or to cause loss or risk of loss to another.

**CORRUPTION:** the offering, giving, soliciting or acceptance of an improper inducement or reward in order to influence the action of a Member of the Council, employee, contractor or partner.

### Relevant Contact Numbers

Chief Executive	(01223) 457001
Head of Internal Audit	(01223) 458181
Head of Human Resources	(01223) 458101
Monitoring Officer	(01223) 457001
Fraud Prevention Team Leader (Revenues and Benefits)	(01223) 457731

## **FRAUD INVESTIGATIONS: PROCEDURE FOR BRIEFING MEMBERS AND SENIOR OFFICERS**

This procedure note is intended to advise Directors, Internal Audit and other staff who may be involved in fraud investigations about the points at which they should ensure that appropriate senior officers and members are briefed. The procedure has to respect the need for confidentiality and the maintenance of proper impartiality where disciplinary action is contemplated. It supplements the requirement in the Council's Financial Regulations section 3.51 for Directors to notify the Head of internal Audit of all suspected irregularities.

The procedure applies to all cases where the alleged fraud involves City Council staff or contractors. It also applies to fraud by members of the public.

1. At the point where officers decide there is sufficient evidence to warrant either:

- a) commencing formal disciplinary proceedings; or
- b) referring an investigation to the police

the appropriate Director must ensure that the following are informed:

Officers: CEX and the Monitoring Officer

Members: The leaders of the political groups (CEX) and the party spokespersons (Director) for the relevant committee. This may be impractical if more than one committee is involved. In this case, CEX will brief the Group Leaders.

The content of the briefing required will depend on the nature of the case. Briefing for members can be done orally and if information is particularly sensitive this should be discussed in advance with CEX or Monitoring Officer so that the amount of information to be disclosed can be agreed. The contents of any briefing should be kept confidential by those that receive them.

You should bear in mind that if Members are briefed in any detail they may not be able to be involved in any subsequent disciplinary process. It is unlikely that the party leaders or spokespersons would be needed for this role, but this aspect should be discussed with the CEX or Head of Human Resources in advance.

2. As the investigation proceeds, it is important to keep the information to senior officers and members up-to-date and the Director should repeat the briefing to the CEX and Monitoring Officer and agreed Members as necessary and certainly where:
  - a) an internal disciplinary case is likely to go to Members on appeal;
  - b) an employee is summarily dismissed or resigns in circumstances which were likely to lead to dismissal;
  - c) the police/CPS decide to either drop a case or proceed with charges;

- d) in the case of a prosecution, the court hearing date is given (or amended);
  - e) there is likely to be media interest for some other reason.
  - f) the investigation finds there is no case to answer.
3. In the case of court proceedings the Head of Internal Audit is responsible for checking regularly with the police, the Clerk to the Court or another relevant contact to obtain information on hearing dates and informing the CEX and the relevant Director(s) who need to ensure that Members are informed.

## Addendum 1

# CAMBRIDGE CITY COUNCIL

## ANTI – BRIBERY POLICY & PROCEDURES

### 1. Introduction

- 1.1. The purpose of this document is to supplement the Council's Prevention of Fraud and Corruption Policy and specifically covers the criminal offence of Bribery.
- 1.2. The Bribery Act 2010 came into force on 1 July 2011 and places additional requirements on 'commercial organisations'. Whilst the Council is not a 'commercial organisation' in terms of its normal local authority activities, to ensure that the City Council does not fall foul of the new legislation, the Council should have regard to the principles of the Act in the conduct of its activities and its policies and procedures.
- 1.3. The Bribery Act 2010 ([http://www.opsi.gov.uk/acts/acts2010/ukpga\\_20100023\\_en\\_1](http://www.opsi.gov.uk/acts/acts2010/ukpga_20100023_en_1)) makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a new separate offence of bribing a foreign public official. There is also a corporate offence under Section 7 of failure by a commercial organisation to prevent bribery.
- 1.4. The Act extends to all persons associated with the City Council, including employees at all levels and grades, those permanently employed and temporary agency staff; Members (including co-opted or external Members); suppliers; contractors; partners; volunteers and consultants.
- 1.5. The definition of 'Bribery' for the purposes of this policy is given below:

#### Definition of Bribery:

**'Bribery'** is defined as:

The promise, giving, request, acceptance or receipt of a financial or other advantage (e.g. hospitality) to induce or reward a person for improper performance of a relevant function of activity. The advantage can be promised, given, requested, accepted or received either directly or via a third party.

The advantage can be for the benefit of the person performing the function or another person.



## 2 Policy Statement

2.1 Bribery is a criminal offence. Cambridge City Council does not, and will not pay, offer, or request bribes to anyone for any purpose, nor does it or will it accept or receive bribes or improper inducements from anyone for any purpose. To use a third party as a means to channel bribes to others is also a criminal offence.

2.2 The Council is committed to the prevention, deterrence and detection of bribery and has a zero-tolerance attitude towards bribery. There is an expectation and requirement that all individuals and organisations associated in whatever way with the Council will act with honesty and integrity and that Council employees at all levels, and Councillors, will lead by example in these matters.

2.3 Areas of the Council's business that could be exposed to the risk of bribery include:

- Procuring of supplies, goods, or services;
- Awarding concessions, grants, and licences;
- Approving planning applications;
- Selling or letting commercial properties;
- Cancelling liabilities (e.g. business rates, debtors);
- Allocating housing;
- Recruiting staff;
- Determining the course of enforcement action.

This is not an exhaustive list, but sets out some of the areas where there may be a risk of bribery arising.

2.4 This Policy does not change the Council's policy on gifts & hospitality, which is set out in the Employee Code of Conduct:

[http://intranet.ccc.local/hr/documents/policy\\_code\\_of\\_conduct.doc](http://intranet.ccc.local/hr/documents/policy_code_of_conduct.doc).

The Code of Conduct makes it clear that you should:

- refuse any gift you are offered by external people you come into contact with at work, with the exception of small, low value items or where refusal is likely to offend the donor.
- only accept hospitality where it is on a corporate rather than a personal basis, and it is appropriate to the occasion.
- ensure there is a record of any gift or hospitality in the Gifts and Hospitality Register and that your Manager has authorised this.

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for, or associated with, the City Council. If you witness (or have reasonable grounds to suspect) that any act of bribery has/ is taking place, it is your responsibility to report the matter to the Head of Internal Audit (by telephone: extension 8181 or (01223) 458181 or by e-mail: [whistleblowing@cambridge.gov.uk](mailto:whistleblowing@cambridge.gov.uk)

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## CAMBRIDGE CITY COUNCIL

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REPORT OF: Director of Business Transformation

TO: Civic Affairs Committee

26 June 2015

WARDS: All

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### **INTERNAL AUDIT: REVIEW OF EFFECTIVENESS 2014 / 2015**

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#### **1 INTRODUCTION**

1.1 In accordance with the requirements of the Accounts and Audit Regulations 2011 the Council conducts an annual review of the effectiveness of Internal Audit. This is to be considered as part of its governance assurance processes, including the production of the Annual Governance Statement.

#### **2 RECOMMENDATION**

2.1 Members are requested to consider and comment on the Review of Effectiveness.

#### **3 OVERALL OPINION**

**3.1 The report demonstrates that the Council has an effective system of Internal Audit including a policy framework, Internal Audit function, designated audit committee and effective management engagement.**

#### **4 INTERNAL AUDIT EFFECTIVENESS**

4.1 The Accounts and Audit Regulations 2011 require all Councils to annually review the effectiveness of its Internal Audit and to present the results of that review to the appropriate committee.

4.2 An assessment of Internal Audit has been carried out which is presented for consideration by this Committee. It contains an opinion on the effectiveness of the service including self-assessments against a number of publications, these include:

- “*Public Sector Internal Audit Standards*”. These standards replace the “*Code of Practice for Internal Audit in Local Government in the UK (CIPFA, 2006)*”. While they were only introduced on 1 April 2013, it has been used in order that any actions requiring conformity can be established early on and appropriate plans put in place; and
- The “*Statement on the Role of the Head of Internal Audit in Local Government (CIPFA, 2010)*”.

- 4.3 The review was undertaken by the Head of Internal Audit and the report (**Appendix 1**) is presented for Members' consideration and comment.
- 4.4 To further ensure appropriate independent scrutiny of the service, an external assessment is proposed for 2015 / 2016 to validate the assessment, subject to any impact of the proposed changes to the standards which are scheduled for this year. If there are any material changes, it would be appropriate to roll back the assessment into 2016.

## **5 CONCLUSION**

- 5.1 Consideration of a range of views on the system of Internal Audit operating within the Council during 2014 / 2015 indicates that this has been both appropriate and effective. The associated Action Plan has been established in order to continue to monitor the compliance with the Standards.

## **6 IMPLICATIONS**

- (a) **Financial Implications**  
None
- (b) **Staffing Implications**  
None
- (c) **Equality and Poverty Implications**  
None
- (d) **Environmental Implications**  
None
- (e) **Procurement**  
None
- (f) **Consultation and communication**  
None
- (e) **Community Safety Implications**  
None

**BACKGROUND PAPERS:** The following are the background papers that were used in the preparation of this report:

- Internal Audit Plans
- Internal Audit reports issued
- Internal Audit Terms of Reference
- Accounts and Audit (Amendment) (England) Regulations 2011
- Statement on the Role of the Head of Internal Audit in Local Government, CIPFA
- Public Sector Internal Audit Standards, IIA / CIPFA

To inspect these documents contact Steve Crabtree on extension 8181.

The author and contact officer for queries on the report is Steve Crabtree on extension 8181.



**HEAD OF INTERNAL AUDIT**

**ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT**

**2014 / 2015**

**ANNUAL REVIEW**

**1. BACKGROUND**

**2. CURRENT ARRANGEMENTS FOR INTERNAL AUDIT**

**3. BASIS FOR OPINION**

- Staff Resources
- Training and Experience
- External Audit Opinion
- Public Sector Internal Audit Standards
- Statement of Role of Head of Audit
- Risk Management and Governance Arrangements
- Civic Affairs Committee

**4. CONCLUSION**

**APPENDICES**

- A** IIA / CIPFA: Public Sector Internal Audit Standards (Action Plan)

## 1 BACKGROUND

- 1.1 The Accounts and Audit Regulations 2011 require all Councils to annually review the effectiveness of Internal Audit and to present the results of that review to the appropriate committee.
- 1.2 An assessment of Internal Audit has been carried out which is presented for consideration by Civic Affairs Committee. It contains an opinion on the effectiveness of the Internal Audit Service including a self-assessment against "*The Public Sector Internal Audit Standards 2013*". Progress against the previously established Action Plan is included.

## 2 CURRENT ARRANGEMENTS FOR INTERNAL AUDIT

- 2.1 Internal Audit at Cambridge is provided through an in-house team which is part of the Business Transformation Department, headed up by the (shared) Head of Internal Audit (HIA). It works closely with others in the Council tasked with assurance, governance and risk management but retains a separate identity in relation to the performance of Internal Audit and investigation functions for the Council.
- 2.2 The HIA reports directly to the Director of Business Transformation but also has direct access, if required to the Chief Executive, Leader of the Council, Executive Members and the Chair of Civic Affairs Committee.
- 2.3 At the start of 2014 / 2015 the in-house team comprised 4.30 FTE approved posts including the HIA, and a number of changes were made in the year (see 3.1). Due to its size, the section is not structured around client / service based teams or Council directorates. This has allowed the opportunity for auditors to develop a depth of knowledge / relationships with customers in relation to the work of a number of services rather than specific areas. However, a number of officers have specific technical attributes that provide the organisation with a "first point of contact". This provides some continuity to the customer who can regularly deal with the same auditor over a period of time.
- 2.4 The overarching strategy for the service is set out in the Annual Audit Plan (approved in March 2014 by Civic Affairs Committee) and this is reiterated in its Terms of Reference. Arrangements for investigation work are defined in the Council's policies and procedures for Anti-Fraud and Whistleblowing and these are reported on in the Annual Report on the Prevention of Fraud and Corruption. Internal Audit work follows recognised best practice standards and is independently reviewed by External Audit.
- 2.5 To examine the system of internal audit, this review considered several key elements and assessed their contribution in enabling the section to fulfil its responsibilities. These were:
  - The structure and resourcing level, including qualifications and experience of the audit team;



- The extent of compliance with the Public Sector Internal Audit Standards;
- Comparison with the Statement on the Role of the Head of Internal Audit;
- Ensuring that the Section successfully audits the most appropriate areas on a prioritised (risk) basis; and
- The performance of the audit team (details of which are reported in the Head of Internal Audit Opinion report).

### 3 BASIS FOR OPINION

#### 3.1 Staff Resources

3.1.1 The section is made up of a complement of 4.50 FTE following a review of the structure. This is represented by:

Internal Audit Post	1-Apr-2014	Movements in Year		31-Mar-2015	Commentary
		May	November		
Head of Internal Audit	0.40	-	-	0.40	
Principal Auditor	0.76	-	-	0.76	
Senior Auditor	1.37	+1.00	-0.80	1.57	May: 1.00 FTE appointed November: 0.77 FTE resignation
Audit Assistant	0.77	-	-	0.77	
	3.30			3.50	
Vacancy: Senior Auditor	1.00			1.00	
	4.30	<b>TOTAL ESTABLISHMENT</b>		4.50 <sup>1</sup>	

3.1.2 Between May and November the service was at full complement. Due to its size, the section is not structured around client / service based teams or Council directorates. This has allowed the opportunity for auditors to develop a depth of knowledge / relationships with customers in relation to the work of a number of services rather than specific areas. However, a number of officers have specific technical attributes that provide the organisation with a “first point of contact”. This provides some continuity to the customer who can regularly deal with the same auditor over a period of time.

3.1.3 It should be noted that the service has since appointed to the vacant post – with a start date of June 2015.

<sup>1</sup> Establishment was increased in year following identification of savings within the salaries budget e.g. previous savings identified following reduction in HoIA time from 50% to 40% as a result of South Cambridgeshire DC joining the shared service arrangements. Approval was received from Executive Councillor.

### 3.2 Training and Experience

3.2.1 Training plans encourage ongoing improvement via both career progression and continuing professional development. The following information about qualifications and experience of staff available for audit work demonstrates the significant experience and rich qualification mix in the Section.

Audit Experience	Cambridge City Council service ranges from a minimum of 3 years' service within Internal Audit to over 25 years Previous work experience is with external auditors, banks and other local authorities.
Qualifications	Qualified Accountants – CIPFA (x2); ACCA (x1) Institute of Internal Auditors – Diploma (x1)  1 officer is currently undertaking IIA professional qualifications

3.2.2 The level of experience of audit staff remained constant during the year. There was some staff rotation to enable a breadth of experience and for continuing professional development and this will continue based on operational need and the priority and timing of work. This approach provides increased flexibility to meet audit needs, particularly in time specific and statutory audits.

### 3.3 External Audit Opinion

3.3.1 External Audit comment in the Annual Audit Letter on the adequacy, or otherwise, of Internal Audit as well as other governance arrangements. The latest report taken to Civic Affairs Committee concluded that they could place reliance on the work of Internal Audit.

3.3.2 Liaison with the external auditor offers the opportunity to share information and to inform risk assessments to allow for the optimum use of finite resources.

### 3.4 Public Sector Internal Audit Standards (PSIAS)

3.4.1 PSIAS came into effect from 1 April 2013 and details of the new standards were discussed on the Civic Affairs Committee agenda in March 2013. Specific guidelines relating to their adoption by Local Government have been used to provide a checklist for establishing the degree of compliance. Analysis is shown in **Appendix A**, together with a summary improvement plan.

3.4.2 Following the review, in accordance with standard 1322, significant deviations must be reported to those charged with governance. It is pleasing to note that only minor issues have been identified – such as regular reviews of our procedures (which are undertaken anyway) and the new requirement of obtaining an external appraisal of the service over a 5 year period. It can be concluded therefore that there are **no significant areas** to be addressed.

3.4.3 We have planned to have an external assessment against standards in 2015 / 2016 (the third year). We have been advised that the current standards are being updated / amended which may have some impact on any assessment. Due to the cost of an external assessment, we will await clarification as to the changes made before committing ourselves to the assessment. If the evaluation has to be deferred in to 2016 / 2017, this would still be within the 5 year timeframe.

3.4.4 Furthermore, following changes to the IT infrastructure, as reported to Civic Affairs Committee in March 2015, we have been unable to issue electronic post audit questionnaires through the secure portal. A separate survey has been commissioned, together with other review mechanisms and is due to be issued.

### **3.5 Statement on the Role of the Head of Internal Audit in Local Government**

3.5.1 CIPFA published its Statement on the role of the Head of Internal Audit (HIA) in Local Government in December 2010 following widespread consultation. The statement sets out best practice for HIAs to aspire to and for Audit Committees and others to measure Internal Audit against. As well as articulating the core responsibilities of the HIA, it also identifies the personal and professional skills needed.

3.5.2 Based on five principles, it defines the core activities and behaviours that belong to the role and the organisational arrangements needed to support them. For each principle it sets out the governance arrangements required to ensure that HIAs are able to operate effectively and perform their core duties. It also sets out the core responsibilities of the HIA. There is a series of attributes and personal qualities which sit below these principles, some subjective. A full review against the standards was undertaken and reported to Civic Affairs in June 2012. This indicated that the role of the Head of Internal Audit at Cambridge met the underlying aims of the five principles. Minor improvements were identified and these are also highlighted within the new PSIAS.

### **3.6 Risk Management and Governance Arrangements**

3.6.1 Prioritisation of the work of Internal Audit is achieved by the development and delivery of an annual risk based Audit Plan. This describes the assurance plans for the Section and includes some capacity for flexibility to adjust to changing circumstances and for demand led and urgent work if appropriate. The plan is based on a mix of different types of audit and risk based work to ensure that assurance over the Council's systems of governance, risk management and internal control is obtained from a number of different directions and sources.

3.6.2 The Section's methodology for establishing audit priorities is aligned with the Council's governance and risk management systems. Audit plans are developed through an assessment of risk and assurance needs to support the Council's overall objectives. The Section reviews corporate and departmental risk registers, business plans and discusses Council objectives and priorities with Directors and Heads of Service to assess assurance needs. The Audit Plan is discussed and approved by Civic Affairs Committee in March each year.

3.6.3 It is considered that the 2014 / 2015 Audit Plan represented a reasonable view of critical areas for audit review and assurance needs when it was constructed and agreed with senior management and Committee. During the year some audit work was deferred or cancelled due to the timing of the audits. The impact of budget cuts and organisational change was reflected in the reassessment of the work and alternative means of gaining assurance where appropriate.

3.6.4 For 2014 / 2015, the agreed Audit Plan again shows links to the corporate aims / objectives in order to clearly demonstrate how audit work relates to the achievement of Council objectives.

### **3.7 Civic Affairs Committee**

3.7.1 The system of Internal Audit includes the role of the “Audit Committee” and in particular its role in the receipt and evaluation of audit reports, both in terms of assurance opinions and in ensuring that appropriate arrangements are in place for the delivery of an effective service. The arrangements for the Committee remained the same during 2014 / 2015 with continuity of membership assisting in maintaining an effective committee. Training and development needs are being established to continue to provide Members with up to date and relevant information in order for them to fulfil their role and Member briefings have been put in place to further assist this.

## **4 CONCLUSION**

Consideration of a range of views on the effectiveness of Internal Audit operating within the Council during 2014 / 2015 indicates that this has been both appropriate and effective. The report demonstrates that the Council has an effective system of Internal Audit including a policy framework, Internal Audit function, audit committee and effective management engagement.

**COMPLIANCE AND QUALITY IMPROVEMENT PLAN (PSIAS 1320)**

For the purposes of the review, the following definitions are used:

- Chief Audit Executive (CAE) = Head of Internal Audit
- Board = Civic Affairs Committee
- Senior Management = Strategic Leadership Team

Reference	STANDARD	COMMENTARY	ACTION
<b>1000</b>	<b>Purpose, Authority and Responsibility</b>		
	The purpose, authority and responsibility of Internal Audit activity must be defined in an Internal Audit charter, consistent with the <i>Definition of Internal Auditing</i> , the <i>Code of Ethics</i> and the <i>Standards</i> . This should be approved by Senior Management and the Board.	The Terms of Reference are regularly reviewed the last update being in December 2012.	The Terms of Reference and Audit Manual will be compared with the new Standards to ensure compliance. Once reviewed it will be submitted to senior management and the Board for approval.  Progress: A revised Audit Charter (replacing the Terms of Reference) together with a Code of Ethics for Internal Audit was referred to Civic Affairs Committee in March 2014. This has been reviewed and referred annually to Committee (last submission March 2015).
<b>1110</b>	<b>Organisational Independence</b>		
	The CAE must establish effective communication links with the Chair of the Board and Chief Executive	There is no scheduled meeting between the Civic Affairs Committee chair and the HoIA. Formal meetings are part of the committee cycle throughout the year.  Access is available to the Chief Executive on request.	Agree arrangements for liaison / communication meetings between HoIA and Civic Affairs Chair (and opposition spokesperson)  Progress: Member briefings have been introduced in 2014 / 2015 to discuss each agenda item so as to ensure appropriate understanding before meetings. It is proposed that separate meetings will be established going forward to discuss issues not on the formal agenda.

Reference	STANDARD	COMMENTARY	ACTION
<b>1220</b>	<b>Due Professional Care</b>		
	Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.	The Audit Manual sets out the standards individual auditors must meet in their allocated assignments. The Manual is based on the previous Code of Practice and therefore needs to be reviewed to take account of any changes required to meet the PSIAS and to reflect improvement made locally since it was last reviewed.	Review and update the Audit Manual  Progress: Ongoing reviews throughout the year enable the Audit Manual to remain up-to-date.
<b>1300</b>	<b>Quality Assurance and Improvement Programme</b>		
	The CAE must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.	The objective is to provide for an assessment of compliance with the PSIAS, together with efficiency and effectiveness of internal audit activity. Previous annual reviews against Code of Practice have been referred to Civic Affairs. The programme should also identify opportunities for improvement	This appendix is to be referred to as the Improvement Programme.  Progress: Action is ongoing at delivering the improvements.
<b>1312</b>	<b>External Assessments</b>		
	External assessments must be conducted at least once every 5 years by a qualified independent assessor from outside the organisation. The CAE must discuss with the Board:  <ul style="list-style-type: none"> <li>- The form of external assessments.</li> <li>- The qualifications / independence of the external assessor – including conflicts of interest.</li> </ul>	NEW REQUIREMENT.  External assessment can be either “full” assessment or self-assessment with independent external evaluation.  Ongoing discussions with other local authorities within the county to look to undertake a peer review in order to minimise costs.	Proposals will be submitted to Civic Affairs detailing future arrangements and timescales agreed.  Progress: We are looking to establish consistency across the partnership and it is proposed to look at external validation in 2015 / 2016, subject to comments in 3.4.3 above.

Reference	STANDARD	COMMENTARY	ACTION
<b>2040</b>	<b>Policies and Procedures</b>		
	The CAE must establish policies/procedures to guide the internal audit activity.	The Audit Manual sets out the necessary policies and procedures.	As per Standard 1220.
<b>2120</b>	<b>Risk Management</b>		
<b>2120.A2</b>	The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.	Fraud survey reviewed.	<p>Proactive work will be facilitated once IDEA software is obtained later in 2013. (This is an interrogation software package, which will allow various tests on data sets across the authority).</p> <p>Progress: Software obtained March 2014. Liaison with other Cambridgeshire authorities to establish training arrangements, work routines etc.</p> <p>Additional Action 2015 / 2016: Following the transfer of benefit investigation responsibilities to Single Fraud Investigation Service (part of DWP); there is a need for the Council to review its counter fraud requirements together with its policies. This is highlighted as an action within the Annual Governance Statement.</p>

**ADDITIONAL ACTION**

<b>1311</b>	<b>Internal Assessments</b>		
	<p>Following changes to the IT infrastructure, as reported to Civic Affairs Committee in March 2015, we have been unable to issue electronic post audit questionnaires through the secure portal.</p> <p>A separate survey has been commissioned, together with other review mechanisms and is due to be issued.</p>		



## CAMBRIDGE CITY COUNCIL

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REPORT OF: Head of Internal Audit

TO: Civic Affairs Committee

26 June 2015

WARDS: All

### HEAD OF INTERNAL AUDIT: ANNUAL AUDIT OPINION 2014 / 2015

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#### 1 INTRODUCTION

1.1 In accordance with the Public Sector Internal Audit Standards the Head of Internal Audit (HIA) should provide a written report to those charged with governance. This is timed to support the Annual Governance Statement (AGS), which is also being presented to this committee for challenge by Members, before being signed off by the Leader of the Council and Chief Executive. The Head of Internal Audit is required to give an opinion on the overall adequacy and effectiveness of the organisation's internal control environment and the risk management framework.

#### 2 RECOMMENDATIONS

2.1 Members of Civic Affairs Committee are asked to review, and provide challenge to, the opinion of the Head of Internal Audit.

#### 3 OVERALL OPINION

3.1 **The overall conclusion is that based on the works undertaken by Internal Audit and other independent assurance work, Cambridge City Council has adequate and effective systems of internal control in place to manage the achievement of its objectives.**

3.2 However, no system of control can provide absolute assurance against material mis-statement or loss, nor can Internal Audit give that assurance.

#### 4 BACKGROUND

4.1 The Internal Audit service works within a framework of:

- General acceptance of control within the management culture;
- Agreement of actions arising from Internal Audit reports; and
- A high level of support from Senior Management and Members.

4.2 Audits during the year have been conducted in accordance with the principles contained in the Public Sector Internal Audit Standards and these were set and reported to Civic Affairs in March 2014.

4.3 Given this context, and in the light of work undertaken in the year, the Head of Internal Audit is able to give reasonable assurance on the adequacy and effectiveness of the organisation's internal controls in respect of the work undertaken. Further details are available in **Appendix 1**.

4.4 In preparing the overall opinion, the Head of Internal Audit has reviewed all audit activity carried out during 2014 / 2015. Each individual audit undertaken contains an assurance opinion on the adequacy and effectiveness of controls in place to mitigate the risks identified by managers. Where weaknesses in control are identified, an action plan is agreed with management and this is recorded in the Council's Risk Register. Progress is monitored against target dates for delivery of these agreed actions during the year.

## **5 SIGNIFICANT CONTROL WEAKNESSES**

5.1 While our work has not identified any significant control weaknesses, there are a number of issues which have emerged from across the Council during 2014 / 2015 which have been incorporated into the Annual Governance Statement Action Plan. As part of our involvement in the preparation and validation of the Annual Governance Statement we agree that these actions are appropriate. These include issues relating to the delivery of savings targets; ongoing improvements in homelessness and reassessing the Council's counter fraud arrangements.

## **6 CONSULTATIONS**

6.1 Managers and Heads of Service are consulted on audit reports to agree the proposed action plan. The Chief Executive, relevant Director, the Leader of the Council, relevant Executive Councillor, the Head of Finance, the Monitoring Officer and the Council's External Auditors receive copies of the final versions of all audit reports.

## **7 IMPLICATIONS**

- (a) **Financial Implications**  
None
- (b) **Staffing Implications**  
None
- (c) **Equality and Poverty Implications**  
None
- (d) **Environmental Implications**  
None
- (e) **Procurement**  
None
- (f) **Consultation and communication**  
None
- (e) **Community Safety Implications**  
None

## **BACKGROUND PAPERS:**

The following are the background papers that were used in the preparation of this report:

- Audit Plan for 2014 / 2015;
- Audit Reports issued during 2014 / 2015; and
- Public Sector Internal Audit Standards 2013

To inspect these documents contact Steve Crabtree on extension 8181.

The author and contact officer for queries on the report is Steve Crabtree on extension 8181.

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# HEAD OF INTERNAL AUDIT ANNUAL AUDIT OPINION 2014 / 2015

## ANNUAL REPORT

1. Introduction
2. Arriving at an Opinion
3. Head of Internal Audit Opinion
4. Basis For Head of Internal Audit Opinion
5. Resourcing and Performance
6. Audit Plan Coverage

## 1. **INTRODUCTION**

- 1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Civic Affairs Committee and the Director of Business Transformation, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating the effectiveness in achieving the organisation's objectives.
- 1.2 This report is the culmination of the work during the course of the year and seeks to provide an opinion on the adequacy of the control environment and report the incidence of any significant control failings or weaknesses. The report also gives an overview of audit performance during the year. The overall report will then feed into the Annual Governance Statement included in the Statement of Accounts.

## 2. **ARRIVING AT AN OPINION**

### 2.1 **Background**

The opinion is derived from work carried out by Internal Audit during the year, as part of the agreed Internal Audit Plan for 2014 / 2015. The Internal Audit Plan was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control. We have conducted our audits both in accordance with the mandatory standards and good practice within the Code of Practice and additionally from our own internal quality assurance systems. Our opinion is limited to the work carried out by Internal Audit but, where possible, we have considered the work of other assurance providers.

### 2.2 **Risk Based Audit Planning**

Internal Audit continues to embrace the risk assessment approach to audit. A risk based approach is used to develop the Internal Audit Annual Plan, allowing us to direct resources at areas key to the organisation's success and to provide an opinion on the control environment as a whole. During the course of the year the risks of the Authority are continually reviewed. Each audit job also uses risk assessment to ensure that suitable audit time and resources are devoted to the more significant areas. This risk based approach to audit planning results in a detailed range of audits that are undertaken during the course of the year to support the overall opinion on the control environment. Examples include:

- Risk based reviews of fundamental financial systems that could have a material impact on the accounts and other corporate and departmental systems;
- Contract, procurement, performance and project audits; and
- Fraud and irregularity investigations

### 2.3 Reporting

Where appropriate, each report we issue during the year is given an overall opinion based on the criteria below. Certain pieces of work do not result in an audit report with an opinion (such as consultancy work, involvement in working groups and review of NFI reports). The report opinion, along with our consideration of other audit work, is used to formulate the overall Head of Internal Audit Opinion.

AUDIT ASSURANCE	
Assurance	Definitions
<b>FULL</b>	Controls are in place to ensure the achievement of service objectives and good corporate governance, and to protect the Authority against significant foreseeable risks.
<b>SIGNIFICANT</b>	Controls exist to enable the achievement of service objectives and good corporate governance, and mitigate against significant foreseeable risks. However, occasional instances of failure to comply with control process were identified and/or opportunities still exist to mitigate further against potential risks.
<b>LIMITED</b>	Controls are in place and to varying degrees are complied with, however, there are gaps in the process which leave the service exposed to risks. Therefore, there is a need to introduce additional controls and/or improve compliance with existing ones, to reduce the risk exposure for the Authority.
<b>NO</b>	Controls are considered to be insufficient, with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Authority exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives.

The report opinion is based upon the number / type of recommendations we make in each report. Individual action categories are as follows:

RECOMMENDATIONS MADE TO IMPROVE ASSURANCE LEVELS		
Status	Definitions	Implementation
<b>CRITICAL</b>	Extreme control weakness that jeopardises the complete operation of the service.	Immediately
<b>HIGH</b>	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	As a matter of priority
<b>MEDIUM</b>	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	At the first opportunity
<b>LOW</b>	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	As soon as reasonably practical

3. **OPINION 2014 / 2015**

As Head of Internal Audit, in line with the Public Sector Internal Audit Standards and prior best practice, I am required to provide an opinion on the overall adequacy and effectiveness of the Council's control environment. I have undertaken the following in order to form a basis for providing my assurance:

- Assessed the quantity and coverage of internal audit work against the 2014 / 2015 internal audit plan to allow a reasonable conclusion as to the adequacy and effectiveness of the Council's risk management, control and governance processes;
- Reviewed the reports from the reviews undertaken during the year by Internal Audit and other assurance providers where appropriate;
- Considered any significant actions not accepted by management and the consequent risks, of which there were none;
- Assessed the status of actions identified as not implemented, as part of Internal Audit follow up reviews and subsequent progress tracking;
- Considered the effects of significant changes in the Council's objectives or systems;
- Reviewed and considered matters arising from reports to Council committees; and
- Considered whether there were any limitations which may have been placed on the scope of Internal Audit.

Following consideration of the above I am able to provide the following Head of Audit Opinion for 2014 / 2015:

***I am satisfied that sufficient quantity and coverage of Internal Audit work and other independent assurance work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's risk management, control and governance processes. In my opinion, the Council has adequate and effective systems of internal control in place to manage the achievement of its objectives. In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.***

***Notwithstanding my overall opinion, Internal Audit's work identified a number of opportunities for improving controls and procedures which management has accepted and are documented in each individual audit report.***

*Head of Internal Audit  
June 2015*



#### 4. **BASIS OF HEAD OF INTERNAL AUDIT OPINION**

- 4.1 The audit work that was completed for the year to 31 March 2015 is listed in Section 6, which summarises all the audits undertaken and their results in terms of the audit assurance levels provided and the number of actions agreed. A summary of assurance levels is detailed below. This shows that **65%** of the areas audited achieved an assurance level of significant or higher, compared to **83%** last year (and **65%**, **62%** and **59%** in previous years).

AUDIT ASSURANCE								
Assurance	Issued				%			
	11/12	12/13	13/14	14/15	11/12	12/13	13/14	14/15
Full	4	2	0	1	14	6	0	5
Significant	14	20	20	12	48	59	83	63
Limited	10	11	4	6	34.5	32	17	32
No	1	1	0	0	3.5	3	0	0
Total	<b>29</b>	<b>34</b>	<b>24</b>	<b>19</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
N/A	-	7	3	3	-	-	-	-

- 4.2 In addition to the audits summarised in the above table, further audit work was carried out including consultancy work and other specific activities such as special investigations. These works do not usually warrant an assurance rating, but there may be actions arising from the work undertaken to address the issues identified. At the year-end a number of audits were in various stages of completion and audit opinions relating to these will be reported during 2015 / 2016.

#### 4.3 **Annual Governance Statement**

In June 2007, CIPFA, in conjunction with the Society of Local Authority Chief Executives (SOLACE), published Delivering Good Governance in Local Government: Framework. The Department for Communities and Local Government has determined that this guidance represents proper practice. Consequently, Civic Affairs Committee should seek assurance that this guidance has been followed to compile the Annual Governance Statement (AGS). To help the Committee gain that assurance and to give some independent assurance that the AGS is free from material misstatement Internal Audit undertakes reviews of the key corporate governance systems. Using our audit work and being involved in the development of the Annual Governance Statement we can confirm that there is evidence to indicate that policies, procedures and systems are in place for corporate governance to be effective

within the Council. The Council has demonstrated a firm foundation for this and Internal Audit remains of the opinion that the policies, procedures and systems are generally in place for good corporate governance.

#### 4.4 Risk Management

Internal Audit play a lead role in the risk management framework. All agreed Internal Audit actions are recorded on the risk register and monitored for implementation. Quarterly reports are referred to each Departmental Management Team on outstanding actions and are also flagged up with the Strategic Leadership Team half yearly.

Concerted efforts have been undertaken over the last few years to reduce the level of overdue actions, in particular to resolve issues from previous years, and this has reduced the numbers. The summary position is set out at the end of this report. It should be noted that many of the actions which are overdue are in progress, but not fully complete.

#### 4.5 Key Financial Systems

A risk based review of the authority's key financial systems is undertaken to provide evidence to support the internal audit opinion on the adequacy of the organisation's control environment. Audit coverage during the year has provided sufficient evidence to conclude that those key financial control systems evaluated are adequate, but a number of actions have been identified to rectify any system weaknesses identified.

#### 4.6 Summary Activities

Section 6 identifies the work undertaken and concluded in the year with brief commentary on each activity. Key activities include reviews of:

- Former Tenant Arrears
- Managing Events on Open Spaces
- Achievement of Income and Savings
- Asbestos Management
- Grants to Housing Associations
- Land Charges
- Homelessness

In addition, the Section was involved in a number of key projects to ensure appropriate processes and decision making was in place.

#### 4.7 Allegations of Fraud and Breaches of Code of Conduct

Fraud and Irregularity investigations were previously reported to the Standards Committee annually. This would have covered Internal Audit work as well as that of the Revenue and Benefits Services Fraud Prevention Team. This is now part of the remit for Civic Affairs and a report earlier on this agenda covers fraud and whistleblowing.

Internal Audit has been involved in four issues throughout the year.

### 5. RESOURCING AND PERFORMANCE

#### 5.1 Resourcing

5.1.1 The section is made up of a complement of 4.50 FTE following a review of the structure in 2014. This is represented by:

Internal Audit Post	1-Apr-2014	Movements in Year		31-Mar-2015	Commentary
		May	November		
Head of Internal Audit	0.40	-	-	0.40	
Principal Auditor	0.76	-	-	0.76	
Senior Auditor	1.37	+1.00	-0.80	1.57	May: 1.00 FTE appointed November: 0.80 FTE resignation
Audit Assistant	0.77	-	-	0.77	
	3.3 <sup>1</sup>			3.50 <sup>2</sup>	

<sup>1</sup> Senior Auditor vacant post 1.00 fte.

<sup>2</sup> Establishment was increased in year following identification of savings within the salaries budget e.g. previous savings identified following reduction in HoIA time from 50% to 40% as a result of South Cambridgeshire DC joining the shared service arrangements. Approval was received from Executive Councillor. Vacant post at year end 1.00 fte.

5.1.2 Between May and November 2014 the service was at full complement. Due to its size, the section is not structured around client / service based teams or Council directorates. This has allowed the opportunity for auditors to develop a depth of knowledge / relationships with customers in relation to the work of a number of services rather than specific areas. However, a number of officers have specific technical attributes that provide the organisation with a “first point of contact”. This provides some continuity to the customer who can regularly deal with the same auditor over a period of time.

5.1.3 It should be noted that the service has since recruited to the vacant post – with a start date of June 2015.

## 5.2 Performance

During the year, it should be noted that:

- The continuation of shared management arrangements with Peterborough City Council (and South Cambridgeshire from July 2013);
- External audit reliance on our work; and
- Sickness levels remain below corporate levels.

Following changes to the IT infrastructure, as reported to Civic Affairs Committee in March 2015, we have been unable to issue electronic post audit questionnaires. A separate survey has been commissioned, together with other review mechanisms, and is due to be issued.

## 6. AUDIT PLAN COVERAGE

<b>CORE SYSTEM ASSURANCE WORK</b>							
Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s151 officer to make his statement included in the Annual Accounts on the reliability of the supporting financial systems.							
Housing Benefit	<b>COMPLETED.</b> Work is undertaken annually for External Audit based upon their Housing Benefits diagnostic tool. No issues were identified.						
Payroll	Following a restructure within the service, post shared service with South Cambridgeshire District Council, and significant changes to the make-up of the team during Quarter 4, the audit was deferred to enable full recruitment into the various roles. This audit is now being undertaken in 2015 to also provide assurance to South Cambridgeshire District Council as part of the shared service arrangements in place.						
Rent Accounting	Assurance: <b>Significant</b>	Critical: 0	High: 0	Medium: 5	Low: 0	Total: 5	<b>COMPLETED</b> At the request of the client, the audit was split into two key areas – Housing Rents and Former Tenant Arrears. As a result two separate assurance ratings have been given. The procedures in place for managing and reconciling the Housing Rent Account should facilitate continued high level of performance in this area.
Former Tenant Arrears	Assurance: <b>Limited</b>	Critical: 0	High: 2	Medium: 2	Low: 1	Total: 5	<b>COMPLETED</b> The findings from our initial high-level review into the collection and write-off of former tenant arrears identified a lack of a clear policy or procedure. A further in-depth audit will be carried out in 2015/2016.

<b>ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK</b>	
<b>Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details audit work that specifically relates to the production of the Annual Governance Statement</b>	
Annual Governance Statement	<b>COMPLETED</b> Internal Audit led the working group set up to review and update the Annual Governance Statement. This was submitted to Civic Affairs in June 2014.
Annual Audit Opinion	<b>COMPLETED</b> The Annual Audit Opinion was submitted to Civic Affairs Committee in June 2014.
Internal Audit Effectiveness	<b>COMPLETED</b> The Review of the Effectiveness of Internal Audit was submitted to Civic Affairs Committee in June 2014.
Prevention of Fraud and Corruption Policy	<b>COMPLETED</b> The annual report on fraud and whistle-blowing was submitted to Civic Affairs Committee in June 2014.
National Fraud Initiative (NFI)	<b>ONGOING</b> The NFI is a national data-matching exercise organised through the Cabinet Office every 2 years. Datasets include Housing Benefits, Payroll, Housing Rents, Insurance claims, Creditors, and various Licences e.g. Market Traders, Taxi Drivers and Personal licences to supply alcohol. These records are compared with various audited bodies to prevent and detect fraud and error.  Downloads were submitted through a secure website and initial matches received in February 2015. Initial sifts / risk assessments are currently taking place and a number of cases have been allocated for further investigation.
Discharge of s.151 Responsibilities	<b>REPORT DRAFTED</b> Overview of activities being undertaken to ensure that all the s.151 duties are being effectively covered following the re-organisation of senior roles within the Council.

CORPORATE / CROSS-CUTTING AUDITS	
Governance Arrangements – Shared Services	<b>IN PROGRESS</b> Review of various arrangements put in place for the governance of existing shared services

<b>CONTRACTS AND PROJECTS</b>	
Clay Farm – Community Centre / Developer Contributions	<p><b>ON GOING MONITORING</b></p> <p>Links were set up with the Programme Office to initiate an early gateway review of the works in hand.</p> <p>Further work has been undertaken to look into the future funding requirements in order to deliver the Community Centre.</p>
Building Cleaning Contract	<p><b>COMPLETED</b></p> <p>Works have been undertaken at various stages in relation to the development of the tender for this contract; its evaluation and subsequent award. Future works are planned in 2015 / 2016 in relation to a post implementation review.</p>
Cultural Trust	<p><b>COMPLETED</b></p> <p>Input provided at various stages of the development of the Trust, prior to it going live.</p>
Tour de France	<p><b>COMPLETED</b></p> <p>Gateway Review providing independent assessment of progress with the project / assurance over the event delivery.</p>
Green Deal	<p><b>ON GOING MONITORING</b></p> <p>Review and position re: take up of scheme.</p>
Community Infrastructure Levy	<p><b>IN PROGRESS</b></p> <p>Provision of advice / support / challenge to the project team. This is continuing in 2015 / 2016</p>
Tender Evaluation	<p><b>IN PROGRESS</b></p> <p>Ongoing monitoring and provision of re-workings for a number of contracts / PPQ's etc. during 2014 / 2015 has formed the testing schedule for assessing the robustness of the Councils evaluation process.</p>



CUSTOMER AND COMMUNITY SERVICES							
Implementation of Welfare Reform	Assurance: <b>Full</b>	Critical: 0	High: 0	Medium: 0	Low: 0	Total: 0	<b>COMPLETED</b> The sound implementation of the Council Tax Reduction Scheme and the preparatory measures taken in advance of the introduction of Universal Credit provide confidence that the Council is well situated to adjust to the continuing implementation of the government's welfare reform programme.
Discretionary Housing Payments	<b>PLANNING STAGE</b> Focus on the arrangements for managing and processing DHPs within the overall budget.						
Grants to Housing Agencies	Assurance: <b>Limited</b>	Critical: 0	High: 3	Medium: 2	Low: 0	Total: 5	<b>COMPLETED</b> A lack of transparency in the application and assessment stages of awarding grant funding has been identified, and an inconsistent approach to monitoring the operational performance and financial accounting of grant funding is evident.
Mobile Working	<b>DRAFT REPORT</b> Focus on the arrangements in relation to responsive repairs and the introduction of mobile working devices to assist in efficiency, productivity and performance.						

ENVIRONMENT							
Fire Safety Management – Car Parks	Assurance: <b>Significant</b>	Critical: 0	High: 0	Medium: 1	Low: 0	Total: 1	<p><b>COMPLETED</b></p> <p>Robust measures have been put in place to mitigate the risk of fire at the main Council owned car parks with a detailed Fire Management Plan held.</p> <p>Fire risk assessments are completed annually with no overdue actions at the time of audit.</p>
Fire Safety Management - Crematorium	Assurance: <b>Significant</b>	Critical: 0	High: 0	Medium: 1	Low: 0	Total: 1	<p><b>COMPLETED</b></p> <p>There is evidence of robust measures in place to mitigate the risk of fire at the Crematorium and Cemetery site. A detailed Fire Safety Management Plan is held, which should be reviewed annually to ensure details remain up to date.</p> <p>Fire risk assessments are completed annually with the most recent review resulting in no actions being raised.</p>

<b>BUSINESS TRANSFORMATION</b>	
Budget Setting Process	<p><b>PLANNING STAGE</b></p> <p>Review of compliance with new arrangements.</p> <p>Internal Audit reviewed the new budget setting arrangements in 2013/14 and reported that these processes appeared robust and included all the requirements to deliver appropriate financial control. However, as the Council had not yet run through a full financial cycle it had not been possible to verify all of these in a 'live' environment. It was agreed that Internal Audit would undertake further assurance work during 2014-15, as part of the audit plan, to ensure appropriate evidence is in place for all changes to financial arrangements. This audit is currently in progress.</p>
Subsidence Claims	<p><b>IN PROGRESS</b></p> <p>Consideration in to how the Council manages claims its receives.</p>

CARRY FORWARD ACTIVITIES							
PREVENT Funding	Assurance: <b>Significant</b>	Critical: 0	High: 0	Medium: 2	Low: 0	Total: 2	<b>COMPLETED</b> Grant monies have been spent in accordance with Government guidelines.
Accounts Payable	Assurance: <b>Significant</b>	Critical: 0	High: 2	Medium: 3	Low: 4	Total: 9	<b>COMPLETED</b> The controls operating over the Accounts Payable system and the processing of invoices were considered to be sound and payments are made well within required timescales.
Managing Events on Open Spaces	Assurance: <b>Limited</b>	Critical: 0	High: 2	Medium: 5	Low: 1	Total: 8	<b>COMPLETED</b> This audit highlighted the need to update legal agreements and recommended improvements to the application process.
Box Office Procedures	<b>COMPLETED.</b> With the transfer of the Box Office to Cambridge Live a review of the procedures in place prior to transfer identified a number of issues for the Board to take on board going forward. A series of actions have been identified and reported via a memorandum. Internal Audit did not provide an assurance rating for this audit.						
Land Charges	Assurance: <b>Limited</b>	Critical: 0	High: 5	Medium: 3	Low: 1	Total: 9	<b>COMPLETED.</b> The Land Registry has stated its intention to oversee the statutory function for holding and maintaining a Local Land Charges (LLC) Register for England and Wales. The proposed new model sees the Land Registry as the sole registering authority for LLCs and the sole provider of LLC official search results, however there are no timescales as yet for implementation of these changes nor is there any information in respect of how fee income will be allocated once these changes come into effect.

							<p>The key findings relate to the following areas:</p> <ul style="list-style-type: none"> <li>• Key Person Dependency issues surrounding the maintenance of the public register;</li> <li>• Management controls over the maintenance of the public register;</li> <li>• Lack of clarity over the system access levels;</li> <li>• Interfacing issues between the M3 and TLC systems; and</li> <li>• the fee charging structure.</li> </ul>
Achievement of Income and Savings	Assurance: <b>Limited</b>	Critical: 0	High: 2	Medium: 4	Low: 0	Total: 6	<p><b>COMPLETED.</b></p> <p>There were concerns that savings opportunities may not be maximised where the target savings are being achieved by alternative methods; there was no formal process for monitoring progress with the identified initiatives once they have been agreed and included in the Budget Setting Report, and that some services were setting savings / income targets which had not been fully assessed and / or had insufficient challenge from Finance. It is noted that the new Programme Office will play a greater role in monitoring achievement of savings and income targets going forward. Forecast outturns are now being reported to SLT and SLT/Executive on a regular basis and the first review of the delivery of savings targets for 2015/16 has been performed, and will continue to be reviewed quarterly through 2015/16. Internal Audit therefore advises that this rating was given on the processes and controls examined and in place at the time of the audit.</p>
ICT Software Licensing	Assurance: <b>Significant</b>	Critical: 0	High: 1	Medium: 1	Low: 0	Total: 2	<p><b>COMPLETED</b></p> <p>This audit highlighted the need to clarify roles and responsibilities with regard to the reconciliation of software licences.</p>
IT Infrastructure	<b>FIELDWORK COMPLETED</b>						

Health & Safety - Asbestos Management	<b>DRAFT REPORT STAGE</b>						
Safeguarding - Use of Volunteers	<b>DRAFT REPORT STAGE</b>						
Building Control	Assurance: <b>Significant</b>	Critical: 0	High: 0	Medium: 5	Low: 0	Total: 5	<b>COMPLETED</b> The procedures for processing applications are well documented and there is evidence of effective recording, monitoring and reporting on performance indicators. Key actions were agreed around the annual review of the scheme of charges and checking calculations of hourly rates.
Security of On-Line Transactions	Audit work partially completed by previous employee. Decision to be taken as to way forward with these audits.						
Admin Building Management							
Compliance with HR Policies							

Homelessness	Assurance:  <b>Limited</b>  (as at December 2014)	Critical:  1	High:  15	Medium:  5	Low:  0	Total:  21	<p><b>COMPLETED</b></p> <p>The review of Homelessness started in 2013/14, shortly after the issue of three Local Government Ombudsman reports into the service, when no assurance could be provided. During the course of the audit, which continued throughout 2014/15, the service undertook a programme of improvements, which were reviewed by Internal Audit and a final 'Limited' assurance rating was provided in December 2014.</p> <p>The audit highlighted a number of weaknesses relating to processes and systems in place in respect of Bed and Breakfast accommodation placement and provision for the homeless.</p> <p>Areas of good practice and positive developments in the management of the homeless service were identified i.e:</p> <ul style="list-style-type: none"> <li>• Sought to secure Bed and Breakfast suppliers within the Cambridge area to provide accommodation for homeless applicants;</li> <li>• Joint actions are being taken with City Homes to increase the level of temporary Council stock to place persons / households locally;</li> <li>• A review of approach to Lettings; and</li> <li>• A sub-regional approach to homelessness is being pursued.</li> </ul> <p>Issues have been identified, however, relating to the non-compliance with legislation and the DCLG Homelessness Code of Guidance in respect of:</p> <ul style="list-style-type: none"> <li>• Demonstrating that there is no alternative suitable temporary accommodation prior to an out of district placement;</li> <li>• Consideration of the impact on vulnerable persons of decisions to place out of district; and</li> <li>• No checks had been undertaken as to the suitability of the accommodation where homeless households were being placed.</li> </ul>
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FOLLOW-UP AUDITS						
Tendering: Health and Safety	Assurance: <b>Significant</b>	Completed: 5	In Progress: 0	Outstanding: 1	Cancelled: 0	Additional Actions: 0
Risk Management	Assurance: <b>Significant</b>	Completed 1	In Progress 0	Outstanding 0	Cancelled: 0	Additional Actions: 0
Multi-Storey Car Parks – Income Reporting	Assurance: <b>Significant</b>	Completed 5	In Progress 0	Outstanding 0	Cancelled: 1	Additional Actions: 0
Markets	Assurance: <b>Significant</b>	Completed 4	In Progress 1	Outstanding 0	Cancelled: 0	Additional Actions: 0
Members Allowances	Assurance: <b>Significant</b>	Completed 5	In Progress 0	Outstanding 0	Cancelled: 0	Additional Actions: 1
Cash Handling at Depot	Planning					
PCI DSS Compliance	Fieldwork					
Business Use of Private Vehicles	Planning					



**AUDITS REMOVED FROM THE AUDIT PLAN**

Due to a reduction in audit resources during the year, the following audits from the 2014 / 2015 audit plan have either been cancelled or re-phased to 2015/16, following agreement by Civic Affairs in November 2014.

**Audit Activity**

- HMO Licenses / Use of Temporary Accommodation
- Safeguarding: Children and Vulnerable Adults – Information sharing arrangements
- IDOX – Post Implementation Review
- Housing Allocations
- Vehicle, Machinery and Equipment Replacement Arrangements
- Contract Management (IT)
- Licences. **Cancelled.** Issues identified in 2012 / 2013 NFI have been satisfactorily resolved for this year's NFI.
- Corporate Governance. **Re-allocated.** To avoid duplication of effort, governance issues are covered within the audits on Governance Arrangements for Shared Services and Discharge of s.151 Responsibilities.
- Capital Expenditure – Follow-up
- Home Improvement Agency – Follow-up – This audit has now been completed and is at draft report stage.
- Payables – Follow-up

It is recommended that the following audits from the above list are now cancelled for the reasons stated below:

- Vehicle, Machinery and Equipment Replacement Arrangements – This piece of work has been superseded by the review of the Council's vehicle fleet and audit resources have been allocated to providing input to this review in 2015/16.
- Contract Management (IT) – In light of the forthcoming shared service arrangements for IT with Hunts and South Cambs District Council, it is recommended this audit is cancelled.
- Capital Expenditure – Follow-up – A complete overhaul of capital expenditure arrangements has been carried out and a new Capital Programme Board has been set up to monitor this going forward. Internal Audit will participate in the new Board.
- Payables – Follow-up – the original audit received a significant assurance rating therefore a follow up review will not be undertaken.

The following audits from the 2014/15 audit plan will be carried forward to 2015/16. N.B. A new Senior Auditor will be joining the Internal Audit team in June 2015.

- Organisational Change Management
- Contract Management arrangements
- Closedown of Contracts
- Office Re-organisation (Post Implementation Review)
- Compliance with Freedom of Information/EIR Legislation
- Grounds Maintenance recharges
- Business Continuity arrangements
- Data Security / Data Sharing Protocols
- Customer Complaints

#### UNPLANNED ACTIVITIES: PROJECT MANAGEMENT / GENERAL ADVICE

Various pieces of ad-hoc advice have been provided to management during the year across the organisation. Members of the Internal Audit team also participate in the following internal working groups:

- Information Security Group
- Asset Management Group
- Joint Equalities Group

#### UNPLANNED ACTIVITY: SPECIAL INVESTIGATIONS – E.G. ALLEGATIONS OF BREACHES OF OFFICER CODE OF CONDUCT / WHISTLEBLOWING

Internal Audit have been involved in **FOUR** separate investigations this year, three at the request of management and one as part of a wider whistleblowing investigation.

#### RISK MANAGEMENT

On-going work includes the review and monitoring of the Council's risks and implementation of actions agreed to mitigate these.

## RISK REGISTER: PROGRESS ON IMPLEMENTATION OF ACTIONS

POSITION AS AT 8 <sup>th</sup> June 2015					
YEAR	Agreed	Implemented	Completion Date Not Due	Cancelled	Overdue Action
Pre 2012 / 2013	288	253	2	30	3
2012 / 2013	140	130	2	4	4
2013 / 2014	85	61	4	6	14
2014 / 2015	69	42	18	0	9
<b>TOTAL</b>	<b>582</b>	<b>486</b>	<b>26</b>	<b>40</b>	<b>30</b>

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## CAMBRIDGE CITY COUNCIL

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REPORT OF: Director of Business Transformation

TO: Civic Affairs Committee

26/06/15

WARDS: All

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### ASSURANCE FRAMEWORK, DRAFT ANNUAL GOVERNANCE STATEMENT AND DRAFT CODE OF CORPORATE GOVERNANCE 2014/15

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#### 1 INTRODUCTION

- 1.1 The preparation of an Annual Governance Statement (AGS) is necessary to meet the statutory requirements as set out in Regulation 4(3) of the Accounts and Audit (England) Regulations 2011. The AGS covers the Council's governance arrangements for the 2014-15 reporting year and is published as part of the Statement of Accounts.
- 1.2 This report includes the draft AGS and incorporated AGS action plan (presented in **Appendix A**) for the Members of Civic Affairs Committee to review, challenge and advise the Leader and Chief Executive upon accordingly.
- 1.3 This report also identifies progress with the 2013/14 AGS action plan and presents the necessary recommendations for Member approval that will allow the Council as a whole to ensure that the AGS is produced in accordance with CIPFA guidance and therefore meet External Audit requirements.
- 1.4 The Council's Code of Corporate Governance summarises the ways in which the authority directs and controls its functions and relates to its communities. It is reviewed annually.

#### 2 RECOMMENDATIONS

- 2.1 That Members of Civic Affairs Committee:
  - note the arrangements for compiling, reporting on and signing the AGS.
  - critically review the draft AGS and incorporated action plan (**Appendix A**) having regard to the Head of Internal Audit Annual Opinion (earlier on this agenda); and

- advise the Leader of the Council and Chief Executive on any issues arising from the draft AGS and action plan.
- 2.2 That the Council approves the Code of Corporate Governance (**Appendix B**) at Full Council on 23<sup>rd</sup> July 2015.

### **3 BACKGROUND TO THE AGS**

#### *Scope of the AGS*

- 3.1 Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities and includes those designed to ensure that:
- The Council's policies are implemented in practice;
  - High quality services are delivered efficiently and effectively;
  - The Council's values and ethical standards are met;
  - Laws and regulations are complied with;
  - Required processes are adhered to;
  - Its financial statements and other published information are accurate and reliable; and
  - Human, financial and other resources are managed efficiently and effectively.

#### *Arrangements for Compiling the AGS*

- 3.2 CIPFA, in conjunction with SOLACE, have produced a framework for delivering good governance in local government. Since 2003/04, responsibility for preparing the AGS rested with Internal Audit and this was performed working to the CIPFA/SOLACE framework.
- 3.3 In December 2010, CIPFA issued its statement on 'The Role of the Head of Internal Audit in Local Government', which states that the Head of Internal Audit should 'set out the framework of assurance that supports the Annual Governance Statement and identify Internal Audit's role within it', but 'should not be responsible for preparing the report.'
- 3.4 Arrangements for compiling the AGS for 2014-15, as last year, have been undertaken by the Head of Legal Services (the Council's Monitoring Officer) in conjunction with the Head of Corporate Strategy and the Principal Auditor.
- 3.5 Assurances from the work of the Internal Audit team relating to 2014/2015 have been reviewed and have been used to inform the AGS and its associated action plan.

- 3.6 One of the key messages coming out of the CIPFA/SOLACE guidance is that good governance relates to the whole organisation and there should be corporate ownership of the AGS and governance arrangements.

*Arrangements for reporting on and signing off the AGS*

- 3.7 The draft AGS and Action Plan is being presented to the Members of this Committee for them to review and advise the Leader and Chief Executive upon, prior to it being signed off by the Leader and the Chief Executive.
- 3.8 Members are asked to consider the Head of Internal Audit's Annual Opinion, which is presented earlier on this agenda, in their review of the AGS.

#### **4. Progress with the 2013-14 AGS Action Plan**

- 4.1 All of the actions included in last year's AGS Action plan have either been completed in full or are in progress, as follows:

- ***Budget Setting Arrangements*** – The new Head of Finance took up her post in July 2014 and has overseen the arrangements for the preparation of the 2015/16 budget process, culminating in the production of the Mid-Year Financial Review and Budget Setting Report for 2015/16.

Internal Audit reviewed the new budget setting arrangements in 2013/14 and reported that these processes appeared robust and included all the requirements to deliver appropriate financial control. However, as the Council had not yet run through a full financial cycle it had not been possible to verify all of these in a 'live' environment. It was agreed that Internal Audit would undertake further assurance work during 2014-15, as part of the audit plan, to ensure appropriate evidence is in place for all changes to financial arrangements. This audit is currently in progress.

- ***Governance Arrangements*** – A review of the governance arrangements in place for the current shared services in operation is now underway. A further action has been included in this year's action plan to ensure that robust governance arrangements are put in place for all new service delivery methods introduced going forward.
- ***Discharge of S151 Responsibilities*** – A review has recently been undertaken of the arrangements for the delivery of S151 responsibilities, which were put in place following the re-structure of the Finance Service in 2012. This review has given 'significant' assurance to these new arrangements and includes a small number of actions to enhance them.
- ***Information Security*** – A significant amount of work has been undertaken to continue to raise awareness and understanding of data protection issues across the Council. Training has been commissioned and provided for managers and staff.

The Council's policies and staff guidance have been updated and re-issued during the year.

Whilst a significant amount of work has been done to address this issue, information security remains a key risk to the Council and therefore an ongoing action has been included in this year's AGS Action Plan to ensure this continues to be addressed.

- **Counter Fraud Arrangements** – In April 2015 responsibility for Housing Benefit (HB) fraud investigation work transferred to the Single Fraud Investigation Service operated by the Department for Work & Pensions (DWP) and fraud investigation resources have since been re-aligned. Prior to this transfer, a review was undertaken to consider whether there was any scope for operating a joint fraud investigation service with South Cambs District Council (SCDC), but at the time of the review there was no appetite for a joint approach at SCDC.

A further action has been included in this year's AGS Action Plan to review counter fraud arrangements to ensure compliance with CIPFA's new Code of Practice on 'Managing the Risk of Fraud and Corruption'.

- **Member Training** – There is a post within the Member Services team that provides support to Members and co-ordinates and promotes Member briefing and development, including a more comprehensive new-Member induction programme.

A review of compliance with CIPFA's guidance on best practice for Audit Committees is still to be undertaken.

- 4.2 **Appendix A** to this report details the action plan to address significant governance issues during 2015/16.

## 5. BACKGROUND TO THE CODE OF CORPORATE GOVERNANCE

- 5.1 The Council adopted a Code of Corporate Governance on 25 April 2002 and it has been reviewed annually since then.
- 5.2 There are no significant changes to the Code this year. The Code has been revised to ensure that references to supporting plans, policies and procedures are up to date. A copy of the Code is given in **Appendix B**.

## 6. CONSULTATIONS

- 6.1 Key officers have been consulted in compiling the 2014-15 AGS and Action Plan. The draft AGS and Action Plan have been shared with the Council's External Auditors.



## **7. CONCLUSION**

- 7.1 The draft AGS and draft Code of Corporate Governance set out the governance framework for the City Council and identify a number of issues where action is planned to improve the level of governance.

## **8. IMPLICATIONS**

- (a) **Financial Implications**  
None
- (b) **Staffing Implications**  
None
- (c) **Equality and Poverty Implications**  
None
- (d) **Environmental Implications**  
None
- (e) **Procurement**  
None
- (f) **Consultation and communication**  
None
- (e) **Community Safety Implications**  
None

**BACKGROUND PAPERS:** The following background papers were used in the preparation of this report:

- Delivering Good Governance in Local Government – The Framework and Guidance Note for English Authorities – CIPFA/SOLACE plus Addendum (December 2012)
- The Annual Governance Statement: Meeting the Requirements of the Accounts and Audit Regulations 2003, Incorporating Accounts and Audit (Amendment) (England) Regulations 2006
- The CIPFA Finance Advisory Network – A Rough Guide for Practitioners 2007/08.
- Application Note to Delivering Good Governance in Local Government – a Framework – CIPFA/SOLACE – March 2010
- Accounts and Audit (England) Regulations 2011

- Statement on the Role of the Head of Internal Audit in Local Government – CIPFA – December 2010
- Statement on Role of the Chief Financial Officer – CIPFA

To inspect these documents contact Bridget Bishop on extension 8182.

The authors and contact officers for queries on the report are:

Simon Pugh, Head of Legal Services and Monitoring Officer, on (01223) 457401 or email [simon.pugh@cambridge.gov.uk](mailto:simon.pugh@cambridge.gov.uk); and

Steve Crabtree, Head of Internal Audit, on (01223) 458181 or e-mail [steve.crabtree@cambridge.gov.uk](mailto:steve.crabtree@cambridge.gov.uk)

## Annual Governance Statement

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### Scope of Responsibility

Cambridge City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Cambridge City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Cambridge City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Cambridge City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on our website at [www.cambridge.gov.uk](http://www.cambridge.gov.uk) or can be obtained from the Chief Executive, The Guildhall, Cambridge. This statement explains how Cambridge City Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 regulation 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

### The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which Cambridge City Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Cambridge City Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Cambridge City Council for the year ended 31 March 2015 and up to the date of approval of the annual report and statement of accounts.

## The Governance Framework

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

- The Council's Objectives, which focus the Council's efforts in achieving the vision for Cambridge.
- The Annual Statement, which reiterates the vision and sets out a range of activities the Council will undertake in the year ahead to achieve the vision, and its core underpinning values.
- The Annual Report, which contains information on financial performance and achievement of business objectives as articulated in the portfolio plans.
- The annual budget and service planning process which translates the Council's Objectives into actions at portfolio and operational level.
- The Council's Mid-Year Financial Review, which identifies how the Council will resource its aspirations and plans for any financial risks.
- The Budget Setting Report, which sets out the Council's overall spending plans for both revenue and capital expenditure.
- The Treasury Management Strategy and an Annual Treasury Report which reviews treasury management activities during the year and complies with the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.
- The arrangements for regular budget monitoring and reporting of significant variances to senior management.
  
- An independent Internal Audit function with a risk-based audit plan.
- An annual opinion of the Head of Internal Audit on the authority's internal control environment and risk management framework.
  
- The Council's Constitution, which sets out the decision-making process, the terms of reference for each committee and the roles and responsibilities of Members and officers.
- The Member/Officer protocol, which aids effective communication between officers and Members and clarifies their respective roles and responsibilities.
- Codes of Conduct for Members and officers, which have been formally approved and are reviewed regularly and available to all Members and staff.
- The Council's Civic Affairs Committee, which promotes and maintains high standards of conduct by Members and which has overall responsibility for the Council's compliance with laws and regulations.
- The role of the Council's Civic Affairs Committee, which fulfils the core functions of an Audit Committee as identified in CIPFA's 'Audit Committees – Practical Guidance for Local Authorities'.
- The Council's Prevention of Fraud and Corruption Policy which is in place and reviewed regularly by the Council's Civic Affairs Committee.
- A Register of Interests, which is maintained and reviewed regularly.
- Financial Regulations and Financial Procedure Rules which provide a framework for managing the Council's financial affairs and set out the financial accountabilities and responsibilities for Members and officers.
- A corporate Risk Management Framework, which includes a Risk Management Strategy approved by Members and a comprehensive risk register identifying the key controls and actions required to manage the Council's principal risks.

- The Procurement Policy and Strategy and the Council's Contract Procedure Rules, which set out how the Council will promote effective procurement across the Council.
- The Chief Executive is the Council's Head of Paid Service and the Head of Legal Services is the Council's Monitoring Officer. Their roles and responsibilities are set out in the Council's Articles of the Constitution.
- A 'Whistleblowing' Policy, which is in place and available on the Council's intranet.
- The Council's Complaints Procedure, which is available on the Council's website and the Independent Complaints Investigator who can investigate how the Council has dealt with its complaints.
- The annual complaints report to Civic Affairs Committee, which analyses trends in complaints against the Council and what has been done to address them.
- Member Induction training and a guide for new Members, together with ongoing training for Members on key skills and more in-depth explanations of issues concerning the Council.
- The Council's Performance Review process which is undertaken annually across the Council for all staff.
- The Council's Competency Framework, which is in place for all staff and managers.
- The Council's People Strategy, which sets out how the Council will recruit, reward and develop its staff to reach their full potential.
- The Media Protocol, which sets out the processes for drafting and clearing news releases and engaging with the media.
- The Programme Office, which commissions and monitors projects to implement change and transformation.
- The Citizens' Survey and/or budget consultation, which are undertaken periodically to gauge the public's perception of Council services, our spending priorities, communication with us and feelings of safety.
- The Code of Corporate Governance, which sets out the ways in which the Council ensures that its business is conducted in accordance with law and proper standards and that public money is safeguarded and properly accounted for.
- A framework to guide the Council's engagement with external partnerships that will ensure the Council's partnerships are accountable and effective.
- The corporate website, residents' magazine and social media channels, which along with other publications and communications provide for informing and engaging residents and other stakeholders in service delivery and policy formulation.
- A Code of Best Practice on Consultation and Community Engagement, adopted by the Council which sets out the Council's approach to consultation.
- Internal quarterly performance reporting against key performance indicators for each service prepared for and presented to the strategic leadership team to consider necessary remedial action.

CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) sets out some principles regarding the status of the Chief Financial Officer (also referred to as the "section 151 officer".) The statement says:

"Local authorities are required to have a suitably qualified CFO with certain defined responsibilities and powers. The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report , together with how these deliver the same impact."

The Head of Finance is the Council's Chief Financial Officer and fulfils the role of the S151 officer, reporting to the Director of Business Transformation. Although this is not a director level appointment, and not a direct report to the Chief Executive, organisational arrangements are in place to ensure that the outcomes of the CIPFA governance requirements are met. Whilst line management responsibility rests with the Director of Business Transformation, the Head of Finance is a full member of the Council's Strategic Leadership Team and reports directly to the Chief Executive on financial matters.

## **Review of Effectiveness**

Cambridge City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Heads of Service within Cambridge City Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual opinion, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council's Constitution details Directors' responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is informed by the Council's risk register, with the allocation of audit resources controlled through an annual risk-based operational plan, which is agreed, annually, by the Council's Civic Affairs Committee.

Individual Internal Audit reports are issued directly to the Chief Executive, the relevant Director, the Director of Business Transformation, the Council's Monitoring Officer, the Head of Finance (S151 Officer), the Leader of the Council and the relevant Executive Councillor. Each audit report contains an independent assurance opinion on the adequacy and effectiveness of the internal controls in place to mitigate risks. Management actions agreed in Internal Audit reports are entered into to the Council's Risk Register and progress on their implementation is reported to and monitored by the Chief Executive and the Strategic Leadership Team. Implementation rates of agreed actions are also reported to Civic Affairs.

In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms.

The Head of Finance is the Authority's Chief Financial Officer and is therefore responsible for the proper administration of the authority's financial affairs. The Head of Finance is line managed by the Director of Business Transformation but reports directly to the Chief Executive on financial matters and is a full member of the Strategic Leadership Team.

The Council's Civic Affairs Committee is responsible for advising on and monitoring the Members Code of Conduct and for advising the Council on the ethical aspects of the corporate governance framework. This arrangement replaces the previous responsibilities of the Council's Standards Committee, which was disbanded in July 2012.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Civic Affairs Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those specifically addressed with new actions planned are outlined below.

**Action Plan to Address Significant Governance Issues During 2015-16**

	<b>Issue</b>	<b>Action</b>	<b>Target Date</b>	<b>Officer Responsible</b>
1	<p><b>Delivery of Savings Targets</b></p> <p>The Council is embarking on a long term programme of transformation which will make fundamental changes to the way its services are delivered, in order to achieve the required savings targets for the next three years.</p> <p>Work undertaken by Internal Audit in 2014/15 on the 'Achievement of Income and Savings' identified that while there were regular budget variance monitoring arrangements in place at the time of audit:</p> <ul style="list-style-type: none"> <li>• There was no formal process for monitoring progress with and delivery of the specific savings initiatives identified in the Budget Setting Report.</li> <li>• The budget monitoring process did not require regular identification of the year end (outturn forecast) position.</li> <li>• For some initiatives there had been a lack of due diligence in quantifying the savings figures at the time of budget preparation.</li> </ul> <p>Actions were agreed with management to address these points going forward and since then significant improvements to controls have been implemented as follows:</p>	<p>Complete follow-up review of the audit on 'Achievement of Income &amp; Savings' to ensure all agreed actions have been implemented.</p>	31 March 2016	Head of Internal Audit



	<b>Issue</b>	<b>Action</b>	<b>Target Date</b>	<b>Officer Responsible</b>
	<ul style="list-style-type: none"> <li>• Forecast outturns have been reported to SLT and SLT/Executive for a number of months; and</li> <li>• The first review of the delivery of savings targets for 2015/16 has been performed and reported, and this will continue quarterly through 2015/16.</li> </ul>			
2	<p><b>Business Transformation</b></p> <p>As part of the transformation agenda there is a need to ensure that appropriate governance arrangements are set up for any new service delivery methods put in place to ensure that the Council's interests are protected.</p>	Ensure that appropriate governance arrangements are put in place for all new service delivery operations.	31 March 2016	Director of Business Transformation
3	<p><b>Whistleblowing Arrangements</b></p> <p>The Council's Whistleblowing Policy was last reviewed in July 2010. It is felt appropriate to review the policy now in light of recent recommendations arising from the NHS 'Freedom to Speak up' review and also to take into account how whistleblowing procedures will work under forthcoming changes to service delivery arrangements, such as shared services.</p>	Review the Council's Whistleblowing Policy taking into account the issues identified.	31 March 2016	Head of Internal Audit/ Head of Human Resources

	<b>Issue</b>	<b>Action</b>	<b>Target Date</b>	<b>Officer Responsible</b>
4	<p><b>People Strategy</b></p> <p>The Council's People Strategy sets out how the Council will recruit, reward and develop its staff to reach their full potential. This strategy is currently under review.</p>	Complete the review of the Council's People Strategy.	31 March 2016	Head of Human Resources
5	<p><b>Information Security</b></p> <p>Information Security remains a key risk to the Council. A great deal of work has been undertaken over the last couple of years to address this issue, including revision and re-issue of the Council's policies and guidance for staff and the commissioning of Data Protection training for staff and managers across the organisation.</p> <p>There have been two minor data security breaches during 2014/15 which have been reported to the ICO and addressed appropriately. It is important, however, that the Council continues to review its processes and raise awareness across the Council amongst all staff and managers to ensure that data security is effectively managed.</p>	The Information Security Group (ISG) to continue to review data security arrangements across the Council and respond to any security breaches as appropriate.	31 March 2016	Head of Corporate Strategy (as Chair of ISG)

6	<b>Homelessness</b>  A review of the Homelessness service was undertaken by Internal Audit in 2013/14 in light of three Local Government Ombudsman reports and a number of key actions were agreed to address the issues raised. A follow up audit was undertaken in 2014/15 and whilst significant improvements had been made, some of the agreed Internal Audit actions had not yet been implemented in full. All of the actions are now in hand and where they have not yet been completed this is a matter of timing, for example the Homelessness Strategy will be incorporated into the Housing Strategy, which is due go to committee in September 2015.	Undertake a further follow up audit to ensure all agreed Internal Audit actions have been implemented in full.	31 March 2016	Head of Internal Audit
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7	<p><b>Counter-Fraud Arrangements</b></p> <p>In April 2015 responsibility for Housing Benefit (HB) fraud investigation work transferred to the Single Fraud Investigation Service operated by the Department for Work Pensions (DWP) and fraud investigation resources have since been re-aligned.</p> <p>The Council's Fraud Prevention Team (FPT) still acts as the 'single point of contact' for HB fraud and continues to undertake Housing Tenancy and Council Tax Support fraud investigations. The FPT has been successful in securing funding from the Department for Communities and Local Government (DCLG) to fund a post for 6 months to support the Housing fraud investigation work and is also employing an apprentice for an 18 month period as well as a two year fixed-term contract post.</p> <p>Following the recent changes to the FPT and to ensure compliance with CIPFA's Code of Practice on 'Managing the Risk of Fraud and Corruption' issued in 2014, it is now timely to review the approach to counter-fraud delivery work.</p>	<p>Conduct a review to identify potential fraud risks facing the Council and populate the Risk Register with the details.</p> <p>Develop a strategy to set out the Council's approach to managing these risks and its counter-fraud delivery arrangements.</p>	31 March 2016	Head of Internal Audit in conjunction with Head of Revenues & Benefits and the Head of Finance (S151 Officer)
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8	<p><b>Business Planning and Performance Measurement</b></p> <p>The current business planning process has been in place for four years since 2011-12 and involves the production of 7 strategic portfolio plans, underpinned by more detailed operational plans at service level.</p> <p>Performance against the portfolio and operational plans is partly measured by a set of 40 performance indicators (PIs), which were agreed by Strategic Leadership Team in 2011 and are monitored by them on a quarterly basis. The PIs themselves are reviewed regularly by SLT to ensure they remain relevant to corporate policies.</p> <p>It has been proposed to review the current business planning process with a view to streamlining arrangements and draw on best practice in this area.</p>	Complete the review of the business planning process, including links to key performance indicators, to ensure a more streamlined approach to business planning.	28 February 2016	Head of Corporate Strategy
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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

.....  
Councillor Lewis Herbert  
Leader of the Council

Date: 2015

.....  
Antoinette Jackson  
Chief Executive

Date: 2015

# Cambridge City Council - Code of Corporate Governance 2015-16

**Review Date: 26 June 2015**

A Council's Code of Corporate Governance is:

**“The system by which local authorities direct and control their functions and relate to their communities”**

Guidance from CIPFA and SOLACE suggests each local authority should have a Code of Corporate Governance based on 6 principles:

- 1 Focusing on the purposes of the authority; on outcomes for the community; and creating and implementing a vision for the local area.
2. Members and Officers working together to achieve common purposes with clearly defined functions and roles.
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and risk management.
5. Developing the capacity and capability of Members and Officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

The Council adopted a Code of Corporate Governance on 25 April 2002. It has been reviewed annually since then. This is the 2015 review. The Council's Civic Affairs Committee will be asked to consider the revised Code and to recommend it to full Council for adoption.

This Code takes each of the principles of good governance in turn and sets out the systems, processes and principles the Council has put in place to ensure good corporate governance.

The Code will be reviewed annually through the Annual Governance statement process, which will identify the actions to be taken to enhance the code or address any limitations with in it.

Simon Pugh  
Head of Legal Services and Monitoring Officer

5 June 2015



**1 Focusing on the purpose of the authority; on outcomes for the community; creating and implementing a vision for the local area**

		<b>Supporting Evidence</b>
1.1	<p><b>The Council will have a clear vision for the City and set objectives to guide the Council's activities.</b></p> <p><b>It will review those objectives each year, through the Annual Statement agreed at the Annual Council meeting.</b></p>	<p>Vision</p> <p>Annual Statement</p>
1.2	<p><b>The Council will agree with partners a business plan for the Local Enterprise Partnership, and contribute to the agreement of priorities for the Health &amp; Wellbeing Board and other relevant countywide partnerships.</b></p>	<p>Local Enterprise Partnership Business Plan</p> <p>Health and Wellbeing Strategy</p>
1.3	<p><b>The Council will have a Mid-Year Financial Review to resource the Council's aspirations and to assess and plan for any financial risks. The strategy will be reviewed annually.</b></p>	<p>Mid-Year Financial Review</p>
1.4	<p><b>The Council will put service to the public first. The annual portfolio planning process will be used to agree the priorities for each area of Executive Councillor responsibility. The Plans express the strategic objectives for the portfolio over the financial year 2015/16 and beyond.</b></p>	<p>Portfolio Plans</p> <p>Agenda for Scrutiny Committees March 2015/16 cycle</p>

	<p><b>Beneath each of the objectives are detailed the particular outcomes to be achieved in 2015/16. Finally the plans will include performance measures that will provide evidence that the outcomes have been achieved.</b></p> <p><b>This information will enable members and the services contributing to the delivery of the plan to be clear about the priorities for the portfolio and will assist in decisions about where resources should be focussed within the portfolio.</b></p> <p><b>Heads of individual service areas prepare operational plans indicating how they will meet objectives set in portfolio plans and setting out their priorities and work programmes for the year ahead.</b></p>	Operational Plans
1.5	<p><b>Each year the Council will publish an Annual Report and Statement of Accounts giving information on the authority's vision, strategy, performance, future plans and financial statements.</b></p>	Annual Report and Statement of Accounts
1.6	<p><b>The Council will seek to provide value for money to local people.</b></p> <p><b>It will work to maximise its resources by delivering services as efficiently as possible, working in partnership with others and using other providers where these are the best options.</b></p> <p><b>It will have a clear Procurement Strategy designed to meet the Council's wider objectives and Contract Procedures Rules designed to deliver robust and fair procurement processes.</b></p>	Procurement Strategy

## 2 Members and Officers working together to achieve common purposes with clearly defined functions and roles

		Supporting Evidence
2.1	<p><b>The Council will set out a clear statement of the roles and responsibilities of Executive Members, other Members and Council Officers in its Constitution.</b></p> <p><b>The scheme of delegation within the Constitution will make clear what matters are reserved for collective decision-making by full Council.</b></p>	<p>Constitution</p> <p>Member/Officer Protocol</p>
2.2	<p><b>A Member/Officer protocol will be used to aid effective communication between Officers and Members and to clarify their respective roles and appropriate ways of working.</b></p>	
2.3	<p><b>The Council's Chief Executive is its Head of Paid Service responsible and accountable to the authority for its operational management.</b></p> <p><b>The Head of Finance is the Council's Chief Financial Officer and S151 Officer, responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.</b></p> <p><b>The Head of Legal Services is the Council's Monitoring Officer, responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.</b></p>	<p>Constitution</p> <p>Job Descriptions for the Chief Executive, Head of Finance and Monitoring Officer</p> <p>Schedule on the Role of the Chief Financial Officer</p>

2.4	<b>The Council will ensure that these Statutory Officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.</b>	Portfolio Plans Performance Reviews Professional Qualifications and training
2.5	<b>The Council's Civic Affairs Committee will be responsible for constitutional issues and will ensure that the constitution is monitored and updated when required.</b>	Terms of Reference of Civic Affairs Committee
2.6	<p><b>The Council will use an Independent Remuneration Panel to give advice on payments for Members and consider their advice when setting the Members' Allowance Scheme.</b></p> <p><b>The Panel will operate in an open and transparent manner, making their agendas, reports and minutes available to the public.</b></p> <p><b>The Members' Allowance Scheme will also be made available to the public and on the Council's website and the scheme will be reviewed annually.</b></p>	Independent Remuneration Panel Terms of Reference Independent Remuneration Panel agendas, reports and minutes Members' Allowance Scheme Pay Policy Statement
2.7	<b>When working in partnerships the Council will ensure that Members are clear about their roles and responsibilities, both individually and collectively, in relation to the partnerships and to the Council.</b>	Partnership Terms of Reference Principles of Partnership Working

<p><b>It will also ensure that there is clarity about the legal status of each partnership and that all representatives in the partnership have clarity about their powers to bind their own organisation to partnership decisions.</b></p>	
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<p><b>The Council will operate in accordance with principles of partnership working agreed with our key partner organisations.</b></p>	
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**3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

		<b>Supporting Evidence</b>
3.1	<p><b>The Council will expect the authority's leadership – both Members and Officers - to create a climate of openness, support and respect and to uphold the Council's values as expressed in the Council's Mid-Year Financial Review document.</b></p> <p><b>The standards of conduct and personal behaviour expected of Members and staff will be set out in the Officer Code of Conduct, the Member Code of Conduct and in the Member/ Officer protocol. An up-to-date register of Member and Officer Senior Officer Interests will be maintained.</b></p>	<p>Constitution</p> <p>Confidential Whistleblowing Policy</p> <p>Annual Complaints Report</p> <p>Prevention of Fraud and Corruption Policy</p> <p>Register of Interests</p>
3.2	<p><b>The Council has adopted a Code of Conduct for Councillors and has put in place procedures for considering complaints. The Council has appointed two “independent persons” to support this, in accordance with the requirements of the Localism Act, 2011.</b></p> <p><b>It will maintain a Whistleblowing policy to enable confidential reporting of suspected breaches of the Officer Code of Conduct or unethical behaviour and will report on how the policy is used through the Annual Review of the Prevention of Fraud and Corruption Policy.</b></p> <p><b>It will also maintain a Prevention of Fraud and Corruption Policy and both policies will be reviewed regularly by the Civic Affairs Committee.</b></p>	<p>Code of Conduct for Councillors</p> <p>Terms of reference for Independent Persons</p> <p>Annual Complaints Report</p> <p>Whistleblowing Policy</p>

	<b>The terms of reference of the Civic Affairs committee includes responsibility for advising on the Council's ethical framework and the promotion of openness, accountability and probity to ensure the highest standards of conduct.</b>	Prevention of Fraud and Corruption Policy Terms of reference for Civic Affairs Committee
3.3	<b>The behaviour expected of staff and managers will be set out in the Council's competency framework and this will be used as the basis for staff performance appraisal.</b>	Competency Framework Grievance and Disciplinary Procedures
3.4	<b>The Council's standing orders and financial regulations will put in place processes designed to ensure that Members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.</b>	Constitution
3.5	<b>The Council will ensure all partnerships with which it is engaged have a set of values or criteria against which decision-making and actions can be judged. It will work with those partnerships to ensure they are open and accountable and have clear governance structures in place.</b>	Partnership Terms of Reference Principles of Partnership Working

**4. Taking informed and transparent decisions which are subject to effective scrutiny and risk management.**

		<b>Supporting Evidence</b>
4.1	<b>The Council will operate within the legal framework for local councils complying with its statutory duties and making the most of its powers to meet the needs of the City and its residents.</b>	Core Competencies for managers Managers' Job Descriptions Role of Monitoring Officer
4.2	<b>The Council will hold its meetings, and those of its committees and working groups, in public unless there are good reasons for confidentiality. The public will be allowed to ask questions at all Council and committee meetings.</b>	Committee Agendas Constitution Committee Forward Plan



4.3	<p><b>The Council will make sure members of the public have access to information about the workings of the Council. It will make clear what information is routinely published through its Freedom of Information Publication scheme and will respond promptly to requests for information. The Council will publish on its website all responses to Freedom of Information requests.</b></p>	<p>Publication Scheme Freedom of Information requests monitoring reports Council Website Open data</p>
4.4	<p><b>The Council will respect the personal data of its citizens, employees, suppliers and others the Council may communicate with in line with the principles of the Data Protection legislation and will make this clear in its own Data Protection Policy. The Council will respect the privacy of members of the public when carrying out investigations and will ensure that privacy is only interfered with when the law permits and there is clear public interest justification.</b></p>	<p>Data Protection Policy Regulation of Investigatory Powers Act 2000 – Procedure guidance</p>
4.5	<p><b>The Council will record the deliberation of scrutiny committees and the reasons for Executive and Regulatory decisions and make agenda papers and minutes available on the Council’s website. The Council will also record and publish on the website written questions asked at Council meetings and their answers, and oral questions and answers where these are available.</b></p>	<p>Agendas and Minutes of Committees Council website</p>

4.6	<b>Officers will use standard report templates for committee and executive reports to help ensure that readers are provided with information that is accurate, complete and unbiased. Reports will make clear the options available so that the implications of all decisions and strategic risks can be assessed before those decisions are made.</b>	Standard committee report templates
4.7	<b>The Council will actively consider the environmental impact of the Council's decisions before those decisions are made.</b>	Environmental Assessment Tool for Council Policies Plans and Projects Environmental Policy Statement Committee reports
4.8	<b>The Council will develop and maintain an effective Scrutiny process to encourage constructive challenge and enhance the Council's performance.</b> <b>It will also have clear protocols about Members' access to information and officer advice to enable them to perform their roles.</b>	Terms of Reference of Scrutiny Committees Protocol
4.9	<b>The Council will have a network of Area Committees to ensure neighbourhood issues are considered in the Council's decision-making processes.</b>	Area Committee terms of reference

4.10	<b>The Council will have a Joint Development Control Committee with the County Council and South Cambridgeshire District Council for decisions affecting growth sites bordering the City and South Cambridgeshire.</b>	Terms of reference of Joint Development Control Committee
4.11	<b>The Council will have a clear and publicised complaints system, including the appointment of an independent complaints investigator, so that members of the public can express dissatisfaction with Council services and their concerns can be monitored and addressed.</b> <b>It will publish an Annual Complaints report analysing trends in complaints against the Council and what has been done to address them.</b>	Complaints leaflet On-line complaints form Annual Complaints report
4.12	<b>The Council's Civic Affairs Committee will fulfil the core functions of an Audit Committee.</b>	Terms of Reference of the Committee
4.13	<b>The Council will maintain an independent Internal Audit function, with a risk-based annual audit plan, designed to test regularly that the Council's policies and processes operate in practice and that the Council complies with legislation and good practice.</b> <b>The Head of Internal Audit will produce an annual opinion on the Council's internal control environment to meet the requirements of the Public Sector Internal Audit Standards.</b>	Annual Audit Plan Head of Internal Audit Opinion Annual Governance Statement

	<b>The Head of Internal Audit Opinion will be used to inform an Annual Governance Statement and this will be signed off by the Chief Executive and Leader of the Council.</b>	
4.14	<b>The Council will also agree an annual work plan with its External Auditors to test the Council's response to major legislation and the soundness of its financial and governance processes. Recommendations arising from internal and external audit and inspection processes will be used to inform future decision-making.</b>	Terms of Reference of Civic Affairs Committee Risk Register Annual Audit letter
4.15	<b>The Council will ensure that risk management is embedded into the culture of the authority, with managers at all levels recognising that risk management is part of their job. It will have a Risk Management Strategy, supplemented by procedures and guidance.</b>	Risk Management Strategy Procedures and guidance on the Council's Intranet
4.16	<b>The Council will undertake systematic risk assessments in all areas of Council activity, including those covered by Health and Safety legislation. It will maintain a corporate risk register detailing the Council's strategic and service risks and review this regularly.</b>	Risk Assessments Risk Register
4.17	<b>The Council will ensure that risk assessment is incorporated into the Council's decision making and Members are advised of the Council's risk profile at key stages.</b>	Risk Management Strategy and Guidance

## 5. Developing the capacity and capability of Members and Officers to be effective

		<b>Supporting Evidence</b>
5.1	<b>The Council will seek to maintain its Investors in People accreditation.</b>	IIP Accreditation
5.2	<b>The Council's People Strategy will set out how the Council will recruit, reward and develop its staff to reach their full potential. Staff joining the Council will be offered an induction programme and their training and development needs will be reviewed regularly through the Council's annual performance review process, which applies to all staff.</b>	People Strategy Council Induction Programme Performance Review process
5.3	<b>The Council will have up-to-date job descriptions. It will set and monitor clear objectives for Officers through the annual performance review process.  It will agree appropriate remuneration for officers based on an agreed framework of national and local agreements which include job evaluation.</b>	Job Descriptions Performance Review process  Competency Framework

5.4	<p><b>The Council will offer all new Members an induction programme and the opportunity to develop, with the Member Training Champions, a tailored personal development plan to meet their needs. The Council will also provide resources for training, attending conferences/seminars and briefings in-house for all elected Members. It will keep a register of the training received by Members and will involve the Member Training Champions in reviewing training needs and the resources available during the year.</b></p>	Member Induction Programme
5.5	<p><b>The Council will encourage and facilitate Members to have appropriate training or briefing before performing certain roles (e.g. dealing with staff recruitment or disciplinary issues, being a member of the Planning or Licensing Committees).</b></p>	
5.6	<p><b>The Council will seek expertise from outside the authority when it does not have the necessary skills in-house, making use of peer reviews and other mechanisms for ensuring challenge of Council services.</b></p>	
5.7	<p><b>The Council will seek to encourage engagement in its work through a variety of means including through area committees, public representatives on the Equalities Panel, Tenant Representatives on the Housing Scrutiny Committee and involvement of appointed “Independent Persons” in the work of the Civic Affairs Committee.</b></p> <p><b>It will also put resources into outreach work through its community development services and support to tenant and leaseholder representatives.</b></p>	<p>Membership and Terms of Reference of these bodies</p> <p>Public Questions and petitions</p>

## 6. Engaging with local people and other stakeholders to ensure robust public accountability

		<b>Supporting Evidence</b>
6.1	<p><b>The Council will ensure that the authority as a whole is open and accessible to the community, service users and its staff.</b></p> <p><b>It will promote the role of Councillors and make the public know who the Councillors are, what roles they have on the Council and how to contact them.</b></p> <p><b>It will treat everyone fairly and strive to treat all as rational people able to make up their own minds.</b></p> <p><b>It will also strive to provide services on the basis of need rather than ability to pay.</b></p>	<p>Citizen Survey results</p> <p>Public Question Time and Petition procedures</p> <p>Council Website</p> <p>Cambridge Matters</p> <p>Annual Statement</p> <p>Charging policies for services</p>
6.2	<p><b>The Council will make clear through its website and other Council publications the services that it is responsible for, how people can contact the Council and the service standards they can expect.</b></p>	<p>Council website</p> <p>Council Tax Leaflet</p> <p>Annual Report</p> <p>Open Door</p> <p>Cambridge Matters</p>
6.3	<p><b>The Council will undertake surveys of residents to ensure that it has up to date information about their priorities and levels of satisfaction with the Council and its services.</b></p>	<p>Budget Consultation</p>

6.4	<p><b>The Council's consultation programme will ensure that the Council proactively seeks the views of a wide range of people and engages with all sections of the community effectively.</b></p> <p><b>This will be achieved through a mix of corporate consultation initiatives with more targeted consultation on service specific issues led by relevant departments.</b></p>	<p>Consultation reports Statement of Community Involvement Code of Best Practice on Consultation and Community Engagement</p>
6.5	<p><b>The Council will seek to ensure all views are actively considered when making decisions, recognising that it is not always possible to reconcile conflicting viewpoints.</b></p> <p><b>The Council will ensure it makes feedback available to consultees on the outcomes of consultation, what has changed as a result and explaining why it has made the decisions it has.</b></p>	<p>Consultation pages on website Council Publications Code of Best Practice on Consultation and Community Engagement</p>
6.6	<p><b>The Council will undertake Equality Impact Assessments of all major Council decisions and take action to implement changes required, to ensure that council services and policies consider the diverse needs of its service users and citizens.</b></p> <p><b>It has a Single Equalities Scheme covering race, disability, gender age, sexual orientation and religion or belief and an Action Plan will be reviewed annually.</b></p> <p><b>It will also use "Mapping Poverty" research data, or other relevant data, to inform decisions about relative deprivation in the City.</b></p>	<p>Examples of Equality Impact Assessments Annual Review of Equalities Single Equality Scheme Comprehensive Equalities Action Plan Mapping Poverty report</p>



6.7	<b>The Council's Equalities Panel (which has staff, member and public representatives) will help the Council evaluate its success in promoting diversity and meeting a broad range of needs.</b>	Terms of Reference and agendas of meetings
6.8	<b>The Council will enter into compacts with Tenants and the Voluntary Sector agreeing ways of working with these two stakeholder groups. The Compacts will be reviewed on a regular basis.</b>	Compact documents
6.9	<b>The Council will set out in its collective agreements, employment policies and procedures, and terms of reference for forums and meetings involving trade unions, and how it will consult with staff and Trade Unions.</b>	Collective Agreements Employment policies and procedures Trade Union Facilities Agreement
6.10	<b>Members will meet with the Trade Unions in a Joint Staff/ Employer Forum. Each council department will have departmental staff forums and there will be a monthly Joint Trade Unions Group meeting.</b>	Joints Staff /Employer Forum Terms of Reference and Agendas/Joint Trade Unions Group Agendas and Minutes Trade Union Facilities Agreement

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## CAMBRIDGE CITY COUNCIL

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REPORT OF: Head Of Finance

TO: Civic Affairs Committee

26/6/2015

WARDS: None directly affected

### **EXTERNAL AUDIT 2014/15 AUDIT PLAN**

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#### **1 INTRODUCTION**

- 1.1 The attached Audit Plan (Appendix 1) from Ernst & Young (EY) summarises their approach to the audit of the financial statements and the value for money (VFM) conclusion for 2014/15.
- 1.2 Three risks are currently highlighted by EY in relation to the accounts. Significant risks are identified around property asset valuation and management override. The plan notes that the risk of management override is considered as a risk on every audit engagement. The report also identifies investment valuation as a risk.
- 1.3 EY staff will be available to discuss their report and answer any detailed questions arising from it.

#### **2. RECOMMENDATIONS**

- 2.1 That the contents of the external audit plan are noted.

#### **3. BACKGROUND**

- 3.1 In line with the Audit Commission's Code of Audit Practice, Ernst & Young are required to review and report on the Council's
  - Financial statements;and
  - Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code of Audit Practice. (The "Value for Money" (VFM) conclusion)

3.2 The attached audit plan details the approach that EY will use in relation to the 2014/15 audit. It specifies the work they will undertake, when they anticipate undertaking this work and how they will report their findings. It also details EY's assessment of the key risks with regard to the financial statements.

#### 4. **IMPLICATIONS**

- (a) **Financial Implications** The audit fee relating to the costs of the audit work is included within existing budgets.
- (b) **Staffing Implications** None
- (c) **Equal Opportunities Implications** None
- (d) **Environmental Implications** None
- (e) **Procurement** None
- (f) **Consultation and communication** None
- (g) **Community Safety** None

**BACKGROUND PAPERS:** The following are the background papers that were used in the preparation of this report:

N/A

The author and contact officer for queries on the report is Charity Main on extension 8152.

Report file: O:\accounts\Committee Reports & Papers\Civic Affairs\June 2015\External Audit 2014-15 Audit Plan.docx

Date originated: 09 June 2015  
Date of last revision: 09 June 2015

# Cambridge City Council

Year ending 31 March 2015

Audit Plan

17 March 2015



Building a better  
working world

DELIBERATELY LEFT BLANK FOR PRINTING PURPOSES

Civic Affairs Committee  
Cambridge City Council  
The Guildhall  
Cambridge  
CB2 3QJ

17 March 2015

Dear Committee Members

## 2014/15 Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Civic Affairs Committee with a basis to review our proposed audit approach and scope for the 2014/15 audit in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, Standing Guidance, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this plan with you on 25 June 2015 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mark Hodgson  
Director  
For and behalf of Ernst & Young LLP  
Enc

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – 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, you may take the issue up with your usual partner or director contact. 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. We can provide further information on how you may contact our professional institute.

# 1. Overview

## Context for the audit

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ our audit opinion on whether the financial statements of Cambridge City Council give a true and fair view of the financial position as at 31 March 2015 and of the income and expenditure for the year then ended;
- ▶ a statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

When planning the audit we take into account several key inputs:

- ▶ strategic, operational and financial risks relevant to the financial statements;
- ▶ developments in financial reporting and auditing standards;
- ▶ the quality of systems and processes;
- ▶ changes in the business and regulatory environment; and
- ▶ management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council. Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

In parts three and four of this plan we provide more detail on the above areas and we outline our plans to address them. Our proposed audit process and strategy are summarised below and set out in more detail in section five.

We will provide an update to the Civic Affairs Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2015.

## Our process and strategy

### Financial statement audit

We consider materiality in terms of the possible impact of an error or omission on the financial statements and set an overall planning materiality level. We then set a tolerable error to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an appropriately low level. We also assess each disclosure and consider qualitative issues affecting materiality as well as quantitative issues.

We assess the controls in operation in each process affecting the financial statements and consider whether we will rely on internal controls. We do not currently expect to rely on the controls operating over any of the Council's systems as we believe a substantive audit approach to be more efficient.

To the fullest extent permissible by auditing standards, we intend to consider internal audit's work in documenting your financial systems and controls. We will liaise with internal audit and consider their work, where we consider it appropriate to do so in aiding our understanding of your control environment.

**Arrangements for securing economy, efficiency and effectiveness**

Our approach to the value for money (VFM) conclusion for Cambridge City Council for 2014/15 is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place within the Council for:

- ▶ securing financial resilience
- ▶ challenging how the Council secures economy, efficiency and effectiveness.

We adopt an integrated audit approach, so our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

Further detail is included in section 4 of this Audit Plan.

## 2. The Local Audit and Accountability Act 2014

The Local Audit and Accountability Act 2014 (the 2014 Act) closes the Audit Commission and repeals the Audit Commission Act 1998.

The 2014 Act requires the Comptroller and Auditor General to prepare a Code of Audit Practice. This must be laid before Parliament and approved before 1 April 2015.

Although this new Code will apply from 1 April 2015, transitional provisions within the 2014 Act provide for the Audit Commission's 2010 Code to continue to apply to audit work in respect of the 2014/15 financial year. This plan is therefore prepared on the basis of the continued application of the 2010 Code of Audit Practice throughout the 2014/15 audit.

### 3. Financial Statement risks

We outline below our assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<p><b>Property Asset Valuation</b></p> <p>Valuation of property assets and capital expenditure are significant accounting estimates that have material impact on the financial statements.</p> <p>Changes in the assumptions and the basis of valuation can have a material impact on the reported figures.</p> <p>The council uses external valuers – but the Council instructs them on the basis of the valuation - so if the wrong accounting treatment is chosen the resultant valuation could be materially misstated.</p> <p>The fixed asset register and supporting spreadsheets hold a high volume of data. These are used to derive the journal entries to bring the external valuations into the accounts. Errors in the formulae could lead to errors in the accounting entries</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Reliance on management's experts and review of the instructions given to that valuer</li> <li>▶ Consideration of the accounting treatments and basis of valuation as required by the Code</li> <li>▶ Test of detail if required</li> <li>▶ Test of the journals, supporting spreadsheets and derivation of accounting entries.</li> </ul>
<p><b>Risk of management override</b></p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>One area which may be susceptible to manipulation is whether expenditure is defined as capital or revenue and the allocation of assets between the general fund and the Housing Revenue Account.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>▶ reviewing accounting estimates for evidence of management bias, and</li> <li>▶ evaluating the business rationale for significant unusual transactions</li> <li>▶ We will test the additions to the Property Plant and Equipment balance to ensure they are properly allocated between the general fund and the Housing Revenue Account. Our testing of revenue expenditure will include consideration of whether this is appropriately classified.</li> </ul>

## Other financial statement risks

### Investment valuation

The Council has invested £10 million in a CCLA property fund. The council intends to use an external expert (Sector) to value the investment at the year end.

Our approach will focus on:

- ▶ reliance on management's expert.

## Respective responsibilities in relation to fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ identifying fraud risks during the planning stages;
- ▶ enquiry of management about risks of fraud and the controls to address those risks;
- ▶ understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ determining an appropriate strategy to address any identified risks of fraud; and
- ▶ performing mandatory procedures regardless of specifically identified fraud risks.

We will consider the results of the National Fraud Initiative and may refer to it in our reporting to you.

## 4. Economy, efficiency and effectiveness

Our approach to the value for money (VFM) conclusion for Cambridge City Council for 2014/15 is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place at Council for securing:

1. financial resilience, and
2. economy, efficiency and effectiveness in the use of resources.

The Audit Commission VFM guidance for 2014/15 requires that auditors consider and assess the significant risks of giving a wrong conclusion and carry out as much work as is appropriate to enable them to give a safe conclusion on arrangements to secure VFM.

Our assessment of what is a significant risk is a matter of professional judgement, and is based on consideration of both quantitative and qualitative aspects of the subject matter in question.

For those significant risks identified by our risk assessment that are relevant to our VFM conclusion, where these risks will not be addressed by our financial statements audit work or work undertaken by the Council, Audit Commission or other review agency, we consider the need to undertake local VFM work.

The table below provides a high-level summary of our risk assessment and our proposed response to those risks.

Significant risks	Impacts arrangements for securing:	Our audit approach
<b>Financial Planning and management</b>		
<p>In recent years the Council has responded well to the financial pressures arising from the recent economic downturn, and reductions in the level of central government funding to local government. These factors and the Council's current other strategic plans will impact on the Council's budget and Medium Term Financial Strategy during the current and forthcoming financial years.</p>	<p>Financial resilience</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ The adequacy of the Council's budget setting process.</li> <li>▶ The robustness of any budget assumptions,</li> <li>▶ The effective use of scenario planning to assist the budget setting process.</li> <li>▶ The effectiveness of in year monitoring against the budget.</li> <li>▶ The Council's approach to prioritising resources.</li> <li>▶ The resilience of the medium term financial strategy in terms of savings requirement and level of general fund reserves.</li> </ul>

We will keep our risk assessment under review throughout our audit and communicate to the Civic Affairs Committee any revisions to the specific risks identified here and any additional local risk-based work we may need to undertake as a result.

## 5. Our audit process and strategy

### 5.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code') our principal objectives are to review and report on, the Council's:

- ▶ financial statements
- ▶ arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue a two-part audit report covering both of these objectives.

#### i) Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

#### ii) Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, we will rely as far as possible on the reported results of the work of other statutory inspectorates on corporate or service performance.

In examining the Council's corporate performance management and financial management arrangements, we consider the following criteria and areas of focus specified by the Audit Commission:

- ▶ arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- ▶ arrangements for securing economy, efficiency and effectiveness - whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

### 5.2 Audit process overview

To the fullest extent permissible by auditing standards, we intend to consider internal audit's work in documenting your financial systems and controls. This will enable us to more efficiently update our understanding of your systems and carry out the walkthrough of those systems as required under auditing standards. Our intention is to carry out a fully substantive audit in 2014/15 rather than rely on the operation of controls as we believe this to be a more efficient approach.

#### **Analytics**

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests



- ▶ give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Civic Affairs Committee.

### **Internal audit**

As referred to earlier, we intend to consider internal audit's work in documenting your financial systems and controls to inform our understanding of systems and controls.

We will review internal audit plans and the results of work undertaken. We will reflect the findings from these reports, together with reports from other work completed in the year, in our detailed audit planning, where issues are raised that could impact the year-end financial statements.

### **Use of experts**

We will use specialist EY resource as necessary to help us to form a view on judgments made in the financial statements. Our plan currently includes involving specialists in pensions.

### **Mandatory procedures required by auditing standards**

As well as the financial statement risks outlined in section three, we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

#### ***Procedures required by standards***

- ▶ addressing the risk of fraud and error;
- ▶ significant disclosures included in the financial statements;
- ▶ entity-wide controls;
- ▶ reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ auditor independence.

#### ***Procedures required by the Code***

- ▶ reviewing, and reporting on as appropriate, other information published with the financial statements, including the Governance Statement.
- ▶ reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO
- ▶ reviewing and examining, where appropriate, evidence relevant to the Council's corporate performance management and financial management arrangements, and its reporting on these arrangements.

## **5.3 Materiality**

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

ISA (UK & Ireland) 450 (revised) requires us to record all misstatements identified except those that are “clearly trivial”. All uncorrected misstatements found which are not “clearly trivial” will be presented to you in our year-end report.

## **5.4 Fees**

The Audit Commission has published a scale fee for all authorities. This is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of Cambridge City Council is £69,305.

## **5.5 Your audit team**

The engagement team is led by Mark Hodgson, who has significant experience on Cambridge City Council.

Mark is supported by Ruth Pritchard-Wooles through the initial planning and interim phase of the audit. Tony Poynton, will be responsible for the day-to-day direction of audit work and is the key point of contact for the Head of Finance.

## **5.6 Timetable of communication, deliverables and insights**

We have set out below a timetable showing the key stages of the audit, including the VFM work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Civic Affairs Committee’s cycle in 2014/15. These dates are determined to ensure our alignment with the Audit Commission’s rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Civic Affairs Committee and we will discuss them with the Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning, risk assessment and setting of scopes	January	<b>25 June 2015</b>	Audit Plan
Understanding routine processes and controls	January/ February	<b>25 June 2015</b>	Progress Report ( if applicable)
Year-end audit	August		
Completion of audit	September	<b>September 2015</b>	Report to those charged with governance via the Audit Results Report  Audit report (including our opinion on the financial statements; [our opinion on the regularity of your expenditure and income]; and overall value for money conclusion).  Audit completion certificate  Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	October	<b>December 2015</b>	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

## 6. Independence

### 6.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that we are independent;</li> <li>▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission’s Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

## **6.2 Relationships, services and related threats and safeguards**

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

### ***Self-interest threats***

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with the Audit Commission's Standing Guidance.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report

### ***Self-review threats***

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report

### ***Management threats***

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

### ***Other threats***

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report

### ***Overall Assessment***

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, the audit engagement Director and the audit engagement team have not been compromised.

### **6.3 Other required communications**

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended 27 June 2014 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2014>

## Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2014/15	Out-turn 2013/14	Published fee 2013/14	Explanation
	£	£	£	
Opinion Audit and VFM Conclusion	69,305	69,305	68,405	Additional fee of £900 approved by the Audit Commission for additional audit work for NDR changes.
<b>Total Audit Fee – Code work</b>	<b>69,305</b>	<b>69,305</b>	<b>68,405</b>	
Certification of claims and returns *	16,000	20,896	11,271	

*All fees exclude VAT.*

The agreed fee presented above is based on the following assumptions:

- ▶ officers meeting the agreed timetable of deliverables;
- ▶ we can rely on the work of internal audit as planned;
- ▶ the Audit Commission making no significant changes to the use of resources criteria on which our conclusion will be based;
- ▶ our accounts opinion and use of resources conclusion being unqualified;
- ▶ appropriate quality of documentation is provided by the Council and
- ▶ the Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

\*Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission.

## Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Civic Affairs Committee. These are detailed here:

Required communication	Reference
<p><b>Planning and audit approach</b> Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ significant difficulties, if any, encountered during the audit</li> <li>▶ significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ written representations that we are seeking</li> <li>▶ expected modifications to the audit report</li> <li>▶ other matters if any, significant to the oversight of the financial reporting process</li> </ul>	▶ Report to those charged with governance
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ uncorrected misstatements and their effect on our audit opinion</li> <li>▶ the effect of uncorrected misstatements related to prior periods</li> <li>▶ a request that any uncorrected misstatement be corrected</li> <li>▶ in writing, corrected misstatements that are significant</li> </ul>	▶ Report to those charged with governance
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ enquiries of the Civic Affairs Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ a discussion of any other matters related to fraud</li> </ul>	▶ Report to those charged with governance
<p><b>Related parties</b> Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ non-disclosure by management</li> <li>▶ inappropriate authorisation and approval of transactions</li> <li>▶ disagreement over disclosures</li> <li>▶ non-compliance with laws and regulations</li> <li>▶ difficulty in identifying the party that ultimately controls the entity</li> </ul>	▶ Report to those charged with governance
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ management's refusal for us to request confirmations</li> <li>▶ inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	▶ Report to those charged with governance



Required communication	Reference
<p><b>Consideration of laws and regulations</b></p> <p>Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off.</p> <p>Enquiry of the Civic Affairs Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Civic Affairs Committee may be aware of</p>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ the principal threats</li> <li>▶ safeguards adopted and their effectiveness</li> <li>▶ an overall assessment of threats and safeguards</li> <li>▶ information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ whether the events or conditions constitute a material uncertainty</li> <li>▶ whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ the adequacy of related disclosures in the financial statements</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ breakdown of fee information at the completion of the audit</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> <li>▶ Annual Audit Letter</li> </ul>
<p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	<ul style="list-style-type: none"> <li>▶ Annual Report to those charged with governance summarising grant certification.</li> </ul>

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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## CAMBRIDGE CITY COUNCIL

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REPORT OF: Head of Finance

TO: Civic Affairs Committee

26/6/2015

WARDS: None directly affected

### **ANNUAL REPORT AND STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

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#### **1 INTRODUCTION**

- 1.1. The Audit and Accounts Regulations govern the preparation, approval and publication of local authority accounts. There is a requirement for the Council's Chief Financial (Section 151) Officer to approve draft accounts by the 30 June in each year and for the audited accounts to be approved by resolution of a committee of the Council (or the full Council) by 30 September. Under the Council's Constitution, this responsibility rests with the Civic Affairs Committee.
- 1.2. Although the Civic Affairs Committee are not required to formally approve the draft accounts by 30 June the Committee has previously agreed that the accounts should be presented for review at this stage and that the accounting policies and treatments applied in their preparation are approved.
- 1.3. Changes to the accounts, as a consequence of new or amended guidance on local authority accounting, are highlighted in this report, together with future developments in financial reporting.
- 1.4. Significant items of note in the 2014/15 accounts are also highlighted together with explanations of the differences in presentation between final outturn reporting to Scrutiny Committees (based on service portfolios) and the formal statement of accounts.

<p>In light of the scope and content of the draft accounts, if members require detailed answers to specific questions it is requested wherever possible that these are notified to the Head of Finance 2 working days prior to the meeting so that a full answer can be given.</p>
--

## **2. RECOMMENDATIONS**

- 2.1 That the contents of the draft Statement of Accounts presented at Appendix 1 are noted and that the accounting policies and treatments on which they are prepared are approved.

## **3. BACKGROUND**

- 3.1 The Civic Affairs Committee has responsibility for corporate governance issues including audit and regulatory financial matters. The CIPFA Publication *Audit Committees: Practical Guidance for Local Authorities* states that the review of the financial statements should include:

- The suitability of accounting policies and treatments
- Any changes in accounting policies and treatments
- Major judgemental areas

- 3.2 In addition the Committee should consider any significant adjustments and material weaknesses in internal control reported by the external auditor after completion of the audit.

- 3.3 The annual accounts of local authorities are prepared in accordance with the Code of Practice on Local Authority Accounting (The Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and on other relevant guidance relating to accounting and reporting standards. The Code, based on International Financial Reporting Standards (IFRS), is highly prescriptive both in terms of the main financial statements and the notes that must accompany them.

- 3.4 The requirements and timetable to prepare, audit and publish the accounts are governed by the Accounts and Audit Regulations issued under powers contained in the Local Government Finance Act 1982. The Accounts and Audit Regulations 2011 require the accounts to be approved by the Chief Financial Officer by 30 June, and approved by a committee of the Council (or the full Council) and published by 30 September.

- 3.5 The timetable for production of the Council's draft accounts was achieved once again this year. The production of accounts remains a complex task and one that requires significant resources.

3.6 An Annual Report, outlining the Council's services and summarising the Council's performance in 2014/15 is being presented alongside the Statement of Accounts. The Annual Report pages presented here are the latest draft and may be further refined prior to publication in September 2015.

#### **4 AUDIT OF THE ACCOUNTS AND REPORTING ARRANGEMENTS**

4.1 The 2014/15 audit of accounts will be undertaken by Ernst & Young (EY).

4.2 Officers have liaised extensively with the external audit team to agree the accounting approach to a number of the key accounting issues this year.

4.3 Auditing standards (International Auditing Standard 240) require external audit to update their knowledge of management processes and arrangements, and how Civic Affairs (as those charged with governance) gain assurance from management on these matters. EY wrote to the Council's Section 151 officer and the Chair of Civic Affairs in February. The responses are attached at Appendix 2.

4.4 The audit of the accounts is due to commence on 10 August. Should any changes to draft accounts be required at the conclusion of external audit's work, these will be incorporated into the final version presented for approval and publication in September 2015.

4.5 In addition to the responses already given, auditors are expected, under professional auditing standards, to seek a Letter of Representation from those charged with corporate governance. This letter is normally signed by the Section 151 Officer and the Chair of Civic Affairs. The auditors will rely on that letter, as well as the audit work carried out when issuing their audit certificate. The wording of the letter for the 2014/15 Statement of Accounts will be agreed as part of the audit process.

4.6 It is anticipated that the audit of the accounts will be concluded in September. At the meeting of Civic Affairs scheduled for 16 September 2015, members will receive a formal report of the Audit opinion, known as the ISA 260 report. Members will then be asked to approve the Statement of Accounts. It is intended that the final Letter of Representation will also be signed at that meeting and then the Audit Opinion can be signed and issued in advance of the 30 September statutory deadline for publication.

- 4.7 The accounts and certain other related documents will be available for inspection by members of the public for a period of 20 working days starting on 14 August 2015. Notice of the dates and times of availability will be published in the Cambridge News and on the Council's website. In addition, electors (or their representatives) have the right to question the auditors about the accounts and to make certain objections in relation to unlawful items of account, failure to bring a sum into account or a loss or deficiency caused by wilful misconduct. The date set for exercise of these rights is 14 September 2015.
- 4.8 The draft accounts are scheduled to be formally approved for issue by the Council's Section 151 officer after this meeting. These draft accounts will also be made available on the Council's website, appropriately noted as being subject to audit. Once audited, the final Annual Report and Statement of Accounts, including the audit opinion will also be published.

## **5 PRESENTATION OF THE ACCOUNTS**

- 5.1 The presentation of the statement of accounts is quite different to the financial reports presented to members as part of the budgetary control cycle, as the statutory accounts must be presented in line with regulation and accounting standards.
- 5.2 The main statutory financial statements and notes of significance are summarised below:
- The Movement in Reserves Statement (statement of accounts page 9) allows members to compare the actual surplus or deficit on the General Fund, and the separate ring-fenced Housing Revenue Account, with the budget.
  - Total comprehensive income and expenditure as presented in the Movement in Reserves Statement is taken from the Comprehensive Income and Expenditure Statement (CIES). The analysis of service income and expenditure leading to the 'Cost of Services' totals is presented in line with CIPFA's Service Reporting Code of Practice (SERCOP).
  - Items presented between 'Cost of Services' and the 'Surplus or deficit on the provision of services' include payments to the housing receipts capital pool, the surplus or deficit on disposal of assets, income, expenditure and movements in the value of the

Council's investment properties and Council Tax and non-specific government grant income. Other comprehensive income and expenditure includes the movements in the revaluation reserve and the remeasurement gains and losses on the pension scheme as assessed by the scheme actuary.

- Reserves, both General Fund and Housing Revenue Account, are an indication of the resources available to the Council to deliver services in the future. Information on the level of reserves can be found in the Balance Sheet and related notes and in the Movement in Reserves Statement and related notes.
- The Balance Sheet is presented on page 12 of the statement of accounts. The bottom half of the balance sheet summarises the Council's reserves. Not all reserves can be used to deliver services and The Code reflects this by reporting reserves in two groups – 'usable' and 'unusable'. Usable reserves such as the General Fund Reserve and earmarked reserves are those where members will be involved in deciding on the levels maintained and their use. Unusable reserves are not available to use to provide services. These reserves include those reserves that hold unrealised gains and losses (eg the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences (eg the Capital Adjustment Account) shown in the Movement in Reserves statement line 'Adjustments between accounting basis and funding basis under regulations.'
- The accounts include a segmental reporting note (note 9). The note is based on the Council's own service management structures and reconciles the total performance reported to members, analysed by portfolio, at outturn to the results presented in the statement of accounts.
- The note highlights the total of transactions reflected in the CIES which are not reported to members as part of outturn. These transactions are those entries charged or credited to usable and unusable reserves and which therefore do not impact on the Council's General Fund or Housing Revenue Account (HRA) reserves (and hence the level of Council Tax or rents).

Examples include:

<b>Transaction</b>	<b>Financed By</b>	<b>Usable / Unusable reserve</b>
Payments to the Housing Receipts Capital pool	Capital Receipts Reserve	Usable
Movements in the value of investment properties	Capital Adjustment Account	Unusable
Movements in the value of property, plant and equipment not covered by previously accumulated gains held for that asset in the Revaluation Reserve	Capital Adjustment Account	Unusable
Revenue Expenditure Funded from Capital Under Statute (eg capital grants to outside bodies)	Capital Adjustment Account	Unusable
Adjustments reflecting the difference between pension contributions paid in the year and the cost of providing pensions as estimated by the Actuary	Pensions Reserve	Unusable

Members are updated on the level of usable reserves, such as the Capital Receipts Reserve and earmarked reserves, as part of the mid-year financial review and decisions on their use are made as part of the budget-setting process.

## **6 FINANCIAL RESULTS FOR 2014/15**

- 6.1 The Council's financial performance is summarised in the main financial statements.
- 6.2 The Movement in Reserves Statement (Page 9 of the statement of accounts) shows an overall increase in the Council's usable reserves of £12.3 million to £92.0 million.
- 6.3 There was a net increase of £4.5 million in respect of the Capital Receipts Reserve, which can only be used to support capital expenditure.
- 6.4 General Fund unallocated reserves increased by £3.0 million to £12.0 million. General Fund earmarked reserves increased by £1.3 million to £25.2 million.



- 6.5 HRA reserves increased by £6.0 million to £14.9 million. HRA earmarked reserves decreased by £0.1 million to £4.2 million.
- 6.6 A more detailed analysis of the movement on both HRA and General Fund earmarked reserves is shown in note 5 (page 25 of the statement of accounts).
- 6.7 The Comprehensive Income and Expenditure Statement (Page 11 of the statement of accounts) shows a net surplus on the provision of services (measured according to proper accounting practice) of £27.9 million, compared to a net surplus of £19.6 million last year. HRA gross expenditure includes net credits of £16.8 million (£6.7 million in 2013/14) in respect of the reversal of revaluation losses on HRA properties previously debited to the income and expenditure account.
- 6.8 The CIES also shows a significant surplus on the revaluation of property, plant and equipment (£34.2 million compared to £25.5 million in 2013/14) and a significant charge for remeasurement of the pension liability of £24.5 million (a credit of £3 million in 2013/14).
- 6.9 The Balance Sheet shows that the Council's overall net assets at 31 March 2015 were £37.1 million higher than at 31 March 2014, at £570.4 million. There were significant increases in the value of property plant and equipment assets held (£43.5 million) and long term and short term investments (£19.4 million), although current debtors decreased by £6.1 million. An overall increase in net assets was partially offset by an increase in current liabilities of £2.7 million, and the increase in the pension liability of £29.6 million.

## **7 CHANGES IN ACCOUNTING POLICY AND TREATMENT**

- 7.1 There were no significant changes in accounting policy introduced by the 2014/15 Code. However, accounting policies and key accounting estimates have been reviewed, and a number of changes are reflected in the draft accounts.

### **Housing redevelopments – determining the point of disposal**

- 7.2 The Council is undertaking a number of housing redevelopments where part of the cost of building social housing units is being 'paid' by the transfer of land on which the developer will build and sell market units. The Council now assesses that it transfers the risks and rewards of ownership of this land at the point that the agreement with the developer becomes unconditional, rather than at legal disposal as previously. The impact of this change on the prior year

has been agreed with external audit to be immaterial and therefore prior period comparatives have not been restated.

### **Change in accounting estimate – apportionment of value at Clay Farm**

- 7.3 The Council owns an area of 6.75 acres at Clay Farm on the southern fringe on the city. The element of this land that will be retained by the Council for the development of social housing is held within the asset category of property, plant and equipment. The remainder, which is to be disposed of for market housing, is held in assets held for sale. Prior to the 2014/15 Statement of Accounts, the Council determined the proportion of the value of the whole site to be included in assets held for sale and property, plant and equipment based on the estimated land areas for each use of 50%.
- 7.4 As plans for the site have developed, detailed areas now indicate that of the total site area 56% of the site will be sold to the developer for market housing, 37% will be retained for social housing and 7% for open space. In addition, detailed discussions have indicated that the value for land for social housing on this site is negligible. The open space also has negligible market value as protected amenity space. The estimate of the apportionment of the value of the site has therefore been revised in the 2014/15 accounts so that 100% of the site value is apportioned to the asset held for sale.

### **Change in accounting estimate – discount rate for assessing pension liabilities**

- 7.5 In assessing liabilities for retirement benefits at 31 March 2014 for the 2013/14 Statement of Accounts the actuary assumed a discount rate of 4.3%. For the 2014/15 Statement of Accounts the actuary has advised that a rate of 3.2% is appropriate. Application of this rate (and related RPI/CPI inflation and salary increase assumptions) has resulted in an increase in liabilities of £41.4 million, as reflected in the remeasurement losses recognised for the year in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- 7.6 The increase in pension liability arising from the change in discount rate was partially offset by asset returns and other remeasurements leading to overall net increase in pension liability of £29.6 million. The overall net liability of £124.8 million shows the underlying commitment that the Council has in the long term to pay retirement benefits. Although this has a substantial impact on the net worth of the Council as recorded in the balance sheet, statutory arrangements

for funding the deficit mean that the financial position of the Council remains healthy.

## **8 OTHER SIGNIFICANT ITEMS OF NOTE IN THE 2014/15 ACCOUNTS**

### **Business Rates Retention Scheme**

- 8.1 Since the introduction of the Business Rates Retention Scheme from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses, both in the current financial year and earlier years, in proportion to their local share of business rates income.
- 8.2 The Council established a provision in the 2013/14 accounts for the best estimate of liabilities in respect of successful rating appeals, both for the Collection Fund as a whole (as the billing authority) and the General Fund Share of 40%. The movement on the Council's share is detailed in Note 29 to the accounts. Part of this provision has been utilised (on notification of successful appeals), some unused amounts have been reversed (for example on withdrawal or rejection of the appeal) and additional provisions have been made (for example against new appeals). The Council's share of the provision at 31 March is £2.5 million.
- 8.3 As noted last year, this provision is subject to a significant degree of estimation uncertainty as it is based on Valuation Office Agency (VOA) lists of appeals and historical data on successful appeals to date. It is possible that appeals will be settled at amounts which differ from the estimate made on historical experience.
- 8.4 The Council is also aware of a proposal to merge a national network, which currently appears in individual rating lists nationwide, into a single listing forming one hereditament in one council area. If successful this proposal would be backdated to 1 April 2010 and the Council's share of the backdated loss of business rates income would be in the order of £600,000.
- 8.5 The Council does not currently assess that it is probable that the VOA will accept this proposal, as it has no indication of the likelihood of success. The financial impact is therefore not reflected in the 2014/15 accounts, but disclosed as a contingent liability in Note 33.

## **Changes in the valuation of Council Dwellings**

- 8.6 As detailed in Note 15 to the accounts, the value of council dwellings (including shared ownership) properties has increased by £40.3 million, to stand at £538.1 million at 31 March 2015.
- 8.7 This net movement reflects not only capital expenditure (both to existing properties and on new council houses) and the disposal of properties under the right to buy, but also movements in the valuation of housing stock.
- 8.8 Dwellings are valued at existing use value for social housing. This is currently 39% of the vacant possession open market value, reflecting the lower than market rents receivable on existing tenancies.
- 8.9 Revaluation gains of £24.2 million are reflected on the revaluation reserve, an unusable reserve on the balance sheet. As previously noted £16.8 million of gains are reflected in the CIES. These are required to be posted here as they effectively reverse previous revaluation losses charged to the HRA Income and Expenditure Statement, primarily in the economic downturn following the financial crash of 2008. Statutory accounting arrangements for the HRA currently reverse revaluation movements posted to Income and Expenditure via the Movement in Reserves Statement, so that they do not impact on rent levels.

## **9 FUTURE DEVELOPMENTS IN FINANCIAL REPORTING**

- 9.1 The Accounts and Audit Regulations 2015 were laid before parliament in February 2015. A key area of the regulations is that from the 2017/18 financial year:
- the draft accounts will need to be ready by 31 May, a month earlier than currently
  - the audited accounts will need to be published by 31 July, two months earlier than currently.
- 9.2 The new deadlines will present significant challenges for both councils and external auditors.
- 9.3 EY have produced a briefing paper on some of the implications of the changes which is attached at Appendix 3. They will be at the meeting to discuss this with the committee.
- 9.4 Officers have already started to make changes to the closedown process to facilitate the new deadlines and would currently anticipate a 'dry-run' in 2016/17. It is estimated that the 2014/15 accounts were

drafted approximately a week quicker than last year and the Council has already implemented some of the suggestions in the EY paper, including:

- removing some notes to the accounts (on the basis that they are immaterial);
- reviewing the approach to estimates (for example by setting a £1,000 de minimis for year end manual creditors);and
- developing a spreadsheet model that will allow EY to use their Data Analytics tool more effectively.

9.5 Work will continue in 2015/16 to make further improvements to the speed and efficiency of the closedown process. In particular we will seek to focus on closing our Payables and Receivables ledgers more quickly which will impact on all areas of the Council.

9.6 The Council's current financial system was first implemented in 1997, so is nearing 20 years of age. Council will be asked at the July meeting to consider a proposal for implementation of a new financial system. The requirements of a faster closedown will clearly be at the forefront of the development of any new system.

## 10 IMPLICATIONS

(a) **Financial Implications** Included in the report above.

(b) **Staffing Implications** None

(c) **Equality & Poverty Implications** None

(d) **Environmental Implications** None

(e) **Procurement** None

(f) **Consultation and communication**

As detailed in the report the draft accounts will be published on the Council's website. The Notice of Public Rights will be published in the Cambridge News and on the website.

(g) **Community Safety**

**BACKGROUND PAPERS:** The following are the background papers that were used in the preparation of this report:

## Draft Statement of Accounts 2014/15

To inspect these documents contact Charity Main on extension 8152.

The author of this report is Charity Main. The contact officers for queries on the report are Charity Main on extension 8152 or Caroline Ryba on extension 8134.

Report file: O:\accounts\Committee Reports & Papers\Civic Affairs\June 2014\Statement of Accounts Report to Civic Affairs June 2014.docx

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**ANNUAL REPORT AND  
STATEMENT OF ACCOUNTS**

**FOR THE YEAR ENDING  
31 MARCH 2015**

**DRAFT FOR CIVIC AFFAIRS  
(UNAUDITED)**

This document is available on our website at [www.cambridge.gov.uk](http://www.cambridge.gov.uk)



Cambridge City Council  
Annual Report & Statement of Accounts  
2014/15

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## Annual Report 2014/15

Cambridge City Council provides a wide range of services to people that live in, work in and visit Cambridge.

The services provided by the City Council include:

- ◆ Keeping the streets and public open spaces clean.
- ◆ Emptying refuse and recycling bins.
- ◆ Providing a range of leisure facilities, including swimming pools and community centres, and commissioning entertainment in the City's parks and supporting the Corn Exchange.
- ◆ Awarding a wide range of grants to support local organisations and community groups.
- ◆ Providing a wide range of play activities for children and young people.
- ◆ Developing a new local plan for Cambridge to guide development to 2031, offering planning advice, progressing planning applications and making sure that new buildings and alterations are safe.
- ◆ Providing housing advice and support, and working with partners to meet peoples' housing needs.
- ◆ Acting as landlord to over 7,000 council properties.
- ◆ Processing housing benefit and council tax support applications.
- ◆ Monitoring and enforcing food and drink hygiene standards, together with noise and air pollution.
- ◆ Licensing food premises, street traders and entertainment venues.
- ◆ Addressing anti-social behaviour, in partnership with the Police and other agencies.
- ◆ Managing council run car parks.
- ◆ Organising and managing elections and the electoral register.
- ◆ Administering Council Tax and Business Rates.

The City Council ("the Council") serves a population of about 126,500 residents in an almost entirely urban area in an otherwise mainly rural county. Cambridge is a sub-regional centre with high levels of inward travel to work and for shopping and leisure activities, which adds significantly to the day-time population. The Council provides many services that are used by people who live outside of the city as well as residents, which places additional pressure on our resources.

The city is at the centre of a housing growth region, with many new homes planned for sites on the southern and north-west fringes of Cambridge. The provision of good quality affordable and sustainable housing is a priority for the Council and it has set a target for developers of 40% affordable housing to be provided on all new residential sites, including the larger growth sites.

## What we want to achieve

Cambridge City Council's vision guides everything we do. Our vision statement, which is shared with Cambridge citizens and partner organisations, is:

### *'One Cambridge – Fair for All'*

- ◆ A city which believes that the clearest measure of progress is the dignity and well-being of its least well-off residents, which prioritises tackling poverty and social exclusion, recognising that greater social and economic equality are the most important preconditions for the city's success.
- ◆ An international city which celebrates its diversity and actively tackles discrimination on gender, race, nationality, ethnic background, religion, age, disability, gender identity, and sexual orientation.
- ◆ A city in which all citizens feel that they are listened to and have the opportunity to influence public decision making, and which values, supports and responds to individual and community initiatives.
- ◆ A city where all citizens and organisations appreciate their duties as well as their rights, where people are free to enjoy themselves but also show consideration for others, and where the community works together to reduce harm and nuisance including by education and, where needed, robust enforcement of the law.
- ◆ A city where 'town' and 'gown' combine, and where mutual understanding and partnerships are developed through joint working, community initiatives and volunteering.

### *Cambridge - a great place to live, learn and work*

- ◆ A city which strives to ensure that all local households can secure a suitable, affordable local home, close to jobs and neighbourhood facilities.
- ◆ A city which draws inspiration from its unique qualities and environment and its iconic historic centre, and retains its sense of place across the city through positive planning, generous urban open spaces and well-designed buildings, and by providing quality council services.
- ◆ An entrepreneurial city with a thriving local economy, in which businesses are assisted to build on their global and national pre-eminence in learning, discovery and production, and develop a full range of local employment and skills development, while also recognising and delivering on their social responsibilities.
- ◆ A city where getting around is primarily by public transport, bike and on foot.

### *Cambridge - caring for the planet*

- ◆ A city that takes robust action to tackle the local and global threat of Climate Change, both internally and in partnership with local organisations and residents, and to minimise its environmental impact by cutting carbon, waste and pollution.

## How we will achieve our vision for Cambridge

### Annual Statement

Every year an annual statement setting out what the Council wants to do over the course of the year is adopted by the Council. This annual statement includes actions for specific groups of services, known as a portfolio. The seven councillors who make up the Council's Executive, including the Leader of the Council, are each allocated a portfolio. The Executive councillors are then responsible for the delivery of the services in their portfolio and can make decisions about them.

In 2014/15 the portfolios were:

- Strategy and Transformation
- Finance and Resources
- Housing
- Environment, Waste and Public Health
- Planning Policy and Transport
- Community, Arts and Recreation
- City Centre and Public Places

Further information about the Council's [Annual Statement](#) can be found here:

The following pages outline what we achieved over the past year for these portfolios.

## Strategy and Transformation

During 2014/15 we:

- ◆ Concluded the City Deal Agreement and established an Executive Board and Assembly to provide joint decision making with our partners. The deal secures millions of pounds of additional funding for investment in infrastructure to support sustainable economic and housing growth in the area over the longer-term.
- ◆ Agreed with our City Deal partners to use our shared capacity to develop more affordable housing, and to improve skills outcomes in the Greater Cambridge area. We also engaged with residents, businesses and others on the investment priorities, and the Board decided on a £100m+ infrastructure programme for the first five years.
- ◆ Identified alternative models for delivering a range of services more efficiently including the launch of Cambridge Live to manage cultural activities in the city on behalf of the Council; and moved towards implementation of sharing specific services with partners in the local public sector, including sharing our waste collection service with South Cambridgeshire District Council.
- ◆ Secured agreement from Government, alongside other Cambridgeshire councils, that we would retain 100% of any additional business rate growth beyond expected forecasts starting from 1 April 2015.
- ◆ Conducted an innovative consultation about the budget challenges facing the council using an interactive online tool called “You Choose”. A large number of people were involved and councillors took into account the views of residents when confirming spending plans.
- ◆ Our Joint Equalities Group and Diversity Forum organised a range of activities and events during the year, including the promotion of World Mental Health Day. Among the activities for World Mental Health Day were a special stall in Market Square, a pop-up café in Hobson House and coffee mornings in the Customer Service Centre and City Homes South.
- ◆ Changed the way our area committees ran by returning the consideration of local planning applications to a central planning committee, freeing up more time in area committees for other issues of local concern.
- ◆ Secured funding for the Cambridge Community Safety Partnership to continue its work in sponsoring local inter-agency projects tackling crime and disorder. Work also included gaining an improved understanding of the impact of a person’s mental health on alcohol and drug misuse and Anti-Social behaviour, so that we can deliver a better service and solutions to local problems.
- ◆ Successfully included domestic violence and abuse as priorities in the Cambridge Community Safety Partnership’s new Community Safety Plan and achieved, with partners, “White Ribbon” status for the city, so that we are an exemplar of good practice in addressing this issue.
- ◆ Provided £100,000 of additional funding to women’s refuges and women victims of domestic abuse seeking support in the city and launched the Cambridge Community Forum on Domestic and Sexual Violence/Abuse to help shine a light on the issue and encourage both victims and perpetrators to come forward.

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- ◆ Made preparations for the introduction of a Public Spaces Protection Order for three locations along Mill Road, to help reduce problem drinking and anti-social behaviours associated with street drinking in the area. This provides the police with additional powers to help protect the public.
- ◆ Introduced a “Reduce the Strength” campaign with local retailers, based on a voluntary code of conduct, to persuade retailers to reduce their stock of high strength beer. We also worked with the police to use Licence Reviews to clamp down on premises that continuously sell alcohol to the already-drunk and under-aged people.
- ◆ Continued to give victims a say in the solutions to anti-social behaviour and low level crime by increasing the number of referrals to the Neighbourhood Resolution Panels from the City Council Anti-social Behaviour (ASB) and Housing Teams and our partner agencies.
- ◆ Helped launch free public Wi-Fi for the city to give residents, visitors and students free access to the internet in public buildings around the city. This innovative project, as part the Connecting Cambridgeshire initiative, saw the city council working closely with the University of Cambridge and the county council, to provide free Wi-Fi on open spaces, and at sports and community centres.
- ◆ Implemented a new system for registering to vote, called Individual Electoral Registration, which was required by the government. It allows people, for the first time, to go online and register without the need to fill in a paper form.

## Finance and Resources

### During 2014/15 we:

- ◆ Achieved our difficult savings targets by becoming more efficient at what we do and by doing things in a different way. We did this in part by sharing some services with other local authorities, such as a joint CCTV Control Room and Out of Hours Service with Huntingdonshire District Council, and looking at other opportunities, such as the setting up of a cultural trust called Cambridge Live, to bring about improvements and reduce costs.
- ◆ Continued to be effective in administering benefits and collecting local taxes, preventing and detecting fraud, and providing information and guidance to residents about our council tax support scheme, discretionary housing payments and local social welfare.
- ◆ Were one of just three councils nationally showcased by Citizens Advice as an example of good practice for its work on welfare reform and has continued to offer support and guidance to people affected by the Government’s changes.
- ◆ Made preparations for the introduction of Universal Credit in the city by adapting our systems and liaising with partners, such as the Department for Work and Pensions, Citizens Advice and housing providers to assist people back into work, where appropriate.
- ◆ Extended our apprenticeship programme, so that more young people gained skills and work experience in the Council.
- ◆ Continued to exploit our information systems to help improve our service delivery and the experiences of customers.

# Annual Report

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- ◆ Maximised the return of the Council's commercial property portfolio in both capital and revenue terms, recognising the need to use these assets to deliver other Council initiatives. We also completed a stock condition survey of commercial estate.
- ◆ Continued to make the best use of the Council's accommodation in a way that also supports our environmental and sustainability goals.
- ◆ Created a one-stop listing on our website and at our customer service centre showing the many different services new businesses will need to access when looking to set up in Cambridge.
- ◆ Continued to take action to reduce carbon emissions and energy costs across the Council's estate and operations as part of the Council's five-year Carbon Management Plan.
- ◆ Worked with the managing agents of our leisure centres to install solar PV, heat pumps, voltage optimisation units, LED lights, and bringing back online a combined heat and Power (CHP) unit, to reduce emissions by 285 tonnes of CO<sub>2</sub>.
- ◆ Increased the promotion and the uptake of new energy efficiency schemes such as Green Deal and the Energy Companies Obligation so that more local people, especially those on low incomes, enjoyed reduced energy bills. We were successful in attracting £7.8 million in Green Deal Community Funding for Cambridgeshire. This has allowed us to target 1,000 private homes and 800 rented homes with energy efficiency measures. To date over 400 households have taken up an offer through the Action on Energy scheme and money remains available until September 2015.
- ◆ Promoted and supported the County Council's Collective Energy Switching Scheme, so that the collective bargaining power of residents in Cambridgeshire can bring about cheaper energy prices for residents. In 2014, over 400 residents switched energy supplier through this scheme, each saving on average £224 per year.
- ◆ Invested in a project to investigate how to reduce water bills for households in the city, especially those that presently pay over the odds or find it difficult to pay for the water they use. This has included the employment of a Home Energy Officer to assist residents in reviewing their water use to establish if they would benefit changing to a meter. A project action plan for the next 18 months has been agreed and begins with a pilot project metering smaller council properties with 1 or 2 bedrooms to look at the savings made.
- ◆ Ran a major consultation asking local people living on a low income, community and voluntary sector groups and agencies involved in addressing poverty, what they thought priorities for an Anti-Poverty Strategy for Cambridge should be.
- ◆ Developed and published, using evidence from our consultation, an Anti-Poverty strategy setting out priorities for action that improve the circumstances of people living on low incomes in the city, who are having a difficult time in making ends meet.
- ◆ Put in place a Sharing Prosperity Fund to support local projects addressing poverty in the city, such as extending Citizen's Advice services and promoting healthy cooking for people on a low income, to make a real difference to people's lives.
- ◆ Achieved accreditation as a Living Wage employer and held an event during Living Wage Week to celebrate our accreditation and to announce the start of an action plan to encourage more Cambridge employers to sign up.



# Annual Report

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- ◆ Promoted the use of credit unions so that more local people can access affordable credit. The Council has been looking at a number of options to raise the profile of the Credit Unions active in Cambridge.

## Housing

### During 2014/15 we:

- ◆ Saw good rates of delivery of housing on the Southern Fringe and the next batch of completions of the new social housing in the Council's programme. The Council's new housing scheme known as the Quads is about to get underway. The next phase of the Council's social housing programme has been agreed and work has commenced with City Deal partners to understand the collective land and funding opportunities that are available to provide more affordable housing.
- ◆ Improved the way we managed our housing stock and sought to minimise the level of rent increases, to lower than that recommended by the government's formula, to make life easier for hard pressed families.
- ◆ Increased the level of support available for tenants presenting with problems, such as debt issues.
- ◆ Gave greater attention to fencing repairs, reducing the backlog, and expanding the "small repairs service", so that people on low incomes can get minor adaptations carried out around their home. We have also strengthened our Housing Committee to give elected tenant representatives a greater say over stock management decisions.
- ◆ Moved forward with early preparations for the introduction of Universal Credit so that we can be in a better position to offer support to people on this benefit.
- ◆ Completed a social lettings agency (non-commercial) pilot, which has nearly doubled the number of people the Council has assisted into private sector housing, to avert homelessness.
- ◆ Worked with partners to maintain rough sleeping numbers at low levels throughout the year.
- ◆ Have been far less reliant on bed and breakfast accommodation to temporarily house homeless families by providing more affordable housing and better quality temporary accommodation. The Council and its partners have also prevented more homelessness than in previous years with 470 households assisted to maintain their existing accommodation.
- ◆ Extended our Emergency Cold Weather Protocol to cover a wider range of severe weather conditions so that shelter can be provided to rough sleepers more frequently – when it is needed most. Fortunately the winter this year was milder than usual.
- ◆ Worked with Cambridgeshire County Council to provide a coordinated support service for older people across the city. This new service will work with others, including Age UK, the NHS and Social Care, to enhance the lives of elderly people, giving them advice and support to live independently.
- ◆ Helped alleviate pressure on Addenbrooke's Hospital by arranging for a number of flats at Ditchburn Place, that were going to be left vacant as a result of a refurbishment, to be available to provide interim care for people leaving hospital who are not able to return home immediately.

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This innovative approach, whilst supporting local people, generated income for the service from the rent of the flats.

- ◆ Took effective enforcement action to address poor housing conditions and management practices in affordable accommodation in the city. During the year 44 statutory notices were served and successful prosecutions were made in relation to five properties.
- ◆ Reviewed the Landlord Accreditation Scheme and identified enhancements to assist landlords in gaining accreditation. We also re-launched the council's Landlord Forum during the year to improve the way we work with private sector landlords.
- ◆ Continued to prioritise bringing back into occupation long standing empty homes in the city. During the year 10 private properties were brought back into use through direct intervention. A House Condition survey was carried out to help assess the current condition of the private housing stock, including energy efficiency, to inform future policies and interventions.
- ◆ Helped drive down anti-social behaviour by investigating 1,273 neighbour noise cases, served abatement notices in relation to 44 properties to prevent noise nuisances and undertook 6 prosecutions where these notices were not complied with.

## Environment, Waste and Public Health

During 2014/15 we:

- ◆ Used the Cambridge Local Health Partnership to advocate the health and social care needs of the city, so that local commissioners can take account of the views of local people about their priorities.
- ◆ Signed a partnership agreement with Nando's under a Primary Authority Partnership Scheme (PAPS). This means that the Council's environmental health commercial team will work with Nando's to develop agreed standards for health and safety and food hygiene across all of the company's outlets.
- ◆ Invested in our pest control service so that all residents (including low income families) continued to receive a free domestic service for public health pests. During the year over 750 pest complaints were responded to, an increase of over 10% for the year. In addition, the service also controlled the level of rodent activity in some of the Council's larger open spaces and commons to prevent infestations affecting local homes.
- ◆ Successfully negotiated a joint Materials Recycling Facility contract and extended the range of materials that can be placed in blue bins, which now includes materials, such as plastic bags. We also increased the number of textile and shoe banks at recycling points in the city to provide residents with easier access for recycling these materials.
- ◆ Recruited more volunteer "recycling champions" to encourage local communities to recycle their waste.
- ◆ Launched a new commercial waste collection service that allows food waste to be collected from catering establishments in Cambridge for as many days as they need it – with the aim of improving businesses food ordering and management, and so reducing the total amount of food waste produced in the city.

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- ◆ Achieved ISO certification for the highest standards in business quality and environmental standards for the council's commercial waste service, which collects recycling and waste from over 2,500 businesses in and around the city, after scrutiny by external auditors. The service was subsequently awarded the prestigious ISO 9001 for quality management and ISO 14001 for environmental management.
- ◆ Completed a major refurbishment of public conveniences located within the Lion Yard city centre shopping complex, providing a much more modern, accessible and comfortable experience for its many thousands of visitors every year and including improved baby-change facilities.
- ◆ Doubled the size of our public realm enforcement team from 3 to 6 officers to improve the local environmental quality across the city. This has reduced the incidents of littering, fly-tipping and abandoned vehicles left on local streets, making the local environment more pleasant and reducing the impact of the actions of an anti-social minority.
- ◆ Successfully prosecuted offenders for littering on the streets, abandoning vehicles and for fly tipping.
- ◆ Worked with the Dogs Trust to deliver seven summer events for free dog micro chipping across the city, resulting in 35 dogs being chipped in preparation for the micro chipping law change in April 2016. We also took part in a pioneering dog fouling campaign with Keep Britain Tidy, which saw glow in the dark "We're watching you" posters appear across the city in areas where dog mess is an issue.
- ◆ Undertook month long 'Ward Blitzes' in six city wards involving the Council's City Rangers, Rapid Response, Public Realm Enforcement and Street Cleansing teams, involving coordinated public realm maintenance, enforcement and educational action at these events. Ward blitz activities have included cleansing of litter and dog bins, signage and recycling centres, increased dog warden and public realm enforcement presence.
- ◆ Delivered a programme of education led by the City Rangers, to children at Key Stage 1 and 2, by visiting 12 schools across the city, talking to an audience of over 1,000 children about subjects such as litter, dog mess and graffiti. We also worked with the Cambridgeshire Fire Safety and other partner agencies to deliver sessions as part of the 'Safety Zone' educational activities across the city, focusing on how children can stay safe in parks.
- ◆ Progressed a programme of environmental and minor highways improvements across Cambridge, including: refurbishments of war memorials in Cherry Hinton, Trumpington and St Giles Churchyard; removal of unsightly and inappropriate highway trees in Arbury Road, and; new benches for Grange Road.
- ◆ Carried out a consultation on streetscape improvements for Tenison Road and Devonshire Road to help soften the impact of new buildings around the railway station area, and in Cherry Hinton High Street, in conjunction with Cambridgeshire County Council.

## Planning Policy and Transport

During 2014/15 we:

- ◆ Submitted a new local plan for Cambridge and the Council's approach to the Community Infrastructure Levy for independent examination. These documents, which will guide the development and growth of the city over the next 15 years, have been prepared in parallel with

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South Cambridgeshire. During the year a government appointed inspector began the independent public examination of that plan and oversaw a number of joint public hearings covering matters such as housing, employment, retail needs, green belt land and transport.

- ◆ Continued to work jointly with the county and South Cambridgeshire District Council on the review of the Transport Strategy for Cambridge and South Cambridgeshire (TSC&SC), including area transport plans, and opportunities to develop local projects using the City Deal and other funds.
- ◆ Dealt with significant numbers of planning applications resulting in the construction of 1,300 new and affordable homes within the city as well as the granting of planning permissions for Papworth Hospital and Astra Zeneca.
- ◆ Worked with our City Deal partners on the development of infrastructure and other improvements needed to help support growth. Detailed plans are currently being worked up to deliver the initial £100m within the next 5 years.
- ◆ Continued to support and implement new 20 mph speed limits across the city, where residents say they want them. Some roads have been re-engineered so that they are suitable and safe for inclusion and discussions have taken place with the Police and County Council, to ensure that the new speed limits are enforceable. Wards across the north of Cambridge (Arbury, Kings Hedges, East and West Chesterton) had the majority of their roads reduced to a 20mph maximum during spring 2014, and good progress is being made within East and West/Central areas - with target completion during early 2016.
- ◆ Delivered further new transport measures and actions to improve facilities for pedestrians, cyclists and public transport users. This has included (for instance) provision of guidance and advice for developers on cycling in the new developments. A number of new projects were also implemented including path widening (Downhams Lane, Jesus Green and Queens Green), lighting (Jesus Green, and Parkers Piece), highway safety (Perne Road/Radegund Road roundabout) and improvements to bus shelters (Milton Road, Barton Road, Birdwood Road, Teversham Drift, Mill Road, Castle Street and Buchan Street).
- ◆ Carried out a customer and business consultation into the future of Park Street car park and options for development of the site.
- ◆ Won an award devised by Disabled Motorists UK to encourage improvements in parking for disabled people and reduce abuse of disabled spaces. Cambridge was recognised for its innovative self-service scheme for blue badge holders at Grand Arcade car park.

## Community, Arts and Recreation

During 2014/15 we:

- ◆ Established a new Arts Trust Charity called Cambridge Live, which started running the Cambridge Corn Exchange, Guildhall Halls, Cambridge Folk Festival and City Events, and other aspects of the arts and recreation service from 1 April 2015.
- ◆ Organised and supported a wide variety of events throughout the year. These ranged from world-class orchestras (which included the development of an education programme), ballet, music, comedy and conferences at the Cambridge Corn Exchange and the Guildhall Halls.

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- ◆ Successfully hosted the start of the third stage of the Tour de France on Parkers Piece, delivered the critically acclaimed 50th Cambridge Folk Festival to a sell-out audience at Cherry Hinton Hall, co-ordinated the historic Midsummer Fair, the 5th November Fireworks and other city events.
- ◆ Reviewed the way we prioritised our community grants and decided to direct them through community and voluntary sector organisations that provide services to local people and communities in most need and who experience social inequality and disadvantage. This will be implemented in 2015-16.
- ◆ Refurbished and enhanced our community centres making provision for nursery providers at two of our centres and maximising good quality space available to the community at all of our centres.
- ◆ Supported local community led events, such as the Arbury, Cherry Hinton and Chesterton festivals and neighbourhood community days and promoted the diversity of our city.
- ◆ Ran a community fair event in the Guildhall to promote volunteering opportunities in the city. This involved a large number of community and voluntary organisations who set out how they supported local people and make a difference within communities – demonstrating the variety and richness of civil life in Cambridge.
- ◆ Provided three new splash pads for fun interactive water play around the City in recreation grounds at Coleridge, Kings Hedges and Abbey Pool.
- ◆ Worked to improve access and investment through developer contributions to sports facilities and playing fields at school and college sites, including provision of new cricket nets and an artificial wicket at Netherhall School.
- ◆ Developed and implemented our action plan for the new Sports and Physical Activity Strategy, including a new ‘Learn to Swim – Access’ initiative that provided free swimming lessons for young people living in low income households, and more outdoor table tennis tables in open spaces through external “Ping!” project funding.
- ◆ Increased the capacity for Exercise Referral in the city through the creation of a new fitness centre at Parkside Pool provided by our leisure contractors, GLL; and worked to secure NHS funding for the scheme for the coming year.
- ◆ Begun discussion with stakeholders to achieve sustainable management arrangements for new community facilities at Clay Farm and Darwin Green. Involved residents in the design of a new community facility at NW Cambridge.
- ◆ Delivered SummerDaze 2014 a city-wide programme of holiday activities for families featuring urban adventure activities, art activities, play and sport run by our Council’s Children and Young People’s Service (ChYpPS). ChYpPS also offered other play activities to local children throughout other holidays including a daily drop in for local children at Brown’s Field Community Centre and activities on the ChYpPS Community Play Boat.
- ◆ Delivered “Take-Over 2014” involving local children in a competition to win the opportunity to spend the day shadowing the Mayor.

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## City Centre and Public Places

During 2014/15 we:

- ◆ Appointed a coordinator for the Chesterton and Mitcham's Corner area to work with local businesses and community groups to deliver projects aimed at improving the vibrancy and vitality of this area. This will ensure that the neighbourhood centre makes use of local opportunities and attracts local investment.
- ◆ Undertook an audit of the accessibility of our city centre. We will be working in partnership with local businesses and other public agencies to try to reduce the number of street obstructions, such as "A Boards" and giving greater attention to resolving uneven surfaces and poor walk ways.
- ◆ Secured support to develop a new business led partnership, called a Destination Management Organisation (DMO) to deliver tourism for Cambridge and the surrounding area. This will reduce the cost of tourism to the City Council and deliver a model better equipped to maximise the economic benefits from tourism to the city and surrounding areas.
- ◆ Delivered improvements to the running of our markets through a review of the operational management of the City Centre Management Markets and Street Trading service and themed promotions.
- ◆ Opened the doors of the cemetery on Newmarket Road and the crematorium on Huntingdon Road as part of the Open Cambridge weekend, to allow visitors to find out more about the work of our Bereavement Service. This provided a chance to see the recently refurbished chapels, waiting rooms and family rooms, which have been modernised to provide a better service for customers. The service also retained its Gold Status – the highest standard available – from the Institute of Cemetery and Crematorium management.
- ◆ Continued to involve local people and community groups in decision making about improvements to open spaces and their future management
- ◆ Gave specialist advice to aid the planned urban expansion and growth of the city in respect of the built and natural environment and created opportunities for volunteering at local nature reserves.
- ◆ Utilised developer contributions to make significant improvements to open and green space, and sports and recreation provision in the city, including: better drainage on Jesus Green; more play and recreation facilities on Coleridge and Cherry Hinton Recreation Grounds; new splash pads for Abbey, Coleridge and King's Hedges, and; investment in nature reserves for Logan's Meadow (East Chesterton) and Paradise (Newnham).
- ◆ Introduced new heritage style lighting on the paths across Parkers' Piece and the improved and widened main diagonal path across Jesus Green, both including free Wi-fi facilities, and in keeping with the historic and sensitive local settings.
- ◆ Provided several hundred new cycle parking stands across the city centre, both to keep pace with demand and also reduce the predominance of inappropriately parked cycles impeding access.

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- ◆ Supported a programme of changes to facilitate cycling contra-flow in many access controlled and one-way streets, to improve accessibility and convenience for more active and sustainable modes of transport.
- ◆ Undertook a comprehensive review and rationalisation of on-street parking facilities across the Kite area adjacent to the city centre, to maximise the usage of available space and provide enhanced provision for local residents.





# Statement of Responsibilities for the Statement of Accounts

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## The Council's Responsibilities

The Council 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 Council, that officer is the chief financial officer;
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- ◆ approve the Statement of Accounts.

## The Chief Financial Officer's Responsibilities

The chief financial officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing the Statement of Accounts, the chief financial officer has:

- ◆ selected suitable accounting policies and then applied them consistently;
- ◆ made judgements and estimates that were reasonable and prudent; and
- ◆ complied with the Code of Practice.

The chief financial officer has also:

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

## Opinion

I certify that the Statement of Accounts present a true and fair view of the financial position of Cambridge City Council at 31 March 2015 and its income and expenditure for the year then ended.

**Caroline Ryba**  
**Head of Finance**  
**Date: yy June 2015**



# Introduction to the Statement of Accounts

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The preceding Annual Report section of this document describes the diverse range of services provided by Cambridge City Council to its residents, local businesses and visitors and provides details of some of the key activities and achievements during the year.

The Statement of Accounts, set out on pages 9 to 103, contain a series of statements, summarising the financial implications to the Council during the year in delivering these services. In addition, details of the Council's assets and liabilities at the beginning and end of the Council's financial year are presented. The financial year ran from 1 April 2014 to 31 March 2015.

The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' (The Code). The code is based on International Financial Reporting Standards (IFRS) and sets out the format and content of the key financial statements and accompanying notes in this publication.

The key financial statements are as follows:

- ◆ Movement in Reserves Statement
- ◆ Comprehensive Income and Expenditure Statement
- ◆ Balance Sheet
- ◆ Cash Flow Statement
- ◆ Housing Revenue Account
- ◆ Collection Fund

These accounts are supported by a comprehensive set of notes together with a statement of the accounting policies of the Council and a glossary of terms. An index to the main notes to the accounts is provided on page 16.

# Introduction to the Statement of Accounts

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## Review of 2014/15

As in previous years, budgets were closely monitored during the year and revisions made, where necessary, to reflect changing circumstances. These revisions included changes to reflect Council's approval to carry forward budgets from 2014/15 to meet the costs of re-phased expenditure, additional savings identified during the year and also to provide for unavoidable additional costs.

Just as in the private sector, changes in the values of Council-owned property are reflected in the accounts each year. Further information about the valuation of assets, and how changes in their value must be accounted for, can be found in the section that details accounting policies.

Given the prevailing economic climate, reductions in funding from central government and resulting pressures on the Council's finances, it is pleasing to note that:

- ◆ Improvements were made to the Council's open spaces, sports, recreation and public art provision through a range of projects funded by developers.
- ◆ The Council continued to work closely with public sector partners to plan the provision of new services and facilities in the North West and Southern fringes of the City (where major development is taking place) including a new primary school at Trumpington Meadows and a new multi-use community centre at Clay Farm.
- ◆ Major investment continued to be made in the Council's housing stock. In addition to expenditure on repairs and improvements to existing dwellings we are delivering a new council house building programme and are working with planners, developers and others to increase the supply of affordable housing.

The Council continues to identify alternative models for delivering both front and back office services more efficiently. These include a move towards implementation of sharing specific further services with local councils, including sharing waste collection with South Cambridgeshire District Council (South Cambs) and ICT with South Cambs and Huntingdonshire District Council.

## Revenue Spending and Income

### General Fund Services

For 2014/15, the Council agreed a budget for net spending of £19.0 million. This sum was financed in part by government grant together with the New Homes Bonus and the Council's share of Business Rates, with the remainder being raised through Council Tax. The Council Tax for City Council services was set at £173.29 for Band D properties.

During the year the budget was revised for a number of factors, including requests to carry forward expenditure from 2013/14 and changes in capital to be funded from revenue.

The outturn figures, as reported to members, do not reflect a number of statutory accounting adjustments made at the year end. These accounting adjustments do not impact on the level of General Fund Reserves.

Note 9 to the accounts reconciles the actual outturn figures to the results presented in the Comprehensive Income and Expenditure Statement.

The table below compares the outturn figures for the General Fund with the revised budget.

## Introduction to the Statement of Accounts

(£000s)	Revised Budget	Actual	Difference
<b>Committee</b>			
Community Services	10,860	10,708	(152)
Environment	8,942	7,510	(1,432)
Housing (General Fund)	3,475	3,186	(289)
Strategy & Resources	(1,718)	(3,341)	(1,623)
<b>Net Spending on Services</b>	<b>21,559</b>	<b>18,063</b>	<b>(3,496)</b>
Capital Accounting Adjustments	(4,985)	(4,983)	2
Capital and Revenue Projects Spending Funded from Revenue	2,230	1,840	(390)
Contribution to NNDR earmarked reserve - recovery of deficit in future years	0	1,303	1,303
Contributions to Earmarked Reserves – before statutory accounting adjustments	617	(208)	(825)
Contributions to/(from) General Fund Reserve	(1,752)	3,047	4,799
<b>Total</b>	<b>17,669</b>	<b>19,062</b>	<b>1,393</b>
<b>Financed by:</b>			
Revenue Support Grant	4,311	4,311	0
New Homes Bonus (NHB)	3,376	3,389	13
Non-domestic rates – net income	3,182	4,543	1,361
Other Specific Grants	94	113	19
Council Tax	6,706	6,706	0
<b>Total</b>	<b>17,669</b>	<b>19,062</b>	<b>1,393</b>

The Council's actual net revenue spending on the provision of services was £3,496,000 less than the revised budget set for the year. A variety of factors contributed to this overall position. In many areas there have been underspends on staff costs. In addition there have been increases in income over budget, for example in the Council's car parks.

The total amount of capital and revenue project expenditure funded from revenue was below the revised budget by £390,000 largely reflecting slippage on the timing of expenditure.

In addition to Council Tax and Revenue Support Grant from central government, the Council retains an element of business rates collected in the city above an assumed 'baseline' level, paying the remainder to central government as a 'levy'. If business rates income falls to less than 92.5% of the baseline, the Council receives a 'safety net' payment so that any loss of income below the baseline is capped at 7.5%.

Whilst there is the potential for the Council to benefit from business rates growth in the City, there is also a degree of risk in that the Council has to bear a proportion of any reduction in business rates,

## Introduction to the Statement of Accounts

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for example as a consequence of demolition of premises or reductions in the rateable value of existing properties (including retrospective reductions).

Under statutory regulation the amount of business rates credited to the General Fund in 2014/15 is based on an estimate, with any resulting difference being recovered from the General Fund, or paid to it in future years. However any safety net or levy payments are accounted for in 2014/15. The Council maintains an earmarked reserve to manage business rates retention and these timing differences.

Income from the business rates scheme (including business rate relief compensatory grants from central government and payment of a levy to central government of £667,000) exceeded the revised budget by £1,361,000. However, £1,303,000 of this sum will be payable back to the Collection Fund in future years so has been set aside in an earmarked reserve.

Excluding the contribution above, at outturn the General Fund received a net income from earmarked reserves (before statutory adjustments) of £208,000, against a budgeted contribution of £617,000. Business rates income planned to be earmarked for future investment in commercial property has instead been credited to General Fund Reserves.

A net contribution to the General Fund Reserve of £3,047,000 was made for the year and, at the year-end, the reserve stood at £12,037,000.

### Housing Revenue Account

The Housing Revenue Account (HRA) budget for 2014/15 was set based upon a revised investment strategy, to deliver a sustainable financial position over the coming 30-year period of the HRA Self-Financing Business Plan, providing for funds to be set-aside to allow the authority to redeem 25% of its debt portfolio at loan maturity, should the authority so choose, whilst facilitating significant investment in the delivery of new affordable housing.

For 2014/15 the budget was originally set with the intention of contributing £70,000 to HRA reserves, with the expectation that by the end of 2015/16, reserves would be reduced to, and maintained at, the agreed target level of £3 million. The current strategy includes a minimum level of reserves of £2 million, with a target level of £3 million, creating the ability to invest in short-term projects which are anticipated to pay back quickly.

During the financial year, in June 2014, approval was given to carry forward resources of £3,393,000, to fund expenditure re-phased from 2014/15. The majority of this sum was towards meeting the costs of capital investment in the housing stock. Further changes in the planned use of reserves for 2014/15 were made as part of the HRA Mid-Year financial review.

## Introduction to the Statement of Accounts

The table below compares the final outturn figures (before statutory accounting adjustments) for the HRA as reported to Housing Scrutiny Committee in June 2015, with the revised budget for 2014/15.

(£000s)	Revised Budget	Actual	Difference
Dwelling Rents and Other Income	(40,140)	(40,116)	24
Expenditure	24,803	26,246	1,443
<b>Net cost of HRA Services</b>	<b>(15,337)</b>	<b>(13,870)</b>	<b>1,467</b>
Interest receivable on HRA balances	(154)	(278)	(124)
Loan interest	7,547	7,502	(45)
Contributions to housing set aside earmarked reserve	811	811	0
Depreciation adjustment (Transfer from Major Repairs Reserve)	(2,394)	(4,147)	(1,753)
Revaluation loss on non-dwelling assets	0	95	95
Direct Revenue Financing of Capital	14,338	5,115	(9,223)
Contribution from earmarked reserves to General HRA reserves	(1,213)	(1,213)	0
<b>(Surplus)/deficit for the year</b>	<b>3,598</b>	<b>(5,985)</b>	<b>(9,583)</b>

The variance on net cost of HRA services largely reflects a variance on depreciation of £1,746,000. This was compensated for by an increased transfer from the Major Repairs Reserve.

The outturn position was a net contribution to reserves of £5,985,000. Requests have been made to carry forward funding of £9,092,000 into 2015/16, reflecting re-phasing of a number of projects, but particularly recognising the deferred need to use reserves to fund capital expenditure in light of slippage in the Housing Capital Investment Programme.

HRA available reserves stood at £14,865,000 at the year-end.

### Capital Spending and Receipts

In 2014/15 the Council spent £27,271,000 on property, plant and equipment. Of this £13,248,000 was on major repairs and improvements to council dwellings, £1,733,000 on vehicles, plant and equipment and £9,927,000 on assets in the course of construction (including £9,159,000 on the redevelopment of housing stock).

Capital receipts continue to be generated through the sale of land, council houses, shared ownership dwellings and other property. The Council received £12,744,000 in the year, of which £1,279,000 had to be paid over to central government.

### External Borrowing

The Council did not need to undertake any new external borrowing during the year. The external debt of £214 million shown in the Balance Sheet at the end of the financial year relates to borrowing undertaken in 2011/12 to meet a one-off debt settlement payment to Central Government in relation to new Self-Financing arrangements for the Housing Revenue Account.

# Introduction to the Statement of Accounts

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## Pension Costs

The Council's share of the assets and liabilities of the County Pension Fund show an estimated net liability of £124.8 million at 31 March 2015. This liability has no impact on the level of the Council's available reserves.

The liability has increased significantly this year as a result of a reduction in the discount rate used by the actuary to estimate the Council's liability. Further information on this change and relating to the assets, liabilities, income and expenditure of the Council's pension scheme is presented in note 36 starting on page 63.

## Looking ahead to 2015/16

The current Spending Round period finishes at the end of 2015/16. It is anticipated that the next Spending Review will continue to reflect increased financial pressures on local government.

The Council's Business Transformation Programme will continue to develop major new initiatives, both in terms of sharing services with other Councils and in terms of the Council's own support services.

A new arts trust charity, Cambridge Live, started running the Cambridge Corn Exchange and Folk Festival, as well as other aspects of the arts and recreation service from 1 April 2015.

The Chancellor of the Exchequer announced a business rates retention scheme pilot in the Budget Statement in March 2015.

The pilot scheme will allow councils in Cambridgeshire to retain 100% of any additional business rate growth beyond expected forecasts starting from 1 April 2015. The purpose of the scheme is to incentivise local authorities to encourage business growth within their areas.

## Further Information

Further information about the accounts is available from:

Head of Finance  
Business Transformation Department  
Cambridge City Council  
PO Box 700  
Cambridge  
CB1 0JH

In addition, interested members of the public have a right to inspect the accounts each year before the audit is completed. The availability of the accounts for public inspection is advertised in the local press and on the Council's web site.



## MAIN FINANCIAL STATEMENTS



# Main Financial Statements

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The '(surplus) or deficit on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The 'net (increase)/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves.

### Financial year 2014/15

(£000s)	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
<b>Balance at 1 April 2014</b>	<b>(8,990)</b>	<b>(23,973)</b>	<b>(8,880)</b>	<b>(4,320)</b>	<b>(17,593)</b>	<b>(4,919)</b>	<b>(11,058)</b>	<b>(79,733)</b>	<b>(453,550)</b>	<b>(533,283)</b>
Movement in reserves during 2014/15										
(Surplus) / deficit on the provision of services	2,288	0	(30,181)	0	0	0	0	(27,893)	0	(27,893)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(9,196)	(9,196)
<b>Total Comprehensive income and expenditure</b>	<b>2,288</b>	<b>0</b>	<b>(30,181)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(27,893)</b>	<b>(9,196)</b>	<b>(37,089)</b>
Adjustments between accounting basis and funding basis under regulations (Note 4)	(6,598)	0	24,346	0	(4,491)	2,700	(379)	15,578	(15,578)	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>(4,310)</b>	<b>0</b>	<b>(5,835)</b>	<b>0</b>	<b>(4,491)</b>	<b>2,700</b>	<b>(379)</b>	<b>(12,315)</b>	<b>(24,774)</b>	<b>(37,089)</b>
Transfers to / from earmarked reserves (Note 5)	1,263	(1,263)	(150)	150	0	0	0	0	0	0
<b>(Increase) / decrease in 2014/15</b>	<b>(3,047)</b>	<b>(1,263)</b>	<b>(5,985)</b>	<b>150</b>	<b>(4,491)</b>	<b>2,700</b>	<b>(379)</b>	<b>(12,315)</b>	<b>(24,774)</b>	<b>(37,089)</b>
<b>Balance at 31 March 2015</b>	<b>(12,037)</b>	<b>(25,236)</b>	<b>(14,865)</b>	<b>(4,170)</b>	<b>(22,084)</b>	<b>(2,219)</b>	<b>(11,437)</b>	<b>(92,048)</b>	<b>(478,324)</b>	<b>(570,372)</b>

# Main Financial Statements

## Financial Year 2013/14

(£000s)	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
<b>Balance at 1 April 2013</b>	<b>(7,995)</b>	<b>(20,236)</b>	<b>(5,495)</b>	<b>(3,863)</b>	<b>(13,210)</b>	<b>(5,111)</b>	<b>(4,155)</b>	<b>(60,065)</b>	<b>(425,125)</b>	<b>(485,190)</b>
Movement in reserves during 2013/14										
(Surplus) / deficit on the provision of services	(3,275)	0	(16,325)	0	0	0	0	(19,600)	0	(19,600)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(28,493)	(28,493)
<b>Total Comprehensive income and expenditure</b>	<b>(3,275)</b>	<b>0</b>	<b>(16,325)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(19,600)</b>	<b>(28,493)</b>	<b>(48,093)</b>
Adjustments between accounting basis and funding basis under regulations (Note 4)	(1,457)	0	12,483	0	(4,383)	192	(6,903)	(68)	68	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>(4,732)</b>	<b>0</b>	<b>(3,842)</b>	<b>0</b>	<b>(4,383)</b>	<b>192</b>	<b>(6,903)</b>	<b>(19,668)</b>	<b>(28,425)</b>	<b>(48,093)</b>
Transfers to / from earmarked reserves (Note 5)	3,737	(3,737)	457	(457)	0	0	0	0	0	0
<b>(Increase) / decrease in 2013/14</b>	<b>(995)</b>	<b>(3,737)</b>	<b>(3,385)</b>	<b>(457)</b>	<b>(4,383)</b>	<b>192</b>	<b>(6,903)</b>	<b>(19,668)</b>	<b>(28,425)</b>	<b>(48,093)</b>
<b>Balance at 31 March 2014</b>	<b>(8,990)</b>	<b>(23,973)</b>	<b>(8,880)</b>	<b>(4,320)</b>	<b>(17,593)</b>	<b>(4,919)</b>	<b>(11,058)</b>	<b>(79,733)</b>	<b>(453,550)</b>	<b>(533,283)</b>

# Main Financial Statements

## Comprehensive Income and Expenditure Statement

This statement shows the accounting costs in the year, of providing services, in accordance with generally accepted accounting practices, rather than the amounts 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.

(£000s)	Notes	2014/15			2013/14		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Central services to the public		2,453	(763)	1,690	2,422	(829)	1,593
Cultural and related services		13,431	(4,555)	8,876	15,032	(4,867)	10,165
Environmental and related services		14,922	(6,464)	8,458	13,788	(5,610)	8,178
Planning Services		8,406	(3,238)	5,168	8,287	(3,043)	5,244
Highways and transport services		6,704	(9,858)	(3,154)	6,894	(8,965)	(2,071)
Housing Revenue Account	3	10,152	(40,045)	(29,893)	17,381	(38,162)	(20,781)
Other housing services		46,050	(41,135)	4,915	43,586	(39,192)	4,394
Corporate and democratic core		2,788	0	2,788	2,818	0	2,818
Non distributed costs		130	0	130	112	0	112
<b>Cost of Services</b>		<b>105,036</b>	<b>(106,058)</b>	<b>(1,022)</b>	<b>110,320</b>	<b>(100,668)</b>	<b>9,652</b>
Other operating expenditure	6	1,133	(5,143)	(4,010)	1,178	(1,485)	(307)
Financing and investment income and expenditure	7	12,846	(12,265)	581	12,503	(12,331)	172
Taxation and non-specific grant income	3/8	0	(23,442)	(23,442)	0	(29,117)	(29,117)
<b>(Surplus) / deficit on provision of services</b>	<b>9</b>	<b>119,015</b>	<b>(146,908)</b>	<b>(27,893)</b>	<b>124,001</b>	<b>(143,601)</b>	<b>(19,600)</b>
<b>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</b>							
(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	3/32			(34,239)			(25,490)
Remeasurements of the net defined benefit liability	3/36			24,477			(3,003)
				<b>(9,762)</b>			<b>(28,493)</b>
<b>Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services</b>							
Surplus or deficit on revaluation of available for sale financial assets				566			0
<b>Other comprehensive (income) / expenditure</b>				<b>(9,196)</b>			<b>(28,493)</b>
<b>Total comprehensive (income) / expenditure</b>				<b>(37,089)</b>			<b>(48,093)</b>

# Main Financial Statements

## Balance Sheet

The Balance Sheet shows the value at the stated date of the Council's assets and liabilities. The net assets are matched by reserves. Reserves are reported in two categories. The first category is usable 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 (e.g the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes those reserves that hold unrealised gains and losses (e.g the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

(£000s)	Notes	31 March 2015	31 March 2014
Property, Plant and Equipment	15	687,238	643,773
Heritage Assets		470	430
Investment Property	20	121,765	118,529
Intangible Assets		456	506
Long Term Investments	22	15,484	6,128
Long Term Debtors	23	1,037	1,029
<b>Long Term Assets</b>		<b>826,450</b>	<b>770,395</b>
Short Term Investments	22	86,318	70,069
Assets Held for Sale	24	9,708	4,492
Inventories		268	274
Short Term Debtors	25	11,115	17,195
Cash and Cash Equivalents	26	7,268	6,573
<b>Current Assets</b>		<b>114,677</b>	<b>98,603</b>
Short Term Borrowing	34	(82)	0
Short Term Creditors	27	(17,088)	(11,682)
Receipts in Advance	28	(4,287)	(6,314)
Provisions	29	(2,828)	(3,543)
<b>Current Liabilities</b>		<b>(24,285)</b>	<b>(21,539)</b>
Long Term Borrowing	34	(213,572)	(213,654)
Other Long Term Liabilities	36	(124,811)	(95,201)
Capital Grants Receipts in Advance	30	(8,087)	(5,321)
<b>Long Term Liabilities</b>		<b>(346,470)</b>	<b>(314,176)</b>
<b>Net Assets</b>		<b>570,372</b>	<b>533,283</b>
Usable Reserves	31	(92,048)	(79,733)
Unusable Reserves	32	(478,324)	(453,550)
<b>Total Reserves</b>		<b>(570,372)</b>	<b>(533,283)</b>

These financial statements were authorised for issue on **yy** June 2015.

# Main Financial Statements

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents 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, grant income and by 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 show claims that will be made on future cash flows by providers of capital (i.e. borrowing) to the Council.

(£000s)	Notes	2014/15	2013/14
Cash flows from operating activities			
Cash receipts		168,368	151,711
Cash payments		(132,568)	(129,808)
Net cash flows from operating activities	37	35,800	21,903
Net cash flows from investing activities	38	(35,259)	(24,883)
Net cash flows from financing activities	39	154	1,819
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>695</b>	<b>(1,161)</b>
Cash and cash equivalents at the beginning of the year	26	6,573	7,734
<b>Cash and cash equivalents at the end of the year</b>	<b>26</b>	<b>7,268</b>	<b>6,573</b>





## **NOTES TO THE MAIN FINANCIAL STATEMENTS**

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# Notes to the Main Financial Statements

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## 1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 87 to 103, 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:

- There is a degree of uncertainty about future levels of funding for local government. 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 significantly reduce levels of service provision.

## 2 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenditure during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

### 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 consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The net pension liability at 31 March 2015 is estimated to be £124.8 million and the estimated effects on the liability of changes in individual assumptions is disclosed in Note 36.

### Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Council did not sustain its current spending on repairs and maintenance the useful lives currently assigned to assets may be reduced.

If the useful life of assets is reduced, depreciation increases and the carrying value of the assets fall. It is estimated that the annual depreciation charge for assets would increase by approximately £800,000 for every year that useful lives had to be reduced.

### Business Rates

Since the introduction of the Business Rates Retention Scheme from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses, both in the current financial year and earlier years, in proportion to their local share of business rates income. The Council's General Fund share of business rates income is 40%.

## Notes to the Main Financial Statements

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A provision has therefore been recognised for the best estimate of the amount that will be repayable in respect of years up to 31 March 2015 following successful rating valuation appeals. The Council's share of this provision is £2.5 million as disclosed in Note 29. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and historical data on successful appeals to date. It is possible that appeals will be settled at amounts which differ from the estimate made on historical experience.

### 3 Material Items of Income and Expenditure

The following material items of income and expenditure are included in the relevant lines of the Comprehensive Income and Expenditure Statement.

A net credit for reversal of previous revaluation losses of £16.8 million on council housing stock has been credited to expenditure within the HRA net cost of service line. The comparative figure for 2013/14 includes a net credit of £6.8 million. More detail on the movements in the value of the Council's housing stock can be found in note 15 to the main financial statements.

The Council's share of non-domestic rates income totalling £36.8 million (£33.9 million in 2013/14) and the tariff of £32.9 million (£32.3 million in 2013/14) payable to central government under the rates retention scheme have been included in taxation and non-specific grant income.

The surplus on revaluation of Property, Plant and Equipment includes a net £24.4 million gain (£7.8 million in 2013/14) in respect of the Council's housing stock.

There is a total charge for the measurements of the Council's net defined benefit pension liability of £24.5 million. This net charge reflects a number of aspects as detailed in note 36 to the accounts. Most significantly, there is a charge of £41.4 million in respect of 2014/15 reflecting a change in the financial assumptions used by the actuary to estimate the pension liability.

### 4 Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

The total comprehensive income and expenditure recognised by the Council in the year, is prepared in accordance with proper accounting practice. This note details the adjustments that are made to income and expenditure to reflect the resources that are specified by statute 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 that statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority 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 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. The balance is not available to be applied to fund Housing Revenue Account (HRA) services.

## Notes to the Main Financial Statements

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### **Housing Revenue Account (HRA) Balance**

The HRA balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### **Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.

### **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 expenditure for which there are no outstanding grant conditions 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.

## Notes to the Main Financial Statements

### Financial year 2014/15

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Charges for depreciation and impairment of non-current assets	(5,163)	0	0	0	0	5,163
Net revaluation (losses)/gains on property, plant and equipment	(1,875)	16,770	0	0	0	(14,895)
Net revaluation (losses)/gains on assets held for sale	146	0	0	0	0	(146)
Movements in the market value of investment properties	3,330	142	0	0	0	(3,472)
Amortisation of intangible assets	(130)	0	0	0	0	130
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(1,526)	(597)	0	0	0	2,123
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(935)	(10,051)	0	0	0	10,986
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Private sector housing loan repayments – original loan less than £10,000	(33)	0	0	0	0	33
Capital expenditure charged against General Fund and HRA balances	2,449	5,115	0	0	0	(7,564)

## Notes to the Main Financial Statements

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,386	1,230	0	0	(4,616)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	4,237	(4,237)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	24	12,720	(12,744)	0	0	0
Other capital receipts	0	180	(180)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	7,178	0	0	(7,178)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,279)	0	1,279	0	0	0
Transfer to capital receipts reserve on receipt of loan payment	0	0	(12)	0	0	12
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(12)	0	0	12
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sales proceeds credited to the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal	0	3,193	0	0	0	(3,193)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
HRA depreciation	0	0	0	(12,076)	0	12,076
Reversal of Major Repairs Allowance credited to the HRA	0	(4,147)	0	4,147	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	10,629	0	(10,629)

## Notes to the Main Financial Statements

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
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	34	0	0	0	0	(34)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(8,966)	(1,262)	0	0	0	10,228
Employer's pension contributions and direct payments to pensioners payable in the year	4,050	1,045	0	0	0	(5,095)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(117)	0	0	0	0	117
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	15	0	0	0	0	(15)
<b>Adjustments primarily involving the Housing Revenue Account:</b>						
Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation	(8)	8	0	0	0	0
<b>Total adjustments</b>	<b>(6,598)</b>	<b>24,346</b>	<b>(4,491)</b>	<b>2,700</b>	<b>(379)</b>	<b>(15,578)</b>



## Notes to the Main Financial Statements

### Financial year 2013/14

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Charges for depreciation and impairment of non-current assets	(4,658)	0	0	0	0	4,658
Net revaluation (losses)/gains on property, plant and equipment	(1,717)	6,734	0	0	0	(5,017)
Net revaluation (losses)/gains on assets held for sale	(152)	17	0	0	0	135
Movements in the market value of investment properties	3,090	756	0	0	0	(3,846)
Amortisation of intangible assets	(114)	0	0	0	0	114
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(1,786)	(404)	0	0	0	2,190
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(230)	(7,127)	0	0	0	7,357
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Private sector housing loan repayments – original loan less than £10,000	(23)	0	0	0	0	23
Capital expenditure charged against General Fund and HRA balances	2,569	6,406	0	0	0	(8,975)

## Notes to the Main Financial Statements

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	10,829	549	0	0	(11,378)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	4,475	(4,475)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	147	8,648	(8,795)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	3,414	0	0	(3,414)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,044)	0	1,044	0	0	0
Transfer to capital receipts reserve on receipt of loan payment	0	0	(31)	0	0	31
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(15)	0	0	15
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
HRA depreciation	0	0	0	(10,619)	0	10,619
Reversal of Major Repairs Allowance credited to the HRA	0	(2,941)	0	2,941	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	7,870	0	(7,870)

## Notes to the Main Financial Statements

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
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	0	0	41
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(9,167)	(1,018)	0	0	0	10,185
Employer's pension contributions and direct payments to pensioners payable in the year	4,090	858	0	0	0	(4,948)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(3,238)	0	0	0	0	3,238
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(6)	(1)	0	0	0	7
<b>Adjustments primarily involving the Housing Revenue Account:</b>						
Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation	(6)	6	0	0	0	0
<b>Total adjustments</b>	<b>(1,457)</b>	<b>12,483</b>	<b>(4,383)</b>	<b>192</b>	<b>(6,903)</b>	<b>68</b>

## Notes to the Main Financial Statements

### 5 Movement in Reserves Statement – Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans together with the amounts of earmarked reserves used to meet General Fund and HRA expenditure in 2014/15.

(£000s)	2013/14			2014/15		Balance at 31 March 2015	
	Balance at 1 April 2013	Transfers In	Transfers Out	Balance at 31 March 2014	Transfers In		Transfers Out
<b>General Fund:</b>							
Asset Repair and Renewals Reserves	(14,153)	(3,363)	3,601	(13,915)	(3,706)	3,257	(14,364)
Insurance Fund	(1,075)	(754)	663	(1,166)	(722)	598	(1,290)
Technology Investment Fund	(141)	0	8	(133)	0	4	(129)
Development Plan Reserve	(395)	(317)	135	(577)	(182)	208	(551)
Compulsory Purchase Order Compensation Reserve	(583)	0	361	(222)	0	0	(222)
Major Planning Appeals Reserve	0	(428)	293	(135)	(26)	0	(161)
Revenue Contributions to Capital	(178)	0	42	(136)	0	18	(118)
Efficiency Fund	(490)	0	117	(373)	(19)	175	(217)
Pension Reserve	(493)	(493)	0	(986)	0	0	(986)
Climate Change Fund	(410)	(3)	66	(347)	0	0	(347)
Keep Cambridge Moving	0	(436)	0	(436)	0	0	(436)
Business Rates Retention	0	(3,405)	0	(3,405)	(1,303)	1,292	(3,416)
Fixed Term Priority Projects	0	0	0	0	(286)	0	(286)
Sharing Prosperity	0	0	0	0	(493)	0	(493)
Other	(2,318)	(454)	630	(2,142)	(826)	748	(2,220)
<b>Total</b>	<b>(20,236)</b>	<b>(9,653)</b>	<b>5,916</b>	<b>(23,973)</b>	<b>(7,563)</b>	<b>6,300</b>	<b>(25,236)</b>
<b>Housing Revenue Account:</b>							
Asset Repair and Renewal Reserve	(2,149)	(338)	95	(2,392)	(545)	1,108	(1,829)
Shared Ownership Reserve	(300)	0	0	(300)	0	0	(300)
Other	(1,414)	(231)	17	(1,628)	(845)	432	(2,041)
<b>Total</b>	<b>(3,863)</b>	<b>(569)</b>	<b>112</b>	<b>(4,320)</b>	<b>(1,390)</b>	<b>1,540</b>	<b>(4,170)</b>

## Notes to the Main Financial Statements

### 6 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

(£000s)	2014/15		2013/14	
	Income	Expenditure	Income	Expenditure
Payments to the Government Housing Capital Receipts Pool	0	1,279	0	1,044
Impairment losses on assets held for sale	0	(146)	0	134
(Gains) / losses on the disposal of non-current assets	(4,963)	0	(1,485)	0
Other income	(180)	0	0	0
	<b>(5,143)</b>	<b>1,133</b>	<b>(1,485)</b>	<b>1,178</b>

### 7 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

(£000s)	2014/15		2013/14	
	Income	Expenditure	Income	Expenditure
Interest payable and similar charges	0	7,496	0	7,496
Impairment of investments	0	(59)	0	(343)
Net interest on the net defined benefit liability	0	4,111	0	4,201
Gains and losses on trading	(125)	69	(35)	0
Interest receivable and similar income	(789)	0	(710)	0
Income and expenditure in relation to investment properties and changes in their fair value	(11,351)	1,229	(11,586)	1,149
	<b>(12,265)</b>	<b>12,846</b>	<b>(12,331)</b>	<b>12,503</b>

### 8 Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Incomes

(£000s)	2014/15	2013/14
Council tax income	(6,601)	(6,421)
Net council share of business rates income	(3,842)	(1,618)
Non-domestic rates retention – safety net payment due from central government	0	(1,571)
Non-ringfenced government grants	(8,783)	(8,129)
Capital grants and contributions	(4,216)	(11,378)
	<b>(23,442)</b>	<b>(29,117)</b>

## Notes to the Main Financial Statements

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The business rates income retained by the Council under the business rates retention scheme of £3,842,000 (2013/14 - £1,618,000) comprises the Council's share of income of £36,757,000 (2013/14 - £33,904,000) less a tariff payment due to central government of £32,915,000 (2013/14 - £32,286,000).

### 9 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 (SERCOP). However, decisions about resource allocation are taken by the Council's Executive on the basis of financial information analysed by portfolio. Reports presented to members are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to revaluation losses and revenue expenditure funded from capital under statute.
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.
- The net income generated by the Council's commercial property service is reported below 'cost of services' in 'financing and investment income and expenditure'.
- Reports include contributions to Repairs and Renewals Funds rather than the actual expenditure reflected in the accounts.

## Notes to the Main Financial Statements

The income and expenditure of the Council's service portfolios recorded in the budget reports for the year and how it reconciles to that included in the net cost of services in the Comprehensive Income and Expenditure Statement is as follows:

(£000s)	2014/15	2013/14
<b>Net Expenditure for the year as reported to management</b>		
<b>General Fund</b>		
<b>Community Services</b>		
City Centre and Public Places	2,753	2,109
Community Arts and Recreation	7,955	7,469
	<b>10,708</b>	<b>9,578</b>
<b>Environment</b>		
Environment, Waste and Public Health	7,776	7,880
Planning Policy and Transport	(266)	1,039
	<b>7,510</b>	<b>8,919</b>
<b>Housing</b>		
Housing General Fund	<b>3,186</b>	<b>3,479</b>
<b>Strategy &amp; Resources</b>		
Finance and Resources	(5,999)	(6,259)
Strategy and Transformation	2,658	3,449
	<b>(3,341)</b>	<b>(2,810)</b>
<b>Total General Fund</b>	<b>18,063</b>	<b>19,166</b>
<b>Housing Revenue Account</b>		
Housing – HRA	(13,870)	(15,074)
	<b>4,193</b>	<b>4,092</b>
Amounts in the Comprehensive Income and Expenditure Statement not reported to management	(9,390)	1,083
Amounts reported to management not included in the Comprehensive Income and Expenditure Statement	4,175	4,477
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>(1,022)</b>	<b>9,652</b>

## Notes to the Main Financial Statements

This reconciliation (analysed subjectively) shows how the figures for the income and expenditure included in the reports to management relate to the Surplus or Deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

### Financial year 2014/15

(£000s)	Portfolio Analysis	Amounts reported to management below portfolio analysis	Amounts reported to management which do not form part of CIES	Amounts not reported to management for decision making	Allocation of recharges	Total
Fees, charges and other service income	(77,864)	0	33	(102)	12,276	(65,657)
Interest and investment income	(484)	(278)	0	(3,499)	(7,879)	(12,140)
Income from council tax	0	(6,706)	0	105	0	(6,601)
Income from non-domestic rates	0	(3,853)	0	11	0	(3,842)
Gain on disposal of assets and other capital receipts	0	0	0	(5,143)	0	(5,143)
Government grants, donations and contributions	(40,406)	(8,503)	0	(4,616)	0	(53,525)
<b>Total Income</b>	<b>(118,754)</b>	<b>(19,340)</b>	<b>33</b>	<b>(13,244)</b>	<b>4,397</b>	<b>(146,908)</b>
Employee expenses	23,471	0	0	1,007	13,159	37,637
Other service expenses	67,931	0	(3,328)	4,529	(3,005)	66,127
Recharges	15,552	0	0	0	(15,552)	0
Depreciation, amortisation and impairment	15,991	95	0	(14,722)	1,060	2,424
Interest payments	2	7,502	(8)	4,111	(59)	11,548
Payments to Housing Receipts Pool	0	0	0	1,279	0	1,279
<b>Total Expenditure</b>	<b>122,947</b>	<b>7,597</b>	<b>(3,336)</b>	<b>(3,796)</b>	<b>(4,397)</b>	<b>119,015</b>
<b>(Surplus) / Deficit on the provision of services</b>	<b>4,193</b>	<b>(11,743)</b>	<b>(3,303)</b>	<b>(17,040)</b>	<b>0</b>	<b>(27,893)</b>



## Notes to the Main Financial Statements

### Financial year 2013/14

(£000s)	Portfolio Analysis	Amounts reported to management below portfolio analysis	Amounts reported to management which do not form part of CIES	Amounts not reported to management for decision making	Allocation of recharges	Total
Fees, charges and other service income	(74,090)	0	0	0	12,897	(61,193)
Interest and investment income	(580)	(113)	0	(3,863)	(7,740)	(12,296)
Income from council tax	0	(6,254)	0	(167)	0	(6,421)
Income from non-domestic rates	0	(6,396)	0	3,207	0	(3,189)
Gain on disposal of assets and other capital receipts	0	0	0	(1,485)	0	(1,485)
Government grants, donations and contributions	(39,509)	(8,130)	0	(11,378)	0	(59,017)
<b>Total Income</b>	<b>(114,179)</b>	<b>(20,893)</b>	<b>0</b>	<b>(13,686)</b>	<b>5,157</b>	<b>(143,601)</b>
Employee expenses	22,682	0	0	1,043	13,999	37,724
Other service expenses	66,282	0	(2,965)	3,848	(3,795)	63,370
Recharges	16,404	0	0	0	(16,404)	0
Depreciation, amortisation and impairment	12,901	0	(84)	(3,880)	1,572	10,509
Interest payments	2	7,494	0	4,387	(529)	11,354
Payments to Housing Receipts Pool	0	0	0	1,044	0	1,044
<b>Total Expenditure</b>	<b>118,271</b>	<b>7,494</b>	<b>(3,049)</b>	<b>6,442</b>	<b>(5,157)</b>	<b>124,001</b>
<b>(Surplus) / Deficit on the provision of services</b>	<b>4,092</b>	<b>(13,399)</b>	<b>(3,049)</b>	<b>(7,244)</b>	<b>0</b>	<b>(19,600)</b>

## 10 Agency Services

### Box Office Services

The Council operates a box office for private promoters for performances and events held at the Corn Exchange. Gross income collected and paid over to promoters was £3,141,000 in 2014/15 (£3,186,000 in 2013/14.)

## Notes to the Main Financial Statements

### 11 Members' Allowances

The total allowances paid to members during the financial year 2014/15 were £244,295 (£240,236 in 2013/14) as analysed below. Details of payments to individual members are published annually in a local newspaper.

(£)	2014/15	2013/14
Basic allowance payments	116,146	115,683
Special responsibility payments	125,057	121,488
Childcare allowance	534	345
Travel and subsistence payments:		
Subsistence	323	170
Travel claims	629	543
Travel warrants	555	503
Taxi fares	169	177
Mileage claims	882	1,327
	<b>244,295</b>	<b>240,236</b>

Additional civic responsibility payments were made to the Mayor and Deputy Mayor outside of the Members Allowances Scheme. These totalled £5,810 (£5,700 in 2013/14).

### 12 Related Party Transactions

The Council is required to disclose 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 or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central government has effective control 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 transactions that the Council has with other parties (for example, Housing Benefits). Details of government grants received are set out in Note 30.

Members of the Council have direct control over the Council's financial and operating policies. During 2014/15 the Council gave grants totalling £146,931 (£232,091 in 2013/14) to voluntary organisations in which 10 (10 in 2013/14) members had an interest. £0 (£0 in 2013/14) of these grants were unpaid at the year end.

The relevant members did not take part in any discussion or decision relating to the grants. In addition one of these organisations has a long term loan from the Council as disclosed in Note 23 to the accounts.

No other material transactions have been identified for disclosure which are not already included elsewhere in this Statement of Accounts.

## Notes to the Main Financial Statements

### 13 Employee Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

	2014/15	2013/14
£50,000 to £54,999	2	1
£55,000 to £59,999	4	4
£60,000 to £64,999	2	5
£65,000 to £69,999	6	6
£70,000 to £74,999	3	3
£80,000 to £84,999	1	0
£85,000 to £89,999	2	1
£90,000 to £94,999	1	1
£115,000 to £119,999	1	1
£135,000 to £139,999	0	1
<b>Total</b>	<b>22</b>	<b>23</b>

The remuneration of senior officers, who are included in the above table, is disclosed in more detail, including employer's pension contributions, below:

#### Financial year 2014/15

(£) Position / Name	Note	Salary	Honorarium	Pension Contribution	Total
Chief Executive (A Jackson)	1	117,859	0	20,961	138,820
Director of Environment (S Payne)		89,089	0	15,502	104,591
Director of Customer & Community Services (L Bisset)		92,350	2,000	16,417	110,767
Director of Business Transformation (R Ward)		89,089	0	15,502	104,591
Head of Corporate Strategy (A Limb)	2	68,431	0	11,907	80,338
Head of Finance (Section 151 Officer) (C Ryba)	3	49,029	0	8,531	57,560

Notes:

- 1 The Chief Executive received Election Payments of £2,609 in addition to the above.
- 2 The Head of Corporate Strategy received Election Payments of £500 in addition to the above.
- 3 The Head of Finance joined the Council on 14 July 2014.

## Notes to the Main Financial Statements

Between April and July 2014 the Section 151 (Chief Financial Officer) role was undertaken by Alex Colyer, the Executive Director, Corporate Services and Chief Finance Officer of South Cambridgeshire District Council. The Council paid South Cambridgeshire £5,307 for this service.

### Financial year 2013/14

(£) Position / Name	Note	Salary	Allowances & Benefits in Kind	Redundancy	Pension Contribution	Total
Chief Executive (A Jackson)	1	117,859	0	0	21,922	139,781
Director of Resources (D Horspool)	2	91,891	10	44,939	17,092	153,932
Director of Environment (S Payne)		88,646	0	0	16,488	105,134
Director of Customer & Community Services (L Bisset)		91,891	0	0	17,092	108,983
Director of Business Transformation (R Ward)	3	20,970	0	0	3,900	24,870
Head of Corporate Strategy (A Limb)		65,951	0	0	12,267	78,218

#### Notes:

- 1 The Chief Executive received Election Payments of £4,550 in addition to the above.
- 2 The Director of Resources left the Council on 31 March 2014.
- 3 The Director of Business Transformation joined the Council on 6 January 2014.

During February and March 2014 the Section 151 (Chief Financial Officer) role was undertaken by Alex Colyer, the Executive Director, Corporate Services and Chief Finance Officer of South Cambridgeshire District Council. The Council paid South Cambridgeshire £1,914 for this service during 2013/14.

## Notes to the Main Financial Statements

The number of exit packages, analysed between compulsory redundancies and other departures, and the total cost per band are set out in the table below:

Exit Package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total Number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
£0 - £20,000	8	17	0	1	8	18	82	70
£20,001 - £40,000	3	3	0	0	3	3	88	72
£40,001 - £60,000	0	2	0	0	0	2	0	102
£60,001 - £80,000	0	1	0	0	0	1	0	64
<b>Total</b>	<b>11</b>	<b>23</b>	<b>0</b>	<b>1</b>	<b>11</b>	<b>24</b>	<b>170</b>	<b>308</b>

The cost of exit packages includes the capital costs of early retirements (which are not relevant in every case) due to be paid to the Local Government Pension Scheme by the Council. These costs are disclosed as post employment benefit costs within non-distributed costs on the Comprehensive Income and Expenditure Statement.

Prior year bandings and the total cost of exit packages have been restated where there were differences between the estimated cost of departure as used in the note in last year's accounts and the actual cost.

### 14 Audit Costs

Cambridge City Council incurred the following fees relating to external audit.

(£000s)	2014/15	2013/14
<b>Fees payable to the appointed external auditor in respect of:</b>		
External audit services	69	69
Certification of grant claims and returns	16	21
	<b>85</b>	<b>90</b>

## Notes to the Main Financial Statements

### 15 Property, Plant and Equipment

#### Financial year 2014/15

(£000s)	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment
<b>Cost or Valuation</b>								
<b>At 1 April 2014</b>	<b>497,772</b>	<b>127,172</b>	<b>17,259</b>	<b>2,589</b>	<b>1,122</b>	<b>5,230</b>	<b>6,365</b>	<b>657,509</b>
Additions	13,248	1,403	1,733	945	15	0	9,927	27,271
Revaluation increases/(decreases) recognised in the revaluation reserve	12,534	4,895	0	0	0	4	(32)	17,401
Revaluation increases/(decreases) recognised in the surplus / deficit on provision of services	16,771	(1,972)	0	0	0	2	0	14,801
Derecognition – disposals	(3,778)	0	(412)	0	0	0	(34)	(4,224)
Derecognition – other	(344)	(949)	0	0	0	(2,662)	(11)	(3,966)
Assets reclassified (to) / from intangible assets	0	0	0	0	0	0	(26)	(26)
Assets reclassified from Investment Properties	0	400	0	0	0	0	0	400
Assets reclassified (to) / from held for sale	0	(3,294)	(489)	0	0	(1,977)	0	(5,760)
Assets reclassified (to) / from other categories of property, plant and equipment	1,897	1,237	94	45	14	(400)	(2,899)	(12)
<b>At 31 March 2015</b>	<b>538,100</b>	<b>128,892</b>	<b>18,185</b>	<b>3,579</b>	<b>1,151</b>	<b>197</b>	<b>13,290</b>	<b>703,394</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2014</b>	<b>0</b>	<b>(4,334)</b>	<b>(8,902)</b>	<b>(378)</b>	<b>0</b>	<b>(122)</b>	<b>0</b>	<b>(13,736)</b>
Depreciation charge	(11,781)	(3,625)	(1,645)	(76)	0	(113)	0	(17,240)
Depreciation written out to the Revaluation Reserve	11,700	1,878	0	0	0	2	0	13,580
Derecognition – disposals	77	0	409	0	0	0	0	486
Derecognition – other	0	41	0	0	0	144	0	185
Assets reclassified to / from Held for Sale	0	1	470	0	0	83	0	554
Assets reclassified to / from other categories of property, plant and equipment	4	2	0	0	0	6	0	12
Other movements	0	0	3	0	0	0	0	3
<b>At 31 March 2015</b>	<b>0</b>	<b>(6,037)</b>	<b>(9,665)</b>	<b>(454)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(16,156)</b>
<b>Net Book Value</b>								
<b>At 31 March 2015</b>	<b>538,100</b>	<b>122,855</b>	<b>8,520</b>	<b>3,125</b>	<b>1,151</b>	<b>197</b>	<b>13,290</b>	<b>687,238</b>
<b>At 31 March 2014</b>	<b>497,772</b>	<b>122,838</b>	<b>8,357</b>	<b>2,211</b>	<b>1,122</b>	<b>5,108</b>	<b>6,365</b>	<b>643,773</b>

## Notes to the Main Financial Statements

### Financial year 2013/14

(£000s)	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment
<b>Cost or Valuation</b>								
<b>At 1 April 2013</b>	<b>486,503</b>	<b>116,418</b>	<b>15,059</b>	<b>2,042</b>	<b>1,077</b>	<b>4,216</b>	<b>2,288</b>	<b>627,603</b>
Opening adjustment between cost and accumulated depreciation	0	164	0	0	(25)	0	0	139
Additions	12,471	987	2,422	547	52	1,444	4,306	22,229
Revaluation increases/(decreases) recognised in the revaluation reserve	(2,477)	13,024	0	0	0	0	0	10,547
Revaluation increases/(decreases) recognised in the surplus / deficit on provision of services	6,759	(1,742)	0	0	0	0	0	5,017
Derecognition – disposals	(4,133)	0	0	0	0	0	0	(4,133)
Derecognition – other	(627)	(85)	0	0	0	(1,166)	(16)	(1,894)
Assets reclassified (to) / from intangible assets	0	0	0	0	0	0	(38)	(38)
Assets reclassified (to) / from held for sale	0	(495)	(312)	0	0	(1,134)	0	(1,941)
Assets reclassified (to) / from other categories of property, plant and equipment	(724)	(1,099)	90	0	18	1,870	(175)	(20)
<b>At 31 March 2014</b>	<b>497,772</b>	<b>127,172</b>	<b>17,259</b>	<b>2,589</b>	<b>1,122</b>	<b>5,230</b>	<b>6,365</b>	<b>657,509</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2013</b>	<b>0</b>	<b>(5,736)</b>	<b>(7,579)</b>	<b>(323)</b>	<b>(25)</b>	<b>(68)</b>	<b>0</b>	<b>(13,731)</b>
Opening adjustment between cost and accumulated depreciation	0	(164)	0	0	25	0	0	(139)
Depreciation charge	(10,382)	(3,140)	(1,615)	(55)	0	(85)	0	(15,277)
Depreciation written out to the Revaluation Reserve	10,247	4,698	0	0	0	0	0	14,945
Derecognition – disposals	81	0	0	0	0	0	0	81
Derecognition – other	0	6	0	0	0	54	0	60
Assets reclassified to / from Held for Sale	0	0	292	0	0	12	0	304
Assets reclassified to / from other categories of property, plant and equipment	54	2	0	0	0	(35)	0	21
<b>At 31 March 2014</b>	<b>0</b>	<b>(4,334)</b>	<b>(8,902)</b>	<b>(378)</b>	<b>0</b>	<b>(122)</b>	<b>0</b>	<b>(13,736)</b>
<b>Net Book Value</b>								
<b>At 31 March 2014</b>	<b>497,772</b>	<b>122,838</b>	<b>8,357</b>	<b>2,211</b>	<b>1,122</b>	<b>5,108</b>	<b>6,365</b>	<b>643,773</b>
<b>At 31 March 2013</b>	<b>486,503</b>	<b>110,682</b>	<b>7,480</b>	<b>1,719</b>	<b>1,052</b>	<b>4,148</b>	<b>2,288</b>	<b>613,872</b>

## Notes to the Main Financial Statements

### 16 Property Plant and Equipment - Revaluations

The Council carries out a rolling programme that ensures that Property, Plant and Equipment to be measured at fair value are revalued at least every five years.

Current year revaluations were carried out externally by:

Mr G Harbord MA MRICS IRRV(Hons) (Wilks Head and Eve)  
Ms A Briggs BA (Hons) MRICS (Bidwells LLP)  
Ms A Groom MA MRICS (Bidwells LLP)  
Ms B Darby MRICS (Bidwells LLP)

The basis for valuation is set out in the statement of accounting policies on page 98.

The following statement should be noted with regard to the valuations carried out by Bidwells LLP:

In reaching the final valuation figures, Bidwells has departed from the RICS Valuation – Professional Standards (January 2014) prepared by the Royal Institution of Chartered Surveyors. This is because the valuation of the portfolio is such that Bidwells has not been instructed to re-inspect any of the properties. They have therefore relied on information either obtained by them in 1995, 2000, 2005, 2010 and 2015, or subsequently provided by Cambridge City Council in order to reach their conclusions.

Bidwells did undertake an external visual inspection of the properties valued. The Council provides updated information on each property to Bidwells to supplement the detail they already hold and meetings are held to plan and discuss the valuations. These would highlight any significant changes.

The Council has chosen to depart from the Appraisal and Valuation Standards on the grounds of achieving best value for money in relation to property valuation work.

The following table shows the current carrying value of assets by the date of the most recent valuation:

(£000s)	Council Dwellings	Other Land and Buildings	Surplus Assets	Total
Valued at fair value as at:				
31 March 2015	538,100	111,471	197	649,768
31 March 2014	0	3,213	0	3,213
31 March 2013	0	750	0	750
31 March 2012	0	4,150	0	4,150
31 March 2011	0	3,271	0	3,271
<b>Total Valuation</b>	<b>538,100</b>	<b>122,855</b>	<b>197</b>	<b>661,152</b>

Vehicles, Plant and Equipment as short life operational assets, are held at historical cost less depreciation as a proxy for fair value.



## Notes to the Main Financial Statements

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### 17 Property, Plant and Equipment - Depreciation

The majority of the Council's Property, Plant and Equipment are council dwellings. These are placed into four useful-life bandings. In general, assets built before 1945 are assessed as having a remaining useful life of 27 years, those built between 1945 and 1974 have a remaining useful life of 37 years, those built between 1974 and 2010 have a remaining useful life of 47 years and those built after 2010 have a useful life of 80 years.

The useful lives of other assets are generally estimated as:

- Infrastructure Assets – 20 to 40 years
- Other buildings (main structure) – 20 to 90 years. Material components may be depreciated over a lesser term.
- Vehicles, Plant and Equipment – 3 to 20 years

## Notes to the Main Financial Statements

### 18 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, 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.

(£000s)	2014/15	2013/14
<b>Opening Capital Financing Requirement</b>	<b>215,906</b>	<b>215,604</b>
<b>Capital Expenditure</b>		
Property, Plant and Equipment	27,271	20,507
Investment Properties	164	322
Intangible Assets	53	110
Non-current assets held for sale	114	152
<b>Donated Assets</b>		
Property, Plant and Equipment	0	1,722
<b>Capital Expenditure Charged to the Comprehensive Statement of Income and Expenditure</b>		
Revenue Expenditure Funded from Capital	1,428	1,576
De-minimis capital expenditure	695	614
<b>Loans Advanced</b>		
Private Sector Housing Improvement Loans	35	33
<b>Purchase of Shares</b>		
Local Government Finance Company	50	0
<b>Revaluation losses on non-dwelling HRA assets charged to the Comprehensive Statement of Income and Expenditure</b>	(96)	0
<b>Sources of finance</b>		
Capital receipts	(7,178)	(3,414)
Government grants and other contributions	(4,237)	(4,475)
Revenue and reserves	(18,193)	(16,845)
<b>Closing capital financing requirement</b>	<b>216,012</b>	<b>215,906</b>

## Notes to the Main Financial Statements

### 19 Capital Commitments

At 31 March 2015, the Council was contractually committed to capital work valued at approximately £16.4 million, as shown in the following table.

(£000s)	31 March 2015	31 March 2014
<b>Property, Plant and Equipment</b>		
Clay Farm Community Centre	217	213
Vehicle asset replacements	178	87
Roman Court	0	633
HRA New Build Properties	9,743	4,245
Housing Capital Programme	1,785	0
Logan's Meadow nature reserve extension	0	79
Box Office ticketing system	0	58
Water play areas	0	351
Other works – less than £50,000 per contract	0	108
<b>Assets held for sale/Property Plant and Equipment</b>		
Land at Clay Farm	1,692	2,522
<b>Assets Held For Sale</b>		
Development land on Kings Hedges Road	67	42
<b>Investment Properties</b>		
Lion Yard contribution to works	78	14
Kettle's Yard	0	40
<b>Revenue Expenditure Funded from Capital Under Statute</b>		
Private Sector Housing Improvements	284	0
Community Development Grants Programme	121	260
Green Deal Grants	2,274	0
	<b>16,439</b>	<b>8,652</b>

## Notes to the Main Financial Statements

### 20 Investment Properties

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement.

(£000s)	2014/15	2013/14
Rental income from investment property	(7,879)	(7,740)
Direct operating expenses arising from investment property	365	503
<b>Net gain</b>	<b>(7,514)</b>	<b>(7,237)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the receipt of income and the proceeds of disposal.

The following summarises the movement in the fair value of investment properties over the year.

(£000s)	2014/15	2013/14
<b>Balance at start of the year</b>	<b>118,529</b>	<b>114,476</b>
<i>Additions:</i>		
Subsequent expenditure	164	322
Net gains / (losses) from fair value adjustments	3,472	3,846
Disposals	0	(115)
<i>Transfers:</i>		
(To) / from Property, Plant and Equipment	(400)	0
Transfers from assets in the course of construction	0	0
<b>Balance at the end of the year</b>	<b>121,765</b>	<b>118,529</b>

## Notes to the Main Financial Statements

### 21 Leases

#### Council as Lessee

##### *Finance Leases*

The carrying value of investment properties held under finance leases was £1,660,000 at 31 March 2015 (£1,660,000 at 31 March 2014). Secondary lease payments of £2,247 in each of 2013/14 and 2014/15 were accounted for as finance costs. This annual charge will continue until 2035.

These relate to industrial units held under finance leases which are then leased out under operating leases and the total minimum lease payments are £53,866 at 31 March 2015 (£80,632 at 31 March 2014).

The Council leases in three car parks under long-term peppercorn leases. The carrying value of these car parks included in Property, Plant and Equipment was £25,027,500 at 31 March 2015 (£23,957,500 at 31 March 2014).

##### *Operating Leases*

The Council leases in a number of operational properties and some equipment under operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

(£000s)	31 March 2015	31 March 2014
Not later than one year	80	388
Later than one year and not later than five years	250	283
Later than five years	0	50
	<b>330</b>	<b>721</b>

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

(£000s)	2014/15	2013/14
<b>Minimum lease payments</b>	<b>371</b>	<b>493</b>

#### Council as Lessor

##### *Operating Leases*

The Council leases out commercial properties across the City under operating leases. The portfolio includes shops, industrial units and shopping centres.

## Notes to the Main Financial Statements

The future minimum lease payments receivable, under leases which cannot be cancelled, are:

(£000s)	31 March 2015	31 March 2014
Not later than one year	3,761	4,192
Later than one year and not later than five years	10,615	11,835
Later than five years	95,610	99,104
	<b>109,986</b>	<b>115,131</b>

The minimum lease payments receivable do not include contingent rents such as those based on turnover. In 2014/15 £2,160,045 of contingent rents were receivable by the Council (2013/14 £2,085,334).

## 22 Short-Term and Long-Term Investments

(£000s)	2014/15		2013/14	
	Long Term	Short Term	Long Term	Short Term
Investments in Icelandic banks and their UK subsidiaries	0	101	1,128	951
Other investments	15,484	86,217	5,000	69,118
	<b>15,484</b>	<b>86,318</b>	<b>6,128</b>	<b>70,069</b>

### Investments in Icelandic Banks and their UK Subsidiaries

In October 2008, a number of Icelandic Banks and their UK subsidiaries went into administration.

The Council had £5 million deposited with Landsbanki Islands hf (subsequently renamed LBI hf), and £4 million with its UK subsidiary, Heritable Bank Plc.

All monies within these institutions are subject to their respective administration and receivership processes.

The overall position in respect of both institutions is summarised as follows:

(£000s)	2014/15		2013/14	
	Heritable Bank Plc	LBI hf	Heritable Bank Plc	LBI hf
Balance sheet carrying value				
Long term investments	0	0	0	1,128
Short term investments	101	0	101	850
Increase / (decrease) in impairment recognised in the Comprehensive Income and Expenditure account	0	(63)	(343)	0
Cash received	0	2,040	682	260

## Notes to the Main Financial Statements

### *LBI hf*

The Council sold its remaining claims against the insolvent estate of LBI in autumn 2014.

### *Heritable Bank Plc*

The Council has received just over 94% of its claim to date. The administrators have not given any firm indications as to the likely timing and scale of further dividends, but given the information available to it, the Council has assumed an overall recovery of 96.5%.

## 23 Long-Term Debtors

Long-term debtors which fall due after a period of at least one year:

(£000s)	31 March 2015	31 March 2014
Mortgages	1	1
Grand Arcade reverse lease premium	205	211
Private sector housing improvement loans	793	769
Sale of land at Kings Hedges	30	30
Long term loan – Kelsey Kerridge Sports Centre	1	11
Mortgage Repossessions Loans	7	7
	<b>1,037</b>	<b>1,029</b>

## Notes to the Main Financial Statements

### 24 Assets Held for Sale

(£000s)	Current		Long Term	
	2014/15	2013/14	2014/15	2013/14
<b>Balance at 1 April</b>	<b>4,492</b>	<b>841</b>	<b>0</b>	<b>3,354</b>
Assets newly classified as held for sale:				
Property, plant & equipment	5,207	1,635	0	0
Transfers between current and long term assets held for sale	0	3,354	0	(3,354)
Assets sold	(3,469)	(1,355)	0	0
Clay Farm change in estimate of value – Revaluation Reserve	3,217	0	0	0
Clay Farm change in estimate of value – Reverse previous impairment loss	151	0	0	0
Enhancement expenditure	114	152	0	0
Impairment losses	(5)	(135)	0	0
<b>Balance at 31 March</b>	<b>9,707</b>	<b>4,492</b>	<b>0</b>	<b>0</b>

The 2014/15 impairment loss relates to a vehicle.

### 25 Debtors

(£000s)	31 March 2015	31 March 2014
Central government bodies	718	10,638
Other local authorities	832	490
NHS bodies	32	10
Public corporations and trading funds	0	10
Council Tax payers (City share)	500	640
National Non Domestic Rate Payers (City Share)	270	381
Council Tax payers (Precepting Bodies Share)	1,658	2,156
Housing tenants and leaseholders	477	578
Trade and other	6,628	2,292
	<b>11,115</b>	<b>17,195</b>



## Notes to the Main Financial Statements

### 26 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

(£000s)	31 March 2015	31 March 2014
Cash held by the Council	4	5
Bank current accounts	864	458
Bank deposit accounts	6,400	6,110
	<b>7,268</b>	<b>6,573</b>

### 27 Short-Term Creditors

(£000s)	31 March 2015	31 March 2014
Central government bodies	(2,843)	(1,931)
Other local authorities	(2,043)	(783)
Public corporations and trading funds	0	(3)
Other entities and individuals	(12,202)	(8,965)
	<b>(17,088)</b>	<b>(11,682)</b>

### 28 Receipts in Advance

(£000s)	31 March 2015	31 March 2014
Cambridge City Council share of Council Tax receipts in advance	(385)	(357)
Cambridge City Council share of non-domestic rates receipts in advance	(644)	(597)
Capital grants receipts in advance	(75)	(452)
Housing Tenants and Leaseholders	(1,128)	(1,300)
Other	(2,055)	(3,608)
	<b>(4,287)</b>	<b>(6,314)</b>

## Notes to the Main Financial Statements

### 29 Provisions

#### Insurance Provision

The insurance provision has been set aside to meet the estimated cost to the Council of outstanding insurance claims. However, the actual cost (if any) of individual claims and the timing of payments are uncertain and may be dependent upon the results of negotiation and/or legal action.

Under current insurance arrangements, the Council takes responsibility for meeting the first £10,000 of any liability claim up to a total combined loss in any insurance year of £200,000. For motor claims the Council takes responsibility for meeting the first £10,000 of any claim. For property losses, the Council is responsible for meeting up to £150,000 of claims in respect of General Fund property from the provision and up to £250,000 for HRA property from the HRA. The Council's external insurers meet claims or losses in excess of these amounts.

#### Business Rates Appeals Provision

Since the introduction of the Business Rates Retention Scheme from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses, both in the current financial year and earlier years, in proportion to their local share of business rates income. The Council's share of business rates income is 40%.

A provision has therefore been recognised for the best estimate of the amount that will be repayable in respect of years up to 31 March 2015 following successful rating valuation appeals. This estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and historical data on successful appeals to date. The timing of the settlement of these appeals is uncertain as they are outside of the Council's control.

(£000s)	Insurance Provision	Business Rates Appeals Provision	Other Provisions	Total
<b>Balance at 1 April 2014</b>	<b>(275)</b>	<b>(3,239)</b>	<b>(29)</b>	<b>(3,543)</b>
Additional provisions made in 2014/15	(193)	(2,111)	0	(2,304)
Amounts used in 2014/15	54	1,214	20	1,288
Unused amounts reversed in 2014/15	115	1,616	0	1,731
<b>Balance as at 31 March 2015</b>	<b>(299)</b>	<b>(2,520)</b>	<b>(9)</b>	<b>(2,828)</b>

## Notes to the Main Financial Statements

### 30 Grant Income

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2014/15:

(£000s)	2014/15	2013/14
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	(4,311)	(5,639)
New Homes Bonus	(3,389)	(2,117)
New Burdens and Transitional Grants	(112)	(119)
Individual Electoral Registration Grants	(128)	0
Homelessness Grants	(103)	0
Site Delivery Planning Grant	(50)	0
Small Business Rate Relief Grant	(283)	(254)
Other Business Rate Relief Grants	(407)	0
Donated Assets	0	(1,722)
Green Deal Capital Grant	0	(7,758)
Other Capital grants and contributions	(4,216)	(1,898)
	<b>(12,999)</b>	<b>(19,507)</b>
<b>Credited to Services</b>		
Discretionary Housing Payments	(183)	(182)
Rent Allowance and Rent Rebates Admin Subsidy	(526)	(622)
Rent Allowance Subsidy	(18,775)	(18,051)
Rent Rebates Subsidy	(19,062)	(18,959)
Non HRA Rent Rebates Subsidy	(295)	(158)
Other Housing Benefit Grants	(156)	0
Other capital grants and contributions	(400)	0
	<b>(39,397)</b>	<b>(37,972)</b>

The Council has received a number of developer contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned to the developer. The balances at the year-end are as follows:

(£000s)	31 March 2015	31 March 2014
<b>Capital Grants Receipts in Advance</b>		
Due within 12 months	(75)	(452)
Due in more than 12 months	(8,087)	(5,321)
<b>Total</b>	<b>(8,162)</b>	<b>(5,773)</b>

## Notes to the Main Financial Statements

### 31 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 4 and 5.

### 32 Unusable Reserves

(£000s)	31 March 2015	31 March 2014
Deferred Capital Receipts	(3,226)	(45)
Revaluation Reserve	(104,993)	(72,434)
Capital Adjustment Account	(499,567)	(480,287)
Financial Instruments Adjustment Account	90	122
Pensions Reserve	124,811	95,201
Collection Fund Adjustment Account	3,512	3,395
Available for Sale Reserve	566	0
Accumulated Absences Account	483	498
<b>Total Unusable Reserves</b>	<b>(478,324)</b>	<b>(453,550)</b>

#### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by capital receipts. When the deferred cash settlement actually takes place, amounts are transferred to the Capital Receipts Reserve.

(£000s)	2014/15	2013/14
<b>Balance at 1 April</b>	<b>(45)</b>	<b>(60)</b>
Deferred sale proceeds on disposal of non-current assets	(3,193)	0
Transfer to the Capital Receipts Reserve upon receipt of cash	12	15
<b>Balance at 31 March</b>	<b>(3,226)</b>	<b>(45)</b>

#### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- 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.

## Notes to the Main Financial Statements

(£000s)	2014/15	2013/14
<b>Balance at 1 April</b>	<b>(72,434)</b>	<b>(48,019)</b>
Net (gains) / losses on revaluations during the year	(34,239)	(25,490)
<b>Amounts written off to the Capital Adjustment Account</b>		
Amounts to be transferred to capital adjustment account following reconciliation of new asset database	0	24
Difference between fair value depreciation and historical cost depreciation	1,474	955
Accumulated gains on assets sold or scrapped	206	96
<b>Balance at 31 March</b>	<b>(104,993)</b>	<b>(72,434)</b>

### 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.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 4 provides details of the source of all the transactions posted to the Capital Adjustment Account, apart from those involving the Revaluation Reserve.

## Notes to the Main Financial Statements

(£000s)	2014/15	2013/14
<b>Balance at 1 April</b>	<b>(480,287)</b>	<b>(470,742)</b>
Charges for depreciation and impairment of non-current assets	17,239	15,277
Revaluation (gains)/losses on property, plant and equipment	(14,897)	(5,017)
Impairment losses on assets held for sale	(146)	135
Amortisation of intangible assets	130	114
Revenue expenditure funded from capital under statute and de minimis capital spend	2,123	2,190
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	10,780	7,261
Amounts to be transferred from revaluation reserve following reconciliation of new asset database	0	(24)
Depreciation in excess of historic cost transfer from revaluation reserve	(1,474)	(955)
Use of the Capital Receipts Reserve to finance new capital expenditure	(7,178)	(3,414)
Use of the Major Repairs Reserve to finance new capital expenditure	(10,629)	(7,870)
Application of grants and contributions to capital financing	(4,237)	(4,475)
Repayment of private sector housing loans	45	54
Capital expenditure charged against the General Fund and Housing Revenue Account balances	(7,564)	(8,975)
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,472)	(3,846)
<b>Balance at 31 March</b>	<b>(499,567)</b>	<b>(480,287)</b>

### 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 pensions funds or eventually pays any pensions for which is it 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 details on pension transactions are shown in note 36.

## Notes to the Main Financial Statements

(£000s)	2014/15	2013/14
<b>Balance at 1 April</b>	<b>95,201</b>	<b>92,967</b>
Remeasurements of the net defined benefit liability/(asset)	24,477	(3,003)
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	10,228	10,185
Employer's pension contributions and direct payments to pensioners payable in the year	(5,095)	(4,948)
<b>Balance at 31 March</b>	<b>124,811</b>	<b>95,201</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

(£000s)	2014/15	2013/14
<b>Balance at 1 April</b>	<b>3,395</b>	<b>157</b>
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	105	(167)
Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different to the non-domestic rates income calculated for the year in accordance with statutory requirements	12	3,405
<b>Balance at 31 March</b>	<b>3,512</b>	<b>3,395</b>

### 33 Contingent Liabilities

#### Contingent Liabilities

##### Legal Cases

There is a judicial review application in respect of an arboricultural issue. If the applicant obtains the court's permission for a judicial review hearing, and is ultimately successful, the Council may be liable for some or all of the claimant's costs.

##### Rating List Proposal

The Council has been informed by the Valuation Office Agency (VOA) of a proposal made by a business rates payer to merge their national network, which currently appears in individual council rating lists nationwide, into a single listing forming one hereditament in one council area. The proposal is with effect from 1 April 2010.

The VOA need to consider this proposal and at this stage are unable to give any indication of the likelihood of the proposal succeeding or how long the proposal will take to determine.

The rateable value of the network in the Council's area is around £700,000 and it has been estimated that if the proposal were accepted the backdated loss of business rates income to the 31 March 2015 to the Collection Fund would be in the order of £1.5 million. The Council's share of this loss would be around £600,000.

Given the information available to it, the Council does not currently assess that it is probable that the VOA will accept the proposal and has therefore not provided for the impact in the 2014/15 accounts.



## Notes to the Main Financial Statements

### 34 Financial Instruments

#### Categories of Financial Instrument

The following categories of financial instrument are carried in the balance sheet:

(£000s)	Long Term		Current	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
<b>Investments</b>				
Loans and receivables	6,000	6,128	86,317	70,069
Available-for-sale financial assets	9,434	0	0	0
Unquoted equity investment at cost	50	0	0	0
<b>Debtors</b>				
Loans and receivables	1,037	1,029	9,514	11,668
<b>Creditors &amp; Receipts in Advance</b>				
Financial liabilities at amortised cost	(8,087)	(5,321)	(18,127)	(14,981)
<b>Borrowing</b>				
Financial liabilities at amortised cost	(213,572)	(213,654)	(82)	0
	<b>(205,138)</b>	<b>(211,818)</b>	<b>77,622</b>	<b>66,756</b>

#### Private Sector Housing Improvement Loans

The Council makes means-tested loans of up to £20,000 to individuals, secured on the value of their property, in order to fund major improvements. These loans are normally repayable on sale of the property. These loans are interest free and are therefore deemed to be soft loans. The notional interest rate used for these loans is based on the Council's prevailing cost of borrowing for a maturity loan of 5 years duration. No allowance is made for the risk that the loans might not be repaid as they are secured.

(£000s)	2014/15	2013/14
<b>Balance sheet (fair) value as at 1 April</b>	<b>769</b>	<b>832</b>
Nominal value of new loans recognised in the year	35	33
Interest – increase in discounted amount	27	17
Loans repaid	(45)	(54)
Fair value adjustments	7	(59)
<b>Balance sheet (fair) value as at 31 March</b>	<b>793</b>	<b>769</b>
<b>Loan payments outstanding (nominal value) at 31 March</b>	<b>881</b>	<b>892</b>

## Notes to the Main Financial Statements

### Income, Expense, Gains and Losses

The following items of income, expense, gain or loss are reflected in the Statement of Comprehensive Income and Expenditure in respect of financial instruments:

(£000s)	2014/15			2013/14		
	Financial Liabilities at amortised cost	Financial Assets – Loans and Receivables	Financial Assets – Available for Sale	Financial Liabilities at amortised cost	Financial Assets – Loans and Receivables	Financial Assets – Available for Sale
Interest expense	7,496	0	0	7,496	0	0
Reductions in fair value	0	0	0	0	59	0
Reversal of losses on impaired financial assets	0	(63)	0	0	(343)	0
Impairment losses	0	187	0	0	173	0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>7,496</b>	<b>124</b>	<b>0</b>	<b>7,496</b>	<b>(111)</b>	<b>0</b>
Increases in fair value	0	(7)	0	0	0	0
Interest Income	0	(714)	(75)	0	(558)	0
Interest income accrued on impaired financial assets	0	0	0	0	(152)	0
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(721)</b>	<b>(75)</b>	<b>0</b>	<b>(710)</b>	<b>0</b>
Losses on revaluation	0	0	566	0	0	0
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>566</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Notes to the Main Financial Statements

### Fair Value of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- ◆ An estimated interest rate at 31 March 2015 of 2.15% (3.00% at 31 March 2014) has been used to calculate the fair value of private sector housing improvement loans
- ◆ Estimated ranges of interest rates at 31 March 2015 of 2.16% to 2.21% (3.37% to 3.41% at 31 March 2014) for loans from the PWLB based on premature repayment rates at that date
- ◆ No early repayment is recognised
- ◆ Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- ◆ The fair value of trade and other receivables is taken to be the invoiced or billed amount
- ◆ The fair value of capital contributions received in advance is taken to be the amount received

The fair values are calculated as follows:

(£000s)	31 March 2015		31 March 2014	
	Carrying amount	Fair Value	Carrying amount	Fair Value
<b>Financial Liabilities at amortised cost</b>				
Current liabilities	(18,127)	(18,127)	(14,981)	(14,981)
Long term liabilities	(8,087)	(8,087)	(5,321)	(5,321)
Short term borrowing	(82)	(82)	0	0
Long term borrowing	(213,572)	(278,397)	(213,654)	(218,515)
<b>Loans and receivables:</b>				
Long term debtors	1,037	1,037	1,029	1,029
Current debtors	9,514	9,514	11,668	11,668
Long term investments	6,000	5,973	6,128	6,127
Current investments	86,317	86,317	70,069	70,069

The fair value of the assets is lower than the carrying amount because the Council's portfolio of investments includes a fixed rate loan where the interest rate receivable is lower than prevailing rates at the balance sheet date.

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the prevailing rates at the balance sheet date.

## Notes to the Main Financial Statements

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Available for sale assets are carried in the balance sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. The exception to this treatment is the Council's shareholding in the Local Government Finance Company. The shares in this company are carried at cost of £50,000 and have not been valued as a fair value cannot be measured reliably. The company is only recently established and has no trading history. There is no organisation which might provide comparable market data. The Council has no current intention to dispose of the shareholding.

### 35 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 for the Council as a result of changes in such measures as interest rates and stock market movements.

#### How the Council manages those risks

The Council maintains principles for overall risk management, as well as approved policies covering specific areas, such as Treasury Management. The principles behind how the Council intends to manage overall credit, liquidity and market risk in its investments are contained within the Annual Treasury Management and Investment Strategy report, submitted to full Council before the start of each financial year. This strategy can be amended, but only by full Council. During 2014/15 the Council made amendments to its investment strategy. The increase in limits and diversification in using other financial instruments was necessary to offset the effects of further decreases in market interest rates without unduly increasing risk.

#### Credit risk

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

The Council seeks through the operation of its Treasury Management and Investment Strategy to minimise its exposure to risks in relation to investments.

## Notes to the Main Financial Statements

The table below summarises current Treasury Management limits and the changes during the year.

Counterparty	Limit	Change in 2014/15
Government Debt Management Account Deposit Facility (DMADF), UK Government Gilts and Treasury Bills	Unlimited	Unchanged
HSBC Bank Plc	£25m	Increase of £5m
Single named Institution (Nationalised Banks, Local Authorities, Nationwide Building Society & UK Domiciled Banks excluding Santander)	£20m	Increase of £5m
UK Banks Group Limit	£30m	Increase of £7.5m
Certificates of Deposit with UK Banks (Included within single counterparties limit)	£15m	Increase of £5m
AAA Money Market Funds	£15m total per fund	Increase of £5m
UK subsidiary of foreign bank (Santander UK)	£5m	New
Named Foreign Banks (Svenska Handelsbanken and Deutsche Bank)	£5m	New
Certificates of Deposit with the Named Foreign Banks (included within single counterparties limit)	£2m	New
Building Society (dependent on asset base and investment type)	£2m to £20m	New
CCLA Local Authorities' Property Fund	£10m	New

In addition Council approved an investment of £50,000 in the Local Government Capital Finance Company.

The Council uses the 'creditworthiness service' provided by Capita. This service has been progressively enhanced and uses a sophisticated modelling approach using credit ratings from the following rating agencies – Fitch, Moodys and Standard and Poor's. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the appropriate duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service gives an appropriate level of security for its investments.

In light of the above investment strategy, the Council considers that it has taken all reasonable steps to reduce to a minimum any exposure to credit risks in relation to its investments at 31 March 2015 and that any residual risk cannot be quantified.

## Notes to the Main Financial Statements

The following shows the original principal sums of investments at 31 March analysed by the nature of financial institution and remaining period to maturity:

(£000s)	Maturity Band				Total
	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	
<b>31 March 2015</b>					
<b>United Kingdom</b>					
Banks	11,000	20,000	34,000	0	65,000
Building Societies	7,000	4,000	0	0	11,000
Local Authorities	5,000	3,000	2,000	6,000	16,000
<b>Total</b>	<b>23,000</b>	<b>27,000</b>	<b>36,000</b>	<b>6,000</b>	<b>92,000</b>

(£000s)	Maturity Band				Total
	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 2 years	
<b>31 March 2014</b>					
<b>United Kingdom</b>					
Banks	3,000	28,000	16,500	0	47,500
Building Societies	15,000	0	0	0	15,000
Local Authorities	4,500	2,000	0	5,000	11,500
<b>Total</b>	<b>22,500</b>	<b>30,000</b>	<b>16,500</b>	<b>5,000</b>	<b>74,000</b>

In addition to these the Council has investments in long term available for sale assets as detailed in note 34, which do not have a defined maturity date.

These tables exclude the investments in Heritable Bank and LBI as detailed in Note 22.

The following analysis summarises the Council's assessment of its potential maximum exposure to credit risk (impairment allowance) in relation to debtors:

(£000s)	31 March 2015		31 March 2014	
	Gross Debt	Impairment Allowance	Gross Debt	Impairment Allowance
Long term debtors	1,037	0	1,029	0
Current and former tenants	1,479	1,203	1,711	1,259
Other debtors	8,035	352	3,714	357
	<b>10,551</b>	<b>1,555</b>	<b>6,454</b>	<b>1,616</b>

Long-term debtors include private sector housing improvement loans and council house mortgages. These debts are secured on properties.

## Notes to the Main Financial Statements

The movement in the impairment allowance during the year can be summarised as follows:

(£000s)	31 March 2015	31 March 2014
<b>Balance at 1 April</b>	<b>1,616</b>	<b>1,511</b>
Increase in allowance for impairment	172	165
Balances written off during the year	(233)	(60)
<b>Balance at 31 March</b>	<b>1,555</b>	<b>1,616</b>

The Council does not generally extend credit to its customers beyond 21 days. At 31 March 2015, of the total debtor and deferred debtor balances of £10.6 million (£6.5 million at 31 March 2014), the past due amount was £2.0 million (£2.1 million at 31 March 2014) and can be analysed by age as follows:

(£000s)	31 March 2015	31 March 2014
<b>Customer Debts</b>		
Less than three months	563	385
Three to six months	139	115
Six months to one year	186	210
More than one year	1,154	1,361
<b>Balance at 31 March</b>	<b>2,042</b>	<b>2,071</b>

### Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the Public Works Loan Board (PWLB). There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

On 28 March 2012 the Council took out a number of fixed rate maturity loans with the PWLB to meet the cost of the HRA self-financing settlement due to central government. These loans had terms of between 26 and 45 years. The HRA business plan confirms the affordability of interest payments and the repayment of these loans on maturity and that the Council may be able to consider earlier redemption if advantageous. However, this will not be considered in the short-term, due to current market conditions.

The maturity analysis of the loans is as follows:

(£000s)	31 March 2015	31 March 2014
Between 20 and 25 years	32,036	10,683
Between 25 and 30 years	53,393	53,413
Between 30 and 35 years	53,393	53,413
Between 35 and 40 years	53,393	53,414
Between 40 and 45 years	21,357	42,731
	<b>213,572</b>	<b>213,654</b>

## Notes to the Main Financial Statements

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Accrued interest due on the PWLB loans to 31 March 2015 was £82,000 (£82,000 in 2013/14). This was shown in long term liabilities in 2013/14. In the 2014/15 accounts this is shown in current liabilities.

### Market risk

#### *Interest rate risk*

The Council is exposed to minimal risk in terms of its exposure to movements in interest rates. This is because the majority of its investments are at fixed rates. These investments are also of less than one year in duration and so changes to fair value will be minimal. The Council does, however, utilise bank deposit accounts for very short term cash deposits and the interest rate on this account moves in line with movements in the bank rate.

In general terms, a rise in interest rates would have the following effects:

- ◆ Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- ◆ Investments at fixed rates – the fair value of the assets will fall
- ◆ Loans at fixed rates – the fair value of liabilities will fall.

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. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. During 2014/15, if interest rates on the bank deposit accounts had been one percentage point higher, with all other variables held constant, the financial effect would have been an additional income of £380,000 (£341,000 in 2013/14).

#### *Price risk*

The Council does not generally invest in equity shares in individual companies. However it did invest £50,000 in the Local Government Finance Company in 2014/15. This company has been set up with the aim of providing an alternative source of debt, in the form of bonds, to local authorities. The initial subscription has been provided towards the funding of operating capital during the start-up phase.

The Council also invested £10 million in the Local Authorities' Property Fund in 2014/15. This is a professionally managed diversified property portfolio.

Both investments are classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

The Council is exposed to potential losses arising from future movements in the value of the Local Government Finance Company shares, but given the size of the current shareholding these are not material.

A loss of £566,000 in respect of the Local Authorities' Property Fund has been recognised in Other Comprehensive Income and Expenditure in 2014/15. This reflects general movements in the value of the shares, and the spread between the 'offer' price at which the shares were purchased and the 'bid' price that any purchaser would pay for them. A further movement in the bid price of 5%



## Notes to the Main Financial Statements

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(positive or negative) would have resulted in a £472,000 gain or loss being recognised in Other Comprehensive Income and Expenditure in 2014/15.

The statutory accounting arrangements around these investments mean that any gains or losses arising from price movements recognised in the Comprehensive Income and Expenditure Statement are not borne by the General Fund for taxation purposes until the investments are sold. The Council intends to hold these investments over the long term.

### *Foreign exchange risk*

The Council has no material financial assets or liabilities denominated in foreign currencies.

## **36 Defined Benefit Pension Schemes**

### **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.

The Council participates in the Local Government Pension Scheme, administered locally by Cambridgeshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme in 2014/15 was the responsibility of the Pension Fund Board of Cambridgeshire County Council. Policy is determined in accordance with the pension fund regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

### **Transactions relating to post employment benefits**

The Council recognises the cost of retirement benefits in the reported cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the employer contributions payable in the year, so the real cost of post employment/retirement 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:

## Notes to the Main Financial Statements

(£000s)	Local Government Pension Scheme	
	2014/15	2013/14
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	6,098	5,872
Past service costs (including curtailments)	19	112
<b>Financing and Investment Income and Expenditure:</b>		
Net interest cost	4,111	4,201
Total post employment benefit charged to the surplus or deficit on the provision of services	<b>10,228</b>	<b>10,185</b>
<b>Other post employment benefit charged to the comprehensive income and expenditure statement</b>		
Remeasurement of net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(11,993)	(3,806)
Changes in demographic assumptions	0	(4,486)
Changes in financial assumptions	41,357	11,047
Other experience changes	(4,887)	(5,758)
Total post employment benefit charged to the comprehensive income and expenditure statement	<b>34,705</b>	<b>7,182</b>
<b>Movement in reserves statement</b>		
Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code	(29,610)	(2,234)
<b>Employers' contributions payable to the scheme</b>	<b>5,095</b>	<b>4,948</b>

### Pensions Assets and Liabilities Recognised in the Balance Sheet

(£000s)	2014/15	2013/14
Present value of the defined benefit obligation	(302,046)	(253,978)
Fair value of plan assets	177,235	158,777
<b>Net liability arising from defined benefit obligation</b>	<b>(124,811)</b>	<b>(95,201)</b>

The net liability shows the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £124.8 million has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

## Notes to the Main Financial Statements

### Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

(£000s)	2014/15	2013/14
<b>Opening balance at 1 April</b>	<b>(253,978)</b>	<b>(241,392)</b>
Current Service Cost	(6,098)	(5,872)
Past service cost	(19)	(112)
Interest Cost	(10,926)	(10,873)
Contributions by scheme participants	(1,609)	(1,559)
Benefits paid	6,947	6,303
Estimated unfunded benefits paid	107	330
Remeasurements – changes in financial assumptions	(41,357)	(11,047)
Remeasurements – other experience	4,887	5,758
Remeasurements – changes in demographic assumptions	0	4,486
<b>Closing balance at 31 March</b>	<b>(302,046)</b>	<b>(253,978)</b>

Changes in financial assumptions reflect the change in the discount rate used by the actuary to estimate the Council's liability as detailed in Note 41.

Reconciliation of fair value of the scheme (plan) assets:

(£000s)	2014/15	2013/14
<b>Opening balance at 1 April</b>	<b>158,777</b>	<b>148,425</b>
Interest income on plan assets	6,815	6,672
Contributions by scheme participants	1,609	1,559
Employer Contributions	4,988	4,618
Contributions in respect of unfunded benefits	107	330
Benefits paid	(6,947)	(6,303)
Unfunded benefits paid	(107)	(330)
Remeasurements – return on assets excluding amount in net interest expense	11,993	3,806
<b>Closing balance at 31 March</b>	<b>177,235</b>	<b>158,777</b>

## Notes to the Main Financial Statements

### Local Government Pension Scheme asset breakdown

(£000s)	Fair value of scheme assets	
	2014/15	2013/14
Cash and cash equivalents	5,311	2,117
<b>Equity instruments:</b>		
Consumer	17,554	13,864
Manufacturing	10,866	13,103
Energy & utilities	4,993	5,627
Financial Institutions	14,495	16,018
Health and care	8,629	4,681
Information technology	8,013	9,495
Other	0	441
Private Equity	12,566	9,445
<b>Investment Funds and Unit Trusts:</b>		
Equities	54,599	51,053
Bonds	27,023	24,202
Other	13,186	8,731
<b>Closing balance at 31 March</b>	<b>177,235</b>	<b>158,777</b>

Cash and cash equivalents and equity instruments have quoted prices in active markets except for private equities. Investment funds and unit trusts have quoted prices, but not in active markets.

### Basis for estimating assets and liabilities

Liabilities 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 etc. The Local Government Pension Scheme liabilities have been assessed for the County Council Fund by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2013.

## Notes to the Main Financial Statements

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2014/15	2013/14
<b>Mortality Assumptions:</b>		
<i>Longevity at 65 for current pensioners</i>		
Men	22.5	22.5
Women	24.5	24.5
<i>Longevity at 65 for future pensioners</i>		
Men	24.4	24.4
Women	26.9	26.9
Rate of increase in salaries	4.3%	4.6%
Rate of increase in pensions	2.4%	2.8%
Rate for discounting scheme liabilities	3.2%	4.3%
Take up of option to convert annual pension into retirement lump sum (in respect of pre April 2008 service)	25.0%	25.0%
Take up of option to convert annual pension into retirement lump sum (in respect of post April 2008 service)	63.0%	63.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes whilst all other factors remain constant. The assumptions in longevity for example assume that life expectancy increases for men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumption at 31 March 2015	Approximate % increase to Employer Liability	Approximate Monetary amount (£000s)
0.5% decrease in the real discount rate	11%	32,571
1 year increase in member life expectancy	3%	9,061
0.5% increase in the salary increase rate	4%	11,118
0.5% increase in the pensions increase rate	7%	20,716

## Notes to the Main Financial Statements

### Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve an appropriate funding level over the period until 31 March 2017.

The next triennial revaluation is due to be completed as at 31 March 2016.

There were a number of changes to the Local Government Pension Scheme from 1 April 2014 which included the introduction of a new career average revalued earnings scheme to pay pensions.

The Council expects to pay contributions of £5,528,000 in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is:

	Weighted average duration
Active members	25.2
Deferred members	23.2
Pensioner members	11.6
<b>Total</b>	<b>19.7</b>

The weighted average duration is the weighted average time until the payment of expected future discounted cashflows, determined based on membership and the financial and demographic assumptions as at the most recent actuarial valuation. These durations are as they stood at the previous formal valuation as at 31 March 2013.

## Notes to the Main Financial Statements

### 37 Cashflow Statement – Operating Activities

The cash flows for operating activities include the following items:

(£000s)	2014/15	2013/14
Housing rents	19,422	18,284
Revenue Support Grant	4,311	5,639
Council Share on non-domestic rates income collected	37,133	37,406
Non domestic rates – tariff payment to central government	(32,915)	(32,286)
New Homes Bonus Grant	3,389	2,117
Non domestic rates – safety net payment received from central government	1,571	0
Non domestic rates – Section 31 grants received from central government	675	0
Green Deal Grant	7,857	0
Housing Benefit subsidies	39,867	36,779
Council share of Council Tax receipts	6,769	6,558
Cash paid to and on behalf of employees	(26,861)	(26,424)
Employer national insurance and pension contributions paid	(6,240)	(6,295)
Payments to the capital receipts pool	(1,120)	(1,009)
Housing Benefit paid	(19,298)	(18,539)
Interest received	583	521
Interest paid	(7,496)	(7,496)
Other cashflows	8,153	6,648
	<b>35,800</b>	<b>21,903</b>

### 38 Cashflow Statement – Investing Activities

The cash flows for investing activities are as follows:

(£000s)	2014/15	2013/14
Purchase of property, plant and equipment, investment property and intangible assets	(21,726)	(19,676)
Purchase of short-term and long-term investments	(118,475)	(222,780)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,102	7,461
Proceeds from short-term and long-term investments	92,465	207,922
Other receipts from investing activities	5,375	2,190
	<b>(35,259)</b>	<b>(24,883)</b>

# Notes to the Main Financial Statements

## 39 Cashflow Statement – Financing Activities

(£000s)	2014/15	2013/14
Other receipts from financing activities	154	1,819
<b>Net cash flows from financing activities</b>	<b>154</b>	<b>1,819</b>

Other receipts from financing activities reflect movements in the cash collected for Non-Domestic Rates and Council Tax collected by the Council as an agent for others.

## 40 Impact of the adoption of new accounting standards on the financial statements – effective for the 2015/16 financial year

The 2015/16 Local Authority Accounting Code of Practice (The 2015/16 Code) includes a number of changes resulting from revisions to accounting standards. These are:

- IFRS13 Fair Value Measurement
- Annual Improvements to IFRSs 2011-13
- IFRIC12 Levies

Annual improvements to IFRSs 2011-13 and IFRIC 12 are not expected to have a material impact on the financial statements.

IFRS 13 will impact on the valuation basis used for surplus items of Property, Plant and Equipment. However, this standard is being applied prospectively from 1 April 2015 so there will be no impact on the values as stated at 31 March 2015.

## 41 Changes in accounting estimates

The Council has made the following significant changes to accounting estimates.

### Change in discount rate for assessing pension liabilities

In assessing liabilities for retirement benefits at 31 March 2014 for the 2013/14 Statement of Accounts the actuary assumed a discount rate of 4.3%. For the 2014/15 Statement of Accounts the actuary has advised that a rate of 3.2% is appropriate. Application of this rate (and related RPI/CPI inflation and salary increase assumptions) has resulted in an increase in liabilities of £41.4 million, as reflected in the remeasurement losses recognised for the year in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

### Land at Clay Farm

The Council owns an area of 6.75 acres at Clay Farm on the southern fringe of the city. The element of this land that will be retained by the Council for the development of social housing is held within the asset category of property, plant and equipment. The remainder, which is to be disposed of for market housing, is held in assets held for sale. Prior to the 2014/15 Statement of Accounts, the Council determined the proportion of the value of the whole site to be included in assets held for sale and property, plant and equipment based on the estimated land areas for each use of 50%.

As plans for the site have developed, detailed areas now indicate that of the total site area 56% of the site will be sold to the developer for market housing, 37% will be retained for social housing and



## Notes to the Main Financial Statements

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7% for open space. In addition, detailed discussions have indicated that the value for land for social housing on this site is negligible. The open space also has negligible market value as protected amenity space. The estimate of the apportionment of the value of the site has therefore been revised in the 2014/15 accounts so that 100% of the site value is apportioned to the asset held for sale.

The value of the land held in property, plant and equipment as at 1 April 2014 has therefore been reduced by £3,369,000 to nil, with a corresponding increase in the value of the asset held for sale. As historic costs continue to be apportioned on the basis of relative areas, there has been a corresponding increase in the balance on the revaluation reserve of £1,110,000 and a net charge to the Comprehensive Income and Expenditure Statement of the same amount.

### **42 Date the Statement of Accounts were authorised for issue**

The unaudited accounts were authorised for issue by the Council's Section 151 officer on **yy** June 2015. This is the date up to which events after the balance sheet date have been considered.



## **Additional Financial Statements and Information**



## Additional Financial Statements and Information

### Housing Revenue Account Income and Expenditure Account

This statement sets out details of the income and expenditure in relation to the provision of Council dwellings.

(£000s)	Note	2014/15	2013/14
<b>Income</b>			
Dwelling rents	2	(35,983)	(34,175)
Non-dwelling rents		(673)	(689)
Charges for services and facilities		(2,896)	(2,801)
Contributions towards expenditure		(460)	(478)
Reimbursement of costs		(33)	(19)
<b>Total</b>		<b>(40,045)</b>	<b>(38,162)</b>
<b>Expenditure</b>			
Repairs & Maintenance		7,051	6,060
Supervision & Management		6,810	6,536
Rents, rates, taxes & other charges		259	370
Depreciation, impairment & reversal of revaluation losses on non-current assets		(4,113)	4,290
Increased provision for bad debts		145	125
<b>Total</b>		<b>10,152</b>	<b>17,381</b>
<b>Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(29,893)</b>	<b>(20,781)</b>
HRA services share of Corporate and Democratic Core		294	295
HRA Services share of Non-Distributed Costs		111	0
<b>Net Cost of HRA Services</b>		<b>(29,488)</b>	<b>(20,486)</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>			
(Surplus) or deficit on sale of HRA non-current assets		(5,862)	(1,521)
Other income		(180)	0
Impairment (gains)/losses on assets held for sale		0	(17)
Interest payable on PWLB loans		7,494	7,494
Interest and Investment Income		(915)	(1,246)
Capital Grants and Contributions Receivable		(1,230)	(549)
<b>(Surplus) / Deficit for the year on HRA services</b>		<b>(30,181)</b>	<b>(16,325)</b>

## Additional Financial Statements and Information

### Statement of Movement on the Housing Revenue Account Balance

(£000s)	Note	2014/15	2013/14
<b>(Surplus) / Deficit for the year on the HRA Income and Expenditure Account</b>		<b>(30,181)</b>	<b>(16,325)</b>
<b>Adjustments between accounting basis and funding basis under statute</b>			
Gain on sale of non-current assets		5,862	1,521
Other capital receipts		180	0
Impairment gain/(loss) on assets held for sale		0	17
Net revaluation gains/(losses) on property, plant and equipment		16,770	6,734
Revenue expenditure funded from capital under statute and de-minimus capital expenditure		(597)	(404)
Capital Contributions unapplied credited to the Comprehensive Income and Expenditure Statement		1,230	549
Movement in investment property value		142	756
Movement in short term accumulating absences		0	(1)
Net charges made for retirement benefits made in accordance with IAS19	10	(1,262)	(1,018)
Employers Contributions payable to the Cambridgeshire County Council Pension Fund	10	1,045	858
Sums to be debited or credited to the HRA that are not income or expenditure in accordance with GAAP		8	6
Capital Expenditure funded by the Housing Revenue Account	7	5,115	6,406
Transfer from the Major Repairs Reserve	9	(4,147)	(2,941)
<b>Net (increase) / decrease before transfers to or from reserves</b>		<b>(5,835)</b>	<b>(3,842)</b>
Transfers to reserves		(150)	457
<b>Total movement on Housing Revenue Account for the year</b>		<b>(5,985)</b>	<b>(3,385)</b>
<b>Housing Revenue Account balance brought forward</b>		<b>(8,880)</b>	<b>(5,495)</b>
<b>Housing Revenue Account balance carried forward</b>		<b>(14,865)</b>	<b>(8,880)</b>

# Additional Financial Statements and Information

## Notes to the Housing Revenue Account

### 1 Introduction

The Local Government and Housing Act 1989 set the framework within which the HRA operates. The account is 'ringfenced', meaning that authorities do not have discretion to fund any HRA deficits from the General Fund. Transfers from the General Fund can only be made at the direction of the Secretary of State.

### 2 Gross Rent

This represents income receivable in respect of all dwellings within the HRA, gross of rent rebates and net of rents not payable when properties are empty. As at 31 March 2015, 0.8% of properties were vacant (2.5% at 31 March 2014).

The average rent payable in 2014/15 was £106.92 per week based on 48 payable rent weeks (£98.70 per week on a 52 week basis). The average rent payable in 2013/14 was £100.46 per week based on 49 payable rent weeks (£92.88 per week on a 53 week basis).

### 3 Asset Values within the HRA

(£000s)	Asset Values		Depreciation	
	31 March 2015	1 April 2014	2014/15	2013/14
Dwellings	538,100	497,772	11,781	10,382
Other Land and Buildings	7,230	7,749	131	124
Infrastructure	1,732	1,276	33	27
Vehicles, Plant and Equipment	216	187	18	0
Investment Properties	5,208	5,193	0	0
Assets held for sale - current	0	1,368	0	0
Surplus Assets	196	5,109	113	86
Assets in the course of construction	11,925	3,761	0	0
	<b>564,607</b>	<b>522,415</b>	<b>12,076</b>	<b>10,619</b>

The value of council dwellings at 1 April 2014, based on vacant possession, was £1,276 million (1 April 2013: £1,247 million). Vacant possession value is the estimate of the total sum that would be received if all the dwellings were sold on the open market. The balance sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market, and the balance sheet value is therefore lower than the vacant possession valuation. The difference between the two values shows the economic cost of providing housing at less than market value.

Net revaluation loss reversals on Property, Plant and Equipment of £16.7 million have been credited to the Comprehensive Income and Expenditure Statement in 2014/15 (net revaluation loss reversals credited of £6.7 million in 2013/14). Remaining valuation movements in the value of property, plant and equipment have been charged to the revaluation reserve.

## Additional Financial Statements and Information

### 4 Loan Interest Charges

The Council made an HRA self-financing settlement payment of £213.6 million on 28 March 2012. To meet this payment the Council took out a number of long-term maturity loans with the Public Works Loan Board (PWLB).

Under HRA self-financing the Council has adopted a 'two-pool' approach so that HRA self-financing loans and the resultant interest are directly attributable to the HRA. This has led to external interest charges of £7,494,000 being charged to the HRA in 2014/15 (£7,494,000 in 2013/14).

### 5 Housing Stock

The Council was responsible for an average stock of 7,172 dwellings during the year. The stock as at 31 March 2015 was as follows:-

	31 March 2015	31 March 2014
Houses & bungalows	3,607	3,621
Flats	2,900	2,917
Sheltered housing units	509	507
Shared ownership properties	36	39
<b>Total</b>	<b>7,052</b>	<b>7,084</b>
The change in stock during the year can be summarised as follows:		
<b>Stock at 1 April</b>	<b>7,203</b>	<b>7,274</b>
Right to buy sales	(51)	(60)
Open market disposals	0	(1)
Net shared ownership changes	(3)	(0)
New properties	18	33
Other changes	(6)	1
Demolitions	(109)	(44)
<b>Stock as at 31 March</b>	<b>7,052</b>	<b>7,203</b>
Vacant awaiting re-development/disposal	0	(119)
<b>Lettable Stock at 31 March</b>	<b>7,052</b>	<b>7,084</b>

Those properties which are vacant awaiting demolition or significant redevelopment are no longer treated as lettable HRA dwellings and are therefore included in Property, Plant and Equipment as Other Land and Buildings, or as Assets Held for Sale as appropriate.

### 6 Rent Arrears

Rent arrears at 31 March 2015 were £1,401,226 (£1,587,742 at 31 March 2014) and as a proportion of gross rent income have decreased from 4.29% in 2013/14 to 3.66% in 2014/15.

At 31 March 2015 a provision for bad debt of £1,203,043 was held in the balance sheet (£1,259,257 at 31 March 2014).



## Additional Financial Statements and Information

### 7 Financing of Capital Expenditure

(£000s)	2014/15	2013/14
<b>Capital Expenditure</b>		
Dwellings	13,248	12,471
Land and Buildings	189	0
Vehicles, Plant and Equipment	47	119
Infrastructure Assets	490	296
Assets under Construction	9,188	3,372
Investment Properties	24	13
De minimis capital expenditure	597	404
	<b>23,783</b>	<b>16,675</b>
<b>Financed by:</b>		
Capital receipts	6,799	1,850
Major repairs reserve	10,629	7,870
Revenue financing of capital	5,115	6,406
Capital contributions and grants	1,240	549
	<b>23,783</b>	<b>16,675</b>

### 8 Capital receipts within the HRA

(£000s)	2014/15	2013/14
Dwellings	6,952	7,150
Land	5,948	1,500
Total receipts	<b>12,900</b>	<b>8,650</b>
Payable to central government	(1,279)	(1,044)
Useable capital receipts	<b>11,621</b>	<b>7,606</b>

### 9 Major Repairs Reserve (MRR)

(£000s)	2014/15	2013/14
<b>Balance at 1 April</b>	<b>(4,919)</b>	<b>(5,111)</b>
Transfer to MRR during the year	(12,076)	(10,619)
Amount transferred from MRR to HRA	4,147	2,941
HRA capital expenditure on housing charged to MRR	10,629	7,870
<b>Balance at 31 March</b>	<b>(2,219)</b>	<b>(4,919)</b>

### 10 Contributions from the Pensions Reserve

The Housing Revenue Account is charged with an attributable share of current service costs in line with IAS19. The difference between this cost and employer contributions payable is then appropriated from the pensions reserve so that the overall amount to be met from rent and government subsidy reflects employer contributions payable by the Council.

## Additional Financial Statements and Information

### Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities 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.

(£000s)	Note	2014/15		2013/14	
		Council Tax	Non-domestic rates	Council Tax	Non-domestic rates
Council Tax	2	(60,241)	0	(57,416)	0
Non domestic rates income		0	(93,386)	0	(93,851)
Contributions towards previous year's estimated Collection Fund deficit					
Central Government		0	(1,614)	0	0
Cambridge City Council		0	(1,292)	(140)	0
Cambridgeshire County Council		0	(291)	(895)	0
Cambridgeshire Police & Crime Commissioner		0	0	(145)	0
Cambridgeshire Fire Authority		0	(32)	(50)	0
<b>Total Income</b>		<b>(60,241)</b>	<b>(96,615)</b>	<b>(58,646)</b>	<b>(93,851)</b>
<b>Council Tax Expenditure</b>					
Cambridge City Council	4	6,706	0	6,394	0
Cambridgeshire County Council	4	43,419	0	41,397	0
Cambridgeshire Police & Crime Commissioner	4	7,018	0	6,696	0
Cambridgeshire Fire Authority	4	2,486	0	2,418	0
Impairment of Council Tax debts	5	1,548	0	268	0
<b>Non-domestic rates Expenditure</b>					
Cambridge City Council		0	38,727	0	37,309
Cambridgeshire County Council		0	8,713	0	8,394
Cambridgeshire Fire Authority		0	968	0	933
Non-domestic rates due to central government		0	48,408	0	46,636
Transitional protection payments		0	1,074	0	454
Impairment of non-domestic rates debts	6	0	322	0	315
Provision for non-domestic rates appeals	6	0	(1,796)	0	8,095
Allowable costs of non-domestic Rates Collection		0	228	0	227
<b>Total Expenditure</b>		<b>61,177</b>	<b>96,644</b>	<b>57,173</b>	<b>102,363</b>
<b>(Surplus)/Deficit for the year</b>		<b>936</b>	<b>29</b>	<b>(1,473)</b>	<b>8,512</b>
<b>(Surplus)/Deficit as at 1 April</b>		<b>(92)</b>	<b>8,512</b>	<b>1,381</b>	<b>0</b>
<b>(Surplus)/Deficit as at 31 March</b>	6	<b>844</b>	<b>8,541</b>	<b>(92)</b>	<b>8,512</b>

## Additional Financial Statements and Information

### Notes to the Collection Fund

#### 1 General

This statement shows the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts for income relating to Council Tax and non-domestic rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of collection are accounted for in the General Fund.

#### 2 Council Tax

Under the arrangements for Council Tax, each domestic property within the Council's area is assigned to one of eight 'valuation bands' (A to H) based on the estimated price it would have achieved if it had been sold at 1 April 1991. The Council Tax is set for band D properties and the tax for other bands is calculated as a proportion of the band D tax. The band D Council Tax for the year ended 31 March 2015 was set at £1,540.84, made up as follows:

(£000s)	2014/15	2013/14
Cambridge City Council	173.29	169.90
Cambridgeshire County Council	1,121.94	1,100.07
Cambridgeshire Police & Crime Commissioner	181.35	177.93
Cambridgeshire Fire Authority	64.26	64.26
<b>Total</b>	<b>1,540.84</b>	<b>1,512.16</b>

The following table shows the calculation of the Council Tax Base for 2014/15 (used to determine the tax needed at Band D to finance spending).

#### Council Tax Base 2014/15

Valuation Band	Total number of dwellings on the Valuation List	Total Equivalent Dwellings (after discounts, exemptions etc)	Ratio to Band D	Band D Equivalents
A	2,986	1,590	6/9	1,060
B	9,613	5,775	7/9	4,492
C	17,932	13,427	8/9	11,935
D	8,937	7,186	9/9	7,186
E	5,109	4,193	11/9	5,124
F	3,225	2,705	13/9	3,907
G	2,857	2,314	15/9	3,857
H	453	263	18/9	527
<b>Total</b>	<b>51,112</b>	<b>37,453</b>		<b>38,088</b>
<b>Tax Base adjustments</b>				<b>587</b>
<b>Tax base for Council Tax Setting</b>				<b>38,675</b>

## Additional Financial Statements and Information

Adjustments to the Council Tax base are made for growth, losses in collection, student exemptions and empty and second homes to calculate the base for Council Tax setting purposes.

The income of £60.2 million in 2014/15 was receivable from the following sources:

(£000s)	2014/15	2013/14
Billed to Council Tax payers	60,231	57,421
Council Tax benefits	(17)	(32)
Ministry of Defence Contributions in Lieu	27	27
<b>Total</b>	<b>60,241</b>	<b>57,416</b>

### 3 National Non-Domestic Rates Income

The local rateable value as at 31 March 2015 was £256,210,175 (£257,745,401 at 31 March 2014) and the Uniform Business Rate in 2014/15 was set by the government at 48.2p (2013/14, 47.1p).

### 4 Council Tax Expenditure

(£000s)	2014/15			2013/14		
	Precepts and Demands	Distribution of previous years' surplus	Total	Precepts and Demands	Distribution of previous years' surplus	Total
Cambridge City Council	6,702	4	6,706	6,394	0	6,394
Cambridgeshire County Council	43,391	28	43,419	41,397	0	41,397
Cambridgeshire Police and Crime Commissioner	7,013	5	7,018	6,696	0	6,696
Cambridgeshire Fire Authority	2,485	1	2,486	2,418	0	2,418

### 5 Provision for Non-Payment - Council Tax

A contribution of £1,548,257 (£267,768 in 2013/14) was made to a provision for bad debts. During 2014/15, £3,873 of debts were written off (in 2013/14 £2,057 of previously irrecoverable debts written off were written back).

### 6 Provision for Non-Payment and appeals - Non-Domestic Rates

A contribution of £219,526 (a contribution of £57,899 in 2013/14) was made to a provision for bad debts. Irrecoverable debts of £101,980 (£256,945 in 2013/14) were written off.

A provision for appeals relating to rateable value reductions in respect of 2014/15 and prior years has been established following the introduction of the new business rates retention scheme for local government. At 31 March 2015 this provision is £6,299,371 (£8,094,925 at 31 March 2014).

## Additional Financial Statements and Information

### 7 Collection Fund Surpluses and Deficits

The deficit of £844,442 at 31 March 2015 (£92,275 surplus at 31 March 2014), which related to Council Tax, will be redistributed in subsequent financial years to Cambridgeshire County Council, Cambridgeshire Police and Fire Authorities and the Council in proportion to their shares of the total Council Tax raised.

The total Council Tax Collection Fund deficit/ (surplus) is therefore shared as follows:

(£000s)	31 March 2015	31 March 2014
Council Tax:		
Cambridge City Council	95	(10)
Cambridgeshire County Council	615	(68)
Cambridgeshire Police & Crime Commissioner	99	(11)
Cambridgeshire Fire Authority	35	(3)
	<b>844</b>	<b>(92)</b>

The deficit of £8,541,604 at 31 March 2015 (£8,512,491 at 31 March 2014) in respect of non-domestic rates will be recovered in subsequent financial years from Cambridgeshire County Council, Cambridgeshire Fire Authority, Central Government and the Council in proportion to their shares of business rates income.

The total non-domestic rates deficit is therefore shared as follows:

(£000s)	31 March 2015	31 March 2014
Non-Domestic Rates:		
Cambridge City Council	3,417	3,405
Cambridgeshire County Council	769	766
Cambridgeshire Fire Authority	85	85
Central Government	4,271	4,256
	<b>8,542</b>	<b>8,512</b>

**Statement of Accounting Policies and Glossary of Financial  
Terms and Abbreviations**





# Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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## Statement of Accounting Policies

### 1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily 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 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.

### 2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. 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 those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for 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 there is evidence that debts are unlikely to 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 non-domestic rates and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

# Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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## 3 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 highly liquid investments that are convertible to known amounts of cash with an insignificant risk of change in value (no loss of interest). The Council therefore treats all fixed term deposits, which have no contractual provision for early redemption, and if they were redeemed early would suffer a penalty of at least a loss of interest, as investments.

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.

## 4 Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, ie, in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 5 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 non-current assets 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 of intangible assets attributable to the service

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This provision, known as Minimum Revenue Provision (MRP), is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the 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. No MRP is currently charged as the debt acquired in relation to HRA self-financing is outside the scope of this regime.

The provisions for charges to revenue for non-current assets in the HRA were amended on 1 April 2012 following the introduction of HRA self-financing. The Major Repairs Reserve is credited and the HRA balance is debited with a sum equal to depreciation on all HRA non-current assets. The

# Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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HRA balance is credited and the Capital Adjustment Account debited with the depreciation charged on dwelling assets so that the depreciation on non-dwelling assets is now a charge to the HRA.

## 6 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, flexi-leave and time off in lieu for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services 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 remuneration rates applicable in the following financial year. 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.

### 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 and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring..

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 termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners.

### Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Cambridgeshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

#### *The Local Government Pension Scheme*

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cambridgeshire County Council pension fund 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.

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- Liabilities are discounted to their value at current prices, using a discount rate of 3.2% (based on the yields of the constituents of the iBoxx £ Corporates AA index, gilts yields, and the Council's weighted average duration).
- 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 the following components:
  - Service Cost comprising:
    - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/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 benefit liability – ie the net interest expense for the Council. This is 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 line of the Comprehensive 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.
  - Remeasurements comprising:
    - The return on plan assets excluding amounts included 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Contributions paid to the Cambridge City Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not 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 pensioners and any such amounts payable but unpaid at the

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year-end. The balance 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 than as benefits are earned by employees.

### 7 Events after the Reporting Period

Events after the reporting period 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 Account.

### 8 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the account.

### 9 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.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the

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net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### 10 Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

#### Loans and Receivables

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. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has made interest-free loans for private sector housing improvements (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) 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. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a change made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.



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## Available-for-Sale Assets

Available-for-sale assets are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain or loss is recognised in the surplus or deficit on revaluation of available-for-sale financial assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Any gains or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is measured at cost (less any impairment losses).

## **11 Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, 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 not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) 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.

### 12 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licence) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

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 to the relevant service line(s) 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 posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted 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.

### 13 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first-in first-out (FIFO) costing formula.



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## 14 Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at a 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, but assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Gains and losses on revaluation are posted 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.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result 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 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.

## 15 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 and the fair value of the property, plant or equipment at lease inception is above the Council's de-minimis levels of £2,000 for vehicles and £15,000 for other items. 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. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

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- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (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.

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 provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision 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.

### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### The Council as Lessor

#### *Finance Leases*

Where the Council grants a finance lease over a property or an item of plant or equipment, 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 (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. 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 (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset 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 liability (together with any premiums received), and
- Finance income (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 will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial

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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 paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets 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.

### *Operating Leases*

Where the Council grants an operating lease over a property or an item of plant or equipment, 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, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## 16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2014/15* (SERCOP). 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 – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## 17 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply 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 or service potential 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

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future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

A de-minimis level of £2,000 has been adopted for vehicles and £15,000 for all other items. Assets that cost less than these limits are classified as revenue, rather than capital expenditure.

The Council is paying 7% of the infrastructure costs of Clay Farm, which is being developed for housing, net of the contributions made towards these costs by affordable housing providers. The Council is paying the infrastructure costs gross and receiving a credit in relation to the contribution made by affordable housing providers separately. The Council accounts for 93% of the gross costs as an enhancement to its land, recognising a net debtor or receipt in advance at the end of each financial year dependant on the credits received in respect of affordable housing providers. The Council does not consider the accounting for these costs net of affordable housing contributions leads to any material misstatement.

### 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
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance and therefore will not increase the cash flows of the Council. In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair value, determined the amount that would be paid for the asset in its existing use (existing use – EUV)

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.

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Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation or impairment loss previously charged to a service.

Where decreases in value are identified, the revaluation loss is accounted for by:

- 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)
- 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, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

Assets are assessed 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 this 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 by:

- 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)
- 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

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 end 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.

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The Council is undertaking a number of housing redevelopments where part of the cost of building social housing units is being 'paid' by the transfer of land on which the developer will build and sell market units. The Council assesses that it transfers the risks and rewards of ownership of this land at the point that the agreement with the developer becomes unconditional rather than at legal disposal (once the value of social housing build work equals the value of the land).

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. Housing sold under the Right to Buy legislation is not reclassified as Assets Held for Sale as its primary purpose remains as a dwelling until the point of disposal and it is only considered significantly more likely than probable that a disposal will actually occur very close to the disposal itself. The carrying value of housing sold under right to buy remains the same as if it had been transferred to 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 also 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. A proportion of receipts relating to housing disposals are payable to the Government. 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 non-current assets 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 the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer



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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.

### 18 Heritage Assets

Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

#### Civic Regalia

The collection of civic regalia includes ceremonial maces, chains of office and other civic items. These items are reported in the balance sheet at insurance valuation which is based on market values. These valuations are reviewed regularly to ensure that they are current. These items are deemed to have indeterminate lives and high residual values so the Council does not consider it appropriate to charge depreciation.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example where there is physical deterioration, breakage or doubts as to authenticity. Any impairment is recognised and measured in accordance with the Council's general policy on impairment of non-current assets.

The Council does not normally make any purchases or disposals of these items. Further information on the most significant items in the collection can be found on the Council's website.

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## 19 Provisions, Contingent Liabilities and Contingent Assets

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### Contingent Liabilities

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

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

### 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 where it is probable that there will be an inflow of economic benefits or service potential.

## 20 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. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus/deficit on the



## Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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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.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

### **21 Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### **22 Value Added Tax (VAT)**

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.

### **23 Foreign Exchange Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate on the date that the transaction was effective. Where amounts in foreign currency are outstanding at the year end they are converted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.



# Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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## Glossary of Financial Terms and Abbreviations

### Accounting Period

The period of time covered by the accounts, normally 12 months commencing on 1 April for local authorities.

### Accruals

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

### Amortisation

A measure of the consumption of the value of intangible assets, based on the remaining economic life.

### Capital Expenditure

Expenditure on new assets such as land and buildings, or on enhancements to existing assets which significantly prolong their useful life or increase their value.

### Capital Receipt

Income from the sale of capital assets such as council houses, land or other buildings.

### Cash Equivalents

Cash equivalents are investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### Contingent Liabilities

Potential liabilities which are either dependent on a future event or cannot be reliably estimated.

### Creditors

Amounts owed by the Council at 31 March for goods received or services rendered but not yet paid for.

### Current Assets

Assets which can be expected to be consumed or realised during the next accounting period.

### Current Liabilities

Amounts which will become due or could be called upon during the next accounting period.

# Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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## Debtors

Amounts owed to the Council which are collectable or outstanding at 31 March.

## Depreciation

A measure of the consumption of the value of non-current assets, based on the remaining economic life.

## Effective rate of interest

The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance sheet at initial measurement.

## Equity instrument

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (e.g. an equity share in a company.)

## Fair Value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

## Financial Asset

A right to future economic benefits controlled by the Council. Examples include bank deposits, investments, trade receivables and loans receivable.

## Financial Liability

An obligation to transfer economic benefits controlled by the Council. Examples include borrowings, financial guarantees and amounts owed to trade creditors.

## Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

## Government Grants

Payments by central government towards local council expenditure. They may be specific, for example Housing Benefit subsidy, or general such as Revenue Support Grant.

# Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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## Heritage Assets

Heritage Assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.

## Impairment

The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the balance sheet.

## Non-current assets

Assets which can be expected to be of use or benefit the Council in providing its service for more than one accounting period.

## Operating Lease

A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

## Outturn

Refers to actual income and expenditure or balances as opposed to budgeted amounts.

## Precepts

The amount which a local council which cannot levy a council tax directly on the public (for example a County Council or Police Authority) requires to be collected on its behalf.

## Provisions

Monies set aside for liabilities which are likely to be incurred but where exact amounts or dates are uncertain.

## Reserves

Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions which are set up to meet known liabilities.

## Revenue Expenditure

Spending on day to day items including employees' pay, premises costs and supplies and services.

## Revenue Expenditure Funded From Capital Under Statute

Expenditure which legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax.

## Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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### Revenue Support Grant

Grant paid by central government to a local council towards the costs of its services.

### The Code

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. This specifies the principals and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority.

## Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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### Abbreviations used in the accounts

<b>CIPFA</b>	<b>Chartered Institute of Public Finance and Accountancy</b>
<b>GAAP</b>	<b>Generally Accepted Accounting Practice</b>
<b>HRA</b>	<b>Housing Revenue Account</b>
<b>IAS</b>	<b>International Accounting Standard</b>
<b>IFRS</b>	<b>International Financial Reporting Standard</b>
<b>LAAP</b>	<b>Local Authority Accounting Panel</b>
<b>LGPS</b>	<b>Local Government Pension Scheme</b>
<b>MRP</b>	<b>Minimum Revenue Provision</b>
<b>NNDR</b>	<b>National Non-Domestic Rates</b>
<b>SERCOP</b>	<b>Service Reporting Code of Practice</b>
<b>SOLACE</b>	<b>Society of Local Authority Chief Executives and Senior Managers</b>



**Enquiries to:**  
 Charity Main  
 Principal Accountant (Projects & Publications)  
 T: 01223 458152  
 E: Charity.Main@cambridge.gov.uk

Mr Mark Hodgson  
 Ernst & Young LLP  
 One Cambridge Business Park  
 Cowley Road  
 Cambridge CB4 0WZ

20 March 2015

Dear Mark

### **Understanding Management Processes and Arrangements**

I am writing in response to your letter of 4 February 2015 regarding the above.

I have considered the questions that you raised, consulted appropriate colleagues, and to the best of my knowledge set out below my responses to each of the points in turn.

*(1) What are management processes in relation to:*

- *Undertaking as assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments)*

The Council's overall assessment of the risks that the financial statements may be materially misstated is reflected by the inclusion, in the corporate risk register, of identified risks, control measures in place and any additional actions required. The Council's risk register provides a real-time overview of all risks identified, and the register is formally reviewed at key stages in the year. This oversight helps ensure that any changes to control measures are identified and / or actions agreed and delivered to mitigate risks.

The Internal Audit Plan is designed to allow Internal Audit to offer an opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes. The plan has been broken down into a number of areas:

- Core systems assurance work. This work covers the Council's key financial systems and provides external audit with assurance on their control.
- Annual governance and assurance work;
- Corporate/cross cutting audits;
- Key contracts and projects; and
- Departmental specific audits.



The programme of audit work for 2014/15 was agreed by Civic Affairs in March 2014.

The Council's financial statements are prepared substantially from information held in its Financial Management System together with information held on other systems which feed into it.

Internal Audit's work includes review of the Council's fundamental financial systems in order to gain assurance that the systems of financial control are in place and operating effectively.

Cumulative monthly budgetary control reports are prepared and distributed electronically to cost centre managers and Directors. Overall budget variances, together with explanations of individual major variances (those over £20,000) are reported monthly to Senior Leadership Team and to Executive Councillors in a Finance report which also includes managers' estimates of the outturn position at year end.

The financial statements are reconciled to the Oracle Financial Management system and the outturn reports distributed to management to ensure the consistency and integrity of the data.

- *Identifying and responding to risks of fraud in the Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist*

The work of Internal Audit includes identifying those systems or transactions which may be more susceptible to fraud and these areas are appropriately covered by the Internal Audit Plan.

The corporate risk register will also reflect areas where there is a greater susceptibility to fraud, and actions taken to mitigate such risks.

This is supplemented by the work undertaken as part of the National Fraud Initiative (NFI), using data matching to identify issues for investigation.

- *Communicating to employees its views on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Authority's code of conduct)*

Employees are required to follow the Council's Employee Code of Conduct which is available on the intranet. Employees are further governed by the Council's HR policies which are also available on the intranet.

All offers of gifts and hospitality, regardless of whether the offer was accepted or declined, must be recorded and the records are regularly reviewed. Additional



guidance on this topic is available to employees in the form of a set of 'Frequently Asked Questions'.

Guidance and training is available in areas where there may be specific ethical/probity considerations such as procurement.

- *Encouraging employees to report their concerns about fraud*

There is a Whistleblowing policy which staff are made aware of and which is available on the intranet. This is supplemented by other HR policies which are all available on the intranet.

Third parties are also able to report concerns through the Council's complaints procedure which includes an Independent Complaints Investigator.

- *Communicating to the Audit Committee (i.e. those charged with governance) the processes for identifying and responding to fraud and error.*

Fraud and Irregularity investigations are normally reported annually to Civic Affairs and will next be reported in June 2015. This covers Internal Audit work as well as that of the Revenue and Benefits Services Fraud Prevention Team.

The Chief Executive, Directors, the Monitoring Officer the Leader of the Council, relevant Executive Councillor and the Council's External Auditors receive copies of the final versions of all Internal Audit reports.

*(2) What are Management's views about whether there are areas within the organisation that are at risk of fraud?*

Management ensures that there is appropriate internal control and segregation of duties over areas which are considered to be at a higher risk of fraud.

For example:

Treasury Management transactions require authorisation by a senior Finance officer. Monthly treasury management activity is reported to the Executive Councillor for Customer Services and Resources and Leader of the Council.

There are specific controls over the input and validation of invoices for payment and strict segregation of these duties from cheque and BACS payment authorisations, which are undertaken by authorised senior managers. There are also specific controls over the creation of new supplier records within the financial management system.

The payment of Council Tax and Housing benefits is also an area susceptible to fraud and the Council has a specific Revenue and Benefits Fraud Prevention Team.



*(3) Does Management have knowledge of any actual or suspected or alleged instances of fraud?*

Management is not aware at this time of any actual, suspected or alleged instances of fraud which are likely to have a material effect on the council's financial statements.

*(4) Is Management satisfied that internal controls to prevent and detect fraud, including segregation of duties, exist and work effectively?*

The Internal Audit Plan is designed to give assurance that internal controls are working effectively. The Head of Internal Audit will report his opinion in relation to 2014/15 to Civic Affairs in June 2015. However, based on the audit opinion progress report sent to Members of Civic Affairs in November 2014 and Internal Audit Reports finalised and issued since that date, Management is not aware of any significant concerns.

*(5) Are there any deficiencies in internal control?*

Internal Audit report on deficiencies in internal control as part of their audit work. The outcome of this work in respect of 2014/15 will be summarised and reported to Civic Affairs as part of the Head of Internal Audit's Annual Audit Opinion and Annual Governance Statement (AGS) at the meeting in June 2015. The mid-year audit opinion progress report identified no critical actions arising from audit findings and at this time there is one further finalised audit report with one critical action.

*(6) Are you aware of any instances where controls have been overridden?*

Management is not, at this time, aware of any deliberate overriding of controls which could have a material effect on the financial statements.

*(7) Is there any organisational or management pressure to meet financial or operating targets?*

The Council uses a number of financial and operating targets. For example, Cost Centre Managers and Directors are expected to manage their budgets within cash limits. However, targets are flexed as appropriate and there is a revised budget process in each financial year which is designed to identify unavoidable budget pressures and agree appropriate remedial actions.

*(8) Are there any particular areas of the accounts that are more susceptible to false entries or omissions or other forms of manipulation? Are management aware of any such manipulation having occurred?*

There are no particular areas of the accounts that Management considers to be susceptible to manipulation. No officers are incentivised on the basis of financial performance. Management is not aware of any such manipulation having occurred.



*(9) How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2014/15?*

The Council's Constitution sets out how budgetary and policy decisions are made. Officers are required to ensure compliance with relevant laws and regulations and all reports include a section on legal implications which must be completed.

There are specific legal responsibilities on the Council's Statutory Officers (Head of Paid Service, Monitoring Officer and Section 151 Officer) to report on aspects of compliance with relevant laws and regulations.

Internal Audit's annual plan contains a programme of work that includes reviews of compliance with policies, procedures, laws and regulations. In addition, work is carried out by other inspection agencies.

*(10) Are there any actual or potential litigation or claims that would affect the financial statements?*

As part of the closedown process the Council will assess the adequacy of provisions for liabilities arising from current or potential future litigation and claims. The Council will also consider whether there are any contingent liabilities which may require disclosure.

*(11) How does management satisfy itself that is appropriate to adopt the going concern basis in preparing the financial statements?*

Local Authorities derive their powers from statute. The assumption that a local authority's services will continue to operate for the foreseeable future is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

The abolition of an authority or the transfer of some of its services could bring the going concern assumption into question. However, the Code of Practice on Local Authority Accounting makes clear that combinations of public sector bodies are not to be taken as negating the presumption of going concern. Even if assets are to be taken from an authority, with perhaps no compensation, the continued use of the property for the public benefit means that the authority does not need to consider the restriction on its own ability to make use of the property from the going concern perspective.

In addition to these statutory considerations, the financial position of the Council also indicates that the going concern basis is appropriate:

- The Council has significant net assets (£533 million at 31 March 2014.) These net assets include a significant property portfolio.
- Cash deposits and investments exceed £110 million at the end of February 2015.
- The Council has significant usable reserves (£80 million at 31 March 2014.)
- The Council's financial planning ensures the achievement of a balanced budget and financial position across a five year period and provides for a minimum and target level of General Fund Reserves. Similar financial planning is undertaken for the Housing Revenue Account.

Yours sincerely

Caroline Ryba  
Head of Finance and Section 151 Officer



**Enquiries to:**  
Russ McPherson  
Chair of Civic Affairs  
T: 01223 457227  
E: russ.mcpherson@cambridge.gov.uk



Mr M Hodgson  
Ernst & Young LLP  
One Cambridge Business Park  
Cowley Road  
Cambridge  
CB4 0WZ

30 March 2015

Dear Mr Hodgson

**Understanding how the Civic Affairs Committee gains assurance from management**

I am writing in response to your letter of 4 February 2015 in my capacity as Chair of the Civic Affairs Committee.

I have considered the questions that you raised, consulted appropriate officers and set out responses on behalf of the Committee below.

*1. How does the Civic Affairs Committee, as 'those charged with governance' at the Authority, exercise oversight of management's processes in relation to:*

- *Undertaking an assessment of risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments)*

Management's overall assessment of the risks that the financial statements may be materially misstated is reflected by the inclusion, in the corporate risk register, of identified risks, control measures in place and any additional actions required to mitigate those risks. Members of Civic Affairs have the role of overseeing the effective management of risk by officers. In effect this means that they agree the Strategy, framework and process put forward by officers. The Risk Management Strategy was last formally presented to the Committee in March 2013. Updates, for example arising from internal audit work, are provided as necessary.

Civic Affairs also approves the Internal Audit Plan (usually presented in March each year) and receives reports on the Annual Review of the Effectiveness of Internal Audit and the Annual Opinion of the Head of Internal Audit (in June each year) to review and challenge. In addition, the Committee receives a mid-year audit opinion progress report (around November each year).



The Council's financial statements are prepared substantially from information held in its Financial Management System together with information held on other systems which feed into it. The Internal Audit work, which the Committee approves and receives reports upon, includes review of the Council's key financial systems and processes in order to gain assurance that appropriate systems of control are in place and operating effectively.

- *Identifying and responding to risks of fraud in the Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist*

The work of Internal Audit includes identifying those systems or transactions which may be more susceptible to fraud and these areas are appropriately covered by the Internal Audit Plan which Civic Affairs approves. Any significant issues which arise from audit reports may be reported either to the committee or direct to the relevant scrutiny committee, as appropriate.

- *Communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Authority Code of Conduct)*

Employees are required to follow the Council's Employee Code of Conduct (available on the intranet), the latest version of which was approved by Civic Affairs in March 2011. Further specific amendments in relation to gifts and hospitality were approved by the Committee in June 2013.

Fraud and irregularity investigations are reported annually in June to Civic Affairs in the Annual Report on Prevention of Fraud and Corruption Policy. This includes a summary of investigations into benefit fraud, theft and any whistleblowing allegations.

- *Encouraging employees to report their concerns about fraud*

There is a whistleblowing policy, which staff are made aware of and which is available on the intranet. Civic Affairs receives a summary of whistleblowing activity as part of the Annual Report on Prevention of Fraud and Corruption Policy.

- *Communicating to you the processes for identifying and responding to fraud or error?*

Fraud and irregularity investigations are normally reported annually to Civic Affairs. This covers Internal Audit work as well as that of the Revenue and Benefits Service Fraud Prevention Team.

The Leader of the Council and relevant Executive Councillor receive copies of the final versions of all Internal Audit reports.



*2. How does the Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?*

As outlined above, the Committee oversees management processes in relation to the risk of fraud and weaknesses in internal control through the monitoring of Internal Audit activity and the setting of risk management strategy.

*3. Is the Committee aware of any:*

- *Breaches of, or deficiencies in, internal control;*

Internal Audit report on any identified deficiencies in internal control as part of their audit work. The outcome of this work in respect of 2013/14 was summarised and reported to Civic Affairs as part of the Head of Internal Audit's Annual Audit Opinion at the meeting in June 2014. The overall conclusion was that Cambridge City Council has a fundamentally sound governance framework from which those charged with governance can gain assurance.

The Committee also critically reviews the AGS and associated action plan to ensure any significant governance issues are appropriately addressed.

The outcome of internal audit's work in respect of 2014/15 will be summarised and reported to Civic Affairs as part of the Head of Internal Audit's Annual Audit Opinion and Annual Governance Statements (AGS) at the meeting in June 2015. The mid-year audit opinion progress report (reported in November 2014) identified no critical actions arising from audit findings.

- *Actual, suspected or alleged frauds during 2014/15?*

Investigations into alleged fraud are summarised in the Annual Report on the Prevention of Fraud and Corruption Policy presented annually to the Committee. The Committee and Internal Audit are not aware of any frauds which would have a material impact on the financial statements.

*4. Is the Committee aware of any organisational or management pressure to meet financial or operating targets?*

The Council uses a number of financial and operating targets; for example, Cost Centre Managers and Directors are expected to manage their budgets within cash limits. However, targets are flexed as appropriate and there is a revised budget process in each financial year which is designed to identify and manage unavoidable budget variances and agree appropriate remedial actions.



*5. How does the Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2014/15?*

There are specific legal responsibilities on the Council's Statutory Officers (Head of Paid Service, Monitoring Officer and Section 151 Officer) to report on aspects of compliance with relevant laws and regulations.

Internal Audit's annual plan contains a programme of work that includes reviews of compliance with policies, procedures, laws and regulations. In addition, work is carried out by other inspection agencies.

The process for compiling the Annual Governance Statement includes consideration of compliance with laws and regulations.

The Committee is not aware of any non-compliance which could have a material impact on the financial statements.

*6. Is the Committee aware of any actual or potential litigation or claims that would affect the financial statements?*

The Committee is not aware of any actual or potential litigation or claims that would have a material impact on the financial statements. As part of the preparation of the financial statements for 2014/15 officers will consider the accounting treatment of such items and any which are significant will be reported to the Committee.

*7. How does the Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?*

Local Authorities derive their powers from statute. The assumption that a local authority's services will continue to operate for the foreseeable future is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (albeit within certain limits set by statute/central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government for the continuation of the services.

In addition the financial position of the Council also indicates that the going concern basis is appropriate:

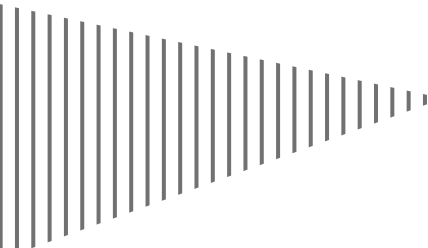
- The Council has significant income-generating net assets (£533 million at 31 March 2014). These net assets include a significant property portfolio.
- Cash deposits and investments exceeded £110 million at the end of February 2015.
- The Council has significant usable reserves (£80 million at 31 March 2014).
- The Council has a detailed medium term financial strategy which ensures the achievement of a balanced budget and financial position across a five year

period and provides for a minimum and target level of General Fund Reserves. Similar financial planning is undertaken for the Housing Revenue Account.

Yours sincerely

Councillor Russ McPherson  
Chair of Civic Affairs Committee





# Accelerating your financial close arrangements

EY Think Piece

## Contents at a glance

Local government accounting, auditing and governance – preserving quality financial reporting in light of the new reporting timetable

Key questions for the Audit Committee

Find out more







# Accounting, auditing and governance

## Accelerating your financial close arrangements for the new 2017/18 deadline, commencing the pathway to success

In our November 2014 briefing, we told you about the Government's consultation on the Local Audit Regulations associated with the Local Audit and Accountability Act. This consultation has now concluded, and on the 17 February 2015 the Accounts and Audit Regulations 2015 were laid before Parliament, having been made (signed by the Minister) under the Local Audit and Accountability Act 2014 on 12 February 2015. [www.legislation.gov.uk/ukxi/2015/234/contents/made](http://www.legislation.gov.uk/ukxi/2015/234/contents/made)

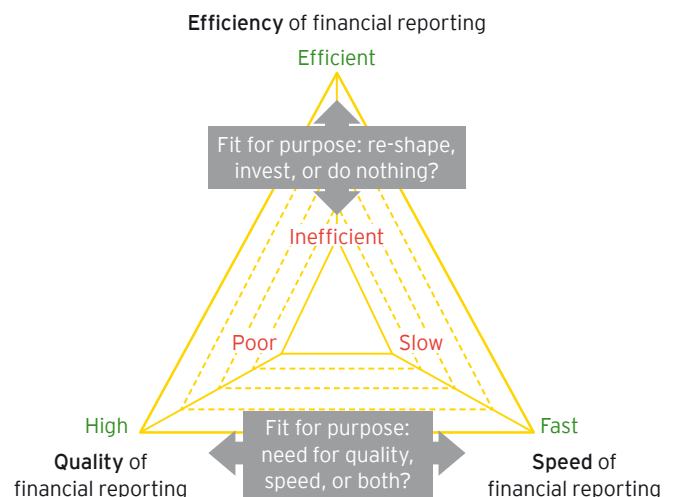
A key area of the regulations is that from the 2017/18 financial year, the timetable for the preparation and approval of accounts will be brought forward to a draft accounts deadline of **31 May** and an audit deadline of **31 July**. These changes provide challenges for both the preparers and the auditors of the financial statements. The impact of the changes to the deadlines and their impact is shown in the table below.

	Current deadline	2017/18 deadline	Reduction in time
Preparation of draft financial statements, signed by s151 officer	30 June	31 May	30 days
Approval and publication of financial statements with audit opinion	30 September	31 July	62 days
Available audit time	92 days	61 days	31 days

The Government believes that this change will reduce the burden of the closure process, enabling finance staff to give more time to in-year financial management.

This is the first of a series of briefings we will produce during the transition to the new financial reporting timetable. This briefing draws on our experience of working with clients who have successfully closed their accounts early and had their audit opinions issued by the end of July. It also draws on discussions we have had with our clients at our recent Public Sector Accountants workshops and will highlight early areas of consideration that you can begin to think about. We will set out areas for consideration in how we can work together with you to meet the revised deadline for 2017/18 or sooner, as we think a trial run and review of the process in 2016/17, would pave the way for a successful outcome once the regulations are introduced formally a year later.

The second briefing, which will follow in early summer, will provide a more detailed analysis of how 'fit for purpose' your financial reporting function is, and how you balance the speed of financial reporting, against the quality of financial reporting.





## Accounting, auditing and governance

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The economic downturn, the impact of austerity on public sector funding levels, the increased demand for regulatory compliance, greater transparency over the use of public funds, and now a faster reporting timetable is making the task of delivering on-time, high quality financial and non-financial information ever more challenging, for practitioners and auditors.

The good news is that with some planning, communication and joint working, those deadlines are highly attainable – sixteen principal local government bodies received an unqualified audit opinion by 31 July 2014 and published their audited accounts promptly – as reported in the Audit Commission's report – 'Auditing the Accounts 2013/14: Local Government Bodies.' The Audit Commission notes that **'the timely presentation of audited accounts with an unqualified audit opinion is fundamental to good governance. It indicates that bodies have sound financial management arrangements and is the main way that they account for their use of taxpayer's money.'** Therefore, making the year-end closedown routine part of that overall financial management of the Council is crucial to achieving the deadline, not having it as a bolt on exercise for Month 13 with a specific set of autonomous deadlines.

The omens are good, as the majority of Councils are on the right trajectory having met the current reporting deadlines consistently for the last few years, the challenge now is upping the speed of that trajectory to achieve the faster deadlines.

### Early considerations for the preparers of the accounts and their auditors

As with any 'project' the key to success is in the planning, together with timely engagement and collaboration between the preparers of the financial statements and the auditors of those statements.

We appreciate that each client starts from a slightly different base position. Therefore, there is no one size fits all solution. However, there are areas where consideration can be given now:

- ▶ **Revisit the current project timetable.** Our clients who have been able to close early, place this success on the robustness of their project timetable and their understanding and management of bottlenecks and requirements for information from outside the finance team.

Understanding how your current project timetable, where the bottlenecks are, and the critical path of the tasks required to meet the new deadlines will shape the areas of financial reporting that need the most attention. The earlier this is done, the greater scope there is to smooth the process and develop the capacity to deliver the key tasks.

Working with your auditor, you can discuss and agree timings of the audit and build this into the overall plan, rather than run it as separate closedown and audit work-streams.



## Accounting, auditing and governance

- ▶ **An early in-year financial hard close.** A hard close provides the auditor with the opportunity to perform early substantive procedures, especially on the revenue side of the primary statements, and to 'bank' audit assurance early in the process, thereby saving time in the tighter latter period.

Typically auditors speak of a Month 9 hard close as being optimal in other sectors such as the NHS. But with Local Government responsibilities for setting Council Tax, authorities need to be mindful of their budget setting process and timetable. It may be that a Month 8 or Month 10 hard close would be better. What would work for your auditor? What are the barriers to doing an in-year hard close? Does your finance team have the capacity to do this?

Is it possible to bring forward the process of setting the budget, to allow a Month 8-10 hard close to happen, without reducing capacity for other key finance responsibilities? There are examples of Councils having completed the budget review and setting process by late October – subject to Member discussions and agreement before the end of November. This may be an enabler to performing a part-year hard close.

- ▶ **Format of your accounts.** Do you have any superfluous notes? How much detail do you provide? This is the quality aspect of financial reporting. Now is the time to streamline the content of your statements, and remove any notes that are not required (on the basis of materiality), and review accounting policies in light of those note changes.

In December 2013, CIPFA issued 'Financial Statements: A Good Practice Guide for Local Authorities' which included a chapter around materiality and clutter. This report highlighted two types of clutter identified by the Financial Reporting Council in their report 'Cutting Clutter':

- ▶ Immaterial disclosure that inhibit the ability to identify and understand relevant information
- ▶ Explanatory foreword information that remains unchanged from year to year

Remember as the preparer of the statements, you must determine your own materiality level for inclusion of items in the accounts and this level may be different to that of your auditor.

It is, as is a common theme here, appropriate to discuss what the auditor would consider materiality to be, so you can take an informed view. In addition, discuss any amendments to your accounts template with them prior to rationalising it, so they can begin to build an expectation of the year end position.

- ▶ **Review your approach to estimates.** Estimating is a valid way of closing down certain aspects of your accounts early e.g., year-end accruals, holiday pay accruals, IAS 19 Pension liabilities and deductions. Your auditor will be interested in the robustness of the methodology for estimation, and the impact of estimation uncertainty. For example, you may wish to review your approach to accruals and set a revised upper limit, under





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which you would not accrue. In the next two years, you could monitor post year-end payments and demonstrate that the totality of expenditure below the accrual limit is not material, thereby demonstrating that your approach is valid and not unreasonable.

- ▶ **Review your year-end journal process.** Do your year-end journals actually have to be done at the year end? For example depreciation, this charge is usually put through at the year end. But is there anything stopping it being a Month 1 transaction? The overall asset base upon which the charge is based, is known in April and can be adjusted for any prior year audit amendments early. It will only change if there are significant additions, disposals, revaluations or impairments to that asset base. But even these changes may not lead to a material change in the depreciation charge, given the way in which the annual depreciation charge is derived. A year-end reconciliation of the basis of the charge to any asset base adjustments in the year will justify the charge to the auditor, or require a simple amendment within the financial statements.
- ▶ **Third Party information.** The project timetable, above, should include the receipt of information from third parties. Ensuring that the third parties are on timetable and aware of the revised deadlines is key. Third party information includes the Actuary of the LG Pension fund, valuation information on the asset base, information from wholly owned companies for Group consolidation and Business Rate appeal information from the Valuation Office.

- ▶ **Manage Members' expectations.** A 31 July audit deadline will mean rescheduling your Audit Committee (or equivalent body who perform the duties of 'those charged with governance') before the deadline.

It may also be appropriate to move away from showing members the draft accounts in May (June as it currently is). The 2009 Account and Audit regulations did not require Member 'approval' of the draft accounts as was previously the case, but many Councils still take a full draft set of accounts to an Audit Committee.

It may be better to take the accounting policies to an Audit Committee during the year for approval (as required annually) and build a finance reporting culture that will demonstrate to members what the expected outturn position will be, highlighting any key transactions (for example big asset transactions in or out, revaluations, provisions).

If this happens throughout the financial year and Audit Committee cycle, then Members will know what to expect. A final year-end paper with the accounts for approval in July will join the information together and allow Members to have the right information to be able to approve the financial statements. In addition, those accounts would have been subject to audit, and the auditor's report will be available to read alongside the financial statements.





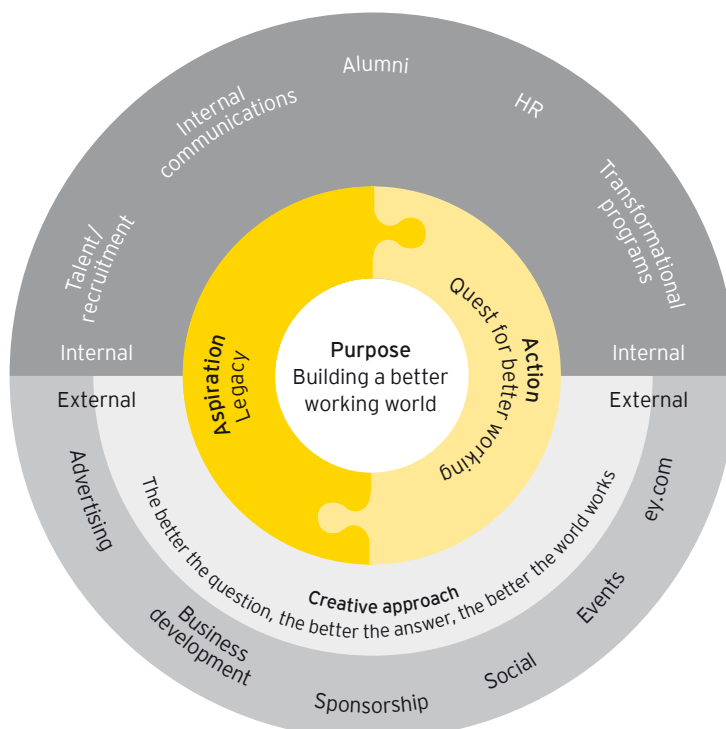
# Accounting, auditing and governance

► **Review the operation of your ledger system.** Whilst everyone uses a ledger system, not everyone derives their financial statements straight from it. There are many instances of off-ledger spreadsheets, and ad-hoc systems being bolted on to create the accounts.

To auditors, this is inefficient and requires additional audit procedures over the off-ledger work. Councils should review their ledger system and its capabilities. Is your chart of accounts correct? Can your current system do more to support the preparation of the accounts? Can you minimise the extent of off-ledger work that is required to prepare the financial statements?

► **How fit for purpose is your current financial reporting system?**

This would allow us to make better use of data analytics – our tool which analyses all data in a certain population (i.e., payroll, ledger, Accounts Payable) rather than sample test that population. Analytics is a powerful tool, giving assurance across the whole population data set, quickly pulling out anomalies for further review. However, the power of analytics is dependent upon the data set going into the tool. This requires us to work with you, so we get the data in the way which is quick and easy for us to use, without manipulation or filtering.





## Questions for Audit Committees

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Our think piece highlights a number of questions that are pertinent to the preparers of your Council's financial statements. We set out below, some high level questions, which Audit Committees should consider and gain assurance over, in preparation for the earlier financial statement deadlines.

1. How reliable are your internal financial reporting processes and how aligned are they to delivering external facing financial statements, as opposed to delivering internal management reporting requirements?
2. How assured are you about your overall control environment currently and how robust are those arrangements ahead of preparing for the new accelerated reporting deadlines?
3. Have you considered the impact of new financial reporting requirements<sup>1</sup> and complexities which will impact on the same timeline?

<sup>1</sup>Examples of new financial reporting requirements for consideration; the extension of the accounting for Infrastructure assets, changes to the CIPFA Code of Practice on Local Authority Accounting; and changes to service delivery models which leads to the requirement for group accounts.

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