

# Public Document Pack



## Cambridge City Council

### Civic Affairs

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

**Alternates:** Councillors Adey and Ratcliffe

*Published & Despatched: Tuesday, 21 June 2016*

**Date:** Wednesday, 29 June 2016

**Time:** 6.00 pm

**Venue:** Committee Room 1 & 2, The Guildhall, Market Square, Cambridge, CB2 3QJ

**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 5 - 14)*

To approve the minutes of the meeting held on 16 May 2016.

#### 4 PUBLIC QUESTIONS

#### 5 OFFICER DELEGATED DECISION

To note the Officer Delegated Decision made regarding the implementation of the National Joint Council Pay Award for 2016-18.

#### 5a Implementation of the National Joint Council Pay Award for 2016-18 Head

of Human Resources (*Pages 15 - 16*)

- 6 REVIEW OF MEMBERS' ALLOWANCES SCHEME** (*Pages 17 - 44*)
- 7 ANNUAL REPORT ON PREVENTION OF FRAUD & CORRUPTION POLICY** (*Pages 45 - 72*)
- 8 ANNUAL INTERNAL AUDIT OPINION 2015 / 2016** (*Pages 73 - 100*)
- 9 ASSURANCE FRAMEWORK, DRAFT ANNUAL GOVERNANCE STATEMENT AND DRAFT CODE OF CORPORATE GOVERNANCE 2015/16** (*Pages 101 - 138*)
- 10 STATEMENT OF ACCOUNT 2015-16** (*Pages 139 - 296*)

# 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).

Further information about speaking at a City Council meeting can be found at;

<https://www.cambridge.gov.uk/speaking-at-committee-meetings>

Cambridge City Council would value your assistance in improving the public speaking process of committee meetings. If you have any feedback please contact Democratic Services on 01223 457013 or [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk).

**Filming, recording and photography**

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.

**Facilities for disabled people**

Level access to the Guildhall is via Peas Hill.

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).

**General Information**

Information regarding committees, councilors and the democratic process is available at <http://democracy.cambridge.gov.uk/>

**Mod.Gov App**

You can get committee agenda and reports for your tablet by using the mod.gov app

**CIVIC AFFAIRS**

16 May 2016  
6.00 - 6.15 pm

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

**Officers:**

Chief Executive: Antoinette Jackson  
Head of Legal Services: Simon Pugh  
Committee Manager: Sarah Steed  
Democratic Services Manager: Gary Clift

**Other Person Present:**

Independent Person: Sean Brady

<b>FOR THE INFORMATION OF THE COUNCIL</b>
---

**16/65/Civ Apologies for Absence**

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

**16/66/Civ Declarations of Interest**

No declarations were made.

**16/67/Civ Minutes of Previous Meeting**

The minutes of the meeting held on the 17 February 2016 were approved and signed as a correct record.

**16/68/Civ Public Questions**

There were no public questions.

**16/69/Civ Constitutional Changes**

The Committee noted the Leaders approval of the following Councillors to the Executive and noted the revisions made to the Executive Councillor Portfolios. The Opposition Spokes were noted.

<b>The Executive</b>		<b>Opposition Spokes</b>
Leader & Exec Cllr for Strategy & Transformation	Lewis Herbert	Bick
Exec Cllr for City Centre & Public Places	Carina O'Reilly	Austin
Exec Cllr for Finance and Resources	Richard Robertson	Cantrill
Exec Cllr for Housing and Deputy Leader	Kevin Price	Avery
Exec Cllr for Environment & Waste	Peter Roberts	Gehring
Exec Cllr for Planning Policy & Transport	Kevin Blencowe	Bick
Exec Cllr for Communities	Richard Johnson	O'Connell

### **Changes to Executive Councillor Responsibilities**

The Leader of the Council made the following changes to portfolios for 2016/17.

**1) From Executive Councillor for Strategy & Transformation (Leader of the Council) to Executive Councillor for Finance & Resources:**

The development, implementation and monitoring of the Council's plans, policies and strategies relating to:

- corporate implementation of improvements and efficiency reviews within the City Council, and the development and monitoring of core performance indicators and targets

The exercise of the Council's functions and the delivery of services including

- Business Transformation – internal service reviews

The development, implementation and monitoring of the Council's plans, policies and strategies relating to:

- Corporate and support services under "Functions and Services" below.
- Procurement (at a strategic level - oversight of individual procurement exercises will remain with the portfolio-holder for the relevant service area).

### **Corporate and Other Services**

- ~~The main Guildhall Reception and switchboard services [deleted as repeats previous bullet]~~
- Council strategy to expand trading activities and additional income generation opportunities, including responsibility for those which do not fall within the remit of another Executive Councillor.

### **Customer Services and ICT**

- Delivery of quality customer services and the customer access centre
- Corporate telephony and IT systems to support joined up customer service delivery.
- ~~The corporate~~ delivery of front line services to Council customers through the Council's reception areas and telephone services

[also clarification of the Leader's responsibilities for transformation. Now reads:

- Leading Business Transformation, working with the Executive Councillor for Finance and Resources; specific responsibility for leading externally-facing shared services, trusts, service reviews and joint projects involving other councils and organisations or which involve the responsibilities of more than one other Executive Councillor]

[also minor heading changes e.g. "Customer Services" under Exec Cllr for Finance and Resources clarified to "Customer Services and ICT"; and addition of discrete heading to cover "Trading Services" – actual wording, transferred from Leader's portfolio, remains unchanged]

## **2) From Executive Councillor for Finance & Resources to the Executive Councillor for Communities**

- The Sharing Prosperity Fund and the Anti-Poverty Strategy, including the powers and duties of the Council in respect of issues of welfare, disadvantage and provision of opportunities for individuals and communities in the City, including provision of advice relating to citizens'

legal rights and responsibilities, welfare benefits, money advice, employment and immigration.

**3) From the Executive Councillor for City Centre & Public Places to the Executive Councillor for Housing (as a Deputy Leader function)**

- Council communications and consultation strategy and delivery, including the Council's website.

**4) From the Executive Councillor for City Centre & Public Places to the Executive Councillor for Environment & Waste**

The exercise of the Council's functions and the delivery of services including

- Policy and management of moorings

**Resolved** (unanimously):

- To note the changes to the Executive portfolios. (A clean set of the Executive portfolios is attached for information).

**16/70/Civ Nomination For Committees For The Municipal Year 2016/17**

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.

The Committee noted the nominations.

**Resolved** (unanimously) to:

- Recommend to Council to agree 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	4 (1)	Sinnott, Ratcliffe, Smart, Bird Barnett (Alt)
	LD	2 (1)	Austin, O'Connell Nethsingha (Alt)
	Independent Green &	1	Gillespie
		7 Total	

<b>ENVIRONMENT</b>	<b>NOMINATION(S)</b>	<b>CURRENT NUMBERS</b> (1) =Alternate	<b>PROPOSED NAMES OF NOMINATIONS TO THE COMMITTEE</b>
	Labour	4 (1)	Gawthrope, Perry, Ratcliffe, Sargeant Smart (Alt)
	LD	2 (1)	Bick, Gehring Adey (Alt)
		6 Total	

<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, Bird, Gawthrope, Moore, Smart Perry (Alt)
	LD	2 (1)	Avery, Page-Croft Moore (Alt)

	Independent Green	&	1 (1)	Holland
			8 Total	

STRATEGY RESOURCES	&	NOMINATION(S)	CURRENT NUMBERS (1) =Alternate	PROPOSED NAMES OF NOMINATIONS TO THE COMMITTEE
		Labour	4 (1)	Sarris, Barnett, Baigent, Sinnott Abbott (Alt)
		LD	2(1)	Cantrill, Bick Gehring (Alt)
			6 Total	

### **REGULATORY COMMITTEES**

*\*Council will need to agree a departure from proportionality rules*

PLANNING		NOMINATIONS(S)	CURRENT NUMBERS (1) =Alternate	PROPOSED NAMES OF NOMINATIONS TO THE COMMITTEE
		Labour	4 (1)	Blencowe, Gawthrope, Hart, Smart Bird (Alt)
		LD	3 (1)	Pippas, Tunnacliffe, Nethsingha Holt (Alt)
		Independent Green	& 1 (1)	Hipkin
			8 Total	

JOINT DEVELOPMENT		NOMINATIONS	CURRENT NUMBERS	PROPOSED NAMES OF
-------------------	--	-------------	-----------------	-------------------

<b>CONTROL COMMITTEE</b>		<b>(2)= Alternate</b>	<b>NOMINEES TO THE COMMITTEE</b>
	Labour	4 (2)	Blencowe, Baigent, Bird, Price, Gawthrope (Alt) Smart (Alt)
	LD	2 (2)	Holt, Tunnaclyffe T.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, Sinnott TBC (Alt)
	LD	4 (1)	Adey, Holt, T.Moore, Pippas Page-Croft (Alt)
	Independent & Green	1	TBC
		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,

	LD	2 (1) 6 Total	Gawthrop, Robertson Ratcliffe (Alt)  Holt, Cantrill Adey (Alt)
--	----	------------------	--

<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, Gawthrop, Bird, Blencowe
	LD	3	Holt, T.Moore, Adey
		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(1)	Blencowe, Baigent, Bird, Robertson TBC (Alt)
	LD	2(1)	Tunnacliffe, Adey Cantrill (Alt)
		6 Total	

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

## 16/71/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. It was noted that there were 2 nominations for Vice-Chair of Licensing Committee.

**Resolved** (unanimously) to:

- i. Agree the nominations for Chairs and Vice Chairs of Scrutiny and Regulatory Committees as below:

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

**16/72/Civ Nominations for Honorary Councillors**

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

- Catherine Smart
- Sian Reid

**16/73/Civ Independent Person and Deputy**

**Resolved** (unanimously) to:

- Recommend that Council confirm the 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 6.15 pm

**CHAIR**

## CAMBRIDGE CITY COUNCIL

### Officer Record of Decision

<b>What decision(s) has been taken:</b>	To implement the National Joint Council Pay Award for 2016-18
<b>Who made the decision:</b>	Strategic Director
<b>Date decision made:</b>	18 May 2016
<b>Matter for Decision /Wards affected</b>	Decision delegated from Civic Affairs Committee
<b>Reason(s) for the decision including any background papers considered</b>	To implement the nationally agreed pay award to staff on pay Bands 1-10, following receipt of notification by circular from the National Joint Council dated 16 May 2016.
<b>Any alternative options considered and rejected:</b>	Pay awards for staff on pay grades Band 1-10 are agreed at a national level by collective bargaining between the national employers and trade unions. Once agreed at a national level the City Council implements the pay award in accordance with the terms of staff contracts of employment.
<b>Conflicts of interest and dispensations granted by the Chief Executive:</b>	None
<b>Other Comments:</b>	<p>This decision is taken in accordance with the delegated authority from Civic Affairs Committee to the Director of Business Transformation (on this occasion Chief Executive), as follows:</p> <p>To implement any award of a joint negotiating body so far as it concerns rates of salary, wages, car allowances or other allowances payable to officers and other employees of the Council except where the terms thereof involve the exercise of a discretion by the Council provided that when any action is taken in pursuance of this paragraph members are advised by the Director of Resources and a record of that advice be made</p>

available to the public.

**Reference:** To be completed by Democratic Services

**Contact for further information:** Deborah Simpson, Head of Human Resources.



## CAMBRIDGE CITY COUNCIL

---

REPORT OF: Democratic Services Manager

TO: Civic Affairs Committee

29/6/2016

WARDS: None directly affected

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

---

#### **1 INTRODUCTION**

- 1.1 The Independent Remuneration Panel (the Panel) has made interim recommendations for the Committee (and Council to approve) following a review of the current Members Allowances Scheme.

#### **2. RECOMMENDATIONS**

- 2.1 The Committee is asked to agree, or amend, the interim recommendations of the Independent Remuneration Panel, copied below from its report appended, and to report to Council an Allowances Scheme for adoption:

##### **Basic Allowance**

- i) The Area Committee Allowance be removed and the sum consolidated into the Basic Allowance.
- ii) The Basic Allowance be re-aligned to the National Living Wage and thereafter be indexed in line with National Living Wage increases in order to rectify the anomalous situation which has arisen through failing to index link Councillors' Allowances. By 1<sup>st</sup> April 2016 the national minimum wage will have increased by 25.6% from £5.73 per hour in 2008, (when current Allowance payments were last set) to £7.20 per hour. We therefore recommend that the Basic Allowance be increased by the same percentage to £4,300 with effect from the 2016/17 municipal year.

- iii) This increase be applied immediately, in full, since it will only bring the Basic Allowance closer to, rather than on a par with, that paid to Members of comparable Councils. If the Council decides that this increase should be phased we recommend that it be front-loaded to provide an immediate uplift in basic allowance.

### **Special Responsibility Allowances (SRAs)**

- iv) As an interim measure, pending the outcome of a more comprehensive review of SRA payments, that the Planning Committee Chair's SRA be increased by £1,000 to £3,226 pa to bring the allowance payment for this role closer to that paid by comparable authorities. That other allowances for the Planning Committee (ie for Vice-chair and Members) remain the same.
- v) As an interim measure, that SRAs be removed from Vice Chairs of all committees other than that of the Planning Committee and that the SRAs to all members of committees (with the exception of the Planning and Joint Development Control Committees) be discontinued. This saving could be reallocated to part fund the recommended changes to the Basic Allowance, the Planning Committee Chair's allowance or expenses.
- vi) With the exceptions outlined above, other SRAs remain as they are for the present, and a further detailed review of SRAs be conducted within 6 months when the impact of current developments in Councillor roles and responsibilities is clearer. The objective of this review will be to produce an internally consistent scheme for Basic and Special Responsibility Allowances which will be appropriate to current Councillor roles and responsibilities.

### **IT/Expenses**

- vii) As part of the move to increase efficiency and reduce waste, we recommend that IT support be enhanced for councillors. This will produce efficiencies in the longer term. Other councils provide laptops/tablets to all councillors. We understand that there are IT support issues within the Council which should be resolved.

- viii) That the basic allowance be top-sliced by an appropriate amount in order to provide refreshments at full council meetings which extend into the late evenings.
- ix) As the stationery expense is so out of date we recommend that the claim for stationery expense be removed and a nominal amount of £75 per councillor per annum be allowed in addition to the Basic Allowance. This is to cover stationery, mobile phone and other communication expenses.
- x) Apart from the changes outlined above we recommend that travel, subsistence and carers' allowances remain the same.
- xi) That the next full review of the Members' Allowances Scheme should take place not more than two years from the date of this report.

2.2 That the Council approves any budgetary requirement up to £42,191 from Reserves.

### 3. **BACKGROUND**

3.1 The Committee at its meeting on 26 June 2015 agreed the process for establishing an Independent Remuneration Panel and its terms of reference. The Panel was recruited to and met, taking evidence between October and December then reviewed all the evidence and completed its report in February which is attached.

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 Basic allowances have been at the same level since 2005/06, executive councillor and other special responsibility allowances have been at the same level since 2006/07. In 2007/08 all councillors received an SRA of £417 for area committee membership – this meant in effect that all members received the basic allowance of £2,782 plus £417 totalling £3,199. In the Independent Panel's report it refers to the current scheme being adopted in 2008/09. For clarification, this means that this was the

last time a substantive change was made (the inclusion of a special responsibility allowance for Joint Development Control Committee members).

#### 4. THE PANEL'S REPORT

4.1 The evidence gathered by the Panel has been comprehensive. In its report it refers to the County Council allowances on a couple of occasions. The Panel was aware that a district council allowance scheme cannot be compared with a County Council scheme as they are not like for like and the Statutory Guidance is quite clear on this. However, it was clear from the interviews with councillors and the evidence gathered of the close working relationships that exist across the councils in the Cambridge area, and that it couldn't be totally ignored.

4.2 The Panel refer in its recommendations to Members IT support and IT issues, which should be resolved. Officers have already set up a group led by the Strategic Director which includes the Interim Head of the shared ICT service (3C ICT) in response to the Panel's report. The Group are, amongst other things, looking at the best ways to engage with Members in a productive and sustainable way to identify the service provision requirements going forward. To this end it is reviewing the way that ICT is currently provided to, and accessed by, Members across the three district councils covered by 3C ICT, with the aim of identifying best practice from them and from elsewhere as appropriate. Members may appreciate that the governance arrangements for 3C ICT as a shared service ensure the scrutiny of the delivery of its services to the three councils via the Strategy and Resources Scrutiny Committee. The Group will be undertaking work over the summer and will report to members in the autumn with proposals.

4.3 The Panel's recommendations have the following cost implications:

Basic allowance increase (42 Cllrs)	£ 46,242
SRA Planning Cttee Chair (1 Cllr)	£1,000
Stationery (42 Cllrs)	£3,150
SRA savings	(£8,201)
<b>Total</b>	<b>£42,191</b>

4.4 The Head of Finance reports that any additional funding for the Members Allowances in 2016/17 would need to come from the Council's

Reserves. This will be noted in the Mid Year Review reported to Council in the Autumn and budgetary provision for future years will need to be made in the Budget Report to Council in February 2017.

## 5. CONSULTATIONS

Liz Bisset formerly Director of Customer and Community Services was the senior officer with oversight of this project. The Chief Executive has been consulted on this report.

## 6. OPTIONS

Councillors must take into account the Panel's recommendations when agreeing a new scheme of Allowances-but they are not bound by it. The statutory guidance states "...that the amounts payable to members is one for local determination. In this way, councils can take full account of their particular circumstances and be directly accountable to the electorate. This accountability is sharpened through each council being advised on its own scheme by a local panel whose members are required to be independent."

## 7. IMPLICATIONS

### (a) Financial Implications

These are described in 4.3.

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

None

### (c) Equal Opportunities Implications

The Panel considered the equalities issues set in its terms of reference and covered in its report and recommendations. In terms of any Tax and Benefit implications of any changes, these are a matter for individual councillors although the Council's Finance Support Services Manager can be contacted for any initial advice.

### (d) Environmental Implications None

### (e) Procurement None

### (f) Consultation and communication

The agreed allowances scheme and the Panel's recommended are required to be published in a local newspaper (in addition to the Council's website).

### (g) Community Safety

None

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

None. See the Panel's report for background papers.

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

Report file: Date originated: 20 June 2016

Date of last revision: 20 June 2016

## **Summary**

Cambridge is a rapidly growing city of national importance and international renown. It needs to recruit and retain City Councillors of the highest calibre. The Members' Allowance Scheme does not provide pay for Councillors but gives some recompense in recognition of the time spent and responsibility undertaken by councillors. The City Council scheme has not been updated since 2008 and is not index linked. The work of the City Council has changed since that time and continues to change. Consequently the Scheme no longer adequately reflects current practice either here or elsewhere in the country.

In October 2015 and in accordance with Statutory Guidance, an Independent Remuneration Panel was appointed to review the Scheme. It used benchmarking data from comparable councils, an on-line survey and interviews with councillors. It also considered national guidance and internal documentation.

Broadly, its findings are:

for Basic Allowance:

- Cambridge City Council has fallen behind all benchmarked councils both locally and nationally
- there is some evidence that this is having a detrimental effect
- the link between the Basic Allowance and the statutory national minimum wage should be restored and maintained by indexing to changes in the national minimum wage.

for Special Responsibility Allowances, because of the changing nature of the ways in which the Council works:

- there are two anomalies which need to be rectified immediately
- further work will need to be undertaken to ensure that SRAs match new responsibilities and that the level and distribution of Allowance payments is consistent.

for out-of-pocket expenses:

- most Councillors under-claim for legitimate expenses and some never claim
- the areas covered by stationery expenses are completely out of date
- some change in the mechanism for providing expenses is needed.

The IRP has made 10 recommendations for changes to the Allowance scheme including a recommendation that a detailed review of Special Responsibility Allowances is undertaken within six months and a further review of the MAS is undertaken within two years.

## **1. Background**

1.1. Cambridge is a dynamic and rapidly growing city with a national and international reputation to uphold. It forms a vital part of the nation's economy. It is in the interests of Cambridge citizens for the City Council to continue to recruit and retain City Councillors of the highest calibre who can represent the quality and diversity of the city. The role of City Councillors is rapidly evolving with oversight of shared services and initiatives such as the City Deal taking an increasing amount of time and resources. Being a City Councillor is a voluntary activity for which an allowance is paid in order to ensure that diversity is encouraged and no-one is debarred from taking an active part in the democratic process.

1.2. The current Members' Allowance Scheme (MAS) was adopted in 2008 with the Basic Allowance being based on the national Minimum Wage at that time of £5.73 per hour. The Scheme was reviewed in 2010 when the then Council decided not to accept all of the recommendations of the then Independent Remuneration Panel (IRP). Consequently Councillors' Allowance payments have remained at the level adopted in 2008. (Ref: Appendix A, Members' Allowances Scheme). Because the scheme was not index linked in any way, the allowances paid to Cambridge City Councillors have fallen far below those of all other comparable Councils. In 2012 the Taxpayers' Alliance ranked Cambridge City 9<sup>th</sup> lowest in the country for its basic allowance and in 2016 it is the lowest in the East of England. The Basic Allowance for Cambridge City Councillors is now about two-thirds of the average level of that paid by Councils comparable either in terms of their composition (eg Oxford City Council) or geographical location (egs South Cambridgeshire DC or Cambridgeshire CC).

1.3. In June 2015 the Council decided to review its Members Allowance Scheme and, in line with Statutory Guidance, an Independent Remuneration Panel (IRP) was appointed by senior officers of the council to undertake this review. Ref: Appendix B Terms of reference of this panel and biographical details of its members.

## **2. Methodology**

Between October and February 2015 the IRP undertook a review of the City Council MAS. It used a combination of benchmarking against the Schemes of comparable councils, opinion survey and interviews with serving councillors and reviewing other relevant documentation provided by Council officers.

The panel recognised that this is a time of austerity. We kept this in mind while considering the possible consequences for the City Council of either no change or of updating allowances.

2.1. Benchmarking; we compared the City Council with non-metropolitan district councils on the CIPFA website based on all indicators (Oxford being closest in composition to Cambridge and the next closest being Exeter). Of the 15 best matches we sought information about allowances and received up-to-date information from five, Oxford, Crawley, Exeter, Cheltenham and Welwyn Hatfield. We also sought information from neighbouring councils.



## Cambridge City Council

### Report from the Independent Remuneration Panel on the Members' Allowance Scheme (2015/16)

---

These councils are already part of joint working with the City Council or there is the possibility of joint working in the future. These are East Cambs DC, South Cambs DC, Fenland DC, Huntingdon DC and Cambridgeshire County Council. Ref: Appx C Benchmarking data

2.2. Evidence from serving councillors; we conducted an on-line survey open to all Councillors. From a full Council of 42 members we had 25 fully completed responses with another 6 incomplete.

We conducted individual interviews with 14 Councillors and Councillors were also invited to a drop-in session which was attended by 5 more. The individual interviews covered all political parties represented on the Council, Executive Councillors, Chairs of Committees, Leaders of all three Council groups, newly elected Councillors and those not standing for re-election. In order to encourage frankness, individual responses to the survey and interview were considered as confidential to the Panel. Ref: Appx D, list of survey questions.

2.3. Briefings from Council Officers; we received written documentation, verbal briefings and administrative support from Democratic Services staff and we are grateful for their assistance in enabling us to complete this review.

### 3. Findings

3.1. Basic Allowance. It is clear from the benchmarking exercise with comparable councils that the basic allowance for Cambridge City Councillors is significantly lower than those of all comparator authorities in the benchmarking group. Ref: Appendix C, Benchmarking Data

All Cambridge City Councillors currently receive a combined allowance payment of £3199 pa, (a Basic Allowance payment of £2782 pa and an Area Allowance of £417 pa).

By comparison:

- all Councillors in Oxford and South Cambridgeshire receive a Basic Allowance payment which is 50% higher than that of Cambridge
- the Basic Allowance paid to East Cambridgeshire, Huntingdon and Fenland Councillors is 30% to 40% higher than the Cambridge allowance
- the Basic Allowance paid to Cambridgeshire County Councillors representing Cambridge constituencies is 140% higher than that paid to Cambridge City Councillors.

There is evidence already from councillors that the low level of Basic Allowance is causing some recruitment problems and deterring prospective candidates from some sections of the community. More generally, there is the possibility of emerging retention problems in the near future with some Councillors considering whether to continue to serve because of both time and financial pressures. There is a need for continuity on the Council which will be disrupted if retention of Councillors becomes an issue. There is also anecdotal evidence that potential City Councillors who are eligible to sit on another local council with higher allowances are taking that option.

### 3.2 Special Responsibility Allowances (SRAs)

Statutory Guidance states that SRAs may be paid where members have significant additional responsibilities (their emphasis). Benchmarking against comparable councils shows significant disparities and little consistency in the level of SRAs paid to post holders in apparently comparable roles. Ref: Appendix C.

In such a rapidly changing environment, (eg city growth and the impact of potential changes to constituency boundaries, devolution of powers to local authorities, increased working in joint committees with other councils and joint committees such as the City Deal Executive Board and Assembly), we have not found it possible at present to gather sufficient information in order to make firm recommendations about updating all SRAs.

We have recommended some interim changes in order to remove anomalies and better align Cambridge City Council with statutory guidance and practice in comparator councils. There will need to be a further review when the impact of developments in the roles of Cambridge City councillors become more evident. This will allow SRAs to be appropriately aligned to the changing scope and importance of the responsibilities of City Councillors.

3.3. Expenses: it became obvious during the course of our data gathering that most Councillors do not claim all the out-of-pocket expenses to which they are entitled and many never claim at all. Also, with the universal move towards electronic communication it became clear that the section of the MAS dealing with stationery and ancillary expenses is seriously out of date. In an effort to increase cost-efficiency and reduce bureaucracy we recommend a change in the manner in which this expense is allocated.

3.4. Several councillors commented that the refreshments that had been available for full council meetings had been withdrawn. This was in order to fit with HMRC guidance. Those councillors in full or part-time employment often come straight from work and have no time to provide their own food before such meetings. It was also brought to our attention that this was the only time that all councillors, regardless of Party affiliation, mingled.

## 4. Recommendations

### Basic Allowance

4.1. The Area Allowance be removed and the sum consolidated into the Basic Allowance.

4.2. The Basic allowance be re-aligned to the National Living Wage and thereafter be indexed in line with National Living Wage increases in order to rectify the anomalous situation which has arisen through failing to index link Councillors' Allowances. By 1<sup>st</sup> April 2016 the national minimum wage will have increased by 25.6% from £5.73 per hour in 2008, (when current Allowance payments were last set) to £7.20 per hour. We therefore recommend that the Basic Allowance be increased by the same percentage to £4300 with effect from the 2016/17 municipal year.

4.3. We recommend that this increase be applied immediately, in full, since it will only bring the Basic Allowance closer to, rather than on a par with, that paid to Members of comparable Councils. If the Council decides that this increase should be phased we recommend that it be front-loaded to provide an immediate uplift in basic allowance.

#### Special Responsibility Allowances

4.4. As an interim measure, pending the outcome of a more comprehensive review of SRA payments, we recommend that the Planning Committee Chair's SRA be increased by £1000 to £3226 pa to bring the allowance payment for this role closer to that paid by comparable authorities. We recommend that other allowances for the Planning Committee (ie for Vice-chair and Members) remain the same.

4.5. As an interim measure, we recommend that SRAs be removed from Vice Chairs of all committees other than that of the Planning Committee and that the SRAs to all members of committees (with the exception of the Planning and Joint Development Control Committees) be discontinued. This saving could be reallocated to part fund the recommended changes to the Basic Allowance, the Planning Committee Chair's allowance or expenses.

4.6. With the exceptions outlined above, we recommend that other SRAs remain as they are for the present, and recommend that a further detailed review of SRAs be conducted within 6 months when the impact of current developments in Councillor roles and responsibilities is clearer. The objective of this review will be to produce an internally consistent scheme for Basic and Special Responsibility Allowances which will be appropriate to current Councillor roles and responsibilities.

4.7. As part of the move to increase efficiency and reduce waste, we recommend that IT support be enhanced for councillors. This will produce efficiencies in the longer term. Other councils provide laptops/tablets to all councillors. We understand that there are IT support issues within the Council which should be resolved.

#### Expenses

4.8. We recommend that the basic allowance be top-sliced by an appropriate amount in order to provide refreshments at full council meetings which extend into the late evenings.

4.9. As the stationery expense is so out of date we recommend that the claim for stationery expense be removed and a nominal amount of £75 per councillor per annum be allowed in addition to the Basic Allowance. This is to cover stationery, mobile phone and other communication expenses. Apart from the changes outlined above we recommend that travel, subsistence and carers' allowances remain the same.

4.10. In addition to recommendation 4.6, we recommend that the next full review of the MAS should take place not more than 2 years from the date of this report.

**February 2016**

**Appendices**

Appx A City Council Members Allowance Scheme  
Appx B IRP Terms of Reference and Biographies of IRP members  
Appx C Benchmarking Spreadsheet  
Appx D Survey questions  
Appx E Additional documents seen by the Panel

## Appendix A

### Members' Allowances Scheme 2015 to 2016

Councillors are not paid a salary. However, they do get allowances to cover some of the costs of being a Councillor. The Basic Allowance, the Special Responsibility Allowance, childcare and carer's allowance, and travelling costs are set by the Council having noted recommendations put to it by the Independent Remuneration Panel.

#### 1. Basic Allowance, and Special Responsibility Allowance (taxable)

**Basic allowance:** This is an annual flat rate payment to all Councillors, intended to recognise the time devoted by Councillors to work in their wards and political groups, recognising the level of out-of-pocket expenses Councillors incur in carrying out their functions (eg stationery, telephone costs, and computer consumables.) It also recognises that Councillors undertake their Council work for the sake of public service and not for private gain. Each Councillor will receive an annual allowance of £2,782.

In addition, all forty-two Members of the Council receive £417 in an Area Committee allowance. Therefore, the total allowance for a City Councillor before adding any other special responsibilities listed below is £3,199.

**Special Responsibility Allowance:** This is paid to Councillors who have a higher than average workload, and/or hold particular positions of responsibility within the Council:

Leader	£10,433
Executive Councillor	£8,346
Scrutiny Committees - Chair	£1,113
Scrutiny Committees - Vice-Chair	£278
Scrutiny Committees - Minority Spokes (LD)	£1,391
Scrutiny Committees - Minority Spokes (Minorities Group)	£556
Planning - Chair	£2,226
Planning - Vice-Chair	£139
Planning - Member (8)	£556
Planning - Minority Spokes (LD)	£1,550
Planning - Minority Spokes (Minorities Group)	£835
Licensing - Chair	£696
Licensing - Vice-Chair	£139
Licensing - Minority Spokes (LD)	£696
Licensing - Minority Spokes (Minorities Group)	£139
Licensing - Member (12)	£417

## Cambridge City Council

### Report from the Independent Remuneration Panel on the Members' Allowance Scheme (2015/16)

---

Joint Development Control (Chair / City spokes)	£2,226
Joint Development Control - Member (6)	£556
Civic Affairs - Chair	£1,113
Civic Affairs - Vice-Chair	£278
Civic Affairs - Minority Spokes (LD)	£556
Employment Appeals Sub - Members (10)	£139
Leader of the Opposition Group – Lib Dem	£2,394
Leader of the Opposition Group – Minorities Group	£1,431

Special responsibility allowances for Opposition Group Leaders are calculated by allocating an amount equivalent to one fifth of the Basic Allowance (£640) to a notional 'group of one', which is then multiplied by the square root of the number of members that each group has in order to arrive at individual figures.

Area Committees - Chair (4)	£835
Area Committees - Vice-Chair (4)	£139

## 2. Travel and Subsistence Allowances

Councillors are paid at the same rates as Officers.

Mileage allowances are:

Casual User Mileage (up to 10,000 miles):	45 pence per mile
Casual User Mileage (after 10,000 miles):	25 pence per mile

Bicycle rate is based on the HMRC advised rates, which is now 20 pence per mile.

The motorcycle rate is 24 pence per mile.

Travel and subsistence allowances are payable for those duties prescribed in Regulations; that is:

- 1: A meeting of the executive;
- 2: A meeting of a committee of the executive;
- 3: A meeting of the authority;
- 4: A meeting of a committee or sub-committee of the authority;
- 5: A meeting of some other body to which the authority make appointments or nominations;

6: A meeting of a committee or sub-committee of a body to which the authority make appointments or nominations;

7: A meeting which has both been authorised by the authority, a committee, or sub-committee of the authority or a joint committee of the authority and one or more other authorities, or a sub-committee of a joint committee and to which representatives of more than one political group have been invited (if the authority is divided into several political groups) or to which two or more councillors have been invited (if the authority is not divided into political groups);

8: A meeting of a local authority association of which the authority is a member;

9: Duties undertaken on behalf of the authority in connection with the discharge of any function of the authority conferred by or under any enactment and empowering or requiring the authority to inspect or authorise the inspection of premises;

10: Duties undertaken on behalf of the authority in connection with arrangements made by the authority for the attendance of pupils at a school approved for the purposes of Section 342 of the Education Act 1996; and

11: Any other duty approved by the authority in connection with discharging the duties of the authority or its committees or sub-committees.

Reimbursement of public transport fares can also be made when attending approved council duties. For journeys by train, please ask for a **travel warrant** in advance of the journey from the Members' Services office.

VAT - Please let the staff in Members' Services make your hotel and flight bookings, as the Council can then reclaim the VAT.

You can only claim travel costs **from outside** Cambridge if your absence from Cambridge was unavoidable or if a meeting is called at short notice, and you have to make a journey which you would not otherwise have made. The exception to this rule is attending Planning or Licensing Committee meetings, as these take place more frequently than other meetings.

You cannot claim subsistence allowance for duties carried out within three miles of your home or if meals are provided.

**Subsistence:** can only be claimed where meals/accommodation are not provided.

<b>Breakfast Allowance:</b> (More than 4 hours away from normal place of residence or where the authority permits, a lesser period, before 11 am.)	£6.72.
<b>Lunch Allowance:</b> (More than 4 hours away from normal place of residence or where the authority permits, a lesser period, including the lunchtime between 12 noon and 2pm.)	£9.28.
<b>Tea Allowance:</b> (More than 4 hours away from normal place of residence or where the authority permits, a lesser period, including the period 3 pm to 6 pm.)	£3.67.
<b>Evening Meal Allowance:</b> (More than 4 hours away from normal place of residence or where the authority permits, a lesser period, ending after 7 pm.)	£11.49.
<b>Overnight Subsistence.</b> Absence overnight from the usual place of residence:	£79.82
In London, or attending an approved conferences:	£91.04

### **3. Members' Childcare and Carer's Allowance**

A Childcare/Dependent Carer Allowance is payable for actual expenditure incurred whilst undertaking approved council duties. No cap shall be put on the overall budget for this Allowance, or on that which is paid to an individual member of the Council in any given year. This allowance is set by the Council having had regard to the recommendations annually of the Independent Remuneration Panel. The Panel considered allowances for childcare and dependent relatives and concluded that it was appropriate for actual expenditure to be reimbursed. The allowance should be subject to receipts being submitted. The member must provide care for a person who normally lives with the member as part of his/her family and who is:

- 1: A child below school age during school hours;
- 2: A child under 14 outside of school hours; and
- 3: An elderly, sick, or disabled dependent requiring constant care.

A Carer will be any responsible mature person who does not normally live with the member as part of the member's family.

Payments made under this scheme will be open to public inspection.

Travel, subsistence and care allowances is payable for any invitations (except social events) from any official bodies. The Scheme is set so that payment of care, travel and subsistence



allowances would be such that unexpected circumstances or new responsibilities or activities were covered by default, i.e. that rather than having a prescribed list of activities that ARE covered, have a list of proscribed activities (that are not covered).

#### **4. Expenses**

All Members are able to claim out of pocket expenses. The Council pays for:

1: Council letter-headed paper;

2: Plain paper;

3: Postage on the letters the Business Support team prepares for dispatch;

4: Ink cartridges (providing signature is received confirming that it is used predominantly for Council work);

5: Travelling expenses for:

A: Meetings that are approved Council duties (including site visits\*);

B: Meetings instigated by an officer, which are (or had the potential to be) cross party;

C: Training and development for councillors organised by the Council  
Attendance at conferences and seminars that have been booked by officers;

D: Briefings to Councillors that are cross party and organised by the Council;

E: Council Working Parties; and

F: Meetings of outside bodies attended as a Council representative  
Civic duties in capacity as a Bailiff;

6: Hanging files and folders for Council-supplied filing cabinets;

7: Phone calls made from the Council offices;

8: Hiring of accommodation for Group Away Days; and

9: Personalised business cards and compliments slips.

The Councillor pays for:

- 1: Ink cartridges when used mainly for private work;
- 2: Pens, pencils, notepads, post-its and other ancillary stationery;
- 3: Travelling expenses relating to:
  - A: Meetings within the Ward(s);
  - B: Visits to constituents;
  - C: Attendance at civic functions (unless a Bailiff); and
  - D: Single party meetings/briefings.
- 4: Postage on letters typed and despatched by councillors;
- 5: Envelopes;
- 6: Phone calls made from home or mobile phones; and
- 7: Any party political affiliation fees or expenses.

## **5. Changes**

Entitlements will be payable on a part-year basis in any given year where:

- 1: The scheme is amended;
- 2: A Councillor either is elected to or leaves the Council; or
- 3: A Councillor takes on, or gives up, a position for which a special responsibility allowance is payable.

## **6. Co-optee's Allowance**

A co-optee's allowance of the minimum wage for hours served, plus out of pocket expenses, is available.

## **7. Back-dating**

There is no backdating to the beginning of the financial year of the allowances scheme in the event of the scheme being amended.

## **8. Adjustment**

There is no annual adjustment of allowance levels by reference to an index.

## **9. Pension Entitlement**

There is no entitlement to a pension for any member under its Allowances Scheme.

## **10. Advice**

Members may receive advice on the impact of receiving allowances and expenses on their tax and benefit position by contacting Karl Tattam in the Council's Finance Department (458161).

## **11. Timeliness**

Please make all claims **within two months** on the Council's official claim form. Claims which are received no later than 5 p. m. on the fifth calendar day of each month will be paid on the twenty-fourth day of that month.

## **12. Foregoing**

Finally, any member of the Council may, by notice in writing given to the Democratic Services Manager elect to forego any part of his/her entitlement to any Allowance under this scheme.

**Biographical information on members of the Independent Remuneration Panel**

**Sean Brady**

Sean Brady (now retired) was an underwriter and senior manager with a multi-national insurance group, and is a Life Member and Fellow of the Chartered Insurance Institute and a Chartered Insurer. His work took him to nine different countries and included undertaking training and programmes for staff. After returning to the UK in 1988, Sean was chairman of numerous voluntary/charitable organisations and, for 10 years, of Uttlesford District Council's Standards Committee. Presently he is an Independent Person for Cambridge City Council and Cambridgeshire County Council as well as for the joint Fire Service. He lives in Saffron Walden.

**Jane Phillips**

Jane Phillips has worked as a teacher and a business psychologist. She has also been a school governor for over thirty years, working with five different schools in Hertfordshire and Cambridgeshire. During this time, she has been the Chair of Governors and the Chair of Personnel and has drawn up policies on governor expenses and a code of conduct for the governing body. From 1992-1995 she was the Chair of Hertfordshire Governors' Association and from 2000-2003 she was the Chair of the National Association of School Governors. She is now the Chair of Birdwood Area Residents' Association in Cambridge. In her spare time she is undertaking an MA in Crime Writing. She lives in Cambridge.

**Graham Jagger**

Graham Jagger is a Cambridge graduate and professional HR manager and consultant with wide public and private sector experience. During the last 20 years he has worked in the NHS at Trust, regional and national levels including as Director of Corporate Development at Papworth Hospital NHS Foundation Trust and as Agenda for Change Director for Papworth, Addenbrookes and the East of England. He was appointed to the independent NHS Pay Review Body by the Secretary of State for Health in 2009, responsible for reviewing and making recommendations to government on changes to the pay and conditions of NHS staff. He is currently Lead Governor, Papworth Hospital NHSFT, a member of the East of England Advisory Committee on Consultant Clinical Excellence Awards and a Non-Executive Director of Healthwatch Cambridgeshire. He has six years' experience of reviewing a members' allowance scheme as member and then chair of the Independent Remuneration Panel at South Cambridgeshire District Council. He lives in Cambridge.

Terms of Reference for the Panel

- To recommend a scheme or schemes 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
  - viii. ensures that a benchmarking exercise is undertaken with other comparable Councils.
  - ix. ensures that equality and diversity implications are considered so that a diverse range of Councillors can be attracted.

**APPENDIX C: MEMBER ALLOWANCE SCHEMES of COMPARATOR COUNCILS**

1. The IRP benchmarked Cambridge City Council's Member Allowance Scheme against the Schemes both of the non metropolitan district councils closest in composition to Cambridge and those of neighbouring councils. Benchmarking data on comparative Schemes is summarised in the attached spreadsheet.
  - Information was obtained from the 15 councils closest in composition to Cambridge based on CIPFA's statistical indicators; current data on allowances and expenses has been summarised on the 5 best matches to Cambridge; Oxford, Crawley, Exeter, Cheltenham and Welwyn Hatfield.
  - The neighbouring councils chosen for benchmarking are those where there is already joint working with Cambridge or where there is the possibility of joint working in the future; East Cambs, South Cambs, Huntingdon and Fenland District Councils and Cambridgeshire County Council
  
2. All Cambridge City Councillors receive an allowance payment of £3199 comprising £2782 Basic Allowance and £414 Area Allowance. Comparison of benchmarking shows that:
  - Cambridge's Basic Allowance,(£2782) is 58% that of the Basic Allowance payment in Oxford and South Cambridgeshire; the Basic Allowance paid to Councillors in Oxford, South Cambs and other neighbouring Councils is 30% to 50% more than the £3199 combined allowance of a Cambridge City Councillor.
  - The combined allowance of a Cambridge City Councillor is 42% of the Basic Allowance paid to a County Councillor representing a Cambridge constituency.
  
3. Comparison of benchmarking data on Special Responsibility Allowances(SRAs) shows little consistency between Councils in the level of SRAs paid to post holders in apparently comparable roles, but that:
  - Cambridge is the only Council in the benchmark group to pay SRAs to Spokes and Members of regulatory committees, (other than Huntingdon which pays an SRA to Planning Committee members). Most other Councils follow national good practice guidance in limiting SRAs to a maximum of 2 per councillor.
  - Cambridge City leader's SRA is comparable to that paid to the leader of South Cambridgeshire, but is at least 40% less than that paid to most other Council leaders in the benchmark group.
  - The SRAs paid to the Chairs and Vice Chairs of Cambridge Planning and Scrutiny committees are less than half that paid to counterparts in most other comparable Councils including Oxford, South Cambs, Fenland and Huntingdon.
  
4. Cambridge's travel, subsistence and carers allowance expense provisions are comparable to those of other Councils some of which have subsumed some claimable incidental expenses into Basic Allowance payments

**This is to provide up-to-date information about your workload which will help us to determine fair and reasonable allowances for councillors.**

**All data is individually confidential but anonymised information will be included in our public report.**

**Please submit this form before Wednesday 11th November.**

1. Your name:

2. Your gender:

3. Your age group:

- 18-30
- 31-45
- 45-60
- 61-75
- 75+

4. Employment status:

- Full-time
- Part-time
- Self-employed
- Retired
- Not in paid employment
- Other (please specify)

5. Your Ethnic Group

6. Do you have a disability?

Yes

No

7. If you answered yes to question five, does this impact on your council activities?

8. Basic Allowance time spent

The basic allowance is intended to recognise the time commitment of all councillors, including such inevitable calls on their time as: meetings with officers, meetings with constituents and attendance at political group meetings. It is also intended to cover incidental costs such as the use of their homes.

With that in mind, please recall as best you can the total number of hours spent on the above (note not special responsibilities which is in the next question).

W/C 21st September	<input type="text"/>
W/C 28th September	<input type="text"/>
W/C 5th October	<input type="text"/>
W/C 12th October	<input type="text"/>
W/C 19th October	<input type="text"/>

9. Special Responsibility time spent (if you do not receive any special responsibility allowance please move onto the next question).

Special responsibility allowance is for councillors who have significant responsibilities.

With that in mind, please give as best as you can recall the total number of hours spent on your special responsibilities.

W/C 21 <sup>st</sup> September	<input type="text"/>
W/C 28 <sup>th</sup> September	<input type="text"/>
W/C 5 <sup>th</sup> October	<input type="text"/>
W/C 12 <sup>th</sup> October	<input type="text"/>
W/C 19 <sup>th</sup> October	<input type="text"/>



10. Do you think the current allowance scheme provides a fair distribution of allowances?

11. If not, how would you revise this?

12. Do you think the special responsibilities allowances are set at the correct level?

13. If not, how would you revise this?

14. Do you think the travel and subsistence allowances are set at the correct level?

15. If not, how would you revise this?

16. Do you think the childcare and carers allowances are set at the correct level?

17. If not, how would you revise these?

18. Do you think expenses cover the correct areas?

19. If not, how would you revise this?

20. Does your allowance level impact on the number of hours you work on council business?

21. If not, how would you revise this?

22. Is there anything else you would like to add?

**APPENDIX E - Independent Remuneration Panel 2015/16**  
**Additional Documents Seen**  
*Unless stated, the document is from Cambridge City Council.*  
*The number of pages, if more than 1 is stated in [ ].*

1. About the City and the Council - Current information sheets. [6]
2. Annual Attendance of Councillors 2014/15.
3. Census of Local Councillors 2013 by the Local Government Association. [67]
4. Census Profile 2011 by City Ward.
5. City Pay Bands from 1 January 2015.
6. Civic Affairs Committee Minutes of the Meeting on 26 June 2015. [8]
7. Committee Meetings - Number annually since 2009/10.
8. Committee Memberships - Extract from Minutes of Council Meeting, 28 May 2015. [6]
9. Councillors' age, ethnicity and employment data.
10. Demographic data for Cambridge.
11. MEL Budget Survey Findings dated November 2014. [28]
12. Members' Allowances Scheme 2015 to 2016. [6]
13. Minimum Wage Increases 2003 to 2015.
14. Pay Policy Statement 2015/16. [7]
15. Review of Councillors' Responses to Survey.
16. Review of Members' Allowances - Report of Democratic Services Manager to Civic Affairs Committee dated 26 June 2015. [4]
17. Special Responsibility Allowances 2015/2016.
  
18. Other comparative councils' allowances by office and committee.
19. Cheltenham Borough Council Independent Remuneration Panel Report dated March 2012. [11]
20. Cheltenham Borough Council Independent Remuneration Panel Report dated July 2012. [3]
21. Crawley Borough Council Independent Remuneration Panel Report 2012/13 to 2015/16. [9]
22. East Cambs. Independent Remuneration Panel Report dated December 2012. [10]
23. Exeter City Council Independent Remuneration Panel Report dated 9 January 2014. [5]
24. Huntingdon District Council 7th Report by the Independent Remuneration Panel dated May 2015. [24]
25. Lincoln City Council Independent Remuneration Panel Report dated 27 January 2014. [3]
26. Oxford City Council Independent Remuneration Panel Report dated November 2014. [12]
27. South Cambs. DC Members' Allowances Survey dated 11 April 2012. [3]
28. South Cambs. Independent Remuneration Panel Report dated 28 February 2013. [3]
28. South Cambs. Independent Remuneration Panel Report dated 23 January 2014.
30. St. Albans Independent Remuneration Panel Report.
31. Welwyn Hatfield Borough Council Independent Remuneration Panel Report of the CEO dated 10 February 2015. [3]
  
32. Councillors' Guide 2015/16 issued by the Local Government Association in April 2015. [78]
33. Government Response to Communities & Local Government Select Committee. - Councillors on the frontline dated March 2013. [13]
34. HMRC/ Statutory Guidance on Consolidated Regulations for Local Authority Allowances. [35]

This page is intentionally left blank

## CAMBRIDGE CITY COUNCIL

---

REPORT OF: HEAD OF FINANCE (s151 OFFICER)

TO: CIVIC AFFAIRS COMMITTEE

29/06/16

WARDS: All

---

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

---

#### **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 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 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 Policy is attached at Appendix 1 to this report. A couple of minor amendments/updates have been made to the Policy to reflect:
  - the new arrangements with the DWP for investigating Welfare Benefit fraud; and
  - recent guidance provided by CIPFA and the National Crime Agency on implementing the Bribery Act.

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

- 1.6 CIPFA has produced a Code of Practice for Managing the Risk of Fraud and Corruption. This voluntary code is a statement of high level principles which sets out good practice for managing counter fraud arrangements across the public sector.

Internal Audit have assessed the Council's compliance with the Code as part of our planned work for 2015/16 and have produced a separate Anti-Fraud and Corruption Strategy and Action Plan to address a number of shortcomings / gaps across the Council. The Strategy and Action Plan are attached at Appendix 2 to this report.

- 1.7 This report also provides Members of Civic Affairs with a summary of fraud/whistle-blowing activity for the period 1 April 2015 to 31 March 2016.

## **2 Recommendations**

- 2.1 Members of Civic Affairs Committee are asked to:

- Approve the changes recommended to the PFC Policy and Addendum at Appendix 1.
- Approve the adoption of the Anti-Fraud and Corruption Strategy and Action Plan at Appendix 2.
- Note the details of fraud/whistle-blowing activity provided for the period 1 April 2015 – 31 March 2016 in section 3 of this report.

## **3 Fraud Investigation**

- 3.1 Dependent on their nature, fraud investigations are carried out by either the Fraud Prevention Team (FPT), who are located within Revenues and Benefits; or by Internal Audit.

### *Fraud Prevention Team*

- 3.2 The FPT prevents detects and pursues those who commit the following frauds against Cambridge City Council:

- i. Social housing fraud (including other Registered Social Landlords),
- ii. Local taxation fraud,
- iii. Discount and exemption fraud,
- iv. Local support scheme fraud,
- v. Right-to-buy fraud.

- 3.3 Additionally, under new arrangements, the team acts as the single point of contact for the Department for Work and Pensions (DWP) Fraud and Error Service (FES) in relation to welfare benefit fraud, principally Housing Benefit, paid within the City of Cambridge. This involves:

1. Receipt and dispatch of local allegations received through multiple sources;
2. Selection and preparation of evidence to support investigations and prosecutions by that agency; and
3. Preparation of Court documentation and statements.

- 3.4 The team consists of 3.0 FTE, of which 1.0 FTE is funded by a successful bid to the Department for Communities and Local Government (DCLG) and 1.0 FTE is an apprentice post.

- 3.5 Having created the apprenticeship role in collaboration with Cambridge Regional College (CRC), there has been recognition of the initiative's success. In March 2016 the FPT Leader was nominated by the CRC Apprenticeship Assessor for the 'Mentor of the Year' award in the Apprentice and Employer Apprenticeship Awards event, but on that occasion lost out to another candidate from Tees Law Solicitors. We have been told that, on current performance, the apprentice will be nominated for the prestigious Apprentice of the Year award in September.
- 3.6 The following were some of the team's achievements in 2015-16:
- a. Investigations resulting in inappropriate Council Tax discounts/exemptions being removed generated additional income of £52,755.
  - b. Investigations were conducted under the Prevention of Social Housing Fraud Act, resulting in 10 Council owned properties and 2 Housing Association properties being recovered (meaning a new home for 12 households who would otherwise have had to continue on the housing waiting list). DCLG estimates the value of each recovered property to be £18,000.
  - c. An internal investigation into a previous temporary employee within Strategic Housing resulted in a successful conviction under the Fraud Act. The individual was sentenced to 200 hours community service.
  - d. 9 people were cautioned for Council Tax Rebate fraud.
- 3.7 Finally, there was a drop in identified Housing Benefit fraud from £146,212 in 2014/15 to £23,518 in 2015/16, but it is not thought that this reflects an actual reduction in this type of local criminality. This corresponds with the transfer of responsibility for this type of investigation from the Local Authority to the DWP.

#### *Internal Audit*

- 3.8 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.
- 3.9 The Council's current Whistleblowing Policy is in the process of being reviewed to take account of recommendations arising from the NHS 'Freedom to Speak up' review and to take into account how whistleblowing arrangements will work under different service delivery arrangements, such as shared services. We plan to bring the updated version of the Policy to this Committee for approval in September this year.

- 3.10 During 2015/16 Internal Audit conducted three investigations at the request of management. In all three cases actions were agreed with management to address the issues identified and to tighten controls going forward.
- 3.11 Internal Audit also received an anonymous allegation through the Whistleblowing route, however initial investigations could not identify any clear evidence to support the allegations made.
- 3.12 Internal Audit was also involved in the review of a grant made to a voluntary organisation, following concerns raised by management about use made of the grant. A way forward for future funding arrangements for the group was agreed with management.
- 3.13 A small number of minor thefts have been reported to Internal Audit during the year. In all cases, these have been reported to the Police and to the Council's Insurance Officer. Internal Audit is to follow up these incidents with the managers concerned in order to identify possible improvements in security arrangements.

#### *Fraud Survey*

- 3.14 Each year the Council participates in an annual fraud survey operated last year by The European Institute for Combatting Corruption and Fraud (TEICCAF). TEICCAF gathers data about fraud from Public Sector and Charity organisations across the UK and then provides an analysis of this data which is then shared with participating organisations. The results of this exercise for 2014/15 were received in December 2015 and are broken down across different fraud types, including:

- Council Tax Discount Fraud;
- Tenancy Fraud;
- Right to Buy Fraud; and
- Other Frauds (Incl. Procurement Fraud and Business Rates)

The results are shown in Table 1 below:

**Table 1: Fraud Survey Results**

Type of Fraud	Cambridge City Council		Comparator Council Average	
	No. of Cases	Value - £	No. of Cases	Value - £
Council Tax Discount	86	30,982	72	25,061
Tenancy Fraud (No. Recovered Properties)	14	N/A	4	N/A
Right to Buy Fraud	0	0	1	8,556
Other	0	0	3	12,412

The results show that our fraud statistics across these categories are quite comparable with comparator Council averages, with similar numbers and values of fraud cases detected, particularly for Council Tax Discount Fraud.



## *Corporate Fraud Strategy*

- 3.14 In 2014 CIPFA issued a new Code of Practice for Managing the Risk of Fraud and Corruption. The Code provides advice to organisations on how to ensure they have the right governance and operational arrangements in place to counter fraud and corruption effectively. The Code states that 'leaders of public service organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management'.
- 3.15 Internal Audit have reviewed the Council's compliance with the Code and as a result of this work have produced a Draft Anti-Fraud and Corruption Strategy and Action Plan which set out the Council's approach to counter fraud and corruption work over the next three years.
- 3.16 The key objectives of the Strategy are to maintain minimal losses through fraud and corruption and to further embed the management of fraud risk within the culture of the organisation. These objectives will be achieved by ongoing revision and implementation of a plan of action based on a fraud self-assessment against the CIPFA Code.

Key actions identified to improve an appreciation and understanding of fraud and how it impacts on the Council include developing training to raise awareness of fraud, the various associated risks and its consequences, and establishing new policies, such as that relating to cyber security.

## **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 Council 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.

5.2 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)

5.3 Work to investigate the results from the 2014-15 exercise is now almost complete and the key outcomes from this so far are outlined below:

#### *Housing Benefit Matches*

- 62 Housing Benefit matches have been referred to the Council's FPT for further investigation and of these, 50 have been referred on to the DWP's Fraud & Error Service. 23 of these cases have now been closed with no further action necessary and 25 cases are ongoing investigations.
- For the other two cases: One has resulted in the identification of overpaid Housing Benefit (HB) of over £2,000 and a further case is likely to result in overpaid HB of almost £400.
- In one case, the claimant's entitlement to HB was actually increased as a result of investigations.

#### *Housing Waiting List*

- There have been a number of cases where investigations have highlighted changes in circumstances of applicants on the Housing Waiting List, resulting in their removal from the list. A total of 9 applicants have been removed from the Housing Waiting List as a result of NFI investigations.

#### *Creditors*

- 151 creditor payment matches of over £10,000 were investigated. All were found to be genuine payments with no duplicates.
- 56 potential VAT discrepancies were investigated and again all were found to be correct.
- In addition to the NFI, Internal Audit have recently undertaken a supplementary exercise on more recent creditor payment data (up to the end of December 2015). The purpose of this exercise was again to identify possible duplicate payments, but also to provide an analysis of total spend by vendor and to identify the average number of monthly invoices. This exercise was conducted using computer software designed to help interrogate data sets.
- The key results from this exercise were again that there were no genuine duplicate payments arising for the period examined, which means that Internal Audit can give **significant** assurance that the controls in place for the payment of invoices are working effectively.

- The analysis of total vendor spend and the average number of monthly invoices has been shared with the Strategic Procurement Officer to assist with one of her key tasks of identifying significant supplier spend and establishing whether appropriate contracts are in place with high volume suppliers.
- This information has also been provided to the Payables Team Leader, with a view to increasing efficiency by trying to reduce the numbers of invoices from key suppliers.
- Now that Internal Audit have established a methodology for investigating potential duplicate payments, this exercise will be repeated on at least an annual basis to provide continued assurance.

## **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: 20 June 2016  
Date of last revision: 20 June 2016

## 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.

## **Welfare Benefit and Housing Fraud**

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

<b>4 REPORTING AND INVESTIGATING POTENTIAL FRAUD AND CORRUPTION</b>
---

- 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.

**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, **guidance issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the National Crime Agency (NCA) states that a court would view a local authority as a relevant organisation for the purposes of the Act. It is important therefore that the City Council should have regard to the principles of the Act in the conduct of its activities and its policies and procedures, to ensure that it does not fall foul of the legislation.**

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)

<b>A...ACKNOWLEDGE RESPONSIBILITY</b>	
<b>Cambridge should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation</b>	
A1	The organisation's leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users
A2	The organisation's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance
A3	The governing body acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports
A4	The governing body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention
<b>B...IDENTIFY RISKS</b>	
<b>Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users</b>	
B1	Fraud risks are routinely considered as part of the organisation's risk management arrangements
B2	The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework
B3	The organisation uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures
B4	The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause

Page 1 of 1

<b>C...DEVELOP A STRATEGY</b>	
<b>An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action</b>	
C1	The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals
C2	The strategy includes the organisation's use of joint working or partnership approaches to managing its risks, where appropriate
C3	The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risk
C4	The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight
<b>D...PROVIDE RESOURCES</b>	
<b>The organisation should make arrangements for appropriate resources to support the counter fraud strategy</b>	
D1	An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk
D2	The organisation utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation
D3	The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes
D4	The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity
<b>E...TAKE ACTION</b>	
<b>The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud</b>	
E1	The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy
E2	Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption
E3	Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing
E4	Providing for independent assurance over fraud risk management, strategy and activities
E5	There is a report to the governing body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report

## CAMBRIDGE CITY COUNCIL ANTI-FRAUD AND CORRUPTION STRATEGY

### 1. INTRODUCTION

1.1 Cambridge City Council employs almost 1,000 staff and spends nearly £95m per year, receiving some £79m in income.

1.2 The Council both commissions and provides a wide range of services to individuals and households, working with a range of many other private and public and voluntary sector organisations

1.3 The size and nature of our services, as with any other large organisation, mean that there is an ever-present risk of loss due to fraud and corruption, from sources both internal and external.

1.4 The Council takes a responsible, long term view of the need to continuously develop anti-fraud initiatives and maintain its culture of anti-fraud awareness.

### 2. PURPOSE

2.1 The purpose of this document is to set a strategy for taking forward counter fraud and corruption work within the Council over the next three years. Whilst the catch-all term 'anti-fraud' is used in the document, the strategy also covers anti-theft and anti-corruption measures, including bribery.

2.2 The key objectives of this anti-fraud strategy are to maintain minimal losses through fraud and corruption and further embed the management of fraud risk within the culture of the organisation. These objectives will be achieved by ongoing revision and implementation of a plan of action based on a fraud self-assessment against the CIPFA<sup>1</sup> Code of Practice on Managing the Risk of Fraud and Corruption ("the Standards").

2.3 In the TEICCAF<sup>2</sup> publication, "Protecting the English Public Purse 2015", it encourages all public bodies, including local authorities, to assess themselves against this Code. This is a voluntary code that can be applied in any public service organisation and has five principles:

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action.

2.4 **Annex A** outlines each of "the Standards" and **Annex B** the specific actions required to ensure compliance. Additionally, several other actions have been identified, over and above the CIPFA requirements, which will strengthen arrangements.

2.5 The Council expects all Councillors, employees, consultants, contractors and service users to be honest, and to provide any information, help and support we need to prevent and detect fraud and corruption.

<sup>1</sup> CIPFA: Chartered Institute of Public Finance and Accountancy

<sup>2</sup> TEICCAF: The European Institute for Combatting Corruption and Fraud

### 3. WHAT IS FRAUD AND CORRUPTION?

#### 3.1 Fraud

3.1.1 The Fraud Act 2006 came into force on 15 January 2007 as a response to the recommendations of the Law Commission Report 'Fraud' published in 2002. The Act repeals the deception offences enshrined in the 1968 and 1978 Theft Acts and replaces them with a single offence of fraud which can be committed in three separate ways: -

- False representation.
- Failure to disclose information where there is a legal duty to do so.
- Abuse of position.

3.1.2 The Act also created four new offences of:-

- Possession of articles for use in fraud.
- Making or supplying articles for use in fraud.
- Obtaining services dishonestly.
- Participating in fraudulent business.

3.1.3 The Fraud Act 2006 has defined fraud in law for the first time, defining it in three classes: fraud by false representation; fraud by failing to disclose information; and fraud by abuse of position.

3.1.4 CIPFA defines fraud as "the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain."

#### 3.2 Theft

3.2.1 Theft is defined in the 1968 Theft Act:-

*'A person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it'.*

#### 3.3 Corruption

3.3.1 The Council defines the term "corruption" as:-

*"The offering, giving, soliciting or accepting of any inducement or reward which would influence the actions taken by the body, its members or officers."*

#### 3.4 Bribery

3.4.1 A bribe is:

*"A financial or other advantage that is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity, or with the knowledge or belief that the acceptance of such an advantage would constitute the improper performance of such a function or activity" [CIPFA].*

3.4.2 The Bribery Act replaces the common law offences of offering or accepting a bribe with two statutory offences (S1 and S2). The Act also creates two further offences: namely that of bribing or attempting to bribe a foreign official (S6) and being a commercial organisation failing to prevent bribery (S7). An S7 offence can only be committed by a commercial organisation.



3.4.3 The 'Corruption Acts 1889 to 1916' are repealed in their entirety. Wider offences are created by the 2010 Act which render the more specific offences created by the old Acts otiose. Other statutes less relevant to Local Authorities have been repealed or amended by the 2010 Act and a full list is in one of the schedules of the Acts.

### 3.5 Money Laundering

3.5.1 Money laundering is the process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back.

3.5.2 All employees are instructed be aware of the increasing possibility of receiving requests that could be used for money laundering and illicit requests for money through e-mails.

## 4. SCOPE

4.1 This document applies to:

- All Council Employees (including Agents and Agency Staff) and Councillors;
- Staff and Committee Members of Council funded voluntary organisations;
- Partner organisations;
- Council Suppliers, Contractors and Consultants; and
- General Public.

## 5. PRINCIPLES

5.1 **The Council will not tolerate abuse of its services or resources and has high expectations of propriety, integrity and accountability from all parties identified within this strategy.**

5.2 **All fraudulent activity is unacceptable, and will result in consideration of legal action being taken against the individual(s) concerned. The Council will also pursue the repayment of any financial gain from individuals involved in malpractice and wrongdoing.** The Council will ensure consistency, fairness and objectivity in all its "counter-fraud" work and that everyone is treated equally.

5.3 This strategy encourages those detailed in **Section 4: Scope** to report any genuine suspicions of fraudulent activity. However, malicious allegations or those motivated by personal gain will not be tolerated and, if proven, disciplinary or legal action may be taken. **Section 8: Reporting, Advice and Support** details the reporting arrangements in relation to incidents of fraud or irregularity.

5.4 The Council will work with its partners (such as the Police, other Councils and other investigative bodies) to strengthen and continuously improve its arrangements to prevent fraud and corruption.

## 6. RESPONSIBILITIES

STAKEHOLDER	SPECIFIC RESPONSIBILITIES
Chief Executive	Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.

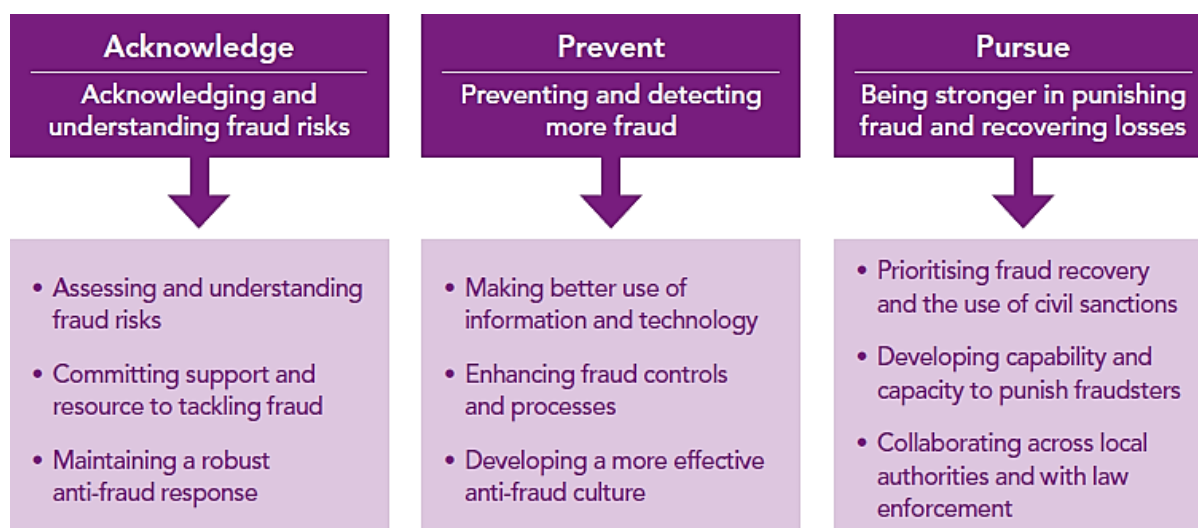
Section 151 Officer	To ensure the Council has adopted an appropriate anti-fraud strategy, there is an effective internal control environment in place and there is an adequately resourced and effective Internal Audit service to deliver “counter-fraud” work.
Monitoring Officer	To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice
Civic Affairs Committee	To monitor the Council’s strategies and policies and consider the effectiveness of the arrangements for Whistle-blowing and Anti-Fraud and Corruption Procedures.
Members	To comply with the Code of Conduct and related Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns accordingly.
External Audit	Statutory duty to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft.
Internal Audit	Responsible for developing and implementing the Anti-Fraud and Corruption Strategy and monitoring the investigation of any reported issues. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this strategy and that action is identified to improve controls and reduce the risk of recurrence.
Strategic Directors / Heads of Service / Managers	To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to Internal Audit. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing strong internal controls.
Staff	To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns to management, Internal Audit or via the Whistleblowing Procedures.
Public, Partners, Suppliers, Contractors, Consultant	To be aware of the possibility of fraud and corruption against the Council and report any genuine concerns / suspicions.

## 7. APPROACH TO COUNTERING FRAUD

7.1 “The Standards” were published in 2014 to provide support to organisations seeking to ensure they have the right governance and operational arrangements in place to counter fraud and corruption. The Council will continue to review its counter fraud arrangements and align its approach to the best practice advice.

7.2 The Council aims to reduce fraud and corruption to an absolute minimum through a strategic approach consistent with that outlined in the Local Government Fraud Strategy

'Fighting Fraud Locally'. The three key themes of this approach are Acknowledge, Prevent and Pursue:-



### 7.3 **How will we acknowledge and recognise fraud and corruption / the risk of fraud and corruption?**

#### 7.3.1 Accessing and understanding the fraud risks:

- The ongoing development of this strategy will be informed through gaining a clear understanding of the threat, emerging risks, trends and the savings that can be achieved by investing in countering fraud and corruption.
- This will focus on greater use of technology and interrogation of data to assess vulnerability and proactively target higher risk areas.
- We will also be focusing on raising staffs awareness of the risks of fraud and corruption and what they can do to prevent or identify it.

#### 7.3.2 Committing support to tackling fraud and corruption:

- We will continue to work in partnership with other Councils we share services with to investigate allegations of fraud and corruption.

#### 7.3.3 Maintaining a robust Anti-fraud response:

- Whistleblowing remains the most common way that fraud and corruption is detected in large organisations. The Council will raise awareness and continually promote its whistle blowing policy, and other associated policies and procedures ensuring all reports of suspected fraud or corruption are treated seriously and acted upon. Thereby developing a robust and proportionate response to counter any threats

### 7.4 **How will we prevent fraud and corruption?**

#### 7.4.1 Enhancing fraud and corruption controls and processes

- The best way to fight fraud and corruption is to prevent it happening in the first place. The Council will continually work towards realigning counter fraud resources away from enforcement towards prevention; ultimately, aiming to deter all would be offenders.
- An effective internal control framework covering all the Council's systems both financial and non-financial is essential in the fight against fraud and corruption.

The governance and risk management arrangements form an integral part of this arrangement and we will look to develop a fraud risk register.

- Preventative measures will be supported by the ongoing assessment of those areas most vulnerable to the risk of fraud and corruption, in conjunction with risk management arrangements and risk based audit reviews. The annual publication 'Protecting the Public Purse' provides details of the key fraud risks faced by local government. The Council will undertake a review of the high risk areas identified in the publication.

#### 7.4.2 Making better use of technology

- A key feature in the drive towards preventing fraud and corruption at the outset will be the ongoing use and development of information sharing as well as better use of data to verify and validate transactions.
- The sheer diversity of the services the Council and its partners provide and the multiplicity of systems used to manage them generate huge volumes of records and data. The Council will continue to reengineer its fraud detection processes by comparing data from a variety of its systems, as well as, partners systems to identify anomalies, improve information sharing across services and inform the risk management process.
- We will continue to participate in the bi-annual National Fraud Initiative data matching exercise and liaise with Cambridgeshire Anti-Fraud Network. We will also carry out proactive exercises in key areas susceptible to fraud. Data matching software will be developed for routine checks across a range of datasets.

#### 7.4.3 Anti-fraud culture

- The Council is resolute that the culture and tone of the authority is one of honesty with zero tolerance towards fraud and corruption, this is already demonstrated through its codes of conduct for employees and members. The right organisational culture will be continually reinforced by:
  - Raising awareness of fraud with new and existing employees with the online interactive fraud training module which all staff are required to complete.
  - Publicising the results of all proactive work, sanctions and recovery of losses due to fraud and corruption increase and maintain the general public awareness of the facilities available to report concerns about fraud and corruption.

### 7.5 **How will we pursue fraud and corruption?**

#### 7.5.1 Prioritising fraud recovery and the use of civil sanctions

- Fraud must not pay, where fraud or corruption is discovered the full range of sanctions will be deployed, including civil, disciplinary and criminal action. Every effort will be made to recoup losses and confiscate assets gained as a result of criminal activity.

#### 7.5.2 Maintaining capability to punish fraudsters

- Criminal prosecutions deter offenders and reinforce a culture of zero tolerance towards fraud. Successful prosecutions require cases to be professionally investigated ensuring all evidence is collected within the law. Investigative staff are adequately trained with the appropriate skills and access to specialist resources to secure effective prosecutions.

### 7.5.3 Collaborating across local authorities, other organisations and with law enforcement.

- Organised fraud has no respect for boundaries and can cross a range of organisations and services. Effective cooperation and joint working between local authorities and with other agencies including the Police will be essential in the ongoing development of the Council's strategic response.

## 8. REPORTING, ADVICE AND SUPPORT

8.1 The Council's expectation is that Councillors and managers will lead by example and that employees at all levels will comply with the Council Policies, Financial Regulations, Contract Rules and any Departmental Procedures.

8.2 **The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management.** It is essential that employees of the Council report any irregularities, or suspected irregularities to the senior management in line with corporate policies. The Council will provide all reasonable protection for those who raise genuine concerns in good faith, in accordance with Grievances and Whistleblowing policies.

8.3 The officer who receives the allegation (whether from a Councillor or a Council employee) must refer the matter to the following people, to determine how the potential irregularity will be investigated. They include Chief Executive; Strategic Director; Section 151 Officer; Head of Audit or Head of Human Resources.

8.4 The Investigating Officer will follow the appropriate guidelines which includes the need to:

- Deal promptly with the matter
- Record all evidence received
- Ensure that evidence is sound and adequately supported
- Ensure security of all evidence collected
- Contact other agencies if necessary e.g. Police
- Notify the Council's insurers (if appropriate)
- Implement Council disciplinary procedures where appropriate.

8.5 All reported fraud and outcomes of investigations is reported in the Annual report on Fraud and Corruption submitted to Civic Affairs Committee.

8.6 The Council will also work in co-operation with the following bodies that will assist in scrutinising our systems and defences against fraud and corruption:

Central Government	Other Bodies
Cabinet Office (for National Fraud Initiative)	Local Government Ombudsman
HM Revenue and Customs	External Audit
UK Border Agency	Police
Department for Work and Pensions	

8.7 The Department for Communities and Local Government (DCLG) published a revised Transparency Code in February 2015. The Code sets out key principles for local authorities in creating greater transparency through the publication of public data. The Government believes that local people are interested in how their authority tackles fraud and have introduced a mandatory requirement in respect of fraud data. Information on CCC counter fraud work is published on the Councils website annually to meet the Local Government Transparency Code 2015 requirements.

8.8 We rely on the local community to help us detect fraud. This can be reported by calling the Fraud Hotline 0800 328 0572 or email [fightfraud@cambridge.gov.uk](mailto:fightfraud@cambridge.gov.uk).

## 9. FURTHER INFORMATION

9.1 Further information on Council policy can be found in the following documents:

- Codes of Conduct (Councillors and Officers) incorporating Gifts and Hospitality
- Whistleblowing Policy
- Anti-Fraud and Corruption Policy
- Declaration of Interests
- Financial Regulations
- Contract Procedure Rules and the Contract Procedure Rules - Exemption Procedure
- Money Laundering Policy
- Regulation of Investigatory Powers Act (RIPA).

## 10. STRATEGY REVIEW

10.1 The Civic Affairs Committee will continue to review and amend this strategy as necessary to ensure that it continues to remain compliant and meets the requirements of the Council.

10.2 Success will be measured by focusing on the real outcomes achieved from key actions outlined in this Strategy, and in the Action Plan. The outcomes to be measured include:

- awareness levels; through induction, questionnaires, undertaking fraud module;
- the number of whistleblowing reports to raise suspicions;
- the number of successful investigations compared with previous years;
- the number and range of sanctions applied;
- financial losses avoided or recovered, and financial savings where appropriate;
- improved management controls;
- comprehension and compliance with the framework of policies and procedures

10.3 An annual fraud report to the Civic Affairs Committee will outline the action taken towards implementing this Strategy and any barriers encountered. It will also detail performance targets, and evaluate the extent to which these objectives have been achieved. In this way, the Council's exposure to fraud will be continually reassessed, ensuring that the actions taken and the resources used to target fraud remain both efficient and effective, thereby reducing losses to the public purse to an absolute minimum.

Responsible Officer: Head of Internal Audit

Date: April 2016

**ACTION PLAN**

**ANNEX B**

Ref	Task	Code	Action	Outcome	Performance Measure
1.	Benchmark the current arrangements against the Code of Practice and establish an action plan to take fraud forward proactively.	-	Review service  Owner: Head of Internal Audit Timeline: March 2016	-	-
2.	Establish Fraud and Corruption Strategy to deliver on fraud agenda over 3 years	A, B, C, D, E	Owner: Head of Internal Audit Timeline: March 2016	-	-
3.	Identify clear roles and responsibilities across the Council, including the establishment of a member champion	A	Incorporate into terms of reference of Civic Affairs Committee that Chair is the risk Champion OR factored in to role of Executive Councillor. Discussions to be held with Legal Services post elections.  Owner: Head of Internal Audit Timeline: May 2016	Established champion	-
4.	The content relating to fraud on both "InSite" and the external webpage to be updated.	A, B, C, D	Both intranet / external websites will be brought into line with the Strategy and will clearly state the Councils zero tolerance approach to fraud, as well as providing links to the range of counter fraud policies and procedures that are available, including safe reporting routes, such as the single fraud hotline and a dedicated website.  Owner: Head of Internal Audit / Fraud Manager Timeline: September 2016	A user friendly website, which in addition to listing CCC policies, clearly and concisely promotes zero tolerance culture and the duty to report suspicions	Analysis of website content in conjunction with best practice, and an increase in successful referrals
5.	Employee / Member training and awareness sessions to be provided	A, C, D	As all CCC staff and members play a role in the delivery of the Strategy, the training provided will signpost information relating to fraud, the Councils zero tolerance culture, and the duty to report any reasonable suspicions in accordance with procedures outlined in the Council's Whistleblowing Policy. The Counter fraud training will be promoted throughout the organisation.  Owner: Head of Internal Audit / Fraud Manager / Human Resources Timeline: September 2016	Staff awareness of fraud risks, key aspects of policy, and the appropriate procedures to follow	Comprehension of policy, assisted by the mandatory undertaking of the fraud awareness module

**ACTION PLAN**

**ANNEX B**

Ref	Task	Code	Action	Outcome	Performance Measure
6.	A fraud awareness induction for all new employees and all recently elected members to be provided	A, C, D	Link with 5 above, fraud awareness will be provided during the induction session for new employees, and Member Development. Using the strategy as a focal point, the content will raise awareness of the standards of conduct expected, the need to make an appropriate disclosure of interests, gifts and hospitality, the appropriate means to report suspicion of misconduct, and where to seek further advice  Owner: Head of Internal Audit / Fraud Manager / Human Resources Timeline: September 2016	All new staff will be aware of the zero tolerance approach to Fraud, as well as how to report suspicions	Feedback sessions and questionnaires at the end of each counter fraud induction session
7.	Appropriate guidance on publicising counter fraud incidents to be developed	E	In order to improve the methods through which the Council raise awareness of what constitutes fraud and the means to report fraudulent acts, the way that counter fraud guidance is delivered will be examined. As part of this process, the issues surrounding the publication of internal and external frauds will be brought before both senior management and members for consideration, and once agreed, the guidance will be disseminated as widely as appropriate  Owner: Head of Internal Audit / Fraud Manager Timeline: September 2016	A clear programme of counter fraud publications, endorsed by the communications team  Annual report to committee  Improved web pages	Assessing the use of publications by comparing current and previous tip offs, detection rates etc., will give an indication as to how effective such campaigns are in reducing the extent of fraud
8.	Review Anti-fraud and corruption policy; Fraud response plan and Protocols with external partners.  Establishment of a Cyber Security policy	A, B, C, D, E	Clear up to date policies in place which meets current expectations  Owner: Head of Internal Audit / Fraud Manager Timeline: November 2016	Best practice adopted	
9.	Understand the fraud risks which could impact on Council	A, B, C, D, E	Review existing risk management / risk registers to reflect on considerations of fraud risk.  Owner: Head of Internal Audit Timeline: September 2016	Greater appreciation of fraud risks across departments	
10.	Practical, proactive works introduced to reduce the potential risk levels	C	Development of the use of data matching arrangements within Internal Audit making use of IDEA software  Owner: Head of Internal Audit Timeline: September 2016	Fraud risks mitigated	



## CAMBRIDGE CITY COUNCIL

---

REPORT OF: Head of Internal Audit

TO: Civic Affairs Committee

29 June 2016

WARDS: All

### **HEAD OF INTERNAL AUDIT: ANNUAL AUDIT OPINION 2015 / 2016**

---

#### **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 2015/16. 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 A number of issues have emerged from across the Council during 2015/16 and these are highlighted in **Annex A** to the Head of Internal Audit Opinion. Those issues which are considered significant governance issues 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 Budget Management, Capital Variance Reporting arrangements and Information Security.

## **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 2015/16;
- Audit Reports issued during 2015/16; 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.

This page is intentionally left blank

# HEAD OF INTERNAL AUDIT ANNUAL AUDIT OPINION 2015/16

## ANNUAL REPORT

1. Introduction
  2. Background
  3. Assurance
  4. Added Value Services
  5. Quality, Performance and Customer Feedback
  6. Corporate Fraud
  7. Compliance with the Public Sector Internal Audit Standards
- 
- Annex A Significant Issues arising from the delivery of the IA Plan during 2015/16
- Annex B 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. **BACKGROUND**

- 2.1 The 2015/2016 audit plan was prepared in accordance with the requirements of the Public Sector Internal Audit Standards and the requirements of the Accounts and Audit Regulations 2015.
- 2.2 The Council is going through a period of significant change. The drives for change are both organisational (e.g. public sector reform and developing new ways of working) and financial (e.g. national austerity programme and the Council's savings commitments). During a period of change it is important that any increased business risks are identified and managed in an effective manner. Our 2015/2016 audit plan reflected these changes by concentrating on those areas of highest risk.

## 3. **ASSURANCE**

- 3.1 The audit plan is prepared and delivered to enable me to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place (comprising risk management, corporate governance and financial control). My opinion will inform the Annual Governance Statement which the Council is legally required to produce.
- 3.2 As my opinion is based upon professional judgement, backed up by sample testing, I can only provide at best a reasonable rather than an absolute assurance that the systems of internal control are adequate and effective in managing risk and meeting the Council's objectives. If serious issues are identified in the course of our work that have, or could have, prevented objectives to be met, then my opinion may be qualified.

3.3 Our work is carried out to assist in improving control. **However management is responsible for developing and maintaining an internal control framework.** This framework is designed to ensure that:

- The Council's resources are utilised efficiently and effectively;
- Risks to meeting service objectives are identified and properly managed; and
- Corporate policies, rules and procedures are adequate, effective and are being complied with.

3.4 Assurance is received from a number of sources. These include the work of Internal Audit; assurance from the work of the External Auditor; the Annual Governance Statement and the Risk Management process. This enables a broader coverage of risks and ensures that the totality of the audit, inspection and control functions deployed across the organisation are properly considered in arriving at the overall opinion.

3.5 **Based on the above I am able to provide a reasonable assurance.** As in any large organisation, our work did identify some issues that require action. All significant issues have been reported to the appropriate Director during the year. A summary of these is included as **ANNEX A.**

#### 4. **ADDED VALUE SERVICES**

4.1 Although my primary responsibility is to give an annual assurance opinion I am also aware that for the Internal Audit service to be of value to the organisation it needs to do much more than that. There needs to be a firm focus on assisting the organisation to meet its aims and objectives and on working in an innovative and collaborative way with managers to help identify new ways of working that will bring about service improvements and deliver efficiencies. Examples of how we have done this during the year include:

- Advice and support to a number of procurement exercises, including moderation of the tender evaluation process for the new Financial Management System and Banking contracts.
- Input to key working groups, including the new Capital Programme Board and the Information Security Group.

#### 5. **QUALITY, PERFORMANCE AND CUSTOMER FEEDBACK**

5.1 I am required to report through Civic Affairs Committee details into the quality and customer feedback issues. These are summarised below. The Head of Finance also draws upon this information to report on the adequacy and effectiveness of the systems of internal audit.

- 5.2 An annual self-assessment against the Public Sector Internal Audit Standards established that the service is compliant with these as well as meeting both professional and internal quality standards. As in previous years only minor areas of non-compliance were identified and actions have been taken to address these.
- 5.3 The internal audit plan for 2015/16 contained 674 days. I am satisfied that there were adequate staffing resources available to deliver the agreed audit plan. The section is made up of a complement of 4.49 FTE following a review of the structure in 2014. This is represented by:

TABLE 1: ANALYSIS OF AUDIT TEAM STRUCTURE				
Internal Audit Post	1-Apr-2015	Movement in Year	31-Mar-2016	Commentary
Head of Internal Audit	0.40	-	0.40	
Principal Auditor	0.76	-	0.76	
Senior Auditor	1.57	+1.00	2.57	Recruitment to vacancy (in post from June 2015)
Audit Assistant	0.76	-	0.76	
	<b>3.49</b>		<b>4.49</b>	

- 5.4 The audit work that was completed for the year to 31 March 2016 is listed in **ANNEX B**, 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 **80%** of the areas audited achieved an assurance level of significant or higher, compared to **68%** last year. Please note that these figures include 4 reports which are still at draft stage, but which have been discussed with management and will be finalised shortly.

TABLE 2: AUDIT ASSURANCE										
Assurance	Issued					%				
	2011/12	2012/13	2013/14	2014/15	2015/16	2011/12	2012/13	2013/14	2014/15	2015/16
Full	4	2	0	1	0	14.0	6.0	0.0	5.0	0
Significant	14	20	20	12	16	48.0	59.0	83.0	63.0	80
Limited	10	11	4	6	3	34.5	32.0	17.0	32.0	15
No	1	1	0	0	1	3.5	3.0	0.0	0.0	5
TOTAL	<b>29</b>	<b>34</b>	<b>24</b>	<b>19</b>	<b>20</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>



5.5 Our reporting protocols have remained constant throughout the year with the following assurance ratings used:

- Full
- Significant
- Limited
- No

5.6 Similarly, the agreed actions are categorised in the following types, based on their severity:

- Critical
- High
- Medium
- Low

5.7 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 2016 / 2017.

5.8 During the year, it should be noted that:

- The continuation of shared management arrangements with Peterborough City Council (and South Cambridgeshire from July 2013). Discussions are currently in train as to how the service moves forward in conjunction with the creation of 3C shared services; and
- Sickness levels remain below corporate levels.

5.9 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 was commissioned and issued to Directors, Heads of Service and other service managers who had been subject to internal audit. 25 full responses were received from all departments. 4 responses were incomplete (data has been incorporated into the results where available).

<b>Table 3: Customer Survey Returns</b>	
Business Transformation	8
Chief Executive / Corporate Strategy	2
Customer and Community Services	11
Environment	4
Unknown (Incomplete)	4

- 5.10 In general terms the service has received favourable reviews across all departments. Focus of the analysis has been to look at areas which are seen as “Poor” and what could be done to change and improve in these areas. In addition, a number of questions were included in the survey which required separate responses. These are itemised below. All results have been discussed at each Departmental Management Team. There were no dissenting voices as to the service delivered – only praise – so while there were some negative scores (and comments), no one raised any issues.

<b>SERVICES PROVIDED BY AUDIT</b>	<b>IMPORTANCE</b>			<b>PERFORMANCE</b>		
	<b>Critical / Important</b>	<b>Optional</b>	<b>Not Required</b>	<b>Very Good / Good</b>	<b>Poor</b>	<b>Not Known</b>
Advice on policies and procedures	89%	7%	4%	82%	4%	14%
Advice on contracts	76%	17%	7%	68%	4%	28%
Compliance with policies	79%	17%	4%	78%	4%	18%
Internal control reviews	93%	7%	-	86%	-	14%
IT system reviews	83%	10%	7%	64%	4%	32%
Project assurance	75%	18%	7%	68%	7%	25%
Risks	89%	7%	4%	75%	4%	21%
Investigations	86%	14%	-	60%	4%	36%

- 5.11 Awareness of the audit coverage was high. Some responses identified services which were considered optional or they were not aware of. Performance scores were lower in a number of areas, but this was tempered by a number of responders stating that they had not been audited for a while so were unable to comment as well as stating that certain areas e.g. IT reviews, were not in their area.

- 5.12 There were mixed messages received in relation to our audit reports. Our audit reports have reduced in size over the years to focus on those issues requiring highest attention. At the wash up meetings, other matters arising are discussed but these should not be reflected in the final reports – it should be pitched at the key risks only. From completion of audit to issuing of draft and final reports can be lengthy. This can be for a number of reasons, for example, work being undertaken on other audits, agreeing actions with stakeholders, or ongoing discussions / re-writes before acceptance. Nevertheless, this does need to be improved so as not to detract from the final outputs.
- 5.14 The biggest positive from the survey is that Internal Audit was seen as professional, unbiased and objective – the exact traits required within a modern audit team with no dissention across the Council. The overall score being 92%.
- 5.15 Finally, the overall opinion was that the service met our customers' needs and the quality of service was good or very good with a rating of 92%. (4% responded as did not know and 4% said was poor). Further to previous analysis, there is an overwhelming satisfaction with the service delivered across the Council. Two comments were received in relation to how the service could be further developed to meet individual requirements, these being 1) A greater ability to receive recommendations from staff regarding possible audits; and (2) be more realistic with our planning of the audits. Each point has been picked up and incorporated into an Action Plan.

6. **CORPORATE FRAUD**

- 6.1 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 Committee and a report earlier on this agenda covers fraud and whistleblowing.
- 6.2 Internal Audit has been involved in 3 whistleblowing investigations during the year.

7. **COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

- 7.1 With effect from 1 April 2013, new Public Sector Internal Audit Standards were introduced as mandatory guidance that constitutes the principles of the fundamental requirements for the professional practice of internal auditing within the public sector. These standards replaced CIPFA's Code of Practice for Internal Audit in Local Government.
- 7.2 The self-assessment identified the level of compliance with only minor changes necessary. The changes have all been actioned.

Steve Crabtree  
Head of Internal Audit  
May 2016

## ANNEX A

**SIGNIFICANT ISSUES ARISING FROM THE DELIVERY OF THE INTERNAL AUDIT PLAN DURING 2015 / 2016****A 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.

New governance guidelines have been introduced for 2016/2017 and this will impact on the preparation of future AGS's.

**B Risk Management**

Internal Audit plays 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 Director on outstanding actions and an overview of significant risks and outstanding actions is reported to the Strategic Leadership Team twice a year.

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 significantly, and in February 2016 I reported that no actions remained outstanding. Since then, in an effort to keep on top of this strong position, a monthly position statement on outstanding actions is made to the Chief Executive. The current position is that there are just 3 overdue actions as at the end of May 2016. These will be followed up with management by Internal Audit.

**C 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.

Our reviews are conducted over a three year cycle so as to spread the coverage on the core systems as well as allowing suitable time to cover other departmental reviews.

For 2015/2016 we reviewed BACS Payments procedures across the Council and conducted the annual system parameter and software diagnostics testing for Housing Benefit payments on behalf of External Audit. A final review of the Council's Budget-Setting process has just been completed and an audit of the Payroll service is currently ongoing. It was not considered appropriate to look at the main accounting system during the year, as planned, due to the imminent procurement of a replacement financial management system.

**BACS Payments Audit** – BACS is the nationally recognised method for transferring money between British bank accounts and is the Council's primary method of making payments to suppliers, employees and benefit claimants. The Council uses software which is designed to make reliable and secure electronic payments to multiple recipients in one payment file. The volume and value of payments made by the Benefits, Payables and Income and Payroll Teams is approximately £112m for the year. Given the high materiality it is essential that the BACS system is robustly controlled in order to safeguard funds and prevent erroneous or fraudulent payments. The BACS system is operating well and there have been no erroneous or fraudulent payments identified as part of this audit or by management checks that are undertaken as part of day-to-day processes. However, it was identified that the current arrangements do not enforce adequate separation of duties and, therefore, do not include sufficient controls to prevent one individual officer completing all three stages of making a BACS payment. Compensatory controls have been put in place post payment, however these would not highlight an issue until after a payment has been made. This exposes the Council to the risk of unauthorised and / or fraudulent payments being made. Whilst the likelihood of such a risk occurring is considered low, the impact would be severe as any fraudulent payment could be as high as £2m and could go unnoticed for a number of days. As a result we provided a '**Limited**' assurance rating.

**Budget-Setting Process** - In December 2012 the Council discovered errors in its financial modelling in respect of the 2012/13 financial year budget. Ernst & Young LLP (E&Y) were requested to review the Council's forecasting model to identify the reasons behind the error, and a number of recommendations were made in order to prevent future errors arising.

An initial review of new processes introduced in response to the E&Y recommendations was conducted by Internal Audit in September 2013, when it was concluded that processes appeared robust and included all stages to deliver appropriate financial control. However, it was not possible to verify these in a live environment as, at the time of audit, the Council had not yet run through a full financial cycle.

Internal audit have now completed a full review into the implementation of those recommendations for the 2016/17 budget process and the effectiveness of internal controls put in place. It has been concluded that '**Significant**' assurance can be given to the controls implemented to address the weaknesses identified by the forecasting errors made in 2012. Two actions have been agreed with management to ensure that the service continues to manage the risks associated with the budget setting process going forward, particularly with the implementation of the new Financial Management System.

**D. Corporate / Cross Cutting Reviews**

Cipfa has produced a Code of Practice on Managing the Risk of Fraud and Corruption, which is accompanied by guidance notes. This voluntary code forms a statement of high level principles which sets out counter fraud good practice across the public sector. The supporting guidance within this publication replaces the existing recommended practice. The guidance notes which underpin the Code explain the importance of the principles and help users apply them in practice.

Internal Audit have assessed the Council's compliance with the Code and guidelines as part of our planned work and produced a separate Anti-Fraud and Corruption Strategy and Action Plan to address a number of shortcomings / gaps across the Council. These are detailed within the annual report on the Prevention of Fraud and Corruption, presented earlier on this agenda.

**E. Customer and Community Services**

An audit review of the processes for managing and controlling materials issued from **Stores** was conducted to feed into a wider review of Stores being conducted by management. The management review was considering the future method of operation for the service and was recommending a full market testing exercise, the results of which were to be compared with a value for money review of the in-house service. A full market testing exercise has now been completed, but a decision is still to be made on the way forward.

Our audit review highlighted a number of significant control weaknesses within the Stores function and concluded that whichever service delivery option is decided upon, it must address the control weaknesses identified by the audit, to ensure proper control over stock and to ensure that the Council is achieving best value.

**F. Environment**

An audit has recently been conducted of the **Project Delivery Arrangements within Streets and Open Spaces**. This audit was included as part of the audit plan for 2015/16 at the request of management, who were keen for us to assess their project delivery processes, following a strategic service review during 2014/15. As a result of this service review, Streets and Open Spaces was re-structured from three down to two units with the merger of the former Project Delivery and Environment and Assets units into a single new Development Unit. Management in Streets & Open Spaces directed Internal Audit to examine a sample of 5 projects, which were known to be under-performing, as they were keen for us to identify the control weaknesses highlighted by these projects with a view to making improvements to their procedures. The results of the audit are therefore based on the review of these 5 projects.

The review identified a number of issues in relation to project delivery processes, including a lack of formally documented procedures, inconsistencies in cost centre management arrangements, issues around capital variance reporting arrangements and a lack of robust project monitoring arrangements. A **'No'** assurance rating has therefore been given to this audit.

It should be noted that at this stage, the audit report has not yet been finalised, although has been discussed with management who have demonstrated a willingness to address all the findings in a timely manner, mainly through the provision of a series of workshops, with the support of Internal Audit.

#### G. **Carried Forward Audits**

An audit of **Tender Evaluation** processes was conducted by examining a sample of recent procurement exercises across the Council, assessing whether they complied with legislative and organisational requirements, standards and objectives.

Our findings from this review highlighted a number of shortcomings in the evaluation processes adopted; in particular; compliance with the stated evaluation methodologies, maintenance of audit trails/retention of documentation, and performance of independent validation checks prior to award of contract. A '**Limited**' assurance rating was therefore given.

This report is also still at *draft* stage and includes actions to update current guidance on tender evaluation processes, as contained in the Council's Quick Procurement Guides; and to communicate the use of the new Regulation 84 Report, as required by new Public Contracts Regulations 2015.

An audit of **Asbestos Management Arrangements** reviewed the controls in place to manage asbestos in Council homes and the Council's admin buildings. At the time of audit, there were sound procedures in place for ensuring that information held on MICAD (the system for recording details of asbestos surveys and removals) is made available to operatives before any works are undertaken on Council properties, to ensure that they are aware of the 'status' of the property with regard to asbestos. A '**Significant**' assurance could therefore be given on these arrangements.

Use of the MICAD system was then 'parked' at the end of November 2014 for reasons of cost, pending the implementation of a replacement asbestos database, which has now been procured. Interim arrangements were put in place for recording details of any new asbestos surveys undertaken and for making operatives aware of asbestos in Council properties; however these necessitate checking in more than one location for the asbestos status of a property, which could increase the risk of errors arising. Controls for the management of asbestos in the Council's admin buildings are in place, including a monitoring inspection regime, however at the time of audit, the scheduled inspections for May and September 2014 had not been completed, due to increased workloads.

Due to the increased risk of the interim arrangements described above and the fact that at the time of audit, the scheduled inspections of the Council's admin buildings were overdue, a '**Limited**' assurance rating was given.

Actions agreed mainly concerned the implementation of the new Asbestos Management system and ensuring that inspections of admin buildings are undertaken as scheduled. It is understood that the latter action has now been completed. A follow up audit is due to be undertaken during 2016/17 to ensure all actions have been implemented.

## ANNEX B

## AUDIT PLAN COVERAGE

CORE SYSTEM ASSURANCE WORK							
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 Benefits	<b>COMPLETED</b> Use of External Audit diagnostic templates to verify calculations in relation to the housing benefit grants. Two diagnostic tools have been completed / submitted.						
Main Accounting	<b>DEFERRED</b> The audit covering main accounting has been deferred pending the procurement and installation of the new financial management system. Internal Audit is providing ongoing support to this major project workstream.						
BACS Payments	Assurance: <b>LIMITED</b>	Critical: <b>0</b>	High: <b>2</b>	Medium: <b>3</b>	Low: <b>0</b>	Total: <b>5</b>	This audit has reviewed control arrangements for making BACS payments within Revenues & Benefits, the Payables & Income Team and Payroll services. Improvements were identified to ensure proper segregation of duties was evidenced. More detail on this audit is provided in Section C of Annex A.



<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	<p><b>COMPLETED</b></p> <p>Internal Audit led the working group set up to review and update the Annual Governance Statement. This was submitted to Civic Affairs in June 2015 for comment, challenge and endorsement. The draft Annual Governance Statement has then been provided to External Audit and subsequent inclusion in the final accounts (elsewhere on September 2015 agenda).</p>
Annual Audit Opinion	<p><b>COMPLETED</b></p> <p>The Annual Audit Opinion was submitted to Civic Affairs Committee in June 2015, highlighting all Internal Audit activity for the previous 12 months together with any areas of concern.</p>
Internal Audit Effectiveness	<p><b>COMPLETED</b></p> <p>The annual review of the Effectiveness of Internal Audit was submitted to Civic Affairs Committee in June 2015. Following discussions at Civic Affairs Committee, when the external review of the service is commissioned, an element of the review will be to consider how Members of the Committee can support the works of Internal Audit.</p>
Prevention of Fraud and Corruption Policy and Annual Fraud Survey	<p><b>COMPLETED</b></p> <p>The annual report on fraud and whistle-blowing was submitted to Civic Affairs Committee in June 2015.</p> <p>Furthermore, the Annual Fraud Survey was completed on behalf of the authority and submitted in June 2015.</p>
National Fraud Initiative	<p><b>COMPLETED</b></p> <p>Work continues to investigate anomalies identified through the previous data matching exercise.</p> <p>Final submissions were made and the output details are included in the annual report on fraud on this committee agenda.</p>

<b>CORPORATE / CROSS-CUTTING AUDITS</b>	
Standards / Gifts and Hospitality / Ethics & Culture / Bribery Act	<p>The Public Sector Internal Audit Standards require Internal Audit to evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities.</p> <p>This includes a review against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014); an assessment of our current policies and procedures together with the establishment of a fraud and corruption risk register.</p> <p>There is a separate report on the committee agenda which sets out an action plan to deliver service / cultural improvements across the council.</p>
CCTV	Carried Forward to 2016/17
Implementation of key Council Strategies	Carried Forward to 2016/17

<b>CONTRACTS AND PROJECTS</b>	
Transforming How We Deliver Services	Watching Brief/ discussions held with previous manager responsible for overseeing these projects.
Building Cleaning Contract – Post Implementation Review	<b>WORK IN PROGRESS</b>
Fleet Review (Refuse and Environment)	Watching Brief/ discussions held with previous manager responsible for overseeing this project.
Banking Contract	<b>COMPLETED</b> Participation in working group overseeing implementation of the new contract. Contract went live on 1 April 2016
Redevelopment of Park Street Car Park (Specialist Services)	<b>ONGOING PROJECT</b> - Ongoing advice and support provided to Car Parks Management on a range of current key projects including the re-development of Park Street Car Park.
Ditchburn Place Refurbishment (City Homes)	<b>ONGOING PROJECT</b> - Input provided to recent Gateway review undertaken by Transformation Programme Manager.
Cultural Trust – Post Implementation Review	<b>COMPLETED</b> Input provided to Post Implementation Review.
Tourism – Destination Management Organisation	<b>COMPLETED</b> Advice on risk management provided to Service Manager before transfer to DMO.
Joint Waste Service / Relocation to Waterbeach (Refuse and Environment)	Watching Brief/ discussions held with previous manager responsible for overseeing this project.
Community Infrastructure Levy (Planning)	<b>ONGOING PROJECT</b> - On-going into 2016/17

CHIEF EXECUTIVE							
Transparency Agenda	<b>CANCELLED</b> - Discussions with management revealed that an audit at this time would not add any value to the service concerned so agreed to cancel this audit.						
Carbon Management Information	Assurance: <b>SIGNIFICANT</b>	Critical: <b>0</b>	High: <b>0</b>	Medium: <b>3</b>	Low: <b>0</b>	Total: <b>3</b>	Evaluation of the data submission to support our carbon emissions statement.
Member Training	Assurance: <b>SIGNIFICANT</b>	Critical: <b>0</b>	High: <b>0</b>	Medium: <b>2</b>	Low: <b>0</b>	Total: <b>2</b>	An assessment of the delivery and recording of Member training.

CUSTOMER AND COMMUNITY SERVICES							
Former Tenant Arrears (City Homes)	<b>WORK IN PROGRESS</b>						
Stores Review (Estates and Facilities)	<b>COMPLETED</b> Memorandum produced. No opinion was provided for this piece of work as the issues identified were used to inform the service development / provision going forward. More detail on this audit is provided in Section E of Annex A.						
Town Hall Lettings Scheme (Strategic Housing)	Carried Forward to 2016/17						
ChYpPS Activities (Communities, Arts and Recreation)	<b>WORK IN PROGRESS</b>						
Management of Premises – Hostels and Sheltered Accommodation (City Homes)	<b>WORK IN PROGRESS</b>						
Cambridge BID (Revenues and Benefits) <b>DRAFT</b>	Assurance: <b>SIGNIFICANT</b>	Critical: <b>0</b>	High: <b>0</b>	Medium: <b>1</b>	Low: <b>0</b>	Total: <b>1</b>	Assessment of the Council's arrangements for administering, billing, collecting and enforcing the BID (Business Improvement District) levy.  Please note this report is still at <b>DRAFT</b> stage.
Housing Benefits – Risk Based Verification (Revenues and Benefits)	Audit due to commence in Q2 - 2016/17.						

ENVIRONMENT							
Bereavement Services (Specialist Services)	<b>POSTPONED</b> – Service undergoing significant staffing changes so agreed to postpone audit until later in year.						
Car Parks Management System (Specialist Services)	<b>ONGOING PROJECTS</b> – Ongoing advice and support being provided on key projects being delivered within the Car Parks Service.						
Contaminated Land (Refuse and Environment)	<b>WORK IN PROGRESS</b>						
Streets and Open Spaces – Project Delivery <b>DRAFT</b>	Assurance: <b>No</b>	Critical: <b>1</b>	High: <b>14</b>	Medium: <b>0</b>	Low: <b>0</b>	Total: <b>15</b>	Please see detailed comments in Section F of Annex A.  <b>Please note:</b> This report has not yet been finalised, and is still at <b>DRAFT</b> stage, although has been discussed with management who are keen to address the findings in a timely manner.
Managing Income (Refuse and Environment)	<b>POSTPONED</b> – New Head of Service has only recently taken up post and Commercial Waste service has only recently transferred to shared service, so agreed to postpone start of audit to later in year.						

BUSINESS TRANSFORMATION							
Compliance with RIPA Legislation (Legal Services)	Assurance: <b>SIGNIFICANT</b>	Critical: <b>0</b>	High: <b>0</b>	Medium: <b>0</b>	Low: <b>0</b>	Total: <b>0</b>	Procedures were found to be clear, in-line with legislation and sufficiently detailed to provide effective support to officers in relation to RIPA activities. Key officers demonstrated a sound understanding of the requirements of the legislation. As there have been no RIPA cases in 2015/16 the audit was unable to test how effectively the procedures had been applied in practice and therefore a ' <b>Significant</b> ' assurance rating has been given.
Recharges / Central Support Costs (Finance)	<b>ONGOING</b> - This area is currently subject to review by Finance with a view to bringing recharge systems in line across all three partners in the 3C shared services.						
Procurement Cards (Support Services)	<b>WORK IN PROGRESS</b>						
Commercial Property – Management of Asbestos, Legionella, Fire Risk Assessments (Property Services)	<b>WORK IN PROGRESS</b>						

CARRY FORWARD ACTIVITIES							
Discharge of s.151 Responsibilities	Assurance: <b>SIGNIFICANT</b>	Critical: <b>0</b>	High: <b>2</b>	Medium: <b>2</b>	Low: <b>0</b>	Total: <b>4</b>	Following a restructure of the former Department of Resources in 2014, the review focussed on verifying that appropriate arrangements were in place to ensure s.151 duties were being delivered effectively.
Governance Arrangements – Shared Services	Assurance: <b>SIGNIFICANT</b>	Critical: <b>0</b>	High: <b>2</b>	Medium: <b>1</b>	Low: <b>0</b>	Total: <b>3</b>	A review of the governance arrangements in place for a sample of existing shared service and shared management arrangements. All the services reviewed were pre 3C services.
Tender Evaluation <b>DRAFT</b>	Assurance: <b>LIMITED</b>	Critical: <b>0</b>	High: <b>5</b>	Medium: <b>1</b>	Low: <b>0</b>	Total: <b>6</b>	Tender Evaluation procedures were reviewed for a sample of procurements across the organisation. Please see detailed comments in Section G of Annex A.  <b>Please Note:</b> This report is still at <b>DRAFT</b> stage but has been agreed in principle.
Discretionary Housing Payments	<b>WORK IN PROGRESS</b>						
Mobile Working	Assurance: <b>SIGNIFICANT</b>	Critical: <b>0</b>	High: <b>3</b>	Medium: <b>7</b>	Low: <b>0</b>	Total: <b>10</b>	Assessment of the implementation of computer software and performance monitoring arrangements for the Mobile Working project within Estates and Facilities. Actions have been agreed in the areas of management information and appointment making arrangements within the Customer Service Centre.
Budget Setting Process	Assurance: <b>SIGNIFICANT</b>	Critical: <b>0</b>	High: <b>0</b>	Medium: <b>2</b>	Low: <b>0</b>	Total: <b>2</b>	Full review of the Budget Setting Process following recommendations made by Ernst & Young in relation to the Council's budget forecasting model. See Section C of Annex A for details.



Subsidence Claims	Assurance: <b>SIGNIFICANT</b>	Critical: <b>0</b>	High: <b>0</b>	Medium: <b>4</b>	Low: <b>0</b>	Total: <b>4</b>	This audit reviewed the procedures in place for managing subsidence insurance claims arising from Council owned trees. Actions were made around updating procedures and re-negotiating the agency agreement with the County Council for managing highways trees.
Health & Safety: Asbestos Management	Assurance: <b>LIMITED / SIGNIFICANT</b>	Critical: <b>0</b>	High: <b>8</b>	Medium: <b>4</b>	Low: <b>0</b>	Total: <b>12</b>	This Audit reviewed the controls in place to manage asbestos in Council homes and the Council's admin buildings (but not commercial properties). A split assurance rating was given as procedures for managing asbestos surveys changed mid-way through the audit. Actions have been agreed around the implementation of a new asbestos management system.  Please see detailed comments in Section G of Annex A.
Safeguarding: Use of Volunteers	Assurance: <b>SIGNIFICANT</b>	Critical: <b>0</b>	High: <b>1</b>	Medium: <b>4</b>	Low: <b>0</b>	Total: <b>5</b>	This audit looked at the effectiveness of arrangements in place for vetting and managing volunteers who undertake roles which have safeguarding implications. Actions were made around updating the Council's Volunteering Policy and providing a briefing session for recruiting managers.
HMO Licences / Use of Temporary Accommodation	Carried Forward to 2016/17						
Safeguarding: Children and Vulnerable Adults (Information Sharing Protocols)	Carried Forward to 2016/17						
IDOX – Post Implementation Review	<b>CANCELLED</b> – Alternative software now in place within Revenues & Benefits, which is working effectively.						
Housing Allocations	Carried Forward to 2016/17.						

Organisational Change Management	To be covered as part of audit of Shared Services in 2016/17.						
Contract Management Arrangements	<b>WORK IN PROGRESS</b>						
Closedown of Contracts	Carried Forward to 2016/17						
Office Re-organisation – Post Implementation Review	<b>CANCELLED</b> – Phase 1 office moves now successfully completed. Phase 2 ongoing. Considered low risk.						
Compliance with FoI / EIR Legislation	Assurance: <b>SIGNIFICANT</b>	Critical: <b>0</b>	High: <b>0</b>	Medium: <b>2</b>	Low: <b>0</b>	Total: <b>2</b>	A review of arrangements for managing Freedom of Information and Environmental Information Regulation requests to the Council.
Ground Maintenance Recharges	To be covered as part of audit of Planned Maintenance (Leaseholders) in 2016/17						
Business Continuity Arrangements	To be covered as part of audit of Service Continuity in 2016/17						
Data Security / Data Sharing Protocols	Assurance: <b>SIGNIFICANT</b>	Critical: <b>0</b>	High: <b>0</b>	Medium: <b>5</b>	Low: <b>0</b>	Total: <b>5</b>	A review of the reporting policy and arrangements for managing data security breaches and data sharing arrangements with other public sector bodies. Actions were agreed in relation to training and guidance for staff and recording of data security breaches.
Customer Complaints	Assurance: <b>SIGNIFICANT</b>	Critical: <b>0</b>	High: <b>0</b>	Medium: <b>4</b>	Low: <b>0</b>	Total: <b>4</b>	A review of the processes in place for the management and reporting of customer complaints, with particular reference to complaints that cut across more than one department. Actions agreed around recording of complaints and complaints management.

<b>FOLLOW-UP AUDITS</b>						
Home Improvement Agency	Assurance <b>SIGNIFICANT</b>	Completed <b>4</b>	In Progress <b>5</b>	Outstanding <b>0</b>	Cancelled <b>1</b>	Additional Actions <b>0</b>
Cash Handling at Depot	Carried Forward to 2016/17					
PCI DSS Compliance	Carried Forward to 2016/17					
Business Use of Private Vehicles	Assurance <b>SIGNIFICANT</b>	Completed <b>3</b>	In Progress <b>0</b>	Outstanding <b>0</b>	Cancelled <b>0</b>	Additional Actions <b>1</b>
Trade Waste – Management Information	Assurance <b>SIGNIFICANT</b>	Completed <b>7</b>	In Progress <b>0</b>	Outstanding <b>0</b>	Cancelled <b>1</b>	Additional Actions <b>0</b>
Achievement of Income and Savings Targets	<b>WORK IN PROGRESS</b> – All actions marked as complete on Risk Register. Audit to gather evidence of implementation of actions.					
Asbestos Management	Carried Forward to 2016/17 – Majority of agreed actions due for completion during 2016/17.					
Local Land Charges	<b>FIELDWORK COMPLETE</b>					
Management of Council Owned Trees	<b>WORK IN PROGRESS</b>					
Management of Events on Open Spaces	<b>FIELDWORK COMPLETE</b>					
Housing Advice Grants to Voluntary Organisations	Carried Forward to 2016/17					
Homelessness	<b>WORK IN PROGRESS</b> – All actions marked as complete on Risk Register. Audit to gather evidence of implementation of actions.					

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

Various ad-hoc advice and support has been provided to management during the year across the organisation. These include:

- Providing input and advice to a number of key projects/procurement exercises during the year including moderation of tender evaluation processes for the Tree Framework, the Temporary Agency Worker Contract, the new Financial Management System, the new Banking Contract and the Gas Maintenance contract.
- A review of Council Tax write offs to assess the effectiveness of recovery procedures and the appropriateness of the application to write off outstanding balances. A further review of this will be conducted during 2016/17 to ensure agreed actions have been implemented effectively.
- The development of the new 'Regulation 84' report template for completion for all EU procurements as required under new Public Contracts Regulations 2015.
- An exercise to analyse potential duplicate payments.

Members of the Internal Audit team also participate in the following internal working groups:

- Information Security Group
- Capital Programme Board
- Procurement Project

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

Internal Audit have undertaken THREE separate investigations this year under the Council's Whistleblowing Policy.

**RISK MANAGEMENT**

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

## CAMBRIDGE CITY COUNCIL

---

REPORT OF: Director of Business Transformation

TO: Civic Affairs Committee

29/06/16

WARDS: All

---

### ASSURANCE FRAMEWORK, DRAFT ANNUAL GOVERNANCE STATEMENT AND DRAFT CODE OF CORPORATE GOVERNANCE 2015/16

---

#### 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 2015. The AGS covers the Council's governance arrangements for the 2015/16 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 2014/15 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 Members of Civic Affairs Committee are required to:
  - 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 14<sup>th</sup> July 2016.

### **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. This framework is used as a guide in compiling the AGS for the City Council.
- 3.3 Arrangements for compiling the AGS for 2015/16 have been undertaken by the Head of Legal Services (the Council's Monitoring Officer) in conjunction with the Head of Corporate Strategy, Head of Finance (the Council's s151 Officer) and the Principal Auditor.
- 3.4 Assurances from the work of the Internal Audit team relating to 2015/16 have been reviewed and have been used to inform the AGS and its associated action plan.
- 3.5 One of the key messages coming out of the CIPFA/SOLACE guidance is that good governance relates to the organisation as a whole and there should be corporate ownership of the AGS and governance arrangements.

### *Arrangements for reporting on and signing off the AGS*

- 3.6 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.
- 3.7 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 2014-15 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:
- ***Delivery of Savings Targets*** – The follow-up audit to the 2014/15 audit report on 'Achievement of Income and Savings Targets' is underway. All actions agreed as part of the original audit have been marked as implemented on the risk register. The follow-up audit will confirm evidence of implementation.
  - ***Business Transformation*** – Appropriate governance arrangements have been implemented for the three new shared service arrangements (ICT, Legal Services and Building Control).
  - ***Review of the Council's Whistleblowing Policy*** - Amendments to the Council's Whistleblowing Policy have been drafted and are currently with the Head of HR for final review.
  - ***People Strategy*** – A revised draft of the strategy has been circulated to Directors, Heads of Service and trade unions for comment. The strategy is currently being updated to take account of feedback received.
  - ***Information Security*** - Complete. A number of actions have been taken to manage and reduce the risks of data security incidents, both in individual service areas and corporately. Among controls added, a major training push has been underway which should see all staff who use the Council's computer network trained on Data Protection by the end of June 2016. A further action on Information Security is included in this year's AGS Action Plan, as this remains a key risk to the Council and it is important that it is effectively managed.
  - ***Homelessness*** – A second follow-up audit of Homelessness commenced in May 2016. All actions agreed as part of the original audit have now been marked as implemented on the risk register. The follow up audit will confirm evidence of implementation.
  - ***Counter-Fraud Arrangements*** – A Counter-Fraud Strategy and Action Plan have been drafted and are being considered at this meeting of Civic Affairs for approval.

- **Business Planning and Performance Measurement** - The review of the business planning process led to the move from seven separate portfolio plans to a single corporate plan. This is intended to achieve greater coherence and visibility to the Council's key business planning document.

The Corporate Plan was agreed by the Leader at Strategy & Resources Committee in January 2016 and progress is expected to be reported back there in summer 2017. Meanwhile the annual report on the 2015/16 portfolio plans goes to Civic Affairs with the Statement of Accounts in June 2016. Progress reports against a basket of key performance indicators has been reported to the Strategic Leadership Team on a quarterly basis for some years. These will now be reported to the Senior Management Team that comprises SLT and Heads of Service, alongside regular financial performance reporting and risk management reports, to ensure a streamlined approach to governance of operational delivery.

- 4.2 **Appendix A** to this report details the action plan to address significant governance issues during 2016/17.

## 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 2015/16 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 for 2015/16 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)

This page is intentionally left blank

# Annual Governance Statement

---

## 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 2015 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 2016 and up to the date of approval of the 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<sup>1</sup> 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.

---

<sup>1</sup> Portfolio Plans replaced by single Corporate Plan for 2016/17 onwards

- 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 Council's consultations and surveys, including the 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.
- Governance arrangements for shared services are documented in shared service collaboration agreements.
- 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 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 2016-17

	Issue	Action	Target Date	Officer Responsible
1	<p><b>New Service Delivery Arrangements</b></p> <p>Different services delivery arrangements have been introduced across a range of Council services, including shared service arrangements with South Cambs District Council and Huntingdonshire District Council for the delivery of Building Control, ICT and Legal Services and a Housing Development Agency and Cambridge City Housing Company.</p> <p>Governance Arrangements have been established for these new service delivery arrangements, but it is important for the Council to understand whether these are working effectively and delivering expectations to our stakeholders with no undue risks.</p>	<p>Review the effectiveness of governance arrangements established for shared services and other service delivery arrangements to ensure they are working effectively.</p> <p>Identify any lessons learnt from the establishment of shared services and ensure these are communicated across the Council.</p> <p>An audit is included on the 2016/17 audit plan to undertake such a review.</p>	31 March 2017	Head of Internal Audit



	<b>Issue</b>	<b>Action</b>	<b>Target Date</b>	<b>Officer Responsible</b>
2	<p><b>Financial Management System</b></p> <p>The Council is in the process of replacing its current financial management system, Oracle, with a new system. The Financial Management System is a key corporate system that underpins the whole of the Council's financial control arrangements and it is therefore imperative that there is a robust process for implementing the new system, incorporating key controls into all processes.</p>	<p>Ensure a robust process is established for the migration of data to the new financial management system and that interfaces with other key systems are thoroughly tested as part of the implementation plan.</p> <p>Internal Audit to undertake additional testing to ensure the robustness of the above processes. (This is included as part of the 2016/17 audit plan).</p>	<p>31 March 2017</p> <p>31 March 2017</p>	<p>Head of Finance</p> <p>Head of Internal Audit</p>
3	<p><b>Budget Management</b></p> <p>A number of issues concerned with cost centre management arrangements have been highlighted following a recent audit of Project Delivery Arrangements within Streets and Open Spaces.</p> <p>Financial management and budgetary control are key elements of the Council's governance framework and it is important therefore that these are properly controlled.</p>	<p>Conduct audit of Budgetary control arrangements, which is included as a corporate audit in the 2016-17 audit plan.</p>	<p>31 March 2017</p>	<p>Head of Internal Audit</p>

	<b>Issue</b>	<b>Action</b>	<b>Target Date</b>	<b>Officer Responsible</b>
4	<p><b>Capital Variance Reporting Arrangements</b></p> <p>A number of issues regarding capital variance reporting arrangements have been highlighted by the audit identified in 3 above and also by the Finance Team and Capital Programme Board.</p> <p>The arrangements for budget monitoring and reporting of significant variances are again key elements of the Council's governance arrangements and it is therefore important that these processes are robust and reliable.</p> <p>A review of capital variance reporting arrangements by the Finance Team is now underway and a number of improvements to the process have been identified.</p>	<p>Complete the review of Capital Variance Reporting arrangements and roll out agreed actions across the organisation.</p>	31 March 2017	Head of Finance

	<b>Issue</b>	<b>Action</b>	<b>Target Date</b>	<b>Officer Responsible</b>
5	<p><b>Information Security</b></p> <p>Information Security remains a key risk to the Council and work is ongoing to implement appropriate controls and raise awareness of data security across the authority. A more structured approach to data incident reporting and responding has been developed and a recent audit of Data Security and Data Sharing Arrangements was given a significant assurance rating. This audit made a number of recommendations to ensure the Council has a complete record of what data it shares with other organisations and to mitigate the risk of future data breaches.</p> <p>There have been a relatively small number of minor data security breaches during 2015/16, all of which have been addressed appropriately or are being addressed.</p> <p>It is important that the Council continues to keep data security high on the agenda to ensure that it is effectively managed, particularly with the introduction of new service delivery arrangements for ICT and information management.</p>	<p>Ensure implementation of agreed actions arising from recent audit review.</p> <p>The Information Security Group (ISG) to continue to raise awareness of data security issues and respond to data security breaches as appropriate.</p>	<p>30 September 2017</p> <p>31 March 2017</p>	<p>Head of Corporate Strategy (as Chair of ISG)</p>

	<b>Issue</b>	<b>Action</b>	<b>Target Date</b>	<b>Officer Responsible</b>
6	<p><b>Constitution/Financial Regulations</b></p> <p>In addition to the introduction of shared services across a number of key service areas, a new senior management structure has also recently been implemented across the Council.</p> <p>Both of the above will have implications for key roles and responsibilities as set out in the Council's Constitution and Financial Regulations.</p>	<p>Review and update the Council's Constitution and Financial Regulations/ Financial Procedures Rules to reflect the changes in the Council's new senior management structure and new shared service arrangements for Legal, ICT and Building Control.</p> <p>Consider the merits of removing Financial Regulations from the Constitution and maintaining them as a separate 'Technical Guide'.</p>	31 March 2017	Monitoring Officer/ Head of Finance (S151 Officer)
7	<p><b>Cambridge Live</b></p> <p>In April 2015 'Cambridge Live' was established as a charitable trust to take over the running of the Corn Exchange and the Folk Festival, plus a range of outdoor events on behalf of the Council. The Council continues to support Cambridge Live. It is now timely to review the arrangements between the Council and the trust to ensure the Trust is delivering to expectations.</p>	<p>Review the arrangements between the Council and the trust to ensure the Trust is delivering to expectations.</p> <p>A review of this area is included on the 2016/17 audit plan.</p>	31 March 2017	Head of Internal Audit

	<b>Issue</b>	<b>Action</b>	<b>Target Date</b>	<b>Officer Responsible</b>
8	<p><b>HSE Investigation</b></p> <p>A serious incident occurred at the Bonfire Night event in November 2015, in which a member of the public was seriously injured. An HSE investigation is still ongoing.</p> <p>The Council has conducted a review of its approach to managing events on its open spaces, based on advice received from the Health and Safety Executive (HSE), and continues to work with Cambridge Live to address issues arising from this incident.</p>	<p>Ensure that the lessons learnt from the outcomes of the above incident are effectively and appropriately shared with other services across the Council and put into practice to improve controls.</p>	31 March 2017	Strategic Director

	<b>Issue</b>	<b>Action</b>	<b>Target Date</b>	<b>Officer Responsible</b>
9	<p><b>Loss of Key Staff</b></p> <p>One of the key effects of the significant changes being implemented across the Council, as described in 6 above, is the considerable loss of knowledge and experience as staff, and in particular key staff, leave the organisation in a short space of time.</p> <p>This could have an impact on service delivery not only for the services concerned (i.e. ICT, Legal Services and Building Control) but also for the services that they support. This currently represents a significant risk to the Council.</p>	<p>Identify lessons that could be learned from experiences to date (particularly in relation to ICT) to help the organisation manage such transitions more effectively in future.</p> <p>Implement more robust arrangements for succession planning to ensure that where key staff are leaving the organisation, adequate preparation is made for this. This should include identification of their key roles and responsibilities, so that these continue to be fulfilled, and an appropriate handover plan, including handover notes and discussions. Where key roles and responsibilities are being transferred, it should be ensured that there is sufficient resource in place and that officers have the right level of skills and knowledge to undertake any new roles. Any changes in responsibility should be communicated across the Council.</p>	31 March 2017	Strategic Leadership Team

# Appendix B - Cambridge City Council - Code of Corporate Governance 2016-17

Review Date: 29 June 2016

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 2016 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**

**June 2016**



**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 business planning process will be used to agree the priorities for the Council. The Plan expresses the strategic objectives for the Council over the financial year 2016/17 and beyond.</b></p>	<p>Corporate Plan</p> <p>Agenda for S&amp;R</p> <p>Scrutiny Committee</p> <p>January 2016/17 cycle</p>

	<p><b>Alongside each of the objectives are detailed the particular outcomes to be achieved and 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 Council and will assist in decisions about where resources should be focussed.</b></p> <p><b>Heads of individual service areas prepare operational plans indicating how they will meet objectives set in the corporate plan 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>	Constitution
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>	Member/Officer Protocol
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>	Corporate Plan 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

**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.**

**The Council will operate in accordance with principles of partnership working agreed with our key partner organisations.**

**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>Whistleblowing Policy</p> <p>Annual Complaints Report</p> <p>Prevention of Fraud and Corruption Policy</p> <p>Register of Interests</p> <p>Officer Code of Conduct</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>Code of Conduct for Councillors</p> <p>Terms of reference for Independent Persons</p> <p>Annual Complaints Report</p> <p>Whistleblowing Policy</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><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></p>	<p>Prevention of Fraud and Corruption Policy</p> <p>Terms of reference for Civic Affairs Committee</p>
3.3	<p><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></p>	<p>Competency Framework</p> <p>Grievance and Disciplinary Procedures</p>
3.4	<p><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></p>	<p>Constitution</p>
3.5	<p><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></p>	<p>Partnership Terms of Reference</p> <p>Principles of Partnership Working</p>
3.6	<p><b>Shared services arrangements with other local authorities or partners will document their governance arrangements, which shall be clear, open and accountable.</b></p>	<p>Shared Service Collaboration Agreements</p>

**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	<p><b>The Council’s People Strategy will set out how the Council will recruit, reward and develop its staff to reach their full potential.</b></p> <p><b>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></p>	<p>People Strategy</p> <p>Council Induction Programme</p> <p>Performance Review process</p>
5.3	<p><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.</b></p> <p><b>It will agree appropriate remuneration for officers based on an agreed framework of national and local agreements which include job evaluation.</b></p>	<p>Job Descriptions</p> <p>Performance Review process</p> <p>Competency Framework</p>

5.4	<p><b>The Council will offer all new Members an induction programme and the opportunity to develop, with a briefing and development programme 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 members 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>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 Strategic Director will have staff forums and there will be Joint Trade Unions Group meetings.</b>	Joints Staff /Employer Forum Terms of Reference and Agendas/Joint Trade Unions Group Agendas and Minutes Trade Union Facilities Agreement

This page is intentionally left blank

## **CAMBRIDGE CITY COUNCIL**

---

REPORT OF: Head of Finance

TO: Civic Affairs Committee

29/6/2016

WARDS: None directly affected

## **ANNUAL REPORT AND STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

---

### **1 INTRODUCTION**

- 1.1. The Audit and Accounts Regulations govern the preparation, approval and publication of local authority accounts. For the 2015/16 financial year 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 2015/16 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.

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.

## **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 2015. For 2015/16 the regulations 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.

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

- 4.1 The 2015/16 audit of accounts will be undertaken by Ernst & Young (EY).
- 4.2 As in previous years, officers have liaised with the external audit team to agree the accounting approach to a number of 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, Monitoring 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 8 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 2016.
- 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 2015/16 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 14 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 30 working days starting on 1 July 2016. 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, during the inspection period.

- 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 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 3) 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 6 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	Unusable

<b>Transaction</b>	<b>Financed By</b>	<b>Usable / Unusable reserve</b>
	Account	
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 2015/16**

- 6.1 The Council's financial performance is summarised in the main financial statements.
- 6.2 The Movement in Reserves Statement (Page 3 of the statement of accounts) shows an overall decrease in the Council's usable reserves of £10.0 million to £82.2 million.
- 6.3 There was a net increase of £1.7 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 £4.5 million to £16.0 million. General Fund earmarked reserves reduced by £8.0 million to £17.8 million.
- 6.5 HRA reserves decreased by £5.1 million to £9.8 million. HRA earmarked reserves decreased by £0.2 million to £4.0 million.



- 6.6 A more detailed analysis of the movement on both HRA and General Fund earmarked reserves is shown in note 5 (page 21 of the statement of accounts).
- 6.7 The Comprehensive Income and Expenditure Statement (Page 5 of the statement of accounts) shows a net surplus on the provision of services (measured according to proper accounting practice) of £38.6 million, compared to a net surplus of £27.0 million last year. Financing and investment income includes £13.4 million of revaluation increases in respect of investment properties (£3.5 million in 2014/15).
- 6.8 The CIES also shows a significant surplus on the revaluation of property, plant and equipment (£49.1 million compared to £34.2 million in 2014/15) and a significant credit for remeasurement of the pension liability of £21.8 million (a charge of £24.5 million in 2014/15).
- 6.9 The Balance Sheet shows that the Council's overall net assets at 31 March 2016 were £110.1 million higher than at 31 March 2015, at £679.2 million. There were significant increases in the value of property plant and equipment assets held (£86.3 million) and investment properties (£22.5 million). Long term and short term investments and cash balances decreased by £11.0 million. There was also a significant reduction in the long term pension liability of £17.0 million

## **7 CHANGES IN THE CODE, ACCOUNTING POLICIES AND TREATMENT**

- 7.1 A number of changes were introduced by The Code. In addition a number of key accounting estimates have been reviewed, and a number of changes are reflected in the draft accounts.

### **Requirement to include a narrative report**

- 7.2 Local authorities are required to publish a Narrative Report (previously called the Explanatory Foreword) with their financial statements. An update to the 2015/16 Code was published in January 2016 which clarified the requirements and included additional guidance for authorities to meet the new requirements of the Accounts and Audit Regulations in this area.
- 7.3 The new Narrative Report section in the accounts combines the review of activities previously included in the Annual Report section

and the financial summary from the Introduction. This ensures that the narrative report includes appropriate comment on the financial performance and economy, efficiency and effectiveness in the use of resources.

## **IFRS13 – Fair Value Measurement**

- 7.4 IFRS 13, Fair Value Measurement, introduces a single source of fair value guidance that provides a consistent definition and details of disclosures needed for users to understand how valuation techniques are applied.
- 7.5 Local authorities are required to apply the fair value measurement and disclosure requirements of IFRS 13 and The Code prospectively from 1 April 2015. This means that restatement of prior year transactions is not required.
- 7.6 For the Council, the only significant change in measurement basis is in relation to surplus property, plant and equipment. Surplus property is now measured at fair value (market price based on highest and best use) rather than a value based on the previous operational use. The Council's valuers have used the new basis as at 31 March 2016.
- 7.7 There are also enhanced fair value disclosure requirements. For example where significant judgements have been used to estimate a fair value, for example, the use of unobservable inputs in a valuation rather than a directly observable quoted price, the decisions made must be disclosed (at an appropriate level of detail) and how these impact the valuation must be explained. The valuation of the Council's investment properties in particular involves the significant use of unobservable inputs. Note 21 to the accounts summarises the approach taken to these valuations.

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

- 7.8 In assessing liabilities for retirement benefits at 31 March 2015 for the 2014/15 Statement of Accounts the actuary assumed a discount rate of 3.2%. For the 2015/16 Statement of Accounts the actuary has advised that a rate of 3.5% is appropriate. Application of this rate (and related RPI/CPI inflation and salary increase assumptions) has resulted in a reduction of liabilities of £28.7 million, as reflected in the remeasurement gains recognised for the year in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

7.9 After taking in account other movements in the net pension liability, the overall net reduction is £17.0 million. The overall net liability of £107.8 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.

### **Change in accounting estimate – change in remaining useful economic lives of dwellings**

7.10 During 2015/16 the Council undertook a review of the remaining useful lives of dwellings, in conjunction with the external housing stock valuer. The previous remaining lives were based on age bandings, so that older properties had a shorter remaining life. Having undertaken the review the Council and the valuer have determined that it is appropriate to adopt a single average life across the whole stock, irrespective of age as the Council maintains the stock to decent homes standard.

7.11 The previous estimation technique also took no account of the potentially different lives of the some of the major components on properties, when compared to the structure. Taking these into account the Council has adopted weighted average lives of 46 years for houses and 45 years for flats in 2015/16.

7.12 The effect of this change is to reduce the depreciation charge for dwellings in 2015/16 by approximately £2.6 million.

## **8 OTHER SIGNIFICANT ITEMS OF NOTE IN THE 2015/16 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 has a provision in the 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 30 to the accounts. The Council's share of the provision at 31 March is £3.8 million.

- 8.3 As noted in previous years, 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. In common with many other authorities, the Council now uses data provided by Inform CPI which is based on extensive national and local property and historical rating information.
- 8.4 There are two matters in respect of business rates, where no financial impact has been reflected in the 2015/16 accounts, but disclosure as contingent liabilities has been made as detailed in Note 34.
- 8.5 As detailed last year the Council is 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 £743,000. No further information on the likely success of this proposal has been received in 2015/16.
- 8.6 In early 2016 NHS trusts nationwide wrote to local authorities claiming charitable status and requested mandatory relief from business rates backdated to 2010. For the city area it has been estimated that the backdated loss of rates income to 31 March 2016 would be in the order of £12.1 million, of which the Council's share would be £4.9 million. Legal advice obtained by the Local Government Association on behalf of affected councils is that these applications for rate relief are unfounded.

### **Changes in the valuation of Property, Plant and Equipment**

- 8.7 As detailed in Note 15 to the accounts, the value of Property, Plant and Equipment increased by £86.3 million, to stand at £773.6 million at 31 March 2016.
- 8.8 This net movement reflects significant capital expenditure in 2015/16 – on existing housing stock and new dwellings, including the homes being constructed for intermediate rent at Water Lane and Aylesborough Close, as well as the construction costs of Clay Farm community centre.

8.9 The overall movement also includes significant revaluation movements. Revaluation gains of £49.0 million are reflected on the revaluation reserve, an unusable reserve on the balance sheet. £12.2 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 Income and Expenditure Statement. Statutory accounting arrangements reverse these revaluation movements posted to Income and Expenditure via the Movement in Reserves Statement, so that they do not impact on rent levels or council tax levels (with the exception of movements on HRA non-dwelling assets).

## **Changes in the valuation of Investment Properties**

8.10 As detailed in Note 20 the value of investment properties has increased by £22.3 million. £9.7 million was spent on the acquisition of properties at Orchard Park in Cambridge and in Haverhill. There were also £13.4 million of valuation gains in relation to the investment property portfolio as recognised in financing and investment income in the CIES. These gains are unrealised so statutory accounting arrangements reverse these movements via the Movement in Reserves Statement so that they do not impact of rent or council tax levels.

## **9 DEVELOPMENTS IN FINANCIAL REPORTING**

### **Faster Closedown**

9.1 The Accounts and Audit Regulations 2015 require 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 present significant challenges for both councils and external auditors.

9.3 Officers have already started to make changes to the closedown process to facilitate the new deadlines ahead of an anticipated full 'dry-run' in 2016/17.

9.4 Work already commenced in 2014/15 continued in 2015/16 to make further improvements to the speed and efficiency of the closedown process. In particular we closed our Payables and Receivables

ledgers more quickly at the end of 2015/16 and have made greater use of estimates.

- 9.5 A good quality draft set of accounts was ready by the end of May. Officers estimate that this is at least a fortnight quicker than that achieved in 2013/14.
- 9.6 The Council's current financial system was first implemented in 1997, so is nearing 20 years of age. The Council has started a project, alongside Huntingdonshire District Council and South Cambridgeshire District Council to replace this system. The requirements of a faster closedown will clearly be at the forefront of the development of the new system.

### **2016/17 Code Changes – 'Telling the Story'**

- 9.7 The 2016/17 Code includes changes resulting from the Telling the Story Review on improving the presentation of local authority financial statements. These include new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement and the introduction of a new Expenditure and Funding Analysis.

## **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 2015/16

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 2016\Drafts\Statement of Accounts report to Civic Affairs June 2016.docx

Date originated: 17 June 2016

Date of last revision: 17 June 2016



# **STATEMENT OF ACCOUNTS**

**FOR THE YEAR ENDING  
31 MARCH 2016**

**DRAFT – SUBJECT TO EXTERNAL  
AUDIT**



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

Cambridge City Council  
Statement of Accounts  
2015/16

---

**Contents**

**Narrative Report** ..... i

**Statement of Accounts**

Statement of Responsibilities ..... xv  
Annual Governance Statement (G.A.A.) ..... xvii  
Auditors' Report on the Accounts (to be inserted) ..... xxvii

**Main Financial Statements:**

- ◆ Movement in Reserves Statement ..... 3
- ◆ Comprehensive Income and Expenditure Statement ..... 5
- ◆ Balance Sheet ..... 6
- ◆ Cash Flow Statement ..... 7

**Notes to the Main Financial Statements** ..... 10

**Additional Financial Statements and Information:**

- ◆ Housing Revenue Account Income and Expenditure Account ..... 73
- ◆ Statement of Movement on the Housing Revenue Account Balance ..... 74
- ◆ Notes to the Housing Revenue Account ..... 75
- ◆ Collection Fund ..... 79

**Statement of Accounting Policies and Glossary:**

- ◆ Statement of Accounting Policies ..... 85
- ◆ Glossary of Financial Terms and Abbreviations ..... 105



# Narrative Report

---

The Statement of Accounts, set out on pages 1 to 103, contain a series of statements, summarising the financial implications to the Council of delivering services in the period from 1 April 2015 to 31 March 2016. In addition, details of the Council's assets and liabilities at the beginning and end of the Council's financial year are presented.

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 10.

The accounts aim to provide information so that members of the public, including electors and residents of Cambridge, Council Members, partners, stakeholders and other interested parties can:

- ◆ Understand the overarching financial position of the Council
- ◆ Have confidence that public money has been accounted for in an appropriate manner
- ◆ Be assured that the financial position of the Council is sound and secure

## Review of 2015/16

The City Council's priority strategic objectives for 2015/16 were set out in a series of Portfolio Plans. This section reports progress against those plans and other performance data, and gives a sense of how the funding reported in the accounts was used to achieve Council objectives. During 2015/16 we achieved the following under each portfolio:

### City Centre and Public Places

- ◆ Kept streets and open spaces in Cambridge clean and tidy. 97% of relevant land and highways was assessed as being at an acceptable level in 2015/16, which was slightly higher than the target of 96% for the year. We dealt with 1,238 incidents of fly-tipping and collected waste from 150 dog fouling bins across the city. We also removed 27 abandoned cars and 28 untaxed vehicles from the 356 cases we investigated and responded to 610 reports of graffiti. We maintained over 1 million square metres of grass on parks and open spaces.
- ◆ Began an improvement programme in the buildings and grounds of our bereavement sites to improve the services we can offer. We also put in place a more commercial approach for burials, cremations and commemorations and achieved efficiency savings of £105,000.

## Narrative Report

---

- ◆ Launched the independent destination management organisation, *Visit Cambridge and Beyond*, in February 2016 to deliver tourism services in the Cambridge area. Over the course of the year, the service saw income growth of 8%.
- ◆ Initiated a review of our Streets and Open Spaces service, aiming to identify operational efficiencies and deliver budget savings. The review was originally envisaged to be completed by the end of 2015/16, but is now scheduled for completion in 2016/17.
- ◆ Published a public tree strategy setting out the Council's policies for the management of trees in the city. Local people were able to participate in an extensive consultation exercise, so that effective arrangements for the care of trees could be put in place.
- ◆ Began a review of the Council's moorings policy, including service provision and associated fees and charges, taking into account the views of the public, boat occupants and others. The review was due to be completed by the end of 2015/16, but its findings will now be reported to committee in October 2016.
- ◆ Ran a pilot Cambridge civic pride campaign. This increased the involvement of community groups, "friends" groups and individual volunteers in looking after their local environment. Initiatives included community clean-ups, community litter-picks and an anti-dog fouling campaign. A total of 153 volunteer hours have been secured so far, which will form the baseline for activity in future years.
- ◆ Strengthened our relationship with Parks' Friends Groups, setting out how we will work together in a mutually beneficial and constructive way, to help improve parks and open spaces in the city.
- ◆ Put in place a city centre accessibility statement and supporting action plan, following a review, to help people with disabilities to navigate and access services in the city centre.

### Housing

- ◆ 137 new affordable homes were completed on strategic growth sites against a projected figure of 99; along with 62 new social homes completed through the City Council's own development programme (against an original projection of 95).
- ◆ Prepared, with partners, a successful business case for a Greater Cambridge Housing Development Agency. This will be under the auspices of the Greater Cambridge City Deal and will help deliver new affordable housing in the area.
- ◆ Ensured that 100% of affordable new housing from registered providers was built to level 4 of the code for sustainable homes standard.
- ◆ Worked with health and social care partners to support vulnerable people in sustaining independent lifestyles and housing in community settings. This included increasing the number of intermediate care beds at Ditchburn Place and the development of a hospital discharge protocol, joint funding of a new county-wide Handyperson service to help reduce falls in the home and membership of a Falls Prevention Steering Group. We also supported the local Mental Health Crisis Concordat Declaration.
- ◆ Continued to act as the landlord for 7,118 council houses in Cambridge. We collected 98.45% of rents due from these properties during 2015/16, against a target of 98.0% for the year. An average of 86% of tenants were satisfied with estate services across the four quarters of

## Narrative Report

---

2015/16, against a target of 90% for the year. 99.8% of responsive repairs were completed with the target time, against a target of 99% for 2015/16.

- ◆ Identified £1.5 million of savings in the Council's housing landlord service following a fundamental review. This review followed the implementation of national legislation which led to a 4% reduction in rental income.
- ◆ Agreed the Cambridge Landlord Accreditation and Safety Scheme to improve standards of private rented property in the city and begun to implement its commitments, which included introductory landlord training and Legionnaires awareness courses, the development of a draft Cambridge Property Standard and the appointment of an officer to reduce the number of empty properties.
- ◆ Investigated over 250 cases relating to housing disrepair, poor management and tenancy (such as illegal eviction and harassment). Most of these cases were resolved without the need to resort to formal action but where required we undertook effective enforcement action. A total of 30 statutory notices were served and we successfully undertook prosecutions for 5 properties.
- ◆ Focussed our housing advice service on reducing homelessness. This helped prevent nearly 800 homelessness cases by offering early advice about alternative housing options. A Social Lettings Agency (Town Hall Lettings) was also established to provide routes to appropriate housing.
- ◆ Contained rough sleeping increases to 12.6% in the city against a backdrop of 31% nationally. The number of individuals sleeping rough in Cambridge rose from a baseline target of 135 to 152 in 2015-16.
- ◆ Ensured that the average number of households in bed and breakfast at any one time was at 3.25, below our target of 5.
- ◆ Reduced homelessness decision times from an average of 45 working days in 2014-15 to 26 working days in 2015-16, with the percentage of homelessness decisions made within target (33 working days) rising to 74% from 56% in 2014-15.
- ◆ Ensured that no City Homes tenant was evicted solely because of the removal of the "spare room subsidy".

### Planning Policy and Transport

- ◆ Carried out work on the Local Plans to support their examination in public and further work identified by the Inspector and consulted publicly on associated Modifications to Plan.
- ◆ Articulated the interests of Cambridge in strategic planning work at sub-regional level and in the ongoing working arrangements with the Local Enterprise Partnership.
- ◆ Continued to work jointly with the County Council and South Cambridgeshire District Council on activities supporting the implementation of Greater Cambridge City Deal projects. Progress has been made with Phase 1 City Deal schemes and the first City Deal planning application for the Chisholm Trail is expected to be submitted by the end of May 2016.
- ◆ Dealt with around 1,600 planning applications. Planning application performance generally remained above government targets and a new discharge of conditions process was introduced to further improve performance. 97% of major planning applications were determined within 13

## Narrative Report

---

weeks, compared to a target of 65% for 2015/16. 74% of minor applications were determined with 13 weeks, which was above the target of 65% for the year.

- ◆ The North West Cambridge development is a finalist for an RTPI Excellence award and a range of other projects have been nominated for design awards.
- ◆ Planning enforcement performance has been variable during a period of staff turnover.
- ◆ Put in place further 20 mph zones in the East area plus Victoria Road to help improve road safety for all users and facilitated increased use of alternative modes of travel. The 2015 Cambridgeshire County Council Traffic monitoring report showed a 4.7% increase in cycling in Cambridge from 2014.
- ◆ Established a business case for a preferred option for the redevelopment of the Park Street car park site. This was approved in January 2016 and will see an increase in the number of cycle parking spaces available in the centre of Cambridge. 28 additional spaces were put in place in Guildhall Street and the racks in Sidney Street re-orientated to accommodate more cycles.
- ◆ Implemented a new shared Building Control Service to the agreed timetable and continued work towards a shared planning service.
- ◆ Continued to manage car parks in the city. There were 2,438,741 visits to Council car parks in 2015/16, which exceeded the target of 2,427,196 for the year. We started to offer season tickets at our multi-storey car parks, offering low-emission vehicles a discount.

### Communities, Arts and Recreation

- ◆ Helped give debt and other financial advice to those who need it and increased access to affordable loans, bank accounts and other financial products for those who currently have difficulty accessing them. This has included putting in place an 'AdviceHub' in our Customer Services reception area to provide a 'one stop shop' approach to addressing the needs of customers, with access to Citizen's Advice Bureau, Credit Union and HB/Homelink and Universal Credit, Home Energy and tenancy support services.
- ◆ Promoted financial education and saving with young people by setting up a Junior Savers project with a local school. 70 accounts were opened in Kings Hedges School in the year and the project is set to continue into the future with further children joining.
- ◆ Continued to offer activity programmes, places to meet and spaces available for hire at our community centres. There were 138,705 visits to Council community centres in 2015/16, which exceeded the target of 135,000 visits for the year. 83% of visits were by people from priority groups (including children and young people, older people, families, local people, people with disabilities, and BAME people), which was higher than the target of 82%.
- ◆ Initiated a review of community provision. The timetable for this was revised in January 2016 with an update report now going to scrutiny committee in June 2016.
- ◆ Supported the implementation of the new cultural trust, Cambridge Live. Performance against its business plan has been on track.
- ◆ Put in place management approaches for new community facilities at Storey's Field and Clay Farm.

## Narrative Report

---

- ◆ Continued to provide a range of leisure facilities, including indoor and outdoor swimming pools, gyms and outdoor pitches. There were a total of 532,892 swims in Council swimming pools, against a target of 525,000 for 2015/16. There were a total of 222,869 non-swimming visits to Council sports facilities, against a target of 175,000 for 2015/16.
- ◆ Identified sports facilities for North West Cambridge, although development work was delayed due to delays in house building.
- ◆ Delivered seven out of ten prioritised s106-funded capital projects, with the remaining three being grants to external organisations that are not yet ready to complete their projects and receive the allotted funds.
- ◆ Increased the participation of people on low incomes in our community, leisure and arts facilities. Concession members increased by 3.3% and disability members by 12.6%. We also provided targeted activities, including swimming lessons for low income families with young children with 290 children attending as a result of referrals from local schools and family centres.
- ◆ Extended the influence young people have in the Council's decision-making at the Council's Area Committees through a Young People's Engagement Project. The project included carrying out a children's survey and holding Agenda Days. These highlighted issues about parks and litter and changes have been made as a result of the views the young people expressed.
- ◆ Put in place an Arts Plan that will provide a framework to help support local community groups and partnerships in the city. Over 1100 individuals and groups are now members of Cambridge Arts Network and receive regular newsletters. 110 people attended the Cambridge Arts Network conference in March, including over 30 separate community groups.
- ◆ Revised our sports development service, which now promotes greater opportunity for residents in disadvantaged communities to lead healthy, active lives. Work has included running popular Doorstep clubs and Street Games as well as other activities.
- ◆ Publicly marked the end of World War 2, including a focus at the Big Weekend that included community and civic engagement with speeches from the Mayors of Cambridge and Heidelberg.
- ◆ Improved understanding in organisations of our Community Grants criteria and eligibility to help increase the quality of applications, so that the grant is used in a way that most benefits Cambridge residents. Work included, revising application documents, holding application briefings and the offering officer support, partnering with Cambridge Council for Voluntary Service and Cambridge Ethnic Community Forum for specialist and individual support.

### Environment, Waste and Public Health

- ◆ Collected just over 20,000 tonnes of material for recycling from the blue and green bins and recycling points across the city. Some 89 tonnes of bulky waste and recyclable material were also collected at community clear-up days. 43.3% of household waste was sent for reuse, recycling or composting against a target of 45.3%.
- ◆ Relocated our waste operation to Waterbeach as part of our shared waste service with South Cambridgeshire District Council. Current service standards have been maintained through this change.



## Narrative Report

---

- ◆ Increased the amount of commercial food waste recycled. Monthly tonnage now exceeds the target of 40 tonnes per month and is achieving a saving on our landfill costs of over £2,000 per month.
- ◆ Continued to our work to protect tenants by driving down anti-social behaviour. We investigated almost 1,600 neighbour cases and in the vast majority our initial input was enough to improve the situation but where it was not we took action, successfully conducting 10 prosecutions.
- ◆ Received 1,897 complaints relating to noise nuisance and served a total of 44 abatement notices, with nine successful prosecutions where notices had not been complied with.
- ◆ Inspected food premises in the city and prompted improvements to hygiene practice where necessary. 613 inspections of food premises were carried out against a target of 778 for 2015/16. 92.3% of businesses inspected were compliant, which was slightly below the target of 93% for 2015/16.
- ◆ Contributed to the Healthier Catering Commitment for Cambridgeshire / Healthier Options project and although this project did not secure the engagement of schools a more direct approach to local community groups has been developed to take this work forward.
- ◆ Supported work to improve the take up of low emission taxis and buses. Work included the submission of a funding bid to the Office for Low Emission Vehicles (OLEV), in partnership with the County Council, to support the introduction of hybrid and electric vehicles into the bus and taxi fleets in Cambridge. The policy was originally due for adoption by the end of 2015/16 but due to the delay in OLEV giving guidance the policy is due to go to committee in June and October 2016.
- ◆ Initiated a review of the Council's public toilets and public realm bin provision to improve our operational efficiency and use of these assets. The location of all street and open space bins has been digitally mapped and the information made publicly available on our website. The public toilet review was originally envisaged for completion by the end of 2015/16, but is now scheduled for completion in 2016/17.
- ◆ Carried out 14 'Ward Blitzes' in the year to improve the quality of public realm. Environmental Data Reports were used at our area committees to help target local action, including education and enforcement. Over 200 abandoned locks were removed from the city centre as part of a clean-up initiative and a new agreement made with the OWL charity at Papworth Trust to receive unclaimed bikes.
- ◆ Initiated a plan to relocate the Streets & Open Spaces service from Mill Road Depot to Cowley Road. Implementation of the relocation plan, as part of wider Mill Road Depot redevelopment scheme, is anticipated in late 2016/17.

### Strategy and Transformation

- ◆ Continued to respond to enquiries from residents, businesses, members of the public and others. We handled over 275,000 telephone enquiries, 40,000 face-to-face enquiries, and 30,000 email transactions through the Council's Customer Service Centre (CSC). 86% of calls to the CSC were resolved at first point of contact, which was slightly below the target of 90% for 2015/16. Average waiting times at the CSC were 8 minutes and 16 seconds, which was below the target of 10 minutes for 2015/16.

# Narrative Report

---

- ◆ Established shared service operations in Legal, ICT and Building Control with our partners at South Cambridgeshire District Council and Huntingdonshire District Council designed to save 15% of overall costs.
- ◆ Developed the Council's digital strategy. Although it was not finally agreed by the end of 2015/16 as originally envisaged, some projects have progressed including investment in digital inclusion projects delivered by community groups.
- ◆ Supported work on the City Deal infrastructure programme, skills targets and affordable housing projects, to support the sustainable growth of the Greater Cambridge economy.
- ◆ We have not initiated a governance review for a combined authority for Greater Cambridge as focus has shifted onto the devolution agenda in the light of Government policies and proposals.
- ◆ Worked with partnering councils to progress proposals for devolution, albeit complicated by the Government's proposals for an East Anglian devolution deal late in the year.
- ◆ Worked with councils in similar "fast growth" cities to identify the opportunities challenges facing cities experiencing high levels of high-value growth and to make the case for policy flexibility to Government.
- ◆ Supported, with City Deal partners, the establishment of a Cambridge Promotions Agency.
- ◆ Dealt with 588 reports of anti-social behaviour of which 228 involved intensive casework.
- ◆ Strengthened our partnership working with the police, including putting in place a local "Prevent" initiative (a British-born imam ran a number of group sessions for young people in a local mosque). We produced an action plan for working together following a community engagement event and conducted training for over 160 plus frontline staff on their responsibilities under 'Prevent'.
- ◆ Resettled 3 refugee families (14 individuals) within Cambridge under the Syrian Vulnerable Person Resettlement Scheme and have committed to taking to take 50 refugees in total.
- ◆ Gained "White Ribbon Campaign" status in February 2015 and started to deliver on the first year of its action plan, including a forum on domestic and sexual violence/abuse, which brought together the different communities in Cambridge. A new Council webpage was developed and shared with the community providing information on our Housing Advice Service and links to the County Domestic Abuse & Sexual Violence Partnership, which maintains an up-to-date Domestic Violence Directory.
- ◆ Worked with the Office of the Police & Crime Commissioner on their restructure of restorative justice in the city and 21 referrals were made to the scheme from the police, city council and local housing authorities
- ◆ Ran a programme of awareness-raising sessions in secondary schools, with a focus on anti-social behaviour, healthy relationships and alcohol to around 900 students. Arranged street surgeries in the Abbey area to raise awareness with residents and attended community events to do the same.
- ◆ Worked with other partners to deal with anti-social behaviour associated with some of the street-life community, such as begging, street drinking and rough sleeping. There are a number of preventative activities in progress, such as joint begging patrols by Council officers, Police and

# Narrative Report

---

the Street Outreach Team, revitalising the Alternative Giving Scheme and delivering workshops on community safety and anti-social behaviour as part of tenancy resettlement work in hostels. Enforcement action is also being considered where individuals are not engaging and their behaviour is having a significant impact on the wider community.

- ◆ Introduced a Public Spaces Protection Order in Petersfield Green, the front garden of Ditchburn Place and Mill Road Cemetery in June 2015. There has been one breach of the order and positive feedback from the public.

## Finance and Resources

- ◆ Continued to administer housing benefit and support for council tax. We paid £39m in Housing Benefit and £6.35m in Council Tax support to approximately 8,200 people. The average number of days taken to process new claims in 2015/16 was 15 days, which was below the target of 16 days.
- ◆ Ensured that on-going welfare reforms are efficiently and effectively planned, managed and implemented, and that support is given to the most vulnerable in the city, trying to mitigate hardship where possible. Work included scrutiny of regulations to ensure awareness of the impact of changes, supporting vulnerable customers, offering Discretionary Housing Payments where appropriate and engaging with internal and external partners.
- ◆ Supported the initial roll-out of Universal Credit and worked with partners to provide support to the most vulnerable who will be claiming. This involved entering into a Delivery Partnership Agreement with the DWP and arranging with Cambridge CAB to facilitate personal budgeting support referrals.
- ◆ Invested in our commercial property portfolio to enhance the Council's income and thereby provide funding for a range of frontline services.
- ◆ Agreed an Office Accommodation Strategy to consolidate office space and costs.
- ◆ Continued to develop and implement a transformation programme to deliver efficiencies and modern services.
- ◆ Required all our new contractors to pay the Living Wage Foundation's Living Wage and reviewed our existing contracts to identify opportunities to introduce a requirement to pay it. We also promoted Living Wage accreditation to local businesses and organisations. By the end of the year 36 employers in the city were accredited.
- ◆ Agreed an Anti-Poverty Strategy, with an action plan, and started delivery of that action plan, in particular, supporting voluntary organisations in tackling poverty. Work included:
  - helping residents on low incomes to reduce their energy and water costs
  - increasing the number of apprenticeship opportunities in City Council services
  - providing 1,000 free holiday lunches to families
  - running cooking skills sessions
  - providing nursery provision at Buchan Street and Romsey Mill
  - assisting people who need it get debt and other financial advice, and
  - increased access to affordable loans, bank accounts and other financial products for those who currently have difficulty accessing them.

# Narrative Report

## Revenue Spending and Income

### General Fund Services

For 2015/16, the Council agreed a budget for net spending by committees of £19.3 million. The Council Tax for City Council services was set at £176.75 for Band D properties.

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.

(£000s)	Final Budget	Actual	Difference
Community Services	9,990	9,860	(130)
Environment	7,933	6,754	(1,179)
Housing (General Fund)	3,393	3,311	(82)
Strategy & Resources	(2,018)	(3,591)	(1,573)
<b>Total Committee Expenditure</b>	<b>19,298</b>	<b>16,334</b>	<b>(2,964)</b>
Capital accounting adjustments	(5,423)	(5,423)	0
Capital Plan Expenditure Funded from General Fund Reserves	10,742	8,534	(2,208)
Contribution to NNDR earmarked reserve – recovery of deficit in future years	0	497	497
<b>Total</b>	<b>24,617</b>	<b>19,942</b>	<b>(4,675)</b>
<b>Financed by:</b>			
Revenue Support Grant	(3,012)	(3,012)	0
New Homes Bonus	(4,963)	(4,976)	(13)
Non-domestic rates share - net income	(680)	(1,132)	(452)
Non-domestic rates reliefs - compensatory government grants	(829)	(964)	(135)
Other grants	0	(86)	(86)
Council Tax	(6,998)	(7,000)	(2)
Contributions from Earmarked Reserves – before statutory accounting adjustments	(7,036)	(7,259)	(223)
Contributions to/(from) General Fund Reserves	(1,099)	4,487	5,586
<b>Total</b>	<b>(24,617)</b>	<b>(19,942)</b>	<b>4,675</b>

The Council's actual net committee revenue expenditure was £2,964,000 less than the final budget set for the year. A variety of factors contributed to this overall position including overachievement of

## Narrative Report

income on car parks, commercial property and waste totalling around £1,400,000, and an underspend on staff costs (net of agency costs) of around £730,000.

The total amount of capital expenditure funded from revenue was below the budget by £2,208,000 largely reflecting slippage on the timing of expenditure.

Under statutory regulation the amount of business rates credited to the General Fund in 2015/16 is based on an estimate, with any resulting difference being recovered from the General Fund, or paid to it in future years. Taking into account the levy payment due to central government for the year on growth above the assumed baseline, the charge for recovery of previous years' deficits and business rate relief compensatory grants from central government, the income credited to the General Fund was £587,000 above the budget. However, £497,000 will be paid back to the Collection Fund in future years and this has been set aside in an earmarked reserve.

Overall, a net contribution to General Fund reserves of £4,487,000 was made against a budgeted use of reserves of £1,099,000. At the 31 March 2016 the reserve stood at £16,012,000.

### Housing Revenue Account

The table below compares the final outturn figures (before statutory accounting adjustments) for the HRA as reported to Housing Scrutiny Committee in June 2016, with the final budget for 2015/16.

(£000s)	Final Budget	Actual	Difference
Dwellings Rents and Other Income	(41,189)	(41,240)	(51)
Expenditure	27,503	23,144	(4,359)
<b>Net cost of HRA services</b>	<b>(13,686)</b>	<b>(18,096)</b>	<b>(4,410)</b>
Interest receivable on HRA balances	(326)	(466)	(140)
Loan Interest	7,541	7,541	0
Depreciation adjustment (transfer from Major Repairs Reserve)	(3,285)	(770)	2,515
Revaluation loss on non-dwelling assets	0	186	186
Direct Revenue Financing of Capital	20,191	17,101	(3,090)
Contributions from HRA earmarked reserves to General HRA reserves – before statutory adjustments	0	(422)	(422)
<b>(Surplus)/deficit for the year</b>	<b>10,435</b>	<b>5,074</b>	<b>(5,361)</b>

The variance on the depreciation adjustment of £2,515,000 compensated for a reduced depreciation charge included in the expenditure line, following a review of remaining useful dwelling lives during 2015/16. There was also a significant underspend in repairs and maintenance, the majority of which resulted from the planned maintenance programme. Employee related costs were lower across the HRA than budgeted.

There was an underspend on direct revenue funding of capital of £3,090,000, of which £1,686,000 has been rephased into 2016/17. Overall the outturn position was a contribution from HRA reserves of £5,074,000 against a budget of £10,435,000. HRA reserves stood at £9,791,000 at 31 March 2016.

# Narrative Report

---

## Earmarked Reserves

There was an overall reduction in General Fund earmarked reserves of £8,080,000 in 2015/16. This reflected the review of reserves (particularly Repairs and Renewals Reserves) included in the February 2015 Budget Setting Report. Whilst some of these reserves were redesignated (for example £6,500,000 for an Invest for Income fund) around £8 million of these balances (along with other capital receipts) were invested in the year in new commercial property at Orchard Park in Cambridge and Cambridge Retail Park in Haverhill. These properties will generate the Council a significant rental income.

There was an overall reduction in HRA earmarked reserves of £204,000. This reflected the return of a number of balances to general HRA reserves.

## Capital Spending and Receipts

In 2015/16 the Council spent £43,206,000 on property, plant and equipment. Of this £10,124,000 was on major repairs and improvements to council dwellings, £1,512,000 on vehicles, plant and equipment and £30,785,000 on assets in the course of construction. Of the assets in the construction spend £20,794,000 was on new housing developments, including those on Clay Farm and at the Homerton college site, where construction commenced in the year. £12,058,000 was transferred from assets in the course of construction to HRA dwellings on completion of new homes, including on sites at Campkin Road, Wadloes Road and Atkins Close.

Expenditure on assets in the course of construction also included £4,040,000 on the new multi-agency community centre the Council is constructing at Clay Farm and £5,286,000 on homes being constructed to be let at intermediate market rents at Aylesborough Close and Water Lane, which will be managed by Cambridge City Housing Company, a wholly owned subsidiary of the Council.

As already discussed, the Council spent £9,626,000 on acquiring investment properties for rent at Orchard Park and Cambridge Retail Park in Haverhill.

Capital receipts continue to be generated through the sale of land, council houses, shared ownership dwellings and other property. The Council received £11,130,000 in the year, of which £857,000 had to be paid over to central government.

The Council's future commitments under capital contracts are detailed further in Note 19 to the accounts.

## Assets

Just as in the private sector, changes in the values of Council-owned property are reflected in the accounts each year. As a result of asset revaluations and the capital expenditure discussed above (and net of asset disposals) the value of Property, Plant and Equipment increased by £86,349,000 to £773,587,000 and the value of Investment Property increased by £22,509,000 to £144,274,000 as at 31 March 2016. Although these increases appear significant, it should be noted that revaluation increases are not realised until assets are disposed of.

## Liabilities

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



# Narrative Report

---

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.

The Council's share of the assets and liabilities of the County Pension Fund show an estimated net liability of £107.8 million at 31 March 2016. This liability has no impact on the level of the Council's available reserves.

The liability has reduced significantly this year as a result of an increase 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 37.

## Cashflows

The balance of cash and cash equivalents at 31 March 2016 was £9,186,000. This excludes the Council's investments in fixed term deposits and other longer term investments which are detailed in note 23. Further information on cashflows for the year can be found in the cashflow statement and accompanying notes.

## Council Staff

The number of staff employed by the Council fell during the year from 884 full time equivalents at 31 March 2015 to 800 at 31 March 2016. This net reduction reflects the transfer of staff to Cambridge Live, Visit Cambridge and Beyond and the Council's new external cleaning contractor. The number of staff employed by the Council was also significantly impacted by the commencement of the 3Cs shared service on 1 October. Staff in Legal and Building control previously employed by Huntingdonshire and South Cambridgeshire District Councils transferred into the Council, whilst ICT staff previously employed by the Council transferred to Huntingdonshire.

## Looking ahead to 2016/17

The new community centre at Clay Farm is expected to open in the second half of the year and the homes for let at intermediate rent will be completed in 2016/17.

The Council's Business Transformation Programme will continue to develop major new initiatives, both in terms of sharing further services with other councils and in transforming those we continue to operate alone. Work has continued on reviewing the Council's building requirements, and a lease has been taken on premises in Cowley Road to facilitate the plan to vacate of the Mill Road depot site by March 2017. The Council has undertaken a senior management restructure to be implemented in April 2016.

Central government has announced a new, four year, spending deal for councils. Although the Council is well placed to deal with the challenges of reduced central government funding, including the phasing out of Revenue Support Grant and changes to New Homes Bonus, there will continue to be financial pressures on the Council. The Council will continue to work to understand the implications of the proposed move to 100% business rates retention and the risks that this will bring in the future.

# Narrative Report

---

## Further Information

Further information about the accounts is available from:

Head of Finance  
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 website.





# Statement of Responsibilities for the Statement of Accounts

---

## 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 2016 and its income and expenditure for the year then ended.

**Caroline Ryba**  
**Head of Finance**  
**Date: yy June 2016**



# 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 2015/16

(£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 2015</b>	<b>(11,525)</b>	<b>(25,867)</b>	<b>(14,865)</b>	<b>(4,170)</b>	<b>(22,084)</b>	<b>(2,219)</b>	<b>(11,437)</b>	<b>(92,167)</b>	<b>(477,300)</b>	<b>(569,467)</b>
Movement in reserves during 2015/16										
(Surplus) / deficit on the provision of services	(14,416)	0	(24,230)	0	0	0	0	(38,646)	0	(38,646)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(71,423)	(71,423)
<b>Total Comprehensive income and expenditure</b>	<b>(14,416)</b>	<b>0</b>	<b>(24,230)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(38,646)</b>	<b>(71,423)</b>	<b>(110,069)</b>
Adjustments between accounting basis and funding basis under regulations (Note 4)	18,009	0	29,508	0	(1,692)	(442)	3,237	48,620	(48,620)	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>3,593</b>	<b>0</b>	<b>5,278</b>	<b>0</b>	<b>(1,692)</b>	<b>(442)</b>	<b>3,237</b>	<b>9,974</b>	<b>(120,043)</b>	<b>(110,069)</b>
Transfers to / from earmarked reserves (Note 5)	(8,080)	8,080	(204)	204	0	0	0	0	0	0
<b>(Increase) / decrease in 2015/16</b>	<b>(4,487)</b>	<b>8,080</b>	<b>5,074</b>	<b>204</b>	<b>(1,692)</b>	<b>(442)</b>	<b>3,237</b>	<b>9,974</b>	<b>(120,043)</b>	<b>(110,069)</b>
<b>Balance at 31 March 2016</b>	<b>(16,012)</b>	<b>(17,787)</b>	<b>(9,791)</b>	<b>(3,966)</b>	<b>(23,776)</b>	<b>(2,661)</b>	<b>(8,200)</b>	<b>(82,193)</b>	<b>(597,343)</b>	<b>(679,536)</b>

# Main Financial Statements

## 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	3,042	0	(30,030)	0	0	0	0	(26,988)	0	(26,988)
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>3,042</b>	<b>0</b>	<b>(30,030)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(26,988)</b>	<b>(9,196)</b>	<b>(36,184)</b>
Adjustments between accounting basis and funding basis under regulations (Note 4)	(7,471)	0	24,195	0	(4,491)	2,700	(379)	14,554	(14,554)	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>(4,429)</b>	<b>0</b>	<b>(5,835)</b>	<b>0</b>	<b>(4,491)</b>	<b>2,700</b>	<b>(379)</b>	<b>(12,434)</b>	<b>(23,750)</b>	<b>(36,184)</b>
Transfers to / from earmarked reserves (Note 5)	1,894	(1,894)	(150)	150	0	0	0	0	0	0
<b>(Increase) / decrease in 2014/15</b>	<b>(2,535)</b>	<b>(1,894)</b>	<b>(5,985)</b>	<b>150</b>	<b>(4,491)</b>	<b>2,700</b>	<b>(379)</b>	<b>(12,434)</b>	<b>(23,750)</b>	<b>(36,184)</b>
<b>Balance at 31 March 2015</b>	<b>(11,525)</b>	<b>(25,867)</b>	<b>(14,865)</b>	<b>(4,170)</b>	<b>(22,084)</b>	<b>(2,219)</b>	<b>(11,437)</b>	<b>(92,167)</b>	<b>(477,300)</b>	<b>(569,467)</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	2015/16			2014/15		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Central services to the public		2,664	(833)	1,831	2,453	(763)	1,690
Cultural and related services	3	9,633	(1,173)	8,460	13,824	(4,555)	9,269
Environmental and related services		15,378	(6,615)	8,763	14,922	(6,464)	8,458
Planning Services		9,202	(3,296)	5,906	8,406	(3,238)	5,168
Highways and transport services	3	4,348	(10,383)	(6,035)	6,704	(9,858)	(3,154)
Housing Revenue Account	3	14,998	(41,265)	(26,267)	10,152	(40,045)	(29,893)
Other housing services		48,582	(41,780)	6,802	46,050	(41,135)	4,915
Corporate and democratic core		2,725	0	2,725	2,788	0	2,788
Non distributed costs		(2,185)	0	(2,185)	130	0	130
<b>Cost of Services</b>		<b>105,345</b>	<b>(105,345)</b>	<b>0</b>	<b>105,429</b>	<b>(106,058)</b>	<b>(629)</b>
Other operating expenditure	6	(227)	(3,113)	(3,340)	1,133	(5,143)	(4,010)
Financing and investment income and expenditure	3/7	14,061	(24,161)	(10,100)	12,846	(12,265)	581
Taxation and non-specific grant income	3/8	0	(25,206)	(25,206)	0	(22,930)	(22,930)
<b>(Surplus) / deficit on provision of services</b>	<b>9</b>	<b>119,179</b>	<b>(157,825)</b>	<b>(38,646)</b>	<b>119,408</b>	<b>(146,396)</b>	<b>(26,988)</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	3/33			(49,069)			(34,239)
Remeasurements of the net defined benefit liability	3/33			(21,786)			24,477
				<b>(70,855)</b>			<b>(9,762)</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				<b>(568)</b>			<b>566</b>
<b>Other comprehensive (income) / expenditure</b>				<b>(71,423)</b>			<b>(9,196)</b>
<b>Total comprehensive (income) / expenditure</b>				<b>(110,069)</b>			<b>(36,184)</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 2016	31 March 2015
Property, Plant and Equipment	15	773,587	687,238
Heritage Assets		580	470
Investment Property	20/21	144,274	121,765
Intangible Assets		292	456
Long Term Investments	23	32,050	15,484
Long Term Debtors	24	1,270	1,146
<b>Long Term Assets</b>		<b>952,053</b>	<b>826,559</b>
Short Term Investments	23	56,801	86,318
Assets Held for Sale	25	4,295	9,708
Inventories		260	268
Short Term Debtors	26	13,270	11,790
Cash and Cash Equivalents	27	9,186	7,268
<b>Current Assets</b>		<b>83,812</b>	<b>115,352</b>
Short Term Borrowing	35/36	(82)	(82)
Short Term Creditors	28	(18,676)	(17,360)
Receipts in Advance	29	(3,713)	(4,287)
Provisions	30	(4,711)	(4,245)
<b>Current Liabilities</b>		<b>(27,182)</b>	<b>(25,974)</b>
Long Term Borrowing	35/36	(213,572)	(213,572)
Other Long Term Liabilities	37	(107,797)	(124,811)
Capital Grants Receipts in Advance	31	(7,778)	(8,087)
<b>Long Term Liabilities</b>		<b>(329,147)</b>	<b>(346,470)</b>
<b>Net Assets</b>		<b>679,536</b>	<b>569,467</b>
Usable Reserves	32	(82,193)	(92,167)
Unusable Reserves	33	(597,343)	(477,300)
<b>Total Reserves</b>		<b>(679,536)</b>	<b>(569,467)</b>

These financial statements were authorised for issue on yy June 2016.

Caroline Ryba, Head of Finance

yy June 2016

# 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	2015/16	2014/15
Cash flows from operating activities			
Cash receipts		158,481	168,368
Cash payments		(139,124)	(132,568)
Net cash flows from operating activities	<b>38</b>	<b>19,357</b>	<b>35,800</b>
Net cash flows from investing activities	<b>39</b>	<b>(22,516)</b>	<b>(35,259)</b>
Net cash flows from financing activities	<b>40</b>	<b>5,077</b>	<b>154</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>1,918</b>	<b>695</b>
Cash and cash equivalents at the beginning of the year	<b>27</b>	7,268	6,573
<b>Cash and cash equivalents at the end of the year</b>	<b>27</b>	<b>9,186</b>	<b>7,268</b>



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

## INDEX TO THE NOTES TO THE MAIN FINANCIAL STATEMENTS

1	Critical Judgements in Applying Accounting Policies .....	11
2	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty .....	11
3	Material Items of Income and Expenditure .....	12
4	Adjustments between Accounting Basis and Funding Basis under Regulations .....	13
5	Movement in Reserves Statement – Transfers to / from Earmarked Reserves .....	21
6	Other Operating Expenditure .....	22
7	Financing and Investment Income and Expenditure.....	22
8	Taxation and Non Specific Grant Incomes .....	22
9	Amounts Reported for Resource Allocation Decisions .....	23
10	Agency Services .....	26
11	Members' Allowances .....	27
12	Related Party Transactions.....	27
13	Employee Remuneration .....	28
14	Audit Costs.....	31
15	Property, Plant and Equipment .....	32
16	Property, Plant and Equipment – Revaluations .....	34
17	Property, Plant and Equipment – Depreciation.....	35
18	Capital Expenditure and Capital Financing.....	36
19	Capital Commitments.....	37
20	Investment Properties .....	38
21	Fair Value Measurement of Investment Properties .....	39
22	Leases.....	40
23	Short-Term and Long-Term Investments.....	42
24	Long-Term Debtors .....	43
25	Assets Held for Sale.....	43
26	Debtors.....	44
27	Cash and Cash Equivalents.....	44
28	Short-Term Creditors .....	44
29	Receipts in Advance .....	45
30	Provisions.....	45
31	Grant Income .....	46
32	Usable Reserves.....	47
33	Unusable Reserves.....	47
34	Contingent Liabilities .....	50
35	Financial Instruments.....	52
36	Nature and extent of risks arising from financial instruments .....	56
37	Defined Benefit Pension Schemes .....	61
38	Cashflow Statement – Operating Activities.....	67
39	Cashflow Statement – Investing Activities .....	67
40	Cashflow Statement – Financing Activities.....	68
41	Impact of the adoption of new standards .....	68
42	Changes in accounting estimates .....	68
43	Date the Statement of Accounts were authorised for issue .....	69
44	Events after the Reporting Period.....	69

# Notes to the Main Financial Statements

---

## 1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 85 to 102, 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 affect 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 2016 is estimated to be £107.8 million and the estimated effects on the liability of changes in individual assumptions is disclosed in Note 37.

### 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 £765,000 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

---

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 2016 following successful rating valuation appeals. The Council's share of this provision is £3.8 million as disclosed in Note 30. 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.

### Fair Value Measurements

When the fair value of assets and liabilities cannot be measured based on quoted prices in active markets (Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.

Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value.

The most significant assets that the Council has measured at fair value in the balance sheet where level 1 inputs are not available are Investment Properties and surplus Property, Plant and Equipment. Significant changes in any of the unobservable inputs used in these valuations would result in significantly higher or lower fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities can be found in Notes 16, 21 and 35.

### 3 Comprehensive Income and Expenditure Account - Material Items of Income and Expenditure and changes in services

#### 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 £9.1 million on council housing stock has been credited to expenditure within the HRA net cost of service line. The comparative figure for 2014/15 includes a net credit of £15.0 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.

A net credit for reversal of previous revaluation losses of £2.1 million in respect of car parks has been credited to expenditure within the highways and transport net cost of service line. 2014/15 included a charge of £0.5 million.

Financing and investment income includes gains on the value of investment properties of £13.4 million (£3.5 million in 2014/15).

The Council's share of non-domestic rates income totalling £38.3 million (£36.2 million in 2014/15) and the tariff of £33.5 million (£32.9 million in 2014/15) payable to central government under the rates retention scheme have been included in taxation and non-specific grant income.

## Notes to the Main Financial Statements

---

The surplus on revaluation of Property, Plant and Equipment includes a net £30.2 million gain (£24.2 million in 2014/15) in respect of the Council's housing stock.

There is a total credit for the measurements of the Council's net defined benefit pension liability of £21.8 million (a charge in 2014/15 of £24.5 million). This net figure reflects a number of aspects as detailed in note 37 to the accounts. Most significantly, there is a credit of £28.7 million (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.

### Changes in Services

The Council transferred the running of the Cambridge Folk Festival, Corn Exchange and other arts services to a new arts trust charity, Cambridge Live on 1 April 2015, although it continues to pay the trust a sum for services as detailed in Note 12. For 2015/16 Cultural and Related Services includes expenditure of £939,000 (£4,959,000 in 2014/15) and revenue of £52,000 (£3,383,000 in 2014/15) in relation to this service area.

The Council transferred the running of the tourism service to Visit Cambridge and Beyond on 1 February 2016, but will continue to pay a subsidy as detailed in Note 12. For 2015/16 Cultural and Related Services includes expenditure of £718,000 (£796,000 in 2014/15) and income of £397,000 (£537,000 in 2014/15) in relation to this service.

### 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 the 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 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.

#### 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.



## Notes to the Main Financial Statements

---

### **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 2015/16

(£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	(5,416)	(8,711)	0	0	0	14,127
Net revaluation (losses)/gains on property, plant and equipment	3,077	9,329	0	0	0	(12,406)
Net revaluation (losses)/gains on assets held for sale	1,084	0	0	0	0	(1,084)
Movements in the market value of investment properties	13,321	99	0	0	0	(13,420)
Amortisation of intangible assets	(108)	0	0	0	0	108
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(4,387)	(877)	0	0	0	5,264
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(7,105)	(4,286)	0	0	0	11,391
Private Sector Housing Loans Adjustment	4	0	0	0	0	(4)
<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	(3)	0	0	0	0	3
Capital expenditure charged against General Fund and HRA balances	9,598	17,101	0	0	0	(26,699)

## 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	3,828	1,455	0	0	(5,283)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	8,520	(8,520)
<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	3,428	7,702	(11,130)	0	0	0
Other capital receipts	0	79	(79)	0	0	0
Transfer of capital receipts to administrative costs of disposal of non-current assets	(16)	(120)	136	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	11,185	0	0	(11,185)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(857)	0	857	0	0	0
Transfer to capital receipts reserve on receipt of loan payment	0	0	(11)	0	0	11
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(2,650)	0	0	2,650
<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	3,403	0	0	0	0	(3,403)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Transfer allowed by statute between the HRA and Major Repairs Reserve	0	7,941	0	(7,941)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	7,499	0	(7,499)

## 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	9	0	0	0	0	(9)
<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	(9,130)	(1,364)	0	0	0	10,494
Employer's pension contributions and direct payments to pensioners payable in the year	4,573	1,149	0	0	0	(5,722)
<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	2,689	0	0	0	0	(2,689)
<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	28	0	0	0	0	(28)
<b>Adjustments primarily involving the Housing Revenue Account:</b>						
Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation	(11)	11	0	0	0	0
<b>Total adjustments</b>	<b>18,009</b>	<b>29,508</b>	<b>(1,692)</b>	<b>(442)</b>	<b>3,237</b>	<b>(48,620)</b>

## 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	(4,989)	(10,330)	0	0	0	15,319
Net revaluation (losses)/gains on property, plant and equipment	(2,049)	15,024	0	0	0	(12,975)
Net revaluation (losses)/gains on assets held for sale	146	0	0	0	0	(146)
Movements in the market value of investment properties	3,481	(9)	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>						
Transfer allowed by statute between the HRA and Major Repairs Reserve	0	7,929	0	(7,929)	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	(1,141)	0	0	0	0	1,141
<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>(7,471)</b>	<b>24,195</b>	<b>(4,491)</b>	<b>2,700</b>	<b>(379)</b>	<b>(14,554)</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 2015/16.

(£000s)	2014/15			2015/16		Balance at 31 March 2016	
	Balance at 1 April 2014	Transfers In	Transfers Out	Balance at 31 March 2015	Transfers In		Transfers Out
<b>General Fund:</b>							
Asset Repair and Renewals Reserves	(13,915)	(3,706)	3,257	(14,364)	(1,265)	12,936	(2,693)
Insurance Fund	(1,166)	(722)	991	(897)	(755)	635	(1,017)
Technology Investment Fund	(133)	0	4	(129)	0	0	(129)
Development Plan Reserve	(577)	(182)	208	(551)	0	296	(255)
Compulsory Purchase Order Compensation Reserve	(222)	0	0	(222)	0	222	0
Major Planning Appeals Reserve	(135)	(26)	0	(161)	0	161	0
Revenue Contributions to Capital	(136)	0	18	(118)	0	115	(3)
Efficiency Fund	(373)	(19)	175	(217)	0	81	(136)
Pension Reserve	(986)	0	0	(986)	0	986	0
Climate Change Fund	(347)	0	0	(347)	0	0	(347)
Keep Cambridge Moving	(436)	0	0	(436)	0	436	0
Business Rates Retention	(3,405)	(2,327)	1,292	(4,440)	(498)	3,169	(1,769)
Fixed Term Priority Projects	0	(286)	0	(286)	0	135	(151)
Sharing Prosperity	0	(493)	0	(493)	(325)	193	(625)
Invest for Income Fund	0	0	0	0	(6,500)	0	(6,500)
City Deal Fund	0	0	0	0	(1,985)	0	(1,985)
Other	(2,142)	(826)	748	(2,220)	(721)	764	(2,177)
<b>Total</b>	<b>(23,973)</b>	<b>(8,587)</b>	<b>6,693</b>	<b>(25,867)</b>	<b>(12,049)</b>	<b>20,129</b>	<b>(17,787)</b>
<b>Housing Revenue Account:</b>							
Asset Repair and Renewal Reserve	(2,392)	(545)	1,108	(1,829)	(285)	83	(2,031)
Shared Ownership Reserve	(300)	0	0	(300)	0	300	0
Other	(1,628)	(845)	432	(2,041)	(14)	120	(1,935)
<b>Total</b>	<b>(4,320)</b>	<b>(1,390)</b>	<b>1,540</b>	<b>(4,170)</b>	<b>(299)</b>	<b>503</b>	<b>(3,966)</b>



## Notes to the Main Financial Statements

### 6 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

(£000s)	2015/16		2014/15	
	Income	Expenditure	Income	Expenditure
Payments to the Government Housing Capital Receipts Pool	0	857	0	1,279
Impairment losses on assets held for sale	0	(1,084)	0	(146)
(Gains) / losses on the disposal of non-current assets	(3,034)	0	(4,963)	0
Other income	(79)	0	(180)	0
	<b>(3,113)</b>	<b>(227)</b>	<b>(5,143)</b>	<b>1,133</b>

### 7 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

(£000s)	2015/16		2014/15	
	Income	Expenditure	Income	Expenditure
Interest payable and similar charges	0	7,534	0	7,496
Impairment of investments	0	(107)	0	(59)
Net interest on the net defined benefit liability	0	3,997	0	4,111
Trading Activities	(1,100)	1,035	(125)	69
Interest receivable and similar income	(1,376)	0	(789)	0
Income and expenditure in relation to investment properties and changes in their fair value	(21,685)	1,602	(11,351)	1,229
	<b>(24,161)</b>	<b>14,061</b>	<b>(12,265)</b>	<b>12,846</b>

### 8 Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Incomes

(£000s)	2015/16	2014/15
Council tax income	(7,017)	(6,601)
Net council share of business rates income	(4,768)	(3,330)
Non-ringfenced government grants	(8,496)	(8,783)
Capital grants and contributions	(4,925)	(4,216)
	<b>(25,206)</b>	<b>(22,930)</b>

The business rates income retained by the Council under the business rates retention scheme of £4,768,000 (2014/15 - £3,330,000) comprises the Council's share of income of £38,312,000 (2014/15 - £36,245,000) less a tariff payment due to central government of £33,544,000 (2014/15 - £32,915,000).

## Notes to the Main Financial Statements

---

### 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)	2015/16	2014/15
<b>Net Expenditure for the year as reported to management</b>		
<b>General Fund</b>		
<i><b>Community Services</b></i>		
City Centre and Public Places	2,420	2,753
Community Arts and Recreation	7,440	7,955
	<b>9,860</b>	<b>10,708</b>
<i><b>Environment</b></i>		
Environment, Waste and Public Health	7,728	7,776
Planning Policy and Transport	(974)	(266)
	<b>6,754</b>	<b>7,510</b>
<i><b>Housing</b></i>		
Housing General Fund	<b>3,311</b>	<b>3,186</b>
<i><b>Strategy &amp; Resources</b></i>		
Finance and Resources	(6,780)	(5,999)
Strategy and Transformation	3,189	2,658
	<b>(3,591)</b>	<b>(3,341)</b>
<b>Total General Fund</b>	<b>16,334</b>	<b>18,063</b>
<b>Housing Revenue Account</b>		
Housing – HRA	(18,096)	(13,870)
	<b>(1,762)</b>	<b>4,193</b>
Amounts in the Comprehensive Income and Expenditure Statement not reported to management	(5,698)	(8,997)
Amounts reported to management not included in the Comprehensive Income and Expenditure Statement	7,460	4,175
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>0</b>	<b>(629)</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 2015/16

(£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	(77,110)	0	3	(789)	12,070	(65,826)
Interest and investment income	(890)	(466)	0	(13,439)	(8,267)	(23,062)
Income from council tax	0	(7,000)	0	(17)	0	(7,017)
Income from non-domestic rates	0	(1,132)	0	(2,672)	0	(3,804)
Gain on disposal of assets and other capital receipts	0	0	0	(3,112)	0	(3,112)
Government grants, donations and contributions	(40,683)	(9,038)	0	(5,283)	0	(55,004)
<b>Total Income</b>	<b>(118,683)</b>	<b>(17,636)</b>	<b>3</b>	<b>(25,312)</b>	<b>3,803</b>	<b>(157,825)</b>
Employee expenses	23,912	0	0	747	12,858	37,517
Other service expenses	65,775	0	(633)	6,773	(3,465)	68,450
Recharges	14,208	0	0	0	(14,208)	0
Depreciation, amortisation and impairment	13,024	186	(19)	(13,378)	1,119	932
Interest payments	2	7,542	(11)	3,997	(107)	11,423
Payments to Housing Receipts Pool	0	0	0	857	0	857
<b>Total Expenditure</b>	<b>116,921</b>	<b>7,728</b>	<b>(663)</b>	<b>(1,004)</b>	<b>(3,803)</b>	<b>119,179</b>
<b>(Surplus) / Deficit on the provision of services</b>	<b>(1,762)</b>	<b>(9,908)</b>	<b>(660)</b>	<b>(26,316)</b>	<b>0</b>	<b>(38,646)</b>

## Notes to the Main Financial Statements

### 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	523	0	(3,330)
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>(12,732)</b>	<b>4,397</b>	<b>(146,396)</b>
Employee expenses	23,471	0	0	1,007	13,159	37,637
Other service expenses	67,931	0	(3,328)	4,922	(3,005)	66,520
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>(3,403)</b>	<b>(4,397)</b>	<b>119,408</b>
<b>(Surplus) / Deficit on the provision of services</b>	<b>4,193</b>	<b>(11,743)</b>	<b>(3,303)</b>	<b>(16,135)</b>	<b>0</b>	<b>(26,988)</b>

### 10 Agency Services

#### Box Office Services

The Council operated 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, but £0 in 2015/16 following the transfer of services to Cambridge Live with effect from 1 April 2015.

## Notes to the Main Financial Statements

### 11 Members' Allowances

The total allowances paid to members during the financial year 2015/16 were £247,154 (£244,295 in 2014/15) as analysed below. Details of payments to individual members are published annually in a local newspaper.

(£)	2015/16	2014/15
Basic allowance payments	116,842	116,146
Special responsibility payments	127,110	125,057
Childcare allowance	295	534
Travel and subsistence payments:		
Subsistence	111	323
Travel claims	270	629
Travel warrants	1,479	555
Taxi fares	201	169
Mileage claims	846	882
	<b>247,154</b>	<b>244,295</b>

Additional civic responsibility payments were made to the Mayor and Deputy Mayor outside of the Members Allowances Scheme. These totalled £5,810 (£5,810 in 2014/15).

### 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 31.

#### Voluntary Organisations

Members of the Council have direct control over the Council's financial and operating policies. During 2015/16 the Council gave grant funding and paid for projects and services totalling £165,923 (£159,762 in 2014/15) to voluntary organisations in which 5 (6 in 2014/15) members or their close family were in positions of influence. £2,950 (£0 in 2014/15) of these amounts were unpaid at the year end.

The relevant members did not take part in any discussion or decision relating to these organisations.

## Notes to the Main Financial Statements

---

### Cambridge Live

The Council transferred the running of the Cambridge Folk Festival, Corn Exchange and other aspects of the arts and recreation service to a new arts trust charity, Cambridge Live, a company limited by guarantee, on 1 April 2015. Two members of the Council are appointed as trustees, and the Articles of Association require a minimum of 11 trustees. The Council is therefore not considered to have significant influence over the trust. At 1 April 2015 the Council granted a lease of relevant premises (The Corn Exchange, Parson's Court Offices and Wheeler Street Box Office) at a peppercorn rent for 25 years.

As disclosed in note 23, the Council has made a loan to the company for start-up costs. This totals £124,760 at 31 March 2016 (£108,684 at 31 March 2015) and is due to be repaid from 2017/18. No interest is due on the repayment. The Council paid £506,170 to the company under a contract for services in 2015/16, together with a s106 grant for artwork of £8,000 and a further payment towards works on the Corn Exchange of £34,575.

The Council paid over ticket balances, and other income remitted to it and due to the company in 2015/16. The Council has also recharged the company for its share of costs including utilities. At the year-end short term creditors with Cambridge Live and its trading subsidiary were £50,711 (£2,295,821 at 31 March 2015). At the year-end short term debtors were £25,001.

### Visit Cambridge and Beyond

The Council transferred the provision of tourism services to Visit Cambridge and Beyond (VCB), a company limited by guarantee, on 1 February 2016. There are 12 directors, of which one is appointed by the City Council. The Council is therefore not considered to have significant influence over the company. As disclosed in note 23 start-up costs of £90,306 were paid by the Council on behalf of the company and are due for repayment by the company starting in 2019. No interest is due on the repayment.

The Council has paid over income due to VCB and recharged it for its share of costs, including utilities and rent for offices at the Guildhall which is determined on a commercial basis. At 31 March 2016 short term debtors were £9,847 and short term creditors were £42,211.

The Council paid the grant subsidy of £51,780 due to VCB in respect of 2016/17 in advance and this is included within payments in advance at the year end.

### Shared service with other local authorities

The Council shares a number of services with Huntingdonshire District Council and South Cambridgeshire District Council. These include ICT, Building Control, and Legal, which commenced on 1 October 2015 under the banner of 3Cs Shared Services. There is a lead authority for each service and the Council accounts for shared service transactions in its accounts in accordance with *The Code of Practice on Local Authority Accounting*.

No other material transactions have been identified for disclosure which are not already included elsewhere in this Statement of Accounts.

### 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:

## Notes to the Main Financial Statements

	2015/16	2014/15
£50,000 to £54,999	2	2
£55,000 to £59,999	1	4
£60,000 to £64,999	2	2
£65,000 to £69,999	6	6
£70,000 to £74,999	5	3
£80,000 to £84,999	0	1
£85,000 to £89,999	0	2
£90,000 to £94,999	3	1
£115,000 to £119,999	0	1
£120,000 to £124,999	1	0
<b>Total</b>	<b>20</b>	<b>22</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 2015/16

(£) Position / Name	Note	Salary	Honorary	Pension Contribution	Total
Chief Executive (A Jackson)	1	122,503	0	21,315	143,818
Director of Environment (S Payne)		93,729	0	16,309	110,038
Director of Customer & Community Services (L Bisset)		93,729	0	16,309	110,038
Director of Business Transformation (R Ward)		90,419	0	15,733	106,152
Head of Corporate Strategy (A Limb)		69,452	0	12,085	81,537
Head of Finance (Section 151 Officer) (C Ryba)		69,452	0	12,085	81,537

Notes:

- The Chief Executive received Election Payments of £6,957 in addition to the above.



## Notes to the Main Financial Statements

### 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.

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.

The Council is required to recognise the costs of redundancy in the accounts in line with accounting standards. This means that the cost recognised in the accounts includes estimates for staff where the Council made the redundancy decision in 2015/16, but the staff will not leave and receive any exit payment until 2016/17. The number of exit packages recognised in the accounts, 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)	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
£0 - £20,000	8	8	0	0	8	8	97	82
£20,001 - £40,000	4	3	0	0	4	3	99	88
£40,001 - £60,000	1	0	0	0	1	0	42	0
£60,001 - £80,000	2	0	0	0	2	0	146	0
£80,001 - £100,000	2	0	0	0	2	0	165	0
£100,001 - £150,000	1	0	0	0	1	0	119	0
<b>Total</b>	<b>18</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>11</b>	<b>668</b>	<b>170</b>

## Notes to the Main Financial Statements

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.

In 2015/16 the Council has undertaken significant restructuring of services including reducing the number of senior managers to deliver long term savings to the Council.

The 3Cs shared service arrangement with Huntingdonshire District Council (HDC) and South Cambridgeshire District Council (SCDC) commenced on 1 October 2015. As part of the set-up costs of the shared services, the councils agreed to share exit costs in some circumstances.

SCDC and HDC have agreed to contribute £47,000 towards the exit costs above incurred in respect of staff now employed by the City Council, which is included in other local authority debtors at 31 March 2016.

In addition to the costs above the City Council has agreed to contribute £148,000 in respect of exit costs incurred by HDC. This is included in amounts owed to other local authorities at 31 March 2016.

### 14 Audit Costs

Cambridge City Council incurred the following fees relating to external audit.

(£000s)	2015/16	2014/15 (restated)
<b>Fees payable to the appointed external auditor in respect of:</b>		
External audit services	52	68
Certification of grant claims and returns	15	24
	<b>67</b>	<b>92</b>

## Notes to the Main Financial Statements

### 15 Property, Plant and Equipment

#### Financial year 2015/16

(£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 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>
Additions	10,124	230	1,512	533	22	0	30,785	43,206
Revaluation increases/(decreases) recognised in the revaluation reserve	21,822	9,901	0	0	0	608	0	32,331
Revaluation increases/(decreases) recognised in the surplus / deficit on provision of services	9,329	1,539	0	0	0	0	1,351	12,219
Derecognition – disposals	(3,271)	0	(279)	0	0	0	0	(3,550)
Derecognition – other	(445)	(70)	0	0	0	(69)	(6)	(590)
Assets reclassified from Investment Properties	(120)	(2,130)	0	0	0	3,000	0	750
Assets reclassified (to) / from held for sale	(381)	0	(236)	0	0	0	(275)	(892)
Assets reclassified (to) / from other categories of property, plant and equipment	11,783	87	544	150	0	(54)	(12,510)	0
<b>At 31 March 2016</b>	<b>586,941</b>	<b>138,449</b>	<b>19,726</b>	<b>4,262</b>	<b>1,173</b>	<b>3,682</b>	<b>32,635</b>	<b>786,868</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 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>
Depreciation charge	(8,517)	(3,816)	(1,683)	(105)	0	(2)	0	(14,123)
Depreciation written out to the Revaluation Reserve	8,460	8,168	0	0	0	0	0	16,628
Derecognition – disposals	51	0	94	0	0	0	0	145
Derecognition – other	0	6	0	0	0	2	0	8
Impairments	0	0	(4)	0	0	0	0	(4)
Assets reclassified to / from Held for Sale	6	0	214	0	0	0	0	220
Assets reclassified to / from other categories of property, plant and equipment	0	0	0	0	0	0	0	0
Other movements	0	0	0	1	0	0	0	1
<b>At 31 March 2016</b>	<b>0</b>	<b>(1,679)</b>	<b>(11,044)</b>	<b>(558)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(13,281)</b>
<b>Net Book Value</b>								
<b>At 31 March 2016</b>	<b>586,941</b>	<b>136,770</b>	<b>8,682</b>	<b>3,704</b>	<b>1,173</b>	<b>3,682</b>	<b>32,635</b>	<b>773,587</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>

## Notes to the Main Financial Statements

### 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	14,280	5,069	0	0	0	4	(32)	19,321
Revaluation increases/(decreases) recognised in the surplus / deficit on provision of services	15,025	(2,146)	0	0	0	2	0	12,881
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	(10,035)	(3,451)	(1,645)	(76)	0	(113)	0	(15,320)
Depreciation written out to the Revaluation Reserve	9,954	1,704	0	0	0	2	0	11,660
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

---

### 16 Property - Revaluations

The Council carries out a rolling programme that ensures that Property, Plant and Equipment to be revalued are done so at least every five years.

Current year revaluations were carried out by Independent External Valuers (all RICS registered) in accordance with the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) issued by the Royal Institution of Chartered Surveyors and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16:

Guy Harbord MA MRICS IRRV(Hons) (Wilks Head and Eve)  
Amanda Briggs BA (Hons) MRICS (Bidwells LLP)  
Anna Groom MA MRICS (Bidwells LLP)  
Clare Sale MRICS (Bidwells LLP)  
Duncan Wisbey MRICS (Bidwells LLP)

The valuation of operational property was on the basis of existing use value except for specialised operational assets which were assessed on the basis of depreciated replacement cost. Further detail on 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 in that they have not been instructed to inspect the properties or read all the leases. For all the properties they undertook external inspections only and have relied on information provided by Cambridge City Council and the accuracy of the valuation depends on the accuracy of the information provided.

In accordance with the Valuation Standards, Bidwells confirms that it last valued the properties in 2015 and has acted as valuer for Cambridge City Council since March 1994. They also confirm that in their last financial year the fees received from Cambridge City Council represented less than 5% of their turnover and they do not expect any material increase in these fees in 2016. Bidwells has a policy of rotating personnel undertaking this valuation so that no single valuer values the portfolio for more than seven consecutive years. This rotation is undertaken in accordance with Bidwells Management System under ISO 9001:2000

The Council has chosen to depart from the Professional Standards on the grounds of achieving best value for money in relation to property valuation work.

Surplus properties are valued at fair value (at level 3 of the fair value hierarchy) as at 31 March 2016. This value represents the development potential based on a value per net developable acre taking into account planning risk. If the value per acre falls or the planning risk increases the fair value will fall. The impact of this valuation is an unrealised gain of £680,000 to the revaluation reserve as recognised in the surplus on revaluation of property, plant and equipment in other comprehensive income and expenditure.

## Notes to the Main Financial Statements

The following table shows the current carrying value of Property, Plant and Equipment 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 2016	586,941	124,503	3,682	715,126
31 March 2015	0	4,409	0	4,409
31 March 2014	0	2,986	0	2,986
31 March 2013	0	690	0	690
31 March 2012	0	4,601	0	4,601
<b>Total Valuation</b>	<b>586,941</b>	<b>137,189</b>	<b>3,682</b>	<b>727,812</b>

Details on investment property valuation can be found in Note 21.

Vehicles, Plant and Equipment as short life operational assets, are held at historical cost less depreciation as a proxy for fair value.

### 17 Property, Plant and Equipment - Depreciation

The majority of the Council's Property, Plant and Equipment are council dwellings. Flats are assessed as having a remaining life of 45 years and houses 46 years. The Council changed the estimation basis for the remaining lives of dwellings in 2015/16 as detailed in note 42.

The useful lives of other assets are generally estimated as:

- Infrastructure Assets – 10 to 40 years
- Other buildings (main structure) – 5 to 90 years. Material components may be depreciated over a lesser term.
- Vehicles, Plant and Equipment – 3 to 25 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)	2015/16	2014/15
<b>Opening Capital Financing Requirement</b>	<b>216,012</b>	<b>215,906</b>
<b>Capital Expenditure</b>		
Property, Plant and Equipment	43,206	27,271
Investment Properties	9,839	164
Intangible Assets	18	53
Non-current assets held for sale	163	114
<b>Capital Expenditure Charged to the Comprehensive Statement of Income and Expenditure</b>		
Revenue Expenditure Funded from Capital	4,304	1,428
De-minimis capital expenditure	960	695
<b>Loans Advanced</b>		
Private Sector Housing Improvement Loans	23	35
<b>Purchase of Shares</b>		
Local Government Finance Company	0	50
<b>Revaluation losses on non-dwelling HRA assets charged to the Comprehensive Statement of Income and Expenditure</b>	<b>(186)</b>	<b>(96)</b>
<b>Sources of finance</b>		
Capital receipts	(11,185)	(7,178)
Government grants and other contributions	(8,520)	(4,237)
Revenue and reserves	(34,198)	(18,193)
<b>Other movements</b>	<b>(3)</b>	<b>0</b>
<b>Closing capital financing requirement</b>	<b>220,433</b>	<b>216,012</b>

## Notes to the Main Financial Statements

### 19 Capital Commitments

At 31 March 2016, the Council was contractually committed to capital work valued at approximately £28.9 million, as shown in the following table.

(£000s)	31 March 2016	31 March 2015
<b>Property, Plant and Equipment</b>		
Clay Farm Community Centre	6,717	217
Vehicle asset replacements	185	178
HRA New Build Properties	14,745	9,743
Housing Capital Programme	2,128	1,926
General Fund Property Acquisition for Housing Company	1,745	0
Bus shelters	75	0
Replacement telecommunications and LAN	188	0
<b>Assets held for sale/Property Plant and Equipment</b>		
Land at Clay Farm	731	1,692
<b>Assets Held For Sale</b>		
Development land on Kings Hedges Road	0	67
<b>Investment Properties</b>		
Lion Yard contribution to works	0	78
Clay Farm commercial property construction costs	253	0
Commercial properties asset replacement	131	0
<b>Revenue Expenditure Funded from Capital Under Statute</b>		
Private Sector Housing Improvements	0	284
Community Development Grants Programme	115	121
Green Deal Grants	1,892	2,274
	<b>28,905</b>	<b>16,580</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)	2015/16	2014/15
Rental income from investment property	(8,266)	(7,879)
Direct operating expenses arising from investment property	395	365
<b>Net gain</b>	<b>(7,871)</b>	<b>(7,514)</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)	2015/16	2014/15
<b>Balance at start of the year</b>	<b>121,765</b>	<b>118,529</b>
<i>Additions:</i>		
Subsequent expenditure	213	164
Acquisitions	9,626	0
Unrealised gains/(losses) recognised in Financing and Investment Income line in Surplus/Deficit on the provision of services from fair value adjustments	13,420	3,472
<i>Transfers:</i>		
(To) / from Property, Plant and Equipment	(750)	(400)
<b>Balance at the end of the year</b>	<b>144,274</b>	<b>121,765</b>
Acquisitions included above measured at historic cost	(179)	0
<b>Fair value at year end</b>	<b>144,095</b>	<b>121,765</b>

## Notes to the Main Financial Statements

### 21 Fair Value Measurement of Investment Properties

Investment properties are held at fair value, with the exception of investment properties under construction where it is too soon to measure fair value reliably. These assets are held at historic cost.

Investment properties are classified as Level 3 within the value hierarchy as defined within IFRS13. Level 3 inputs used in valuing the properties are those which are unobservable and observable inputs where significant adjustments have been applied to determine specific property valuations, as opposed to level 1 (inputs from quoted prices) and level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

The portfolio is valued in line with the accounting policy detailed on page 94.

The valuation is undertaken by Bidwells LLP, on a fair value basis in line with IFRS 13 and in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards. Further details of Bidwells approach to the valuations can be found in Note 16.

The Council provides data to the valuers, including current lease and tenant data. The valuers use this and other inputs, including market transactions for similar properties, to produce valuations. These valuations and the assumptions they have made have been discussed with senior Council finance and property officers.

The following table shows an analysis of the fair values of investment property recognised in the balance sheet.

Property Class	Fair Value at 31 March 2016	Predominant Valuation technique	Key unobservable inputs	Range
Retail	36,505	Investment	Market Rent (psf) Market Rent (psf ZA) EY yield	£8.60 - £41.00 £12.75 - £195 4.75% - 16.5%
Central Cambridge Shopping Centres	39,000	Investment	NIY Yield	4.0%
Offices	4,641	Investment	Market Rent (psf) EY yield	£8.60 - £23.50 7.4% - 11.0%
Industrial	7,460	Investment	Market Rent (psf) EY yield	£6.00 - £15.50 7.4% - 11.0%
Land	29,203	Investment / Comparable	Market Rent (per acre) NIY yield £/acre	£10,000 - £52,270 3.0% - 7.0% £130,000 - £1,000,000
Leisure	2,657	Investment	EY yield	7.49% - 15.0%
Other	24,629	Investment	Yield	2.4% - 15.0%
<b>Total</b>	<b>144,095</b>			

## Notes to the Main Financial Statements

---

The predominant valuation techniques are:

### *Investment Method*

This involves estimating the rental value of each lettable part of the property, making an assessment of void periods and associated costs and then capitalising at an appropriate yield. Hope value is included where there is future reversionary potential such as conversion to residential use.

### *Comparable Method*

The opinion of value was primarily derived using comparable recent market transactions on an arm's length basis with appropriate adjustments.

### **Sensitivity Analysis**

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy on investment property are:

- Market Rent – this is estimated for each lettable unit by comparison with recent lettings from within the property itself or nearby making appropriate adjustments for size, specification, location and incentives.
- Voids – an estimate of the likely period required to relet vacant property and the likelihood of lease renewal.
- Yield – opinion on the appropriate capitalisation rate to be applied by reference to transactions for comparable properties.

Significant increases/(decreases) in the rental value would result in a higher/(lower) fair value measurement.

Significant increases/(decreases) in the long term vacancy rate or yield would result in a lower/(higher) fair value measurement.

The current use of investment properties is highest and best use, with the exception of property in the Cambridge Northern Fringe East development area which is let out on a short term basis (with the Council able to exercise break clauses) pending redevelopment.

## **22 Leases**

### Council as Lessee

#### *Finance Leases*

The carrying value of investment properties held under finance leases was £1,660,000 at 31 March 2016 (£1,660,000 at 31 March 2015). Secondary lease payments of £2,247 in each of 2014/15 and 2015/16 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 £135,709 at 31 March 2016 (£53,866 at 31 March 2015).

## Notes to the Main Financial Statements

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 £35,260,000 at 31 March 2016 (£25,027,500 at 31 March 2015).

### *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 2016	31 March 2015
Not later than one year	179	80
Later than one year and not later than five years	441	250
Later than five years	0	0
	<b>620</b>	<b>330</b>

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

(£000s)	2015/16	2014/15
<b>Minimum lease payments</b>	<b>221</b>	<b>371</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.

The future minimum lease payments receivable, under leases which cannot be cancelled, are:

(£000s)	31 March 2016	31 March 2015
Not later than one year	4,458	3,761
Later than one year and not later than five years	13,187	10,615
Later than five years	102,290	95,610
	<b>119,935</b>	<b>109,986</b>

The minimum lease payments receivable do not include contingent rents such as those based on turnover. In 2015/16 £2,241,047 of contingent rents were receivable by the Council (2014/15 £2,160,045).

## Notes to the Main Financial Statements

### 23 Short-Term and Long-Term Investments

(£000s)	2015/16		2014/15	
	Long Term	Short Term	Long Term	Short Term
Investments in Icelandic banks and their UK subsidiaries	0	41	0	101
Other investments	32,050	56,760	15,484	86,217
	<b>32,050</b>	<b>56,801</b>	<b>15,484</b>	<b>86,318</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)	2015/16		2014/15	
	Heritable Bank Plc	LBI hf	Heritable Bank Plc	LBI hf
Balance sheet carrying value				
Short term investments	41	0	101	0
Increase / (decrease) in impairment recognised in the Comprehensive Income and Expenditure account	(102)	0	0	(63)
Cash received	162	0	0	2,040

#### *LBI hf*

The Council sold its remaining claims against the insolvent estate of LBI in autumn 2014.

#### *Heritable Bank Plc*

The Council has received 98% 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 99%.

## Notes to the Main Financial Statements

### 24 Long-Term Debtors

Long-term debtors which fall due after a period of at least one year:

(£000s)	31 March 2016	31 March 2015
Mortgages	1	1
Grand Arcade reverse lease premium	200	205
Private sector housing improvement loans	815	793
Sale of land at Kings Hedges	30	30
Long term loan – Kelsey Kerridge Sports Centre	0	1
Cambridge Live	125	109
Visit Cambridge and Beyond	90	0
Employee Loans	2	0
Mortgage Repossessions Loans	7	7
	<b>1,270</b>	<b>1,146</b>

### 25 Assets Held for Sale

(£000s)	Current	
	2015/16	2014/15
<b>Balance at 1 April</b>	<b>9,707</b>	<b>4,492</b>
Assets newly classified as held for sale:		
Property, plant & equipment	672	5,207
Transfers between current and long term assets held for sale	0	0
Assets sold	(7,331)	(3,469)
Clay Farm change in estimate of value – Revaluation Reserve	0	3,217
Clay Farm change in estimate of value – Reverse previous impairment loss	0	152
K1 Site – change in estimate of value – reverse previous loss in I&E	1,096	0
Enhancement expenditure	163	114
Impairment losses	(12)	(5)
<b>Balance at 31 March</b>	<b>4,295</b>	<b>9,707</b>

The 2014/15 and 2015/16 impairment losses relates to vehicles.

## Notes to the Main Financial Statements

### 26 Debtors

(£000s)	31 March 2016	31 March 2015
Central government bodies	2,508	1,371
Other local authorities	2,065	963
NHS bodies	10	32
Council tax payers (City share)	383	500
National non domestic rate payers (City share)	152	270
Council tax payers (precepting bodies share)	1,285	1,658
Housing tenants and leaseholders	349	477
Trade and other	6,518	6,519
	<b>13,270</b>	<b>11,790</b>

### 27 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

(£000s)	31 March 2016	31 March 2015
Cash held by the Council	0	4
Bank current accounts	1,626	864
Bank deposit accounts	7,560	6,400
	<b>9,186</b>	<b>7,268</b>

### 28 Short-Term Creditors

(£000s)	31 March 2016	31 March 2015
Central government bodies	(4,934)	(2,984)
Other local authorities	(3,119)	(2,174)
Other entities and individuals	(10,623)	(12,202)
	<b>(18,676)</b>	<b>(17,360)</b>

## Notes to the Main Financial Statements

### 29 Receipts in Advance

(£000s)	31 March 2016	31 March 2015
Cambridge City Council share of council tax receipts in advance	(296)	(385)
Cambridge City Council share of non-domestic rates receipts in advance	(689)	(644)
Capital grants receipts in advance	(47)	(75)
Housing tenants and leaseholders	(845)	(1,128)
Other	(1,836)	(2,055)
	<b>(3,713)</b>	<b>(4,287)</b>

### 30 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 2016 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.



## Notes to the Main Financial Statements

(£000s)	Insurance Provision	Business Rates Appeals Provision	Other Provisions	Total
<b>Balance at 1 April 2015</b>	<b>(692)</b>	<b>(3,544)</b>	<b>(9)</b>	<b>(4,245)</b>
Additional provisions made in 2015/16	(221)	(1,095)	(251)	(1,567)
Amounts used in 2015/16	163	834	0	997
Unused amounts reversed in 2015/16	104	0	0	104
<b>Balance as at 31 March 2016</b>	<b>(646)</b>	<b>(3,805)</b>	<b>(260)</b>	<b>(4,711)</b>

### 31 Grant Income

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16:

(£000s)	2015/16	2014/15
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	(3,012)	(4,311)
New Homes Bonus	(4,976)	(3,389)
New Burdens and Transitional Grants	(86)	(112)
Individual Electoral Registration Grants	(103)	(128)
Homelessness Grants	(196)	(103)
Site Delivery Planning Grant	0	(50)
Small Business Rate Relief Grant	(311)	(283)
Other Business Rate Relief Grants	(653)	(407)
Welfare Reform Grants	(122)	0
Other Capital grants and contributions	(4,925)	(4,216)
	<b>(14,384)</b>	<b>(12,999)</b>
<b>Credited to Services</b>		
Discretionary Housing Payments	(149)	(183)
Rent Allowance and Rent Rebates Admin Subsidy	(480)	(526)
Rent Allowance Subsidy	(19,196)	(18,775)
Rent Rebates Subsidy	(19,017)	(19,062)
Non HRA Rent Rebates Subsidy	(477)	(295)
Other Housing Benefit Grants	(75)	(156)
Other capital grants and contributions	(358)	(400)
	<b>(39,752)</b>	<b>(39,397)</b>

## Notes to the Main Financial Statements

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 2016	31 March 2015
<b>Capital Grants Receipts in Advance</b>		
Due within 12 months	(47)	(75)
Due in more than 12 months	(7,778)	(8,087)
<b>Total</b>	<b>(7,825)</b>	<b>(8,162)</b>

### 32 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 4 and 5.

### 33 Unusable Reserves

(£000s)	31 March 2016	31 March 2015
Deferred Capital Receipts Reserve	(3,979)	(3,226)
Revaluation Reserve	(147,009)	(104,993)
Capital Adjustment Account	(556,532)	(499,567)
Financial Instruments Adjustment Account	80	90
Pensions Reserve	107,797	124,811
Collection Fund Adjustment Account	1,847	4,536
Available for Sale Reserve	(2)	566
Accumulated Absences Account	455	483
<b>Total Unusable Reserves</b>	<b>(597,343)</b>	<b>(477,300)</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)	2015/16	2014/15
<b>Balance at 1 April</b>	<b>(3,226)</b>	<b>(45)</b>
Deferred sale proceeds on disposal of non-current assets	(3,403)	(3,193)
Transfer to the Capital Receipts Reserve upon receipt of cash	2,650	12
<b>Balance at 31 March</b>	<b>(3,979)</b>	<b>(3,226)</b>

## Notes to the Main Financial Statements

### 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.

(£000s)	2015/16	2014/15
<b>Balance at 1 April</b>	<b>(104,993)</b>	<b>(72,434)</b>
Net (gains) / losses on revaluations during the year	(49,069)	(34,239)
<b>Amounts written off to the Capital Adjustment Account</b>		
Difference between fair value depreciation and historical cost depreciation	1,821	1,474
Accumulated gains on assets sold or scrapped	5,232	206
<b>Balance at 31 March</b>	<b>(147,009)</b>	<b>(104,993)</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)	2015/16	2014/15
<b>Balance at 1 April</b>	<b>(499,567)</b>	<b>(480,287)</b>
Charges for depreciation and impairment of non-current assets	14,124	15,319
Revaluation (gains)/losses on property, plant and equipment	(12,406)	(12,977)
Impairment losses on assets held for sale	(1,084)	(146)
Impairments on property, plant and equipment	4	0
Amortisation of intangible assets	108	130
Revenue expenditure funded from capital under statute and de minimis capital spend	5,264	2,123
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	6,159	10,780
Depreciation in excess of historic cost transfer from revaluation reserve	(1,821)	(1,474)
Use of the Capital Receipts Reserve to finance new capital expenditure	(11,185)	(7,178)
Use of the Major Repairs Reserve to finance new capital expenditure	(7,499)	(10,629)
Application of grants and contributions to capital financing	(8,520)	(4,237)
Private sector housing loans	10	45
Capital expenditure charged against the General Fund and Housing Revenue Account balances	(26,699)	(7,564)
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(13,420)	(3,472)
<b>Balance at 31 March</b>	<b>(556,532)</b>	<b>(499,567)</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 37.

## Notes to the Main Financial Statements

(£000s)	2015/16	2014/15
<b>Balance at 1 April</b>	<b>124,811</b>	<b>95,201</b>
Remeasurements of the net defined benefit liability/(asset)	(21,786)	24,477
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	10,494	10,228
Employer's pension contributions and direct payments to pensioners payable in the year	(5,722)	(5,095)
<b>Balance at 31 March</b>	<b>107,797</b>	<b>124,811</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)	2015/16	2014/15
<b>Balance at 1 April</b>	<b>4,536</b>	<b>3,395</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	(17)	105
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	(2,672)	1,036
<b>Balance at 31 March</b>	<b>1,847</b>	<b>4,536</b>

## 34 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.

The Council's housing planned maintenance contractor was notified in late 2015 of the reduced work programme they could expect for 2016/17, following a review of replacement cycles in relation to the HRA stock. There is no guaranteed volume of annual work included in the planned maintenance contract but there is a commitment for the parties to work collaboratively. Two workstreams particularly hit were the kitchen and bathroom replacements and it is in these two areas in particular where TUPE transferred ex Council employees are principally employed.

The contractor responded by raising the possibility of redundancies in the TUPE workforce and have since proceeded to reduce their workforce using voluntary severance arrangements. Having taken advice, the contractor has claimed that, contractually, the redundancy costs should rest with the Council. The Council has rejected any responsibility for the severance costs which is a view

## Notes to the Main Financial Statements

---

strongly supported by its own legal advisers and is a position consistent with current practice elsewhere.

The contractor has indicated that they may consider a more formal approach in order to reclaim payment for the severance costs incurred. Any claim would be rejected by the Council and if further challenged would have to be referred to adjudication in accordance with the terms of the contract which exists between the parties.

### 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 £675,000 and it has been estimated that if the proposal were accepted the backdated loss of business rates income to the 31 March 2016 to the Collection Fund would be in the order of £1.9 million. The Council's share of this loss would be £743,000.

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 2015/16 accounts.

### NHS Trusts

During January and February 2016, NHS Trusts wrote to local authorities countrywide claiming charitable status and requesting mandatory relief from business rates under s.43(5) and (6) of the Local Government Act 1988, the request being backdated to 2010. If granted this would lead to a repayment of 80% of the rates paid. It has been estimated that the backdated loss of rates income to 31 March 2016 to the Collection Fund would be in the order of £12.1 million. The Council's share of this loss would be £4,857,000.

Legal advice obtained on behalf of the NHS Trusts is that they are charities. The Local Government Association (LGA) has sought legal advice on behalf of the affected councils. Counsel advice to the LGA is that NHS Trusts and Foundation Trusts are not charities, and that the applications for rate relief are therefore unfounded.

## Notes to the Main Financial Statements

### 35 Financial Instruments

#### Categories of Financial Instrument

The following categories of financial instrument are carried in the balance sheet:

(£000s)	Long Term		Current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015 (restated)
<b>Investments</b>				
Loans and receivables	22,000	6,000	46,728	69,296
Available-for-sale financial assets	10,000	9,434	10,073	17,021
Unquoted equity investment at cost	50	50	0	0
<b>Debtors</b>				
Loans and receivables	1,270	1,146	8,829	3,671
<b>Creditors &amp; Receipts in Advance</b>				
Financial liabilities at amortised cost	(7,778)	(8,087)	(13,654)	(14,968)
<b>Borrowing</b>				
Financial liabilities at amortised cost	(213,572)	(213,572)	(82)	(82)
	<b>(188,030)</b>	<b>(205,029)</b>	<b>51,894</b>	<b>74,938</b>

31 March 2015 figures have been restated to show a reclassification of Certificates of Deposit (totalling £17,021,000) as available-for-sale assets rather than loans and receivables to better reflect their nature. This has no material effect on their valuation at this date.

#### 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 which are included in the balance sheet as loans and receivables. 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.

## Notes to the Main Financial Statements

(£000s)	2015/16	2014/15
<b>Balance sheet carrying value as at 1 April</b>	<b>793</b>	<b>769</b>
Adjustment to opening values	4	0
Nominal value of new loans recognised in the year	23	35
Interest – increase in discounted amount	19	27
Loans repaid	(14)	(45)
Fair value adjustment	(10)	7
<b>Balance sheet carrying value as at 31 March</b>	<b>815</b>	<b>793</b>
<b>Loan payments outstanding (nominal value) at 31 March</b>	<b>895</b>	<b>881</b>

### 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)	2015/16			2014/15		
	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 (restated)	Financial Assets – Available for Sale (restated)
Interest expense	7,532	0	0	7,496	0	0
Reductions in fair value	0	10	0	0	0	0
Reversal of losses on impaired financial assets	0	(107)	0	0	(63)	0
Impairment losses	0	216	0	0	187	0
<b>Total expense in Surplus on the Provision of Services</b>	<b>7,532</b>	<b>119</b>	<b>0</b>	<b>7,496</b>	<b>124</b>	<b>0</b>
Increases in fair value	0	0	0	0	(7)	0
Interest Income	0	(710)	(666)	0	(673)	(116)
<b>Total income in Surplus on the Provision of Services</b>	<b>0</b>	<b>(710)</b>	<b>(666)</b>	<b>0</b>	<b>(680)</b>	<b>(116)</b>
(Gains)/Losses on revaluation	0	0	(568)	0	0	566
<b>(Surplus) /deficit arising on revaluation of financial assets in Other Comprehensive Income &amp; Expenditure</b>	<b>0</b>	<b>0</b>	<b>(568)</b>	<b>0</b>	<b>0</b>	<b>566</b>



## Notes to the Main Financial Statements

£41,000 of interest income in the comparative year has been moved from loans and receivables to available-for-sale assets following the reclassification of certificates of deposit.

### Financial assets measured at fair value in the balance sheet

Available-for-sale financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2016 (£000s)	31 March 2015 (£000s)
Units in CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical units	10,000	9,434
Certificates of Deposit	Level 1	Unadjusted quoted prices in active markets for identical CDs	10,073	17,021
			<b>20,073</b>	<b>26,455</b>

Equity shares, as available-for-sale assets are required to be valued at fair value if material. The Council has made an exception to this treatment in respect of its shareholding in the UK Municipal Bonds Agency Plc. 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

### Fair value of financial assets and liabilities that are not measured at fair value (but for which fair value disclosures are required)

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value (assessed as level 2 in the fair value hierarchy) 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 2016 of 1.89% (2.15% at 31 March 2015) has been used to calculate the fair value of private sector housing improvement loans
- ◆ Estimated ranges of interest rates at 31 March 2016 of 2.95% to 3.12% for long term loans from the Public Works Loans Board (PWLb).
- ◆ 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

## Notes to the Main Financial Statements

The fair values are assessed as follows:

(£000s)	31 March 2016		31 March 2015	
	Carrying amount	Fair Value	Carrying amount (restated)	Fair Value (restated)
<b>Financial Liabilities at amortised cost</b>				
Current liabilities	(13,654)	(13,654)	(14,968)	(14,968)
Long term liabilities	(7,778)	(7,778)	(8,087)	(8,087)
Short term borrowing	(82)	(82)	(82)	(82)
Long term borrowing	(213,572)	(233,206)	(213,572)	(278,397)
<b>Loans and receivables:</b>				
Long term debtors	1,270	1,270	1,146	1,146
Current debtors	8,829	8,829	3,671	3,671
Long term investments	22,000	22,001	6,000	5,973
Current investments	46,728	46,728	69,296	69,296

The comparative figures for current investments reflect the reclassification of Certificates of Deposit as available-for-sale assets as described above.

The fair value of the long term PWLB loans measures economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for a market transaction undertaken at the balance sheet date. The difference between the carrying amount and the fair value measure the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing rates.

The fair value of the loans from the PWLB have been assessed using the new loans rate. IFRS 13 and the Code require that in the absence of a quoted price for a liability, fair value should be measured from the perspective of a market participant. For PWLB loans, measurement is therefore required from the perspective of the PWLB, assessing the price that they would be able to secure if they were to sell the loans in an orderly market transaction. However, it is sometimes not possible to find observable active markets. The Council's treasury advisors have therefore advised using the PWLB new loan rate as a suitable proxy for a transfer value and that this is comparable to other government debt, for example that issued by Transport for London (TfL). This also reflects the reality that the Council has a continuing ability to borrow at PWLB rates.

However, if the Council were to seek to take advantage of the lower prevailing market rates by repaying current PWLB loans, the PWLB would charge a penalty and the Council would have to pay the early redemption rate. The exit price for PWLB loans including this penalty would be £281,067,000. The Council has calculated the fair value of PWLB loans on this basis in previous years, including 2014/15. As the new fair value requirements of IFRS 13 do not require restatement of prior years, the Council has not obtained an alternative fair value for 2014/15.

## Notes to the Main Financial Statements

---

### 36 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 2015/16 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 2015/16
Government Debt Management Account Deposit Facility (DMADF)	Unlimited	Unchanged
UK Government Gilts, Treasury Bills and Supranational Bonds	£15m	Unchanged
HSBC Bank Plc	£20m	Reduction of £5m
Barclays Bank plc	£25m	Increase of £5m
Single named Institution (Nationalised Banks, Local Authorities, Nationwide Building Society & UK Domiciled Banks excluding Santander)	£20m	Unchanged
UK Banks Group Limit	£30m	Unchanged
Certificates of Deposit with UK Banks (Included within single counterparties limit)	£15m	Unchanged
AAA Money Market Funds	£15m total per fund	Unchanged
Enhanced Cash Funds (Standard & Poor's: AAAs/S1, Fitch: AAA/V1)	£5m total per fund	New
UK subsidiary of foreign bank (Santander UK)	£5m	Unchanged
Named Foreign Banks (Svenska Handelsbanken and Deutsche Bank)	£5m	Unchanged
Certificates of Deposit with the Named Foreign Banks (included within single counterparties limit)	£2m	Unchanged
Building Society (dependent on asset base and investment type)	£2m to £20m	Unchanged
CCLA Local Authorities' Property Fund	£10m	Unchanged

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 2016 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 2016</b>					
<b>United Kingdom</b>					
Banks	21,000	33,500	0	0	54,500
Building Societies	0	2,000	0	0	2,000
Local Authorities	0	0	0	22,000	22,000
<b>Total</b>	<b>21,000</b>	<b>35,500</b>	<b>0</b>	<b>22,000</b>	<b>78,500</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 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>

In addition to these the Council has investments in long term available for sale assets as detailed in note 35, which do not have a defined maturity date.

These tables exclude the investments in Heritable Bank and LBI as detailed in Note 23.

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 2016		31 March 2015	
	Gross Debt	Impairment Allowance	Gross Debt	Impairment Allowance
Long term debtors	1,270	0	1,146	0
Current and former tenants	1,387	1,181	1,479	1,203
Other debtors	9,043	419	7,926	352
	<b>11,700</b>	<b>1,600</b>	<b>10,551</b>	<b>1,555</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 2016	31 March 2015
<b>Balance at 1 April</b>	<b>1,555</b>	<b>1,616</b>
Increase in allowance for impairment	215	172
Balances written off during the year	(170)	(233)
<b>Balance at 31 March</b>	<b>1,600</b>	<b>1,555</b>

The Council does not generally extend credit to its customers beyond 21 days. At 31 March 2016, of the total debtor and deferred debtor balances of £11.7 million (£10.6 million at 31 March 2015), the past due amount was £2.0 million (£2.0 million at 31 March 2015) and can be analysed by age as follows:

(£000s)	31 March 2016	31 March 2015
<b>Customer Debts</b>		
Less than three months	458	563
Three to six months	138	139
Six months to one year	223	186
More than one year	1,189	1,154
<b>Balance at 31 March</b>	<b>2,008</b>	<b>2,042</b>

Debts are not generally specifically impaired, so the impairment allowance is based on the age of overdue debt and can be analysed as follows:

(£000s)	31 March 2016	31 March 2015
<b>Impairment allowance by age of debt</b>		
Less than three months	139	190
Three to six months	76	85
Six months to one year	143	115
More than one year	1,242	1,165
<b>Balance at 31 March</b>	<b>1,600</b>	<b>1,555</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.

## Notes to the Main Financial Statements

The maturity analysis of the loans is as follows:

(£000s)	31 March 2016	31 March 2015
Between 20 and 25 years	42,714	32,036
Between 25 and 30 years	53,393	53,393
Between 30 and 35 years	53,393	53,393
Between 35 and 40 years	53,393	53,393
Between 40 and 45 years	10,679	21,357
	<b>213,572</b>	<b>213,572</b>

Accrued interest due on the PWLB loans to 31 March 2016 was £82,000 (£82,000 in 2014/15).

### 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 and on-call money market funds for very short term cash deposits and the interest rate on these accounts is variable.

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 2015/16, if interest rates on variable rate deposits had been one percentage point higher, with all other variables held constant, the financial effect would have been an additional income of £285,000 (£380,000 in 2014/15).

#### *Price risk*

The Council does not generally invest in equity shares in individual companies. However it did invest £50,000 in the Municipal Bonds Agency 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.

## Notes to the Main Financial Statements

---

The Council is exposed to potential losses arising from future movements in the value of the Municipal Bonds Agency shares, but given the size of the current shareholding these are not material.

A gain of £566,000 in respect of the Local Authorities' Property Fund has been recognised in Other Comprehensive Income and Expenditure in 2015/16. This reflects general movements in the value of the shares over 2015/16, based on the bid price. A further movement in the bid price of 5% (positive or negative) would have resulted in a £500,000 gain or loss being recognised in Other Comprehensive Income and Expenditure in 2015/16.

The Council also holds a number of Certificates of Deposit, shown in current investments, which are available-for-sale assets and a small gain of £2,000 has been recognised in Other Comprehensive Income and Expenditure in 2015/16 in respect of these assets.

The statutory accounting arrangements around all investments treated as available-for-sale 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 the investments in the Municipal Bonds Agency and the Local Authorities' Property Fund over the long term. Certificates of Deposit are intended to be held to maturity, and in these circumstances there is no gain or loss realised on maturity.

### *Foreign exchange risk*

The Council has no material financial assets or liabilities denominated in foreign currencies.

## **37 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 2015/16 was the responsibility of the Cambridgeshire Pension Fund Committee and Investment Sub-Committee. 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.



## Notes to the Main Financial Statements

### 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:

(£000s)	Local Government Pension Scheme	
	2015/16	2014/15
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	7,334	6,098
Past service costs (including curtailments)	268	19
Effect of settlements	(1,105)	0
<b>Financing and Investment Income and Expenditure:</b>		
Net interest cost	3,997	4,111
Total post-employment benefit charged to the surplus or deficit on the provision of services	<b>10,494</b>	<b>10,228</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)	8,381	(11,993)
Changes in financial assumptions	(28,695)	41,357
Other experience changes	(1,472)	(4,887)
Total post-employment benefit charged to the comprehensive income and expenditure statement	<b>(11,292)</b>	<b>34,705</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	17,014	(29,610)
<b>Employers' contributions payable to the scheme</b>	<b>5,722</b>	<b>5,095</b>

## Notes to the Main Financial Statements

### Pensions Assets and Liabilities Recognised in the Balance Sheet

(£000s)	2015/16	2014/15
Present value of the defined benefit obligation	(277,380)	(302,046)
Fair value of plan assets	169,583	177,235
<b>Net liability arising from defined benefit obligation</b>	<b>(107,797)</b>	<b>(124,811)</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 £107.8 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.

### Assets and liabilities in relation to post-employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

(£000s)	2015/16	2014/15
<b>Opening balance at 1 April</b>	<b>(302,046)</b>	<b>(253,978)</b>
Current Service Cost	(7,334)	(6,098)
Past service cost	(268)	(19)
Effect of settlements	5,734	0
Interest Cost	(9,556)	(10,926)
Contributions by scheme participants	(1,584)	(1,609)
Benefits paid	7,246	6,947
Estimated unfunded benefits paid	261	107
Remeasurements – changes in financial assumptions	28,695	(41,357)
Remeasurements – other experience	1,472	4,887
Remeasurements – changes in demographic assumptions	0	0
<b>Closing balance at 31 March</b>	<b>(277,380)</b>	<b>(302,046)</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 42.

## Notes to the Main Financial Statements

Reconciliation of fair value of the scheme (plan) assets:

(£000s)	2015/16	2014/15
<b>Opening balance at 1 April</b>	<b>177,235</b>	<b>158,777</b>
Effect of settlements	(4,629)	0
Interest income on plan assets	5,559	6,815
Contributions by scheme participants	1,584	1,609
Employer Contributions	5,461	4,988
Contributions in respect of unfunded benefits	261	107
Benefits paid	(7,246)	(6,947)
Unfunded benefits paid	(261)	(107)
Remeasurements – return on assets excluding amount in net interest expense	(8,381)	11,993
<b>Closing balance at 31 March</b>	<b>169,583</b>	<b>177,235</b>

### Local Government Pension Scheme asset breakdown

(£000s)	Fair value of scheme assets	
	2015/16	2014/15
Cash and cash equivalents	3,474	5,311
<b>Equity instruments:</b>		
Consumer	3,961	17,554
Manufacturing	3,314	10,866
Energy & utilities	2,892	4,993
Financial Institutions	6,277	14,495
Health and care	2,702	8,629
Information technology	1,361	8,013
Other	0	0
Private Equity	13,184	12,566
<b>Investment Funds and Unit Trusts:</b>		
Equities	92,159	54,599
Bonds	25,661	27,023
Other	14,598	13,186
<b>Closing balance at 31 March</b>	<b>169,583</b>	<b>177,235</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.

## Notes to the Main Financial Statements

### 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.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2015/16	2014/15
<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	4.2%	4.3%
Rate of increase in pensions	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	3.2%
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 analysis below has 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.

## Notes to the Main Financial Statements

Change in assumption at 31 March 2016	Approximate % increase to Employer Liability	Approximate Monetary amount (£000s)
0.5% decrease in the real discount rate	11%	30,537
1 year increase in member life expectancy	3%	8,314
0.5% increase in the salary increase rate	3%	9,201
0.5% increase in the pensions increase rate	8%	20,833

### 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 £5,932,000 in 2016/17.

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
Weighted Average Total	19.7

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

### 38 Cashflow Statement – Operating Activities

The cash flows for operating activities include the following items:

(£000s)	2015/16	2014/15
Housing rents	20,237	19,422
Revenue Support Grant	3,012	4,311
Council Share on non-domestic rates income collected	38,630	37,133
Non domestic rates – tariff payment to central government	(33,544)	(32,915)
New Homes Bonus Grant	4,976	3,389
Non domestic rates – safety net payment received from central government	0	1,571
Non domestic rates – levy payment to central government	(152)	0
Non domestic rates – Section 31 grants received from central government	1,336	675
Green Deal Grant	0	7,857
Housing Benefit subsidies	38,439	39,867
Council share of Council Tax receipts	7,048	6,769
Cash paid to and on behalf of employees	(25,639)	(26,861)
Employer national insurance and pension contributions paid	(7,459)	(6,240)
Payments to the capital receipts pool	(1,078)	(1,120)
Housing Benefit paid	(19,588)	(19,298)
Interest received	1,276	583
Interest paid	(7,534)	(7,496)
Other cashflows	(603)	8,153
	<b>19,357</b>	<b>35,800</b>

### 39 Cashflow Statement – Investing Activities

The cash flows for investing activities are as follows:

(£000s)	2015/16	2014/15
Purchase of property, plant and equipment, investment property and intangible assets	(50,553)	(21,726)
Purchase of short-term and long-term investments	(74,000)	(118,475)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11,221	7,102
Proceeds from short-term and long-term investments	87,662	92,465
Other receipts from investing activities	3,154	5,375
	<b>(22,516)</b>	<b>(35,259)</b>

## Notes to the Main Financial Statements

### 40 Cashflow Statement – Financing Activities

(£000s)	2015/16	2014/15
Other receipts from financing activities	5,077	154
<b>Net cash flows from financing activities</b>	<b>5,077</b>	<b>154</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.

### 41 Impact of the adoption of new accounting standards on the financial statements – effective for the 2016/17 financial year

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been *issued* but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- Amendments to IAS19 *Employee Benefits*
- Annual Improvements to IFRSs cycle
- Amendment to IFRS11 *Joint Arrangements*
- Amendment to IAS 16 *Property Plant and Equipment* and IAS38 *Intangible Assets*
- Amendment to IAS1 *Presentation of Financial Statements*
- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis, as part of CIPFA's *Telling the Story* review.

The Council does not anticipate that the above amendments will have a material impact on the information provided in local authority financial statements ie there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services. However, in the 2016/17 year the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and reporting requirements as a result of the Telling the Story review of local authority accounts.

### 42 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 2015 for the 2014/15 Statement of Accounts the actuary assumed a discount rate of 3.2%. For the 2015/16 Statement of Accounts the actuary has advised that a rate of 3.5% is appropriate. Application of this rate (and related RPI/CPI inflation and salary increase assumptions) has resulted in a reduction in liabilities of £29.1 million, as reflected in the remeasurement losses recognised for the year in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

#### Change in remaining useful economic lives of dwellings

During 2015/16 the Council undertook a review of the remaining useful lives of dwellings, in conjunction with the external housing stock valuer.

## Notes to the Main Financial Statements

---

The previous remaining lives were based on age bandings, so that older properties had a shorter remaining life. However, having undertaken the review the Council and the valuer have determined that it is appropriate to adopt a single average life across the whole stock, irrespective of age, as the Council maintains all properties to decent homes standard.

The previous estimation technique also took no account of the potentially different lives of some of the major components of properties, when compared to the structure. Taking these into account, the Council has adopted weighted average lives of 46 years for houses and 45 years for flats in 2015/16.

The effect of the change in estimate is to reduce the depreciation charge for dwellings in 2015/16 by approximately £2.6 million. This change has no impact on HRA reserves. There is expected to be an ongoing reduction in the depreciation charge compared to the previous estimation basis.

### **43 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 2016. This is the date up to which events after the balance sheet date have been considered.

### **44 Events after the Reporting Period**

As noted above the unaudited accounts were authorised for issue on yy June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.





## **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	2015/16	2014/15
<b>Income</b>			
Dwelling rents	2	(37,033)	(35,983)
Non-dwelling rents		(696)	(673)
Charges for services and facilities		(3,076)	(2,896)
Contributions towards expenditure		(428)	(460)
Reimbursement of costs		(32)	(33)
<b>Total</b>		<b>(41,265)</b>	<b>(40,045)</b>
<b>Expenditure</b>			
Repairs & Maintenance		6,890	7,051
Supervision & Management		7,290	6,810
Rents, rates, taxes & other charges		226	259
Depreciation, impairment & reversal of revaluation losses on non-current assets		444	(4,113)
Increased provision for bad debts		148	145
<b>Total</b>		<b>14,998</b>	<b>10,152</b>
<b>Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(26,267)</b>	<b>(29,893)</b>
HRA services share of Corporate and Democratic Core		300	294
HRA Services share of Non-Distributed Costs		10	111
<b>Net Cost of HRA Services</b>		<b>(25,957)</b>	<b>(29,488)</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		(3,296)	(5,862)
Other income		(79)	(180)
Interest payable on PWLB loans		7,530	7,494
Interest and Investment Income		(973)	(764)
Capital Grants and Contributions Receivable		(1,455)	(1,230)
<b>(Surplus) / Deficit for the year on HRA services</b>		<b>(24,230)</b>	<b>(30,030)</b>

## Additional Financial Statements and Information

### Statement of Movement on the Housing Revenue Account Balance

(£000s)	Note	2015/16	2014/15
<b>(Surplus) / Deficit for the year on the HRA Income and Expenditure Account</b>		<b>(24,230)</b>	<b>(30,030)</b>
<b>Adjustments between accounting basis and funding basis under statute</b>			
Gain on sale of non-current assets		3,296	5,862
Other capital receipts		79	180
Net revaluation gains/(losses) on property, plant and equipment		9,329	15,024
Revenue expenditure funded from capital under statute and de-minimus capital expenditure		(877)	(597)
Capital Contributions unapplied credited to the Comprehensive Income and Expenditure Statement		1,455	1,230
Movement in investment property value		99	(9)
Net charges made for retirement benefits made in accordance with IAS19	10	(1,364)	(1,262)
Employers Contributions payable to the Cambridgeshire County Council Pension Fund	10	1,149	1,045
Sums to be debited or credited to the HRA that are not income or expenditure in accordance with GAAP		11	8
Capital Expenditure funded by the Housing Revenue Account	7	17,101	5,115
Transfer from the Major Repairs Reserve	9	(770)	(2,401)
<b>Net (increase) / decrease before transfers to or from reserves</b>		<b>5,278</b>	<b>(5,835)</b>
Transfers to reserves		(204)	(150)
<b>Total movement on Housing Revenue Account for the year</b>		<b>5,074</b>	<b>(5,985)</b>
<b>Housing Revenue Account balance brought forward</b>		<b>(14,865)</b>	<b>(8,880)</b>
<b>Housing Revenue Account balance carried forward</b>		<b>(9,791)</b>	<b>(14,865)</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 2016, 1.0% of properties were vacant (0.8% at 31 March 2015).

The average rent payable in 2015/16 was £109.80 per week based on 48 payable rent weeks (£101.36 per week on a 52 week basis). 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).

#### 3 Asset Values within the HRA

(£000s)	Asset Values		Depreciation	
	31 March 2016	1 April 2015	2015/16	2014/15
Dwellings	586,941	538,100	8,517	10,035
Other Land and Buildings	8,442	7,230	121	131
Infrastructure	2,147	1,732	45	33
Vehicles, Plant and Equipment	197	216	26	18
Investment Properties	5,228	5,208	0	0
Intangible Assets	19	0	0	0
Non-current assets held for disposal	95	0	0	0
Surplus Assets	0	196	2	113
Assets in the course of construction	22,209	11,925	0	0
	<b>625,278</b>	<b>564,607</b>	<b>8,711</b>	<b>10,330</b>

The value of council dwellings at 1 April 2015, based on vacant possession, was £1,380 million (1 April 2014: £1,276 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 £9.1 million have been credited to the Comprehensive Income and Expenditure Statement in 2015/16 (net revaluation loss reversals

## Additional Financial Statements and Information

credited of £15.0 million in 2014/15). Remaining valuation movements in the value of property, plant and equipment have been charged to the revaluation reserve.

The Council has changed the basis of estimation of useful lives for dwellings used in the calculation of dwelling depreciation in 2015/16 as disclosed in Note 42 to the main financial statements.

### 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 on this debt being charged to the HRA in 2015/16 (£7,494,000 in 2014/15).

### 5 Housing Stock

The Council was responsible for an average stock of 7,065 dwellings during the year. The stock as at 31 March 2016 was as follows:-

	31 March 2016	31 March 2015
Houses & bungalows	3,597	3,607
Flats	2,933	2,900
Sheltered housing units	510	509
Shared ownership properties (whole property equivalent)	37	36
<b>Total</b>	<b>7,077</b>	<b>7,052</b>
The change in stock during the year can be summarised as follows:		
<b>Stock at 1 April</b>	<b>7,052</b>	<b>7,203</b>
Right to buy sales	(42)	(51)
Open market disposals	(4)	0
Net shared ownership changes	1	(3)
New properties	65	18
Other changes	5	(6)
Demolitions	0	(109)
<b>Stock as at 31 March</b>	<b>7,077</b>	<b>7,052</b>

### 6 Rent Arrears

Rent arrears at 31 March 2016 were £1,334,359 (£1,401,226 at 31 March 2015) and as a proportion of gross rent income have decreased from 3.66% in 2014/15 to 3.37% in 2015/16.

At 31 March 2016 a provision for bad debt of £1,181,406 was held in the balance sheet (£1,203,043 at 31 March 2015).

## Additional Financial Statements and Information

### 7 Financing of Capital Expenditure

(£000s)	2015/16	2014/15
<b>Capital Expenditure</b>		
Dwellings	10,124	13,248
Land and Buildings	0	189
Vehicles, Plant and Equipment	6	47
Infrastructure Assets	460	490
Assets under Construction	21,025	9,188
Investment Properties	181	24
Intangible assets	19	0
De minimis capital expenditure	877	597
	<b>32,692</b>	<b>23,783</b>
<b>Financed by:</b>		
Capital receipts	6,637	6,799
Major repairs reserve	7,499	10,629
Revenue financing of capital	17,101	5,115
Capital contributions and grants	1,455	1,240
	<b>32,692</b>	<b>23,783</b>

### 8 Capital receipts within the HRA

(£000s)	2015/16	2014/15
Dwellings	7,667	6,952
Land	3,194	5,948
Total receipts	<b>10,861</b>	<b>12,900</b>
Payable to central government	(857)	(1,279)
Usable capital receipts	<b>10,004</b>	<b>11,621</b>



## Additional Financial Statements and Information

### 9 Major Repairs Reserve (MRR)

(£000s)	2015/16	2014/15
<b>Balance at 1 April</b>	<b>(2,219)</b>	<b>(4,919)</b>
Transfer to MRR during the year	(8,711)	(10,330)
Amount transferred from MRR to HRA	770	2,401
HRA capital expenditure on housing charged to MRR	7,499	10,629
<b>Balance at 31 March</b>	<b>(2,661)</b>	<b>(2,219)</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 rents 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	2015/16		2014/15	
		Council Tax	Non-domestic rates	Council Tax	Non-domestic rates
Council Tax	2	(62,781)	0	(60,241)	0
Non domestic rates income		0	(96,541)	0	(93,386)
Contributions towards previous year's estimated Collection Fund deficit					
Central Government		0	(3,961)	0	(1,614)
Cambridge City Council		(60)	(3,169)	0	(1,292)
Cambridgeshire County Council		(391)	(713)	0	(291)
Cambridgeshire Police & Crime Commissioner		(63)	0	0	0
Cambridgeshire Fire Authority		(22)	(79)	0	(32)
Transitional protection receipts		0	(210)	0	0
<b>Total Income</b>		<b>(63,317)</b>	<b>(104,673)</b>	<b>(60,241)</b>	<b>(96,615)</b>
<b>Council Tax Expenditure</b>					
Cambridge City Council	4	7,060	0	6,706	0
Cambridgeshire County Council	4	45,709	0	43,419	0
Cambridgeshire Police & Crime Commissioner	4	7,244	0	7,018	0
Cambridgeshire Fire Authority	4	2,567	0	2,486	0
Impairment of Council Tax debts	5	582	0	1,548	0
<b>Non-domestic rates Expenditure</b>					
Cambridge City Council		0	38,663	0	38,727
Cambridgeshire County Council		0	8,699	0	8,713
Cambridgeshire Fire Authority		0	967	0	968
Non-domestic rates due to central government		0	48,329	0	48,408
Transitional protection payments		0	0	0	1,074
Impairment of non-domestic rates debts	6	0	456	0	322
Provision for non-domestic rates appeals	6	0	652	0	765
Allowable costs of non-domestic Rates Collection		0	228	0	228
<b>Total Expenditure</b>		<b>63,162</b>	<b>97,994</b>	<b>61,177</b>	<b>99,205</b>
<b>(Surplus)/Deficit for the year</b>		<b>(155)</b>	<b>(6,679)</b>	<b>936</b>	<b>2,590</b>
<b>(Surplus)/Deficit as at 1 April</b>		<b>844</b>	<b>11,102</b>	<b>(92)</b>	<b>8,512</b>
<b>(Surplus)/Deficit as at 31 March</b>	6	<b>689</b>	<b>4,423</b>	<b>844</b>	<b>11,102</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 2016 was set at £1,566.62, made up as follows:

(£000s)	2015/16	2014/15
Cambridge City Council	176.75	173.29
Cambridgeshire County Council	1,144.26	1,121.94
Cambridgeshire Police & Crime Commissioner	181.35	181.35
Cambridgeshire Fire Authority	64.26	64.26
<b>Total</b>	<b>1,566.62</b>	<b>1,540.84</b>

The following table shows the calculation of the Council Tax Base for 2015/16 (used to determine the tax needed at Band D to finance spending).

#### Council Tax Base 2015/16

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	3,350	1,964	6/9	1,309
B	9,814	6,136	7/9	4,772
C	18,425	14,163	8/9	12,589
D	9,258	7,608	9/9	7,608
E	5,284	4,440	11/9	5,427
F	3,392	2,950	13/9	4,261
G	2,911	2,423	15/9	4,038
H	456	273	18/9	545
<b>Total</b>	<b>52,890</b>	<b>39,957</b>		<b>40,549</b>
<b>Tax Base adjustments</b>				<b>(603)</b>
<b>Tax base for Council Tax Setting</b>				<b>39,946</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 £62.8 million in 2015/16 was receivable from the following sources:

(£000s)	2015/16	2014/15
Billed to Council Tax payers	62,768	60,231
Council Tax benefits	(15)	(17)
Ministry of Defence Contributions in Lieu	28	27
<b>Total</b>	<b>62,781</b>	<b>60,241</b>

### 3 National Non-Domestic Rates Income

The local rateable value as at 31 March 2016 was £257,740,025 (£256,210,175 at 31 March 2015) and the Uniform Business Rate in 2015/16 was set by the government at 49.3p (2014/15, 48.2p).

### 4 Council Tax Expenditure

(£000s)	2015/16			2014/15		
	Precepts and Demands	Distribution of previous years' surplus	Total	Precepts and Demands	Distribution of previous years' surplus	Total
Cambridge City Council	7,060	0	7,060	6,702	4	6,706
Cambridgeshire County Council	45,709	0	45,709	43,391	28	43,419
Cambridgeshire Police and Crime Commissioner	7,244	0	7,244	7,013	5	7,018
Cambridgeshire Fire Authority	2,567	0	2,567	2,485	1	2,486

### 5 Provision for Non-Payment - Council Tax

A contribution of £581,942 (£1,548,257 in 2014/15) was made to a provision for bad debts. During 2015/16, £741,518 of debts were written off (in 2014/15 £3,873).

### 6 Provision for Non-Payment and appeals - Non-Domestic Rates

A contribution of £469,629 (a contribution of £219,526 in 2014/15) was made to a provision for bad debts. Net of write offs, debts of £13,261 were written back (net write offs of £101,980 in 2014/15).

A provision for appeals relating to rateable value reductions in respect of 2015/16 and prior years has been established following the introduction of the new business rates retention scheme for local government. At 31 March 2016 this provision is £9,511,390 (£8,859,516 at 31 March 2015).

## Additional Financial Statements and Information

### 7 Collection Fund Surpluses and Deficits

The deficit of £689,259 at 31 March 2016 (£844,442 deficit at 31 March 2015), 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 2016	31 March 2015
Council Tax:		
Cambridge City Council	78	95
Cambridgeshire County Council	503	615
Cambridgeshire Police & Crime Commissioner	80	99
Cambridgeshire Fire Authority	28	35
<b>Total</b>	<b>689</b>	<b>844</b>

The deficit of £4,422,974 at 31 March 2016 (£11,101,749 at 31 March 2015) 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 2016	31 March 2015
Non-Domestic Rates:		
Cambridge City Council	1,769	4,441
Cambridgeshire County Council	398	999
Cambridgeshire Fire Authority	44	111
Central Government	2,212	5,551
<b>Total</b>	<b>4,423</b>	<b>11,102</b>

**Statement of Accounting Policies and Glossary of Financial  
Terms and Abbreviations**



# Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

---

## Statement of Accounting Policies

### 1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2015/16 and the Service Reporting Code of Practice 2015/16, 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

---

## 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 mature in less than three months from the date of acquisition and 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

---

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.

## Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

---

- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (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

## Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

---

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 Fair value measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as available for sale financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that the participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

# Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

---

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

## 10 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 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.

## 11 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

## Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

---

### 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 charge made to the relevant service (for items specific to a service) or 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.

### 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



## Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

---

- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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).

### 12 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

## Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

---

recipient as specified or future economic benefits or service potential must be returned to the transferor.

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.

### 13 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.



# Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

---

## 14 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.

## 15 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, being the price that would be received to sell such an asset in an orderly transactions between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use.. 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.

## 16 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

## Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

---

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:

- 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

## Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

---

- 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 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.

## **17 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 2015/16* (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.

# Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

---

## 18 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 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, which is estimated to be about 25% of the gross costs. The Council accounts for 75% 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.

## Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

---

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Operational land and buildings – current value, determined as the amount that would be for the asset in its existing use (EUV). Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.
- Surplus assets – the current value measurement basis is fair value, estimated at highest and best use from a market participant's perspective.
- Vehicles, Plant & Equipment – as these assets have short lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current 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)

## Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

---

- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower 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.

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).

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. 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



## Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

---

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

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.

### **19 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.. Further information on the most significant items in the collection can be found on the Council's website.

# Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

---

## Art Collection

The art collection (both oil and watercolour) includes portraits of historic figures with links to the city (many of them previous mayors and MPs) and paintings of the city. These items are reported in the balance sheet at insurance valuation which is based on market values. These items are deemed to have indeterminate lives and high residual values so the Council does not consider it appropriate to charge depreciation.

The civic regalia and art collection are deemed to have indeterminate lives and high residual values so the Council does not consider it appropriate to charge depreciation. The Council does not normally make any purchases or disposals of these items. 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.

## Cellarer's Chequer

The Council owns Cellarer's Chequer on the site of Barnwell Priory. The Cellarer was the second most important position in a monastery after the Abbot, dealing with the sourcing of provisions and supplies for the community. The Chequer is constructed from Barnack Stone with a tiled roof. It is in Early English style and is thought to be mid 13<sup>th</sup> century, retaining a doorway, windows and fireplace from this period. Further details can be found on the Council's website.

The Council considers that obtaining an accurate valuation for the Chequer would involve a disproportionate cost in comparison to the benefits to users of the accounts. This is because of the lack of comparable values. Consequently this asset is not recognised on the balance sheet.

## **20 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.



# Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

---

## 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.

## **21 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 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.

## **22 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.

## **23 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.

## Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

---

### 24 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

---

## 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

---

## **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

---

## 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 &) 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

---

### **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

---

### 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 N Harris  
Ernst & Young LLP  
One Cambridge Business Park  
Cowley Road  
Cambridge CB4 0WZ

29 March 2016

Dear Mr Harris

## **Understanding Management Processes and Arrangements**

I am writing in response to your firm's letter of 4 February 2016 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 2015/16 was agreed by Civic Affairs in March 2015.

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 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. The Whistleblowing Policy is currently being reviewed to take account of recent recommendations arising from the NHS 'Freedom to Speak up' review – an action from last year's Annual Governance Statement. 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 2016. 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 as part of the Finance monitoring report.

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 or fraudulent financial reporting?*

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) Where the answer to question 3 above is 'yes', what was Management's response to the situation(s) identified?*

Not applicable

*(5) 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 2015/16 to Civic Affairs in June 2016. However, based on the audit opinion progress report sent to Members of Civic Affairs in September 2015 and Internal Audit Reports finalised and issued since that date, Management is not aware of any significant concerns.

*(6) 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 2015/16 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 2016. The mid-year audit opinion progress report identified no critical actions arising from audit findings.

*(7) 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.

*(8) 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. Variances from budget are monitored, reported to management and members and action taken as required. There are no inappropriate pressures being applied.

*(9) 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.

*(10) How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2015/16?*

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.

*(11) 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.

*(12) 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 (£569 million at 31 March 2015.) These net assets include a significant property portfolio.
- Cash deposits and investments exceed £117 million at the end of February 2016.
- The Council has significant usable reserves (£92 million at 31 March 2015.)
- 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 N Harris  
Ernst & Young LLP  
One Cambridge Business Park  
Cowley Road  
Cambridge  
CB4 0WZ

23 March 2016

Dear Mr Harris

### **Understanding how the Civic Affairs Committee gains assurance from management**

I am writing in response to your firm's letter of 4 February 2016 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 in the autumn 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 on a three year cyclical basis 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).. 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. The Whistleblowing Policy is currently being reviewed to take account of recent recommendations arising from the NHS 'Freedom to Speak up' review – an action from last year's Annual Governance Statement. 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 2014/15 was summarised and reported to Civic Affairs as part of the Head of Internal Audit's Annual Audit Opinion at the meeting in June 2015. 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 2015/16 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 2016. The mid-year audit opinion progress report (reported in September 2015) identified no critical actions arising from audit findings.

- *Actual, suspected or alleged frauds during 2015/16?*

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. Variances from budget are monitored, reported to management and members and action taken as required. There are no inappropriate pressures being applied.

*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 2015/16?*

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 2015/16 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 (£569 million at 31 March 2015). These net assets include a significant property portfolio.
- Cash deposits and investments exceeded £117 million at the end of February 2016.
- The Council has significant usable reserves (£92 million at 31 March 2015).

- 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

In case of enquiry contact Simon Pugh  
Direct Dial 01223 457401  
Fax 01223 457409  
E-mail [simon.pugh@cambridge.gov.uk](mailto:simon.pugh@cambridge.gov.uk)  
DX 5854 Cambridge



**Legal Services**

Tony Poynton  
Assistant Manager  
Government and Public Sector  
Ernst & Young LLP  
One Cambridge Business Park  
Cambridge  
CB4 0WZ

4 May 2016

Our Ref:  
Your Ref:

Dear Tony

**Re: 015/16 External Audit Letter to the Monitoring Officer**

I apologise for the delay in returning this letter. I have addressed it to you in the light of the sad death of Rob Murray.

This is the first occasion on which I have been asked to provide a letter in this format. I am happy to discuss if the letter does not provide the assurance you are seeking.

You asked:

***How do you, as Monitoring Officer, gain assurance that all relevant laws and regulations have been complied with?***

Through, either personally or through the Council's legal team:

- giving accurate, up to date legal advice to Council officers and members;
- reviewing, in the course of giving legal advice, processes and procedures adopted by Council services;
- providing updates on legal developments;
- providing training on legal topics and issues;
- identifying areas of possible concern and offering proactive advice;
- sight of all maladministration findings made against the Council;

Simon Pugh. Solicitor  
Head of Legal Services  
Cambridge City Council, The Guildhall  
Cambridge, CB2 3QJ.  
Telephone 01223 457000, Facsimile 01223 457409  
Minicom 01223 457050, DX 5854 Cambridge



- sight of legal claims against the Council which may raise issues of legal compliance;
- sight of all internal audit reports;
- oversight of draft reports being prepared for consideration my councillors.
- sight of the agenda and papers considered by the Council's Strategic Leadership Team.

You asked:

***How, as Monitoring Officer, do you exercise oversight over those charged with governance and Management and their arrangements in relation to:***

***assessing and responding to either changes in the legal framework or identified or potential breaches of relevant over those charged with governance and Management legal provisions;***

- Through working with those charged with governance and Management to ensure that they are aware of the implications of changes to the legal framework.
- Through oversight of draft reports being prepared for consideration my councillors.
- Through involvement in the development of systems and procedures to implement changes to the legal framework in a compliant way.
- Through gaining assurance from those responsible that arrangements are in place to deal with the implications of changes to the legal framework.

***ensuring that joint working arrangements and other such similar arrangements operate in a manner consistent with the entity as a single body in respect of law and regulation and do not pose a risk, either operational, reputational or financial;***

- Through ensuring either personal involvement or that of the Legal team in the development and implementation of shared services, including governance arrangements.
- Through advising on documentation for the operation of shared services, including governance arrangements.
- Through sight of reports to members on the development of shared service and attendance of meetings when they are discussed.
- Through membership of the Business Transformation Programme Board that oversees the development and implementation of shared services.

***undertaking an 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);***

- Through attendance at meetings of the Council's Civic Affairs Committee when reports on finance are presented, including reports by the Council's external auditors.
- Through access to papers for the Council's Strategic Leadership team.
- Through a strong working relationship with the Council's internal auditors.

***identifying and responding to risks of fraud in the organisation, including any specific risks of fraud which have been identified or that have been brought to either those charged with governance's or Management's attention, or classes of transactions, and account balances, or disclosure for which a risk of fraud is likely to exist;***

- Through sight of all internal audit reports.
- Through attendance at the Council's Civic Affairs Committee when the Council's Prevention of Fraud policy is considered.
- Through involvement in the development and presentation of the Council's Annual Governance Statement and its Code of Corporate Governance.

***identifying and responding to potential or actual unlawful acts which have been identified or that have been brought to either those charged with governance's or Management's attention;***

- Through a strong working relationship with the Council's internal auditors.
- Through sight of all internal audit reports.
- Through regular reports to the Council's Civic Affairs Committee identifying outstanding actions identified in the course of audits.
- Through sight of all maladministration findings made against the Council;
- Through sight of legal claims against the Council which may raise issues of legal compliance;
- Through awareness, either personally, or through the Council's legal team, in giving advice, and raising any issues of potential illegality.

***communicating to employees their views on business practice and ethical behaviour (for example by updating, communicating and monitoring against the organisation's code of conduct);***

- Through a close working relationship with the Head of Human Resources.
- Through sight and input into significant policies of this nature at draft stage.
- Through input into the provision of communications of this nature and advice when appropriate.

***encouraging employees to report their concerns about fraud or potential illegal acts***

- Through consideration of the Council's whistleblowing policy at the Civic Affairs Committee.
- Through awareness of steps taken to communicate the Council's whistleblowing policy.

***communicating processes for identifying and responding to fraud or error; and***

- Through awareness of steps taken to facilitate this within the Council.

***compliance with internal control arrangements and due process?***

- Through sight of all internal audit reports.
- Through oversight of draft reports being prepared for consideration by councillors.
- Through access to papers of the Council's Strategic Leadership team.

**You have also asked whether I am aware of any:**

***breaches of, or deficiencies in, internal control in respect of fraud or compliance with relevant legal provisions that could have a significant effect on the entity or a material impact on the financial statements;***

- I am not aware of any.

***actual, suspected or alleged frauds or breaches of legislative requirements during 2015/16;***

- I am not aware of any.

***excessive or undue pressure to meet financial or operating targets that may unduly influence the actions of either those charged with governance or Management;***

- I am not aware of any.

***actual or potential litigation or claims that would have a significant effect on the entity or a material impact on the financial statements;***

- The Council is engaged in litigation regarding a claim against it alleging that damage to property was caused by Council owned trees. There have been previous claims and there is potential for further claims. Some will be covered by insurance; some may not be, including the current claim. The Council has made substantial budget provision against potential liability.

***circumstances that would call into question the preparation of the financial statements on a going concern basis?***

- I am not aware of any.

Please let me know if you need any further information or, as mentioned, if this letter does not provide the assurance you are seeking.

Yours sincerely

Simon Pugh  
Head of Legal Services and Monitoring Officer