



Public Document Pack

Cambridge City Council

CIVIC AFFAIRS

To: Committee Members: Councillors Rosenstiel (Chair), Cantrill (Vice-Chair), Benstead, Herbert, Johnson and Pitt

Alternates: Councillors Ashton and Boyce

Despatched: Tuesday, 18 June 2013

Date: Wednesday, 26 June 2013

Time: 6.00 pm

Venue: Committee Room 1 & 2 - Guildhall

Contact: Glenn Burgess

Direct Dial: 01223 457013

AGENDA

1 APOLOGIES FOR ABSENCE

2 MINUTES OF PREVIOUS MEETING *(Pages 7 - 32)*

To approve the minutes of the meetings held on 17 April 2013, 13 May 2013 and 23 May 2013.

3 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.

4 PUBLIC QUESTIONS

- 5 **ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT - 2012-13** *(Pages 33 - 44)*
- 6 **HEAD OF INTERNAL AUDIT - ANNUAL AUDIT OPINION 2012-13** *(Pages 45 - 64)*
- 7 **ASSURANCE FRAMEWORK AND DRAFT ANNUAL GOVERNANCE STATEMENT 2012-13** *(Pages 65 - 96)*
- 8 **STATEMENT OF ACCOUNTS 2012-13** *(Pages 97 - 232)*
- 9 **ANNUAL REPORT ON PREVENTION OF FRAUD & CORRUPTION POLICY AND IMPLICATIONS OF THE BRIBERY ACT** *(Pages 233 - 260)*
- 10 **UPDATE ON ACTIONS TO ADDRESS ISSUES EMERGING FROM THE BUDGET FORECASTING ERROR** *(Pages 261 - 268)*
- 11 **REVIEW OF THE COUNCIL'S CONTRACT PROCEDURE RULES (PART 4G OF THE CONSTITUTION)** *(Pages 269 - 328)*
- 12 **ELECTIONS MAY 2013 (REVIEW), ELECTIONS IN 2014 (ISSUES) INDIVIDUAL ELECTORAL REGISTRATION AND CONSULTATION ON ELECTORAL FRAUD** *(Pages 329 - 336)*

Information for the Public

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

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CIVIC AFFAIRS

17 April 2013
6.30pm - 9.20 pm

Present: Councillors Boyce (Chair), Rosenstiel (Vice-Chair), Marchant-Daisley, Herbert, Benstead and Pitt

Other Councillors in attendance:

Leader of the Council (Councillor Bick)

Executive Councillor for Customer Services and Resources (Councillor Smith)

Officers Present:

Chief Executive: Antoinette Jackson

Director of Resources: David Horspool

Head of Legal Services: Simon Pugh

Committee Manager: Glenn Burgess

Representatives from Ernst and Young:

Sara Fowler

Leo Brown

Mark Hodgson

FOR THE INFORMATION OF THE COUNCIL

13/18/CIV Apologies for absence

There were no apologies for absence.

13/19/CIV Declarations of Interest

There were no interests declared.

13/20/CIV Public Questions

There were no public questions.

13/21/CIV Action Plan to address issues emerging from budget error and Ernst and Young Review

The committee received a confidential report from the Chief Executive outlining the actions proposed to address issues raised by the budget error and the subsequent investigation by Ernst and Young. Appended to the confidential report were two publically available reports from Ernst and Young, and a confidential Action Plan (which was subsequently made publically available prior to the meeting).

The committee resolved not to exclude the press and public from the first section of the meeting. The Chair reminded members to be mindful of discussing any elements of the exempt report during this session.

Councillor Herbert asked for clarification on the process to date and questioned the structure of the committee report. The Chief Executive responded that errors had been identified in the Council's budget forecast and Ernst and Young, the Council's external auditors, had been asked to undertake an independent external review. It was noted that a clear plan, highlighting specific actions against the six recommendations by Ernst and Young, was deemed the most appropriate structure for the report.

Councillor Herbert requested that a 'plain English' version of the report be made available to the public. The Chief Executive confirmed that Appendix 1 of the report (Action Plan) had been made publicly available and it was agreed that a covering summary report would be attached.

(subsequent to this meeting a 'Plain English Summary' was produced and can be found at Appendix A to these minutes)

Councillor Marchant-Daisley questioned the rationale for the committee report being exempt. The Chief Executive responded that, due to the close correlation between the process issues and the staffing issues identified, it was deemed inappropriate to make the report publically available.

Councillor Benstead asked what level of lay member scrutiny had taken place on the financial forecasts. The Chief Executive responded that the Medium Term Strategy (MTS) is presented to a meeting of The Executive in September before being recommended for approval by full Council in October. The Leader of the Council confirmed that members of The Executive had an oversight of the budget process leading up to the presentation of the MTS. He stated that

members of The Executive had asked the appropriate questions during this process and had been given satisfactory answers by officers.

The committee received a report from Ernst and Young outlining their review into the errors in the Council's financial modelling in respect of the 2012/13 financial year budget.

Councillor Pitt asked for clarification on the root cause of the issue and how the re-phasing of the capital slippage had led to an on-going issue within the budget. Ernst and Young responded that, whilst the original source of the error remained unexplained, the modelling and subsequent interlinking adjustments had been a contributing factor.

Councillor Pitt questioned why concerns regarding the Council's financial processes had not been identified through the regular audit process. Ernst and Young confirmed that, as the error originated within the modelling process and was therefore outside of the formal financial process, the audit process had not identified it. In response to a further question from Councillor Pitt, Ernst and Young confirmed that all version control and audit trail processes were suspect to the risk of internal control failure. It was also noted that the modelling process used by the City Council was very complex and cumbersome, and Ernst and Young did not think that it was necessarily fit for purpose.

In response to a question from Councillor Rosenstiel regarding the "#REF" results, Ernst and Young confirmed that these were not necessarily driven by the model itself but by the way the modelling was undertaken.

Councillor Herbert asked if the re-phasing of the capital financing in the MTS model was the likely source of the original error. Ernst and Young reiterated that it was not possible to be definitive about the source of the error. This was one error identified but there could have been others.

Councillor Herbert requested a response from the Director of Resources concerning the modelling. The Director of Resources confirmed that all versions had been numbered and dated and he had personally undertaken checks of the different versions in order to identify changes. It was noted that, due to the total figure of slippage being updated incorrectly, an adjustment error had led to on-going issues.

In response to a further question from Councillor Herbert, the Director of Resources confirmed that, in his view, re-phasing of the capital financing in the MTS model was that the source of the original error.

In response to a question from Councillor Benstead, Ernst and Young confirmed that it would not be economically viable to continue to look for the original source of the error. It was deemed more important to identify how the error had progressed undetected through the model and amending the process appropriately.

Councillor Herbert asked if Ernst and Young felt that individual officers or the overall process had been at fault. Ernst and Young confirmed that, whilst the problem could have started with human error, it was the inability of the process to highlight and prevent the error that had caused the major issue. Councillor Herbert agreed with this assessment.

Councillor Marchant-Daisley agreed that, whilst any task could be prone to human error, it was the inability of the process to pick the error up which was concerning. It was suggested that the error was only picked up by accident and it was therefore essential that the process be amended.

The Director of Resources confirmed that the error had been highlighted during the next stage of reconciliation, but unfortunately the timing of this meant that it was after the publication of the MTS.

Councillor Rosenstiel felt that an error in the ledger would have been picked up. Whilst Councillor Benstead agreed with this, he did highlight that the forecasting error had had an effect on the way the Council had planned its future spending.

Councillor Benstead reiterated his view that lay member scrutiny of the MTS was needed in order to highlight any issues at an earlier stage in the process. Councillor Rosenstiel responded that reconciliation earlier in the process would be more beneficial than further scrutiny.

The Executive Councillor for Customer Services and Resources questioned the need for such an extensive mid-year finance document. It was suggested that the inclusion of previous year figures in the MTS would make it easier to identify where deviations had occurred.

Councillor Herbert questioned why such a large increase in reserves (£2.3m) over a relatively short period (July-December) had not been picked up and questioned. The Director of Resources responded that as the increase came in an area where the Council were used to seeing large variances in figures the error had not been immediately visible. It was also noted that, as the MTS was very much a 'forward looking' document and focused more on future spend rather than current year spend, the error had not been quickly identified.

Whilst Councillor Herbert acknowledged this, he felt that such a large change in the figures should have been questioned.

Councillor Pitt confirmed that through the MTS process Executive Councillors had highlighted changes in the figures and were given satisfactory explanations by officers. He agreed that greater scrutiny of this process would be beneficial.

In response to a question from Councillor Pitt, Ernst and Young confirmed that, whilst it was the responsibility of this committee to approve the proposed action plan, they felt the proposed plan addressed the issues.

Ernst and Young left the meeting at 8.03pm.

Councillor Herbert suggested that the role of internal audit be reviewed and discussed in more detail by this committee. The Chief Executive responded that, whilst there were compulsory elements of the internal audit process, the committee did have an opportunity to input into the audit team's work programme. It was noted that the committee had already reviewed and inputted into the 2013/14 Audit Plan.

The Director of Resources confirmed that an annual report looking at the effectiveness of Internal Audit would be brought to a future meeting of the committee and could form the basis of further discussion.

In relation to recommendation 5 from the Ernst and Young report, the Executive Councillor for Customer Services and Resources questioned whether an escalation policy was currently in place within the Finance Department. The Chief Executive responded that, apart from broad corporate HR policies, there was not a specific corporate policy for this. Ernst and Young had recommended that a specific policy be implemented for the Finance Department.

Councillor Rosenstiel noted that the City Council had always been very effective at longer term financial planning and raised concern that the proposed review of the financial model (Action 1 of the Action Plan) may affect this. The Chief Executive responded that the review would check that the spreadsheet model was fit for purpose and would not change the overall approach of the City Council to its financial planning.

Councillor Marchant-Daisley asked how progress on the Action Plan would be reported back and if it would be open for member scrutiny. The Chief Executive confirmed that an update report would be brought back to this committee but she would expect some elements, such as the procurement of any new software Model, to be progressed at an officer level.

Councillor Pitt suggested that the Leader of the Council should also be consulted on any changes to the structure of the Resources Department (Action 6 of the Action Plan). The Chief Executive confirmed that this would be the normal process.

In relation to the streamlining and simplification of the Council's financial decision making processes (Action 8 of the Action Plan) Councillor Herbert emphasised the need for more scrutiny of the MTS. It was suggested that the financial remit of the Strategy and Resources Scrutiny Committee be strengthened and that it be given a greater role in scrutinising the budget. The Chief Executive responded that, whilst constitutionally the budget required a recommendation from The Executive, the process could be looked at to ensure more scrutiny of the MTS.

Councillor Herbert welcomed this approach, but requested that the process be looked at in time for the 2013/14 budget. Whilst the Leader also welcomed the proposal for more scrutiny of the MTS, he felt it unlikely that this approach would have identified the errors in officer processes for the 2012/13 budget. Councillor Pitt noted that all 42 Councillors received copies of the MTS and the Budget Setting Report (BSR) and that the error had not been identified.

The Leader noted that Opposition Councillors were given the opportunity to input into discussion on the MTS at The Executive meeting in September 2012. Councillor Herbert stated that, whilst opposition Councillors had been invited to the meeting to ask questions on the MTS, this could not be seen as full scrutiny. Councillor Rosenstiel agreed that The Executive was not an effective forum to fully scrutinise the MTS.

Councillor Benstead emphasised the need for wider scrutiny of the budget and requested that Action 8 of the Action Plan be strengthened to reflect this.

On the proposal of Councillor Boyce the committee agreed the following amendment to Action 8 of the Action Plan (additions underlined):

8. Make recommendations to Civic Affairs to streamline and simplify the Council's financial decision making processes. The aim will be to balance the need to free up capacity and make efficient use of the organisational resources available, with the need to give all members clear and transparent oversight and scrutiny of the council's finances.

A minor clerical error was also identified in Action 5 of the Action Plan (amendment underline):

5. Appropriate actions are being taken ~~with~~ in accordance with the Council's HR policies

Exclusion of Press and Public

At 8.55pm the committee resolved to exclude members of the public for the remainder of the meeting on the grounds that, if they were present, there would be disclosure to them of information defined as exempt from publication by virtue of paragraphs 1 and 2 of Part 1 of Schedule 12A of the Local Government Act 1972.

The committee discussed the proposed restructure of the Resources Department and the related Human Resources implications.

The committee resumed the meeting in public at 9.17pm.

Resolved (Unanimously) to

- i. Support the actions proposed by the Chief Executive in Appendix 1 (as amended) to address issues raised by the budget error and subsequent investigation.

On the proposal of Councillor Herbert the committee agreed the following additional recommendation:

Resolved (Unanimously) that:

- ii An update on the implementation of the Action Plan would be brought back to the committee as part of the broader report on the decision making process.

The meeting ended at 9.20 pm

CHAIR

Appendix A: 'Plain English Summary'

Budget Error and Ernst & Young Review – Summary of the Issues Considered by Civic Affairs Committee on 17 April 2013 and agreed actions

Background

Errors were identified in the Council's budget forecasts in December 2012, which understated the Council's spending requirements.

These errors had been embedded in the Council's Medium Term Strategy approved by the Council in October 2012. Once the errors were discovered, Council finance officers immediately set to work to re-base the budget forecasts on revised figures.

The Council asked Ernst & Young, the Council's external auditors, to take an independent external review of its financial forecasts in light of those errors.

Ernst & Young Review

Ernst & Young's work had two stages.

At Phase 1 of their review, Ernst & Young reviewed the work undertaken by the Council's finance team to re-base the Council's budget forecasts. Their findings indicated that the re-basing methodology the Council had used to re-base its budget forecasts was sound. The Council therefore continued to prepare a budget for 2013/14 based on the revised forecast, which adjusted the figures agreed in the Medium Term Strategy (MTS) published in September 2012 by £2.3m.

In Phase 2 of their work, Ernst & Young focused on how the error happened, its impact and what changes the Council might need to make to its financial systems to make sure such errors did not happen again. Ernst & Young were asked to identify where in the Council's financial model the £2.3m error occurred.

The Council Finance Team had identified certain adjustments between different versions of the MTS model which were not accurate. The adjustments they identified related to an error in entering data to the MTS model in respect of Capital Slippage. In version three of the MTS model, there is an entry of £1.381m against the Capital Plan Revenue Contributions line, representing the agreed level of annual revenue contribution. Version four of the MTS model showed an entry of £4.981m, an increase of £3.6m. The £3.6m is the total capital slippage but only the revenue-financed element of this should have been used in the model. The true figure for Capital Plan Revenue Contributions should have been £2.639m (not £4.981m), and was therefore overstated by £2.342m.

Ernst & Young reviewed the work of the Council Finance Team in identifying this error and carried out their own comparison of the MTS models to assess the validity of this approach in explaining what had gone wrong.

Ernst & Young's Conclusions

In summary, Ernst & Young concluded:

- Budget working papers, the Council's general ledger (its main accounting system) and the budget setting report reconciled, therefore the issue was isolated to 2012/13 and did not affect previous years.
- The re-based MTS was a sound starting point for the 2013/14 budget. Therefore the Council can be confident the problem occurred because of the way the forecasting model was used last summer leading up to production of the September 2012 MTS.
- Ernst & Young are confident that the forecast model and its use are at the heart of the problem and there are not wider systemic issues in the Council's financial systems.
- They believe that incorrect data entry is the most likely explanation of how the error occurred.
- These were not picked up because of ineffective controls and supervision.

- The Finance Team's explanation about how capital slippage data was entered appears a credible explanation of the mistake and the most likely as it is the right quantum.
- But lack of audit trails means that Ernst & Young cannot be absolutely definitive that there are not other errors within the model.
- The Council could theoretically spend more time trying to trace this back but may never have absolute certainty because of gaps in audit trails and it would not be a sensible use of Council resources to attempt this.

Ernst & Young's recommendations

1. Formal reconciliation and review points should be established throughout the MTS and BSR processes to ensure that the General Ledger, Forecasting Models and Budget Database are aligned. These reconciliations should be formally documented by the person preparing them and reviewed and signed off by a senior officer.
2. The Council should consider the timings of its current process and ensure that reconciliations between the General Ledger and the Forecasting Models are done at predefined, regular intervals and that these intervals are timed to coincide with the publication of budgetary information.
3. Effective knowledge sharing protocols should be established to aid continuity in the absence of key staff members.
4. A full and clear audit trail should be maintained for all changes made to all systems and the Forecasting Models during the MTS and BSR processes.
5. The finance team should implement its own escalation policy to ensure that any identified issues are raised in a timely manner and senior team members are involved at an early stage in the identification and resolution process.
6. The controls and methodology in respect of the forecasting and modelling processes should be reviewed to minimise the risk of future errors occurring. In particular, the Council should address the suitability of the Forecasting Model format given its complexity and the importance of forecasting to the Council's financial performance.

Council's response

The Chief Executive considered the issues raised by the budget error and the findings from the external review. She reported to the Civic Affairs Committee on her proposals to take action in 4 main areas

(a) Improvement to the control environment for the Council's financial modelling

(b) Addressing staffing related issues

(c) Structure

(d) Improvements to future processes

The action plan was endorsed by the Committee.

Issue		Action	Who	When
Improvement to the control environment for the Council's financial modelling	1.	Internal Audit will work with the Finance team to make improvements to the control and supervision in the service and to address Recommendations 1,2 and 4.	Head of Internal Audit Head of Accounting Services	By May 2013
	2.	The financial model will be reviewed to ensure it is fit for purpose in accordance with recommendation 6 and decisions made on whether to make changes and improvements to the existing model or to procure a new one.	Head of Accounting Services DOR	By July 2013
	3.	Any recommendations from external audit as part of their annual audit work will also be incorporated into improved process.	External Audit	As appropriate

Addressing staffing related issues	4.	<p>In accordance with recommendations 3 and 5, systems within the finance team will be reviewed</p> <ol style="list-style-type: none"> 1. to ensure that there are clear processes in place to capture information and knowledge in case of staff absence 2. to ensure there are clear escalation polices and process for problems with the service <p>All staff in the team will be provided with copies of these policies and processes and any necessary training will be provided.</p> <p>Managers tasked with ensuring these are effectively embedded in the culture and practice of the service</p>	Head of Accounting Services (supported by Head of HR)	By May 2013
	5.	Appropriate actions are being taken in accordance with council's HR polices.	CEX	Ongoing
Structure	6.	CEX to consult on changes to the structure of the Resources department to the separate the role of Section 151 officer from the role of Director of Resources.	CEX	End of April 2013
	7.	Implementation of agreed changes	CEX	June 2013 onwards

Improvements to decision making processes	8.	The Chief Executive will make recommendations to Civic Affairs to streamline and simplify the council's financial decision making processes. The aim will be to balance the need to free up capacity and make efficient use of the organisational resources available, with the need to give all members clear and transparent oversight and scrutiny of the council's finances.	CEX	July 2013
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CIVIC AFFAIRS

13 May 2013
6.00pm - 6.25 pm

Present: Councillors Boyce (Chair), Rosenstiel (Vice-Chair), Marchant-Daisley, Herbert, Benstead and Pitt

Officers Present:

Chief Executive: Antoinette Jackson
Head of Legal Services: Simon Pugh
Head of Human Resources: Deborah Simpson
Democratic Services Manager: Gary Clift

FOR ADOPTION BY COUNCIL

13/22/CIV Apologies for absence

There were no apologies for absence.

13/23/CIV Minutes of previous meeting

The minutes of the meeting held on 20 March 2013 were approved as an accurate record and signed by the Chair.

13/24/CIV Declarations of Interest

There were no declarations of interest.

13/25/CIV Public Questions

There were no public questions.

13/26/CIV Executive Councillors and Allocation of Portfolios

The Committee noted the following councillor appointments and changes to Executive Councillor portfolio responsibilities made by the Leader of the Council:

Portfolio name	Changes made	Scrutiny Committee
Executive Councillor for Community Wellbeing (previously community development and health): Councillor Brown	Includes arts and sport	Community Services
Executive Councillor for Customer Services & Resources: Councillor Smith	As before minus tourism and city centre management	Strategy & Resources
Executive Councillor for Public Places (previously Arts, sport and public places): Councillor Reiner	Includes: Tourism city centre management (inc CbiD Director) Bereavement Services	Environment

In addition to the Leader's portfolio covering Strategy, there were no changes to the following portfolios/personnel:

Executive Councillor for Environmental & Waste Services: Councillor Swanson

Executive Councillor for Housing: Councillor Smart (and Deputy Leader of the Council)

Executive Councillor for Planning and Climate Change: Councillor Ward

The committee requested that the Leader provide a commentary to explain the changes made for the Annual Meeting of the Council.

Council is recommended

i) To amend the terms of reference of scrutiny committees to reflect the changes to portfolios made by the Leader of the Council and to make Environment Scrutiny Committee responsible for scrutiny of the Public Places portfolio.

ii) To authorise the Head of Legal Services to update the Constitution to reflect the changes to portfolios and the recommended change to the terms of reference of scrutiny committees.

13/27/CIV Nominations For Committees For The Municipal Year 2013/14

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

Council is recommended (by 3 votes to 0) –

To agree to the number and size of committees and to note the nominations as listed below:

SCRUTINY COMMITTEE	GROUP	CURRENT NUMBERS (1) =Alternate	NOMINATIONS
Community Services	Liberal Democrats	4 (1)	Blackhurst, Kerr, Kightley, Tucker Alt: Brierley
	Labour	4 (1)	Johnson, Moghadas (Community Wellbeing Spokes), Price (Housing Spokes), Roberts Alt: Todd-Jones
Environment	Liberal Democrats	4 (1)	Kightley, Reid, Saunders, Tunnacliffe Alt: Brierley

	Labour	4 (1)	Blencowe (Planning and Climate Change Spokes), Owers (Environmental and Waste Services Spokes), O'Reilly (Public Places Spokes), Marchant-Daisley Alt: Herbert
Strategy & Resources	Liberal Democrats	4 (1)	Boyce, Cantrill, Pitt, Rosenstiel Alt: Stuart
	Labour	4 (1)	Ashton, Benstead (Customer Services and Resources Spokes), Herbert (Strategy Spokes), O'Reilly Alt: Bird
Housing Management Board	Liberal Democrats	4 (1)	Blackhurst, Brierley, Pippas, Rosenstiel Alt: Pitt
	Labour	4 (1)	Bird, Blencowe, Price (Spokes), Johnson Alt: Todd-Jones

REGULATORY COMMITTEES

COMMITTEE/SUB COMMITTEE	NOMINATIONS	CURRENT NUMBERS (1)= Alternate	PROPOSED CHANGES AND NOMINATIONS
PLANNING	Liberal Democrat	4 (1)	Rosenstiel, Saunders, Stuart, Tunnacliffe Alt: TBC
	Labour	3 (1)	Blencowe, Dryden,

	Ind&Con	1	Marchant-Daisley Alt: Herbert Hipkin
JOINT DEVELOPMENT CONTROL COMMITTEE	Liberal Democrat	3 (2)	Reid, Smart, Tucker Alts: Tunncliffe + 1
	Labour	3 (2)	Blencowe, Dryden, Price, Alts: Herbert and O'Reilly
LICENSING	Liberal Democrat	6 (1)	Brierley, Pippas, Rosenstiel, Saunders, Stuart +1 TBC Alt: Brown
	Labour	5 (1)	Benstead, Gawthrope, McPherson, Owers, O'Reilly Alt: Bird
	Ind&Con	1	Meftah
CIVIC AFFAIRS	Liberal Democrat	3 (1)	Cantrill, Pitt, Rosenstiel Alt: Boyce
	Labour	3 (1)	Benstead, Herbert, Johnson Alt: Ashton

EMPLOYMENT APPEALS SUB	Liberal Democrat	5	Brierley, Boyce, Pippas, Smart, Stuart
	Labour	4	Bird, Gawthrope, Price + 1 TBC
	Ind&Con	1	Hipkin

13/28/CIV Nominations For Chairs And Vice Chairs Of Scrutiny & Regulatory Committees

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

Resolved

to note the nominations for Chairs and Vice Chairs of Scrutiny and Regulatory Committees as follows:

Committee	Lib Dem Nomination		Labour Nomination	
	Chair	Vice Chair	Chair	Vice Chair
Community Services	Kerr	Blackhurst	Johnson	-
Environment	Kightley	Saunders	Marchant-Daisley	-
Strategy and Resources	Pitt	Cantrill	Ashton	-

HMB	Tenant Rep	Blackhurst	-	Price
Planning	Stuart	-	-	Blencowe
JDCC	Reid (City Lead)	-	Blencowe (City Lead)	-
Licensing	Rosenstiel	-	-	Benstead
Civic Affairs	Rosenstiel	Cantrill	Herbert	-
Employment Appeals Sub Committee	Smart	N/A	Price	N/A

13/29/CIV Nominations for Honorary Councillors

There were no nominations from the Committee.

13/30/CIV Appointment of a standing Employment (Senior Officer) Committee

The Committee considered a report from the Head of Human Resources recommending the establishment of an Employment (Senior Officer) Committee to deal with the employment matters of the Chief Executive, Directors, section 151 officer and Monitoring Officer.

Council is recommended –

To establish an Employment (Senior Officer) Committee with the terms of reference set out below and that the Constitution is amended accordingly.

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

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

13/31/CIV AOB

The committee placed on record its appreciation of the Chair during his years of service in the role.

The meeting ended at 6.25 pm

CHAIR

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CIVIC AFFAIRS

23 May 2013
2.02pm - 2.04 pm

Present: Councillors Rosenstiel (Chair), Cantrill (Vice-Chair), Benstead, Herbert, Johnson and Pitt

FOR THE INFORMATION OF THE COUNCIL

13/32/CIV Appointment to Working Party

The Committee agreed the membership of the following:

**CHIEF OFFICER PERFORMANCE REVIEW
(6 Members)**

Cllrs: Bick, Smart, Stuart, Herbert, O'Reilly and Ashton
Alt: Kightley

The meeting ended at 2.04 pm

CHAIR

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CAMBRIDGE CITY COUNCIL

REPORT OF: Director of Resources

TO: Civic Affairs Committee

26 June 2013

WARDS: All

ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2012 / 2013

1 INTRODUCTION

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

2 RECOMMENDATION

- 2.1 Members are requested to consider and comment on the Review of the Effectiveness of Internal Audit 2012 / 2013.

3 OVERALL OPINION

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

4 INTERNAL AUDIT EFFECTIVENESS

- 4.1 The Accounts and Audit Regulations 2011 require all Councils to annually review the effectiveness of its Internal Audit and to present the results of that review to the appropriate committee.
- 4.2 An assessment of Internal Audit has been carried out which is presented for consideration by the Committee. It contains an opinion on the effectiveness of the Internal Audit Service including self-assessments against a number of publications, these include:
- “*Public Sector Internal Audit Standards*”. These standards replace the “*Code of Practice for Internal Audit in Local Government in the UK (CIPFA, 2006)*”. While they were only introduced on 1 April 2013, it has been used in order that any actions requiring conformity can be established early on and appropriate plans put in place; and

- The “*Statement on the Role of the Head of Internal Audit in Local Government*” (CIPFA, 2010).

4.4 The review was undertaken by the Head of Internal Audit and the report (**Appendix 1**) is presented for Members’ consideration and comment.

5 CONCLUSION

5.1 Consideration of a range of views on the system of Internal Audit operating within the Council during 2012 / 2013 indicates that this has been both appropriate and effective. An Action Plan has been established in order to comply with the new Standards.

6 IMPLICATIONS

- (a) **Financial Implications:** None
- (b) **Staffing Implications:** None
- (c) **Equal Opportunities Implications:** None
- (d) **Environmental Implications:** None
- (e) **Community Safety Implications:** None

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

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

To inspect these documents contact Steve Crabtree on extension 8181.

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



HEAD OF INTERNAL AUDIT

ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

2012 / 2013

ANNUAL REVIEW

- 1. BACKGROUND**
- 2. CURRENT ARRANGEMENTS FOR INTERNAL AUDIT**
- 3. BASIS FOR OPINION**
 - Staff Resources
 - Training and Experience
 - External Audit Opinion
 - Public Sector Internal Audit Standards
 - Statement of Role of Head of Audit
 - Risk Management and Governance Arrangements
 - Civic Affairs Committee
- 4. CONCLUSION**

APPENDICES

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

1 BACKGROUND

- 1.1 The Accounts and Audit Regulations 2011 require all Councils to annually review the effectiveness of Internal Audit and to present the results of that review to the appropriate committee.
- 1.2 An assessment of Internal Audit has been carried out which is presented for consideration by Civic Affairs Committee. It contains an opinion on the effectiveness of the Internal Audit Service including a self-assessment against “*The Public Sector Internal Audit Standards 2013*”. An action plan has been put in place to ensure future full compliance.

2 CURRENT ARRANGEMENTS FOR INTERNAL AUDIT

- 2.1 Internal Audit at Cambridge is provided through an in-house team which is part of the Resources Department, headed up by the (shared) Head of Internal Audit (HIA). It works closely with others in the Council tasked with assurance, governance and risk management but retains a separate identity in relation to the performance of Internal Audit and investigation functions for the Council.
- 2.2 The HIA reports directly to the Director of Resources but also has direct access, if required to the Chief Executive, Leader of the Council, Executive Members and the Chair of Civic Affairs Committee.
- 2.3 At the start of 2012 / 2013 the in-house team comprised 6.03 fte approved posts including the HIA (see 3.1). Due to its size, the section is not structured around client / service based teams or Council directorates. This has allowed the opportunity for auditors to develop a depth of knowledge / relationships with customers in relation to the work of a number of services rather than specific areas. However, a number of officers have specific technical attributes that provide the organisation with a “first point of contact”. This provides some continuity to the customer who can regularly deal with the same auditor over a period of time.
- 2.4 The overarching strategy for the service is set out in the Annual Audit Plan (last approved in March 2013 by Civic Affairs Committee) and this is reiterated in its Terms of Reference. Arrangements for investigation work are defined in the Council’s policies and procedures for Anti-Fraud and Whistleblowing and these are reported on in the Annual Report on the Prevention of Fraud and Corruption. Internal Audit work follows recognised best practice standards and is independently reviewed by External Audit.

2.5 To examine the system of internal audit, this review considered several key elements and assessed their contribution in enabling the section to fulfil its responsibilities. These were:

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

3 BASIS FOR OPINION

3.1 Staff Resources

During 2012 / 2013 there were minor reductions in staffing and these are documented in the table below. The reduced staffing position during the year did not severely impact on the ability to deliver some aspects of planned work within proposed timescales, despite a number of investigation referrals received and in-year requests for support from directorates. There were some audits carried forward from 2011 / 2012 to be completed in Quarter 1.

Post	FTE	Vacancy	Change In Year	Commentary	At Year End
Head of Internal Audit	0.50	-	-	Continuation of shared service with Peterborough	0.50
Principal Auditor	0.76	-	-		0.76
Senior Auditor	2.96	-0.60	-0.80	Vacancy held for the year to provide budget savings	1.56
Audit Assistant	1.81	-	-	One officer commenced maternity leave Xmas 2012	1.81
	6.03	-0.60	-0.80		4.63

3.2 Training and Experience

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

Audit experience:

- Cambridge City Council service ranges from a minimum of 6 years' service within Internal Audit to over 25 years; and
- Previous work experience is with external auditors, banks and other local authorities.

Qualifications:

- Qualified Accountants – CIPFA (x2); ACCA (x1); ICAEW (x1);
- Institute of Internal Auditors – Diploma (x1); Certificate (x1).

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

3.3 External Audit Opinion

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

3.3.2 Liaison with the external auditor continues to be productive and offers the opportunity to co-ordinate audit plans and to share information and to inform risk assessments. The Section agreed the scope and approach to auditing the core financial systems enabling Internal Audit to deliver work of increased value to the Council whilst ensuring that the needs of the external auditor are addressed.

3.4 Public Sector Internal Audit Standards (PSIAS)

3.4.1 PSIAS came into effect from 1 April 2013, although demonstrating compliance (or not) against them is not required until 31 March 2014. A copy of the new standards was included on the Civic Affairs Committee agenda in March 2013 together with an initial overview. Specific guidelines relating to their adoption by Local Government organisations have now been issued (6 April 2013) and these have been used to provide a checklist for establishing the degree of compliance. Analysis is shown in **Appendix A**, together with a summary improvement plan.

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

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

- 3.5.1 CIPFA published its Statement on the role of the Head of Internal Audit (HIA) in Local Government in December 2010 following widespread consultation. The statement sets out best practice for HIAs to aspire to and for Audit Committees and others to measure Internal Audit against. As well as articulating the core responsibilities of the HIA, it also identifies the personal and professional skills needed.
- 3.5.2 Based on five principles, it defines the core activities and behaviours that belong to the role of the HIA and the organisational arrangements needed to support them. For each principle it sets out the governance arrangements required to ensure that HIAs are able to operate effectively and perform their core duties. It also sets out the core responsibilities of the HIA.
- 3.5.3 There is a series of attributes and personal qualities which sit below these principles, some subjective. A full review against the standards was undertaken and reported to Civic Affairs in June 2012. This indicated that the role of the Head of Internal Audit at Cambridge met the underlying aims of the five principles. Minor improvements were identified and these are also highlighted within the new PSIAS.

3.6 Risk Management and Governance Arrangements

- 3.6.1 Prioritisation of the work of Internal Audit is achieved by the development and delivery of an annual risk based Audit Plan. This describes the assurance plans for the Section and includes some capacity for flexibility to adjust to changing circumstances and for demand led and urgent work if appropriate. The plan is based on a mix of different types of audit and risk based work to ensure that assurance over the Council's systems of governance, risk management and internal control is obtained from a number of different directions and sources.
- 3.6.2 The Section's methodology for establishing audit priorities is aligned with the Council's governance and risk management systems. Audit plans are developed through an assessment of risk and assurance needs to support the Council's overall objectives. The Section reviews corporate and departmental risk registers, business plans and discusses Council objectives and priorities with Directors and Heads of Service to assess assurance needs. The Audit Plan is discussed and approved by Civic Affairs Committee in March each year.
- 3.6.3 It is considered that the 2012 / 2013 Audit Plan represented a reasonable view of critical areas for audit review and assurance needs when it was constructed and agreed with senior management and Committee. During the year some audit work was deferred or cancelled due to the timing of the audits. The impact of budget cuts and organisational change was reflected in the reassessment of the work and alternative means of gaining assurance where appropriate.
- 3.6.4 For 2013 / 2014, the agreed Audit Plan again shows links to the corporate aims / objectives in order to clearly demonstrate how audit work relates to the achievement of Council objectives.

3.7 Civic Affairs Committee

3.7.1 The system of Internal Audit includes the role of the “Audit Committee” and in particular its role in the receipt and evaluation of audit reports, both in terms of assurance opinions and in ensuring that appropriate arrangements are in place for the delivery of an effective service. The arrangements for the Committee remained the same during 2012 / 2013 with continuity of membership assisting in maintaining an effective committee. All members are also provided with access to audit reports through the secure portal set up on the intranet. This provides for increased transparency of the audit service delivered as well as providing assurance that governance arrangements are operating appropriately within the organisation.

4 CONCLUSION

Consideration of a range of views on the effectiveness of Internal Audit operating within the Council during 2012 / 2013 indicates that this has been both appropriate and effective. The report demonstrates that the Council has an effective system of Internal Audit including a policy framework, Internal Audit function, audit committee and effective management engagement.

COMPLIANCE AND QUALITY IMPROVEMENT PLAN (PSIAS 1320)

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

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

Reference	STANDARD	COMMENTARY	ACTION
1000	<p>Purpose, Authority and Responsibility</p> <p>The purpose, authority and responsibility of Internal Audit activity must be defined in an Internal Audit charter, consistent with the <i>Definition of Internal Auditing</i>, the <i>Code of Ethics</i> and the <i>Standards</i>. This should be approved by Senior Management and the Board.</p>	<p>The Terms of Reference are regularly reviewed the last update being in December 2012.</p>	<p>The Terms of Reference and Audit Standards will be compared with the new Manual. Once reviewed it will be submitted to senior management and the Board for approval.</p>
1110	<p>Organisational Independence</p> <p>The CAE must establish effective communication links with the Chair of the Board and Chief Executive</p>	<p>There is no scheduled meeting between the Civic Affairs Committee chair and the HoIA. Formal meetings are part of the committee cycle throughout the year.</p> <p>Access is available to the Chief Executive on request.</p>	<p>Agree arrangements for liaison / communication meetings between HoIA and Civic Affairs Chair (and opposition spokesperson)</p>
1220	<p>Due Professional Care</p> <p>Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.</p>	<p>The Audit Manual sets out the standards individual auditors must meet in their allocated assignments. The Manual is based on the previous Code of Practice and therefore needs to be reviewed to take account of any changes required to meet the PSIAS and to reflect improvement made locally since it was last reviewed.</p>	<p>Review and update the Audit Manual</p>

Reference	STANDARD	COMMENTARY	ACTION
1300	<p>Quality Assurance and Improvement Programme</p> <p>The CAE must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.</p>	<p>The objective is to provide for an assessment of compliance with the PSIAS, together with efficiency and effectiveness of internal audit activity. Previous annual reviews against Code of Practice have been referred to Civic Affairs. The programme should also identify opportunities for improvement</p>	<p>This appendix is to be referred to as the Improvement Programme</p>
1312	<p>External Assessments</p> <p>External assessments must be conducted at least once every 5 years by a qualified independent assessor from outside the organisation. The CAE must discuss with the Board:</p> <ul style="list-style-type: none"> - The form of external assessments. - The qualifications and independence of the external assessor – including conflicts of interest. 	<p>NEW REQUIREMENT.</p> <p>External assessment can be either “full” assessment or self-assessment with independent external evaluation.</p> <p>Ongoing discussions with other local authorities within the county to look to undertake a peer review in order to minimise costs.</p>	<p>Proposals will be submitted to Civic Affairs detailing future arrangements and timescales agreed.</p>
2040	<p>Policies and Procedures</p> <p>The CAE must establish policies and procedures to guide the internal audit activity.</p>	<p>The Audit Manual sets out the necessary policies and procedures.</p>	<p>As per Standard 1220.</p>
2120	<p>Risk Management</p> <p>The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.</p>	<p>Fraud survey reviewed.</p>	<p>Proactive work will be facilitated once IDEA software is obtained later in 2013. (This is an interrogation software package, which will allow various tests on data sets across the authority).</p>

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CAMBRIDGE CITY COUNCIL

REPORT OF: Head of Internal Audit

TO: Civic Affairs Committee

26 June 2013

WARDS: All

HEAD OF INTERNAL AUDIT: ANNUAL AUDIT OPINION 2012 / 2013

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 Cambridge City Council has a fundamentally sound governance framework from which those charged with governance can gain assurance.**
- 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 Auditing Practices Board's auditing guideline '*Guidance for Internal Auditors*', CIPFA's '*Code of Practice for Internal Audit in Local Government in the United Kingdom 2006*' and with other relevant statutory obligations and regulations. The Code of Practice, with effect from 1 April 2013 has been replaced with the Public Sector Internal Audit Standards and these were reported to Civic Affairs in March 2013.
- 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 2012 /2013. 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 key issues have been identified from the work of the Internal Audit team during 2012 / 2013, and actions agreed to resolve them. One of the key issues identified this year concerns the arrangements for the management of contracts and projects. This issue has been fed through into this year's Annual Governance Statement Action Plan.

6 CONSULTATIONS

- 6.1 Managers and Heads of Service are consulted on all Internal Audit reports at draft stage to agree the proposed action plan. Directors, 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. Copies of Executive Summaries are sent to the Chief Executive and the Council's Monitoring Officer; in addition the final reports are posted on the secure intranet allowing access by all Councillors.

7 IMPLICATIONS

- (a) **Financial Implications:** None
- (b) **Staffing Implications:** None
- (c) **Equal Opportunities Implications:** None
- (d) **Environmental Implications:** None
- (e) **Community Safety:** None

BACKGROUND PAPERS:

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

- Audit Plan for 2012/2013;
- Audit Reports issued during 2012/2013;
- Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (CIPFA).
- Accounts and Audit Regulations 2011
- Public Sector Internal Audit Standards 2013

To inspect these documents contact Steve Crabtree on extension 8181.

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

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HEAD OF INTERNAL AUDIT ANNUAL AUDIT OPINION 2012 / 2013

ANNUAL REPORT

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

1. **INTRODUCTION**

1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Civic Affairs Committee and the Director of Resources, 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. This report is the culmination of the work during the course of the year and seeks to provide an opinion on the adequacy of the control environment and report the incidence of any significant control failings or weaknesses. The report also gives an overview of audit performance during the year. The overall report will then feed into the Annual Governance Statement included in the Statement of Accounts.

2. **ARRIVING AT AN OPINION**

2.1 **Background**

The opinion is derived from work carried out by Internal Audit during the year, as part of the agreed Internal Audit Plan for 2012 / 2013. The Internal Audit Plan was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control. We have conducted our audits both in accordance with the mandatory standards and good practice within the Code of Practice and additionally from our own internal quality assurance systems. Our opinion is limited to the work carried out by Internal Audit but, where possible, we have considered the work of other assurance providers.

2.2 **Risk Based Audit Planning**

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

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

2.3 Reporting

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

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

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

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

3. OPINION 2012 / 2013

The Code of Practice for Internal Audit in Local Government in the UK 2006 states that the HoIA must provide a written report to those charged with governance timed to support the Annual Governance Statement. This report must include an opinion on the overall adequacy and effectiveness of the organisation's control environment, presenting a summary of how that opinion is derived including reliance placed on work by other assurance bodies.

The internal control environment is fundamentally well established and continuing to operate well in practice even though 2012 / 2013 has been a challenging year for the organisation. There have been instances where the control environment was not strong enough or complied with sufficiently to prevent significant risks to the organisation. The main area of concern in the year has been in relation to the management of contracts and projects and Internal Audit has been working closely with management in this area to improve key controls. This has been included in the Annual Governance Statement as an action to be addressed going forward. All Executive Summaries of audit reports have been made available to Members throughout the year via the secure intranet. Nevertheless, the key conclusions from the reports are detailed in Section 3 below.

The overall conclusion is that Cambridge City Council has a **sound governance framework** from which those charged with Governance can gain **reasonable assurance**. Internal Audit has made a number of recommendations to further improve the systems of control and the organisation is actively working to make improvements in these areas. Agreed actions are recorded and monitored through the Council's risk register.

Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that, in the main, these controls continue to work well in practice although there are some areas where improvements are necessary.

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

Steve Crabtree
Head of Internal Audit
May 2013

4. BASIS OF HEAD OF INTERNAL AUDIT OPINION

4.1 The audit work that was completed for the year to 31 March 2013 is listed in Section 6, which summarises all the audits undertaken and their results in terms of the audit assurance levels provided and the number of actions agreed. A summary of assurance levels is detailed below.

This shows that **65%** of the systems audited achieved an assurance level of significant or higher, compared to **62%** last year (and **59%** in 2010 / 2011).

AUDIT ASSURANCE						
Assurance Levels	Issued			%		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
Full	5	4	2	18	14	6
Significant	11	14	20	41	48	59
Limited	10	10	11	37	34.5	32
No	1	1	1	4	3.5	3
Total	27	29	34	100	100	100
N/A	-	-	7	-	-	-

ACTIONS AGREED			
	Numbers		
	2010/11	2011/12	2012/13
Low	22	10	14
Medium	73	82	45
High	65	53	90
Critical	-	3	1
	160	148	150

4.2 In addition to the audits detailed in the above table, further audit work was carried out including follow-ups, consultancy work and specific activities such as investigations. Some of these works, such as investigations or the provision of advice / "critical friend" role will not warrant an assurance rating, but there may be some actions to be addressed. During the year, 6 activities fell into this category and the full details are shown in Section 6. At the year end a number of audits were in various stages of completion and audit opinions relating to these will be reported during 2013 / 2014.

4.3 **Annual Governance Statement**

In June 2007 CIPFA, in conjunction with the Society of Local Authority Chief Executives (SOLACE), published Delivering Good Governance in Local Government: Framework. The Department for Communities and Local Government has determined that this guidance represents proper practice. Consequently, Civic Affairs Committee should seek assurance that this guidance has been followed to compile the Annual Governance Statement (AGS). To help the Committee gain that assurance and to give some independent assurance that the AGS is free from material misstatement Internal Audit undertakes reviews of the key corporate governance systems.

Using our audit work and being involved in the development of the Annual Governance Statement we can confirm that there is evidence to indicate that policies, procedures and systems are in place for corporate governance to be effective within the Council. The Council has demonstrated a firm foundation for this and Internal Audit remains of the opinion that the policies, procedures and systems are generally in place for good corporate governance. From our audit work we have made reference to the need to improve contract and project management and this has been included in the Action Plan.

4.4 Risk Management

Internal Audit have been involved in the development and roll out of the new risk management arrangements across the Council. The updated Risk Management Strategy setting out the revised framework was approved by Civic Affairs in March 2013. All agreed Internal Audit actions are recorded on the risk register and monitored for implementation. Quarterly reports are referred to each Departmental Management Team on outstanding actions and are also flagged up with the Strategic Leadership Team half yearly. The summary position is as follows:

Year	ACTIONS MADE				
	Agreed	Implemented	Completion Date Not Due	Cancelled	Overdue Action
2011 / 2012	148	87	5	2	54
2012 / 2013	150	75	28	0	47

The new risk register was introduced during 2012 / 2013. Due to the previous system being not fit for purpose there has not been an effective mechanism to monitor delivery of actions. The new system is addressing this and with corporate buy in from Directors the level of actions outstanding is reducing quickly.

4.5 Key Financial Systems

A risk based review of the authority's key financial systems is undertaken to provide evidence supporting the internal audit opinion on the adequacy of the organisation's control environment. As in previous years, the key financial systems subject to audit were agreed in advance with the authority's external auditors as they review this work and use this as a key source of assurance for the organisation. These have been reviewed and they confirm that it meets their requirements in terms of timeliness, quality and supporting evidence. Audit coverage during the year has provided sufficient evidence to conclude that those key financial control systems evaluated are sound.

4.6 **Summary Activities**

Section 6 identifies the works undertaken and concluded in the year. Key activities include:

- Risk Management. There has been renewed impetus to embed effective risk management across the organisation. Following the implementation of the new risk register, there is a greater focus on managing risks and achieving corporate buy in.
- Health and Safety (Contract Management). The audit concluded that while site visits are undertaken to verify that health and safety issues are identified and addressed, however there is a lack of documentation to evidence these checks.
- Business mileage. There is an inconsistent approach across departments in verifying that employees' private vehicles have been appropriately insured and MOT's obtained where necessary.
- Funding to voluntary organisations. There are inconsistencies in the procedures for processing and managing grant funding across the organisation and we have suggested some form of streamlining.
- Responsive Repairs Improvement Plan. Delays in recruiting to key posts within the department have hindered progress against the Plan. Staff have now been appointed so this is now back on track.
- Leaseholder Charges. Information to ensure all costs are recovered has not always been available on a timely basis.
- PCI DSS Compliance. A lack of checks on software providers did not ensure that they were still compliant and returns had not been completed on a timely basis.
- Commercial Property Portfolio. Stock condition surveys were not completed on a timely basis for all properties.
- Capital Expenditure. It was identified that there was inconsistency in the monitoring of the capital plan and a need for appropriate re-profiling.
- Markets. Robust arrangements for the monitoring of income from stallholders are required and issues of lone working were identified.
- Members Allowances. Special responsibility allowances were incorrectly paid following changes in membership.
- Depot Cash Handling. Weaknesses were identified in the arrangements for the payment of goods and services at the Depot.

Two audits undertaken during the year received FULL assurance, these being:

- Void Clearance; and
- Implementation of the outcomes from the recent pay review.

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

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

5. RESOURCING AND PERFORMANCE

5.1 Resourcing

The staffing position in Internal Audit is slightly lower than when the Annual Internal Audit Plan was agreed, due to maternity leave. The resource level for the year was:

Post	FTE	Vacancy	Change In Year	Commentary	At Year End
Head of Internal Audit	0.50	-	-	Continuation of shared service with Peterborough	0.50
Principal Auditor	0.76	-	-		0.76
Senior Auditor	2.96	-0.60	-0.80	Vacancy held for the year to provide budget savings	1.56
Audit Assistant	1.81	-	-	One officer commenced maternity leave Xmas 2012	1.81
	6.03	-0.60	-0.80		4.63

5.2 Performance

During the year, it should be noted that:

- Customer feedback remains very positive.
- The continuation of the shared service arrangement with Peterborough City Council which is delivering cost efficiency savings and improved performance;
- External audit reliance on our work; and
- Sickness levels remain below corporate levels.

6. AUDIT PLAN COVERAGE

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS							COMMENTARY		
			AGREED			Action status: 3 June 2013						
			Critical	High	Med	Low	Total	Complete	Overdue		Not Yet Due	
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 Benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Complete	
Council Tax											Draft	
Treasury Management											Draft	
ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK			Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details the audit work that specifically relates to the production of the Annual Governance Statement									
Annual Governance Statement	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Complete	
Annual Audit Opinion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Complete	
Internal Audit Effectiveness	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Complete	
National Fraud Initiative	-	-	-	-	-	-	-	-	-	-	In progress	
Prevention of Fraud and Corruption Policy	-	-	-	-	-	-	-	-	-	-	Report to Civic Affairs June 2013	
Risk Management	2012/13 37	Limited	0	1	0	0	0	1	0	1	0	Complete

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS										COMMENTARY
			AGREED					Action status: 3 June 2013					
			Critical	High	Med	Low	Total	Complete	Overdue	Not Yet Due			
CORPORATE / CROSS CUTTING AUDITS			Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.										
Health and Safety	2012/13 03	Limited	0	6	0	0	6	2	4	0	0	Complete	
Data Protection Compliance	2012/13 45	Significant	0	7	0	0	7	0	3	4	Complete		
Implementation of the outcomes from the Business and Support Services Review (BSSR)											Fieldwork		
Purchase Orders											Draft		
Climate Change Fund	2012/13 04	Significant	0	4	1	0	5	3	0	2	Complete		
Fees and Charges											Draft		
Business Mileage	2012/13 01	Limited	0	4	0	0	4	4	0	0	Complete		
Corporate Change Process											Cancelled		
Devolvement of decision making on developer contributions	2012/13 35	Significant	0	3	0	0	3	0	0	3	Complete		
Gifts and Hospitality	2012/13 18	Significant	0	0	6	2	8	2	3	3	Complete		
Funding to Voluntary and Community Organisations	2012/13 17	Limited	0	3	4	1	8	N/A	N/A	N/A	Complete		

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS							COMMENTARY			
			AGREED				Action status: 3 June 2013						
			Critical	High	Med	Low	Total	Complete	Overdue		Not Yet Due		
PROJECTS			Dependent on risk, we review a sample of projects and contracts each year to test whether the Councils governance arrangements are being followed and that contracts provide value for money										
Clay Farm – Community Centre													Ongoing monitoring
Clay Farm – Land Disposal													Ongoing monitoring
Route Optimisation													Cancelled
Mercury Abatement													Draft
500 House Building	2012/13 14	Significant	0	1	0	0	0	1	1	0	0	0	Complete
Orchard Upgrade													Deferred to 2013 / 2014
Responsive Repairs Improvement Plan	2012/13 16	Limited	0	2	0	0	0	2	2	0	0	0	Complete
HRA Self Financing	2012/13 30	Significant	0	0	0	0	0	0	N/A	N/A	N/A	N/A	Complete
CONTRACTS			Dependent on risk, we review a sample of projects and contracts each year to test whether the Councils governance arrangements are being followed and that contracts provide value for money										
Planned Maintenance	2012/13 09	Significant	0	8	0	0	0	8	7	0	0	1	Complete
Homelessness Assessment Centre (Zion Baptist Church)													Fieldwork
Ditchburn Place Care Contract													Planning

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS							COMMENTARY	
			AGREED			Action status: 3 June 2013					
			Critical	High	Med	Low	Total	Complete	Overdue		Not Yet Due
DEPARTMENT			CHIEF EXECUTIVES								
Social Media	2012/13 32	Significant	0	0	0	2	2	1	0	1	Complete
Performance Management	2012/13 31	Significant	0	1	1	0	2	1	1	0	Complete
DEPARTMENT			CUSTOMER AND COMMUNITY SERVICES								
Welfare Reform Act	2012/13 26	Significant	0	0	1	0	1	1	0	0	Complete
Leaseholder Charges (s.20)	2012/13 02	Limited	0	6	0	0	6	1	5	0	Complete
Voids Clearance Process	2012/13 05	Full	0	0	0	1	1	1	0	0	Complete
Home Improvement Agency											Draft
Right To Buy											Fieldwork
Corn Exchange Box Office											Ongoing monitoring
Community Development – Asset Management	2012/13 36	Significant	0	5	0	0	5	4	0	1	Complete
Care Call System	2012/13 29	Significant	0	0	1	0	1	1	0	0	Complete

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS										COMMENTARY		
			AGREED					Action status: 3 June 2013							
			Critical	High	Med	Low	Total	Complete	Overdue	Not Yet Due					
DEPARTMENT	ENVIRONMENT														
Public Art	2012/13 19	Significant	0	0	0	0	0	0	0	0	N/A	N/A	N/A	Complete	
Play Areas	2012/13 22	Significant	0	0	2	0	2	2	1	1	1	0	0	Complete	
Leaseholder Charges (Grounds Maintenance Costs)														Deferred to 2013 / 2014	
Crematorium / Commemoration Services	2012/13 23	N/A	0	0	0	2	2	2	2	2	0	0	0	Complete	
CCTV / Out of Hours Service	2012/13 34	Significant	0	0	0	0	0	0	0	0	N/A	N/A	N/A	Complete	
Ranger Data Collection	2012/13 47	Significant	0	0	1	2	3	3	N/A	N/A	N/A	3	3	Complete	
Officer Consultation on Planning Applications														Fieldwork	
Tree Management														Fieldwork	

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS							COMMENTARY		
			AGREED			Action status: 3 June 2013						
			Critical	High	Med	Low	Total	Complete	Overdue		Not Yet Due	
DEPARTMENT	RESOURCES											
EDRMS	2012/13 28	Significant	0	1	0	0	0	1	0	1	0	Complete
PCI DSS Compliance	2012/13 06	No	1	2	1	0	0	4	3	1	0	Complete
Commercial Property Portfolio	2012/13 10	Limited	0	4	1	0	0	5	3	2	0	Complete
Implementation of the outcomes from the recent pay review	2012/13 27	Full	0	0	0	0	0	0	N/A	N/A	N/A	Complete
IT Contract Management	This audit was cancelled from the audit plan. However, various advice and ongoing monitoring was provided to the project team during the specification, evaluation and subsequent re-let of this contract during 2012 / 2013.											
Procurement Strategy / Spend Categorisation												Draft

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS							COMMENTARY	
			AGREED			Action status: 3 June 2013					
			Critical	High	Med	Low	Total	Complete	Overdue		Not Yet Due
CARRY FORWARD ACTIVITIES											
Capital Expenditure	2012/13 08	Limited	0	1	12	0	13	3	10	0	Complete
Asset Management – Use of Accommodation	2012/13 46	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Complete
Markets	2012/13 21	Limited	0	2	3	1	6	4	0	2	Complete
Data Security	2012/13 15	Significant	0	1	3	0	4	1	3	0	Complete
Member Allowances	2012/13 07	Limited	0	4	1	0	5	5	0	0	Complete
FOLLOW UP PROVISION											
Leisure Management	2012/13 24	Significant	0	0	0	0	0	N/A	N/A	N/A	Complete
Lone Working	2012/13 43	Significant	0	1	0	0	1	0	1	0	Complete
Contractor Health & Safety											Draft
Service Continuity Plans											Draft

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS							COMMENTARY	
			AGREED			Action status: 3 June 2013					
			Critical	High	Med	Low	Total	Complete	Overdue		Not Yet Due
UNPLANNED ACTIVITY: PROJECT MANAGEMENT / PROCUREMENT / CONTRACT MANAGEMENT ADVICE											
Various pieces of contracts advice were provided during the year. These covered all stages of the contracts process. Key activities covered:											
<ul style="list-style-type: none"> • Leisure Management • Box Office Software • Re-let of ICT • Planned Maintenance 											
Advice and support on projects included:											
<ul style="list-style-type: none"> • Responsive Repairs Improvement Plan • Stores / Procurement 											
UNPLANNED ACTIVITY: SPECIAL INVESTIGATIONS – E.G. ALLEGATIONS OF BREACHES OF OFFICER CODE OF CONDUCT / WHISTLEBLOWING											
S.I. – Customer and Community Services #01	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Whistleblowing
S.I.- Environment #01	2012/13 12	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Whistleblowing
S.I. – Resources #01	2012/13 33	N/A	0	10	0	0	10	10	0	0	Whistleblowing
UNPLANNED ACTIVITY: REQUESTED WORK											
Street Trading Consents	2012/13 20	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Request
Cash Handling at the Depot	2012/13 25	Limited	0	13	7	3	23	12	11	0	Request
RISK MANAGEMENT											
Internal Audit has assisted in the implementation of the updated risk register. Ongoing work includes the review and monitoring of Council's risks and implementation of actions agreed to mitigate these.											

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CAMBRIDGE CITY COUNCIL

REPORT OF: Director of Resources

TO: Civic Affairs Committee

26/06/13

WARDS: All

ASSURANCE FRAMEWORK, DRAFT ANNUAL GOVERNANCE STATEMENT AND DRAFT CODE OF CORPORATE GOVERNANCE 2013

1 INTRODUCTION

- 1.1 The preparation of an Annual Governance Statement (AGS) is necessary to meet the statutory requirements as set out in Regulation 4(3) of the Accounts and Audit (England) Regulations 2011. The AGS covers the Council's governance arrangements for the 2012-13 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 2011/12 AGS action plan and presents the necessary recommendations for Member approval that will allow the Council as a whole to ensure that the AGS is produced in accordance with CIPFA guidance and therefore meet External Audit requirements.
- 1.4 The Council's Code of Corporate Governance summarises the ways in which the authority directs and controls its functions and relates to its communities. It is reviewed annually.

2 RECOMMENDATIONS

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

2.2 That the Council approves the Code of Corporate Governance (Appendix B) at Full Council on 18th July.

3 **BACKGROUND TO THE AGS**

Scope of the AGS

3.1 Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities and includes those designed to ensure that:

- The Council's policies are implemented in practice;
- High quality services are delivered efficiently and effectively;
- The Council's values and ethical standards are met;
- Laws and regulations are complied with;
- Required processes are adhered to;
- Its financial statements and other published information are accurate and reliable; and
- Human, financial and other resources are managed efficiently and effectively.

Arrangements for Compiling the AGS

3.2 CIPFA, in conjunction with SOLACE, have produced a framework for delivering good governance in local government. Since 2003/04, responsibility for preparing the AGS rested with Internal Audit and this was performed working to the CIPFA/SOLACE framework.

3.3 In December 2010, CIPFA issued its statement on 'The Role of the Head of Internal Audit in Local Government', which states that the Head of Internal Audit should 'set out the framework of assurance that supports the Annual Governance Statement and identify Internal Audit's role within it', but 'should not be responsible for preparing the report.' Arrangements for compiling the AGS for 2012-13 have been undertaken by the Head of Legal Services (the Council's Monitoring Officer) in conjunction with the Head of Corporate Strategy and the Principal Auditor.

3.4 Assurances from the work of the Internal Audit team relating to 2012/2013 have been reviewed and one area that has been highlighted from their work concerns the issue of lack of documentation of contract management checks, in particular the checks carried out on contractor health & safety. An action has been included in the AGS Action Plan to follow up this audit to ensure agreed actions have been implemented..

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

Arrangements for reporting on and signing off the AGS

- 3.6 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 HIA Annual Opinion, which is presented earlier on this agenda, in their review of the AGS.

4. Progress with the 2011-12 AGS Action Plan

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

- **Risk Management** – A decision was taken to defer recruitment to the vacant part-time Risk Management Officer (RMO) post in order to evaluate whether the functions of the RMO could be managed within existing resources, as implementation of the new risk register has simplified many of the processes that were previously supported by this post. Reports are being provided to SLT on risks and outstanding actions. The first of these was presented in January 2013 and the next one is due in July 2013. The Council's Risk Management Strategy was reviewed and approved by Civic Affairs Committee in March 2013.
- **Project Management** - The review of the Council's Project Management Guidelines is now complete. The guidelines now need to be rolled out to all managers across the Council and plans are in place to do this.
- **Review of Decision-Making Arrangements** - The alternatives made possible by the Localism Act, namely the potential to return to a committee system of decision-making, were reviewed and reported to Civic Affairs Committee in November 2012. The Committee agreed that, because the current Cambridge City Council system had been deliberately designed to incorporate the best elements of the committee system, a change would not bring significant benefits, and no further work was required at that time.
- **Implementation of the Bribery Act 2010** - The Prevention of Fraud & Corruption Policy has been updated to provide an overview of the Bribery Act and its implications for the City Council. The updated Policy is being brought to Civic Affairs Committee (June 2013) for review and approval.

An Internal Audit review of Gifts & Hospitality has been undertaken as part of the 2012-13 Internal Audit Plan. A 'Significant' assurance rating was given to this review, which highlighted the need for greater clarity in the Officer Code of Conduct on what can be accepted and what needs to be recorded in the gifts and hospitality register. The revised Code is being brought to Civic Affairs Committee (June 2013) for approval.

4.3 **Appendix A** to this report details the action plan to address significant governance issues for the 2012/13 AGS.

5. BACKGROUND TO THE CODE OF CORPORATE GOVERNANCE

5.1 The Council adopted a Code of Corporate Governance on 25 April 2002. 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.

5.3 Officers intend to explore whether the Code of Corporate Governance can be improved by providing web-links between the Code and the supporting evidence cited in the Code. However, this is dependent on the availability of staffing resources.

6 CONSULTATIONS

5.1 Key officers have been consulted in compiling the 2012-13 AGS and Action Plan. The draft AGS and Action Plan have been shared with the Council's External Auditors.

6 CONCLUSION

6.1 The draft AGS and draft Code set out the governance framework for the City Council and identifies a number of issues where action is planned to improve the level of governance.

7 IMPLICATIONS

(a) Financial Implications

None

(b) Staffing Implications

None

(c) Equal Opportunities Implications

None

(d) Environmental Implications

None

(e) Community Safety Implications

None

BACKGROUND PAPERS: The following are the background papers that 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 author and contact officer for queries on the report is Simon Pugh, Head of Legal Services and Monitoring Officer, on (01223) 457401 or email simon.pugh@cambridge.gov.uk.

Annual Governance Statement

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 or can be obtained from the Chief Executive, The Guildhall, Cambridge. This statement explains how Cambridge City Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 regulation 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

The Purpose of the Governance Framework

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

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

The governance framework has been in place at Cambridge City Council for the year ended 31 March 2013 and up to the date of approval of the annual report and statement of accounts.

Appendix A

The Governance Framework

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

- The Council's Vision Statement, which focuses the Council's efforts in achieving its vision for the future of Cambridge.
- The Annual Statement, which reiterates the vision and sets out a range of activities the Council will undertake in the year ahead to achieve the vision, and its core underpinning values.
- The Annual Report, which contains information on financial performance and achievement of business objectives as articulated in the portfolio plans.
- The annual budget and service planning process which translates the Council's Objectives into actions at portfolio and operational level.
- The Council's Medium Term Financial Strategy, which identifies how the Council will resource its aspirations and plans for any financial risks.
- A Budget Setting Report, which sets out overall spending plans and includes a Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement.
- 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 Council's Prevention of Fraud and Corruption Policy which is in place and reviewed regularly by the Council's Civic Affairs Committee.
- A Register of Interests, which is maintained and reviewed regularly.
- Financial Regulations and Financial Procedure Rules which provide a framework for managing the Council's financial affairs and set out the financial accountabilities and responsibilities for Members and officers.
- A corporate Risk Management Framework, which includes a Risk Management Strategy approved by Members and a comprehensive risk register identifying the key controls and actions required to manage the Council's principal risks.

- The 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'.

Appendix A

- 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.
- The financial management arrangements at Cambridge City Council conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- The Council's assurance arrangements conform with the governance requirements of CIPFA's Statement on the Role of the Head of Internal Audit in Local Government.

- 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.
- 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 Corporate Change Programme Board, which commissions and monitors projects to implement change and transformation.
- The Citizens' Survey, which is undertaken periodically to gauge the public's perception of Council services, our spending priorities, communication with us and feelings of safety.

- The Code of Corporate Governance, which sets out the ways in which the Council ensures that its business is conducted in accordance with law and proper standards and that public money is safeguarded and properly accounted for.

- A framework to guide the Council's engagement with external partnerships that will ensure the Council's partnerships are accountable and effective.

- The corporate website, residents' magazine and social media channels, which along with other publications and communications provide for informing and engaging residents and other stakeholders in service delivery and policy formulation.
- A Code of Best Practice on Consultation and Community Engagement, adopted by the Council which sets out the Council's approach to consultation.

Appendix A

- 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.

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. Members are kept informed of the work of Internal Audit through a dedicated Members' Internal Audit web-page, which publishes copies of the Executive Summaries of Audit reports.

Individual Internal Audit reports are issued directly to the relevant Director, the Director of Resources, the Leader of the Council and the relevant Executive Councillor. Executive Summaries of Internal Audit reports are circulated to the Chief Executive and the Council's Monitoring Officer to ensure that they are informed of potential areas of non-compliance with legislation. Each audit report contains an independent assurance opinion on the adequacy and effectiveness of the internal controls in place to mitigate risks. Management actions agreed in Internal Audit reports are entered into to the Council's Risk Register and progress on their implementation is reported to and monitored by the Chief Executive and the Strategic Leadership Team.

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

The Director of Resources is the Authority's Chief Financial Officer and is responsible for the proper administration of the authority's financial affairs. The Director of Resources reports directly to the Chief Executive and is a 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 2012-13

Issue	Action	Target Date	Officer Responsible
<p>1</p> <p>Errors were identified in the Council's budget setting forecast for 2012-13, which resulted in an under-statement of the Council's spending requirements. These errors were investigated by the Council's External Auditors, Ernst and Young, and in response to their report an action plan was proposed to address the issues raised.</p> <p>The action plan was agreed at Civic Affairs on 17 April 2013.</p>	<p>Ensure implementation of the actions agreed by Civic Affairs:</p> <ul style="list-style-type: none"> • Improvement to the control environment for the council's financial modelling. • Addressing staffing related issues. • Structure • Improvements to future processes 	<p>31 July 2013</p> <p>31 May 2013</p> <p>From June 2013</p> <p>31 July 2013</p>	<p>Head of Internal Audit/Head of Accounting Services</p> <p>Chief Executive/Head of Accounting Services/Head of HR</p> <p>Chief Executive</p> <p>Chief Executive</p>
<p>2</p> <p>An Internal Audit review of the Council's Risk Management Framework was undertaken during 2012-13. The audit concluded that the framework goes a long way in meeting the principles of good governance, in that there are sound procedures in place for managing risk and therefore a 'significant' assurance rating was given to the risk management framework.</p> <p>However, the audit found that some services have not yet fully embedded the risk management processes into their on-</p>	<p>As a result of the Internal Audit review it was agreed that to ensure the risk management process becomes fully embedded across the Council the Chief Executive and Strategic Leadership Team will continue to ensure that proactive action is taken to update the risk register on a timely basis.</p> <p>A follow-up to the audit of the Risk Management Framework will be completed in 2013-14.</p>	<p>Ongoing from 30 April 2013</p> <p>31 December 2013</p>	<p>Chief Executive</p> <p>Chief Executive</p> <p>Head of Internal Audit</p>

Appendix A

	Issue	Action	Target Date	Officer Responsible
	going service management arrangements and therefore overall a 'limited' assurance rating was given by the audit review.			
3	An Internal Audit review of the Management of Contractor Health & Safety was undertaken during 2012-13. This audit found that although officers have been undertaking appropriate checks on the contracts they are managing, in many cases they are not documenting these checks to evidence that they have taken place. This issue has also been evident in a number of other contracts reviewed in previous years and covers a range of different aspects of contract management.	Undertake a follow-up audit of the Management of Contractor Health & Safety to ensure all agreed actions for documenting checks undertaken on contracts have been implemented.	31 March 2014	Head of Internal Audit

Appendix A

	Issue	Action	Target Date	Officer Responsible
4	<p>The Prevention of Fraud & Corruption Policy has been updated to provide an overview of the Bribery Act 2010 and its implications for the City Council. (The updated Policy is being brought to Civic Affairs (June 2013) for review and approval.)</p> <p>An Internal Audit review of Gifts & Hospitality has been undertaken as part of the 2012-13 Internal Audit Plan. A 'Significant' assurance rating was given to this review, but the report highlighted the need for greater clarity in the Officer Code of Conduct on what can be accepted and what needs to be recorded in the gifts and hospitality register.</p> <p>The revised Code is also being brought to Civic Affairs (June 2013) for approval.</p>	<p>Once agreed, the requirements of the updated Officer Code of Conduct in relation to gifts and hospitality should be shared with all staff and managers.</p>	31 July 2013	Principal Auditor
5	<p>The current Scheme of Delegations, as contained in the Council's Constitution, requires review to ensure it is up to date</p>	<p>Review the Council's Scheme of Delegations to ensure it is up to date.</p>	31 December 2013	Head of Legal Services

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Appendix A

Signed:

.....
Councillor Tim Bick
Leader of the Council

Date: 2013

.....
Antoinette Jackson
Chief Executive

Date: 2013

Cambridge City Council - Code of Corporate Governance 2013-14

Review Date: June 2013

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.

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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 2013 review, which has been amended to reflect changes arising as a result of the Government's new national performance framework. 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

13 June 2013

Appendix B

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

		Supporting Evidence
1.1	The Council will have a clear vision for the City and set objectives to guide the Council's activities. It will review those objectives each year, through the Annual Statement agreed at the Annual Council meeting.	Vision Annual Statement
1.2	The Council will agree with partners a business plan for the Local Enterprise Partnership, and contribute to the agreement of priorities for the Health & Wellbeing Board and other relevant countywide partnerships.	Local Enterprise Partnership Business Plan Health and Wellbeing Strategy
1.3	The Council will have a Medium Term Financial Strategy to resource the Council's aspirations and to assess and plan for any financial risks. The strategy will be reviewed annually.	Medium Term Strategy
1.4	The Council will put service to the public first. The annual portfolio planning process will be used to agree the priorities for each area of Executive Councillor responsibility. The Plans express the strategic objectives for the portfolio over the financial year 2013/14 and beyond. Beneath each of the objectives are detailed the particular outcomes to	Portfolio Plans Agenda for Scrutiny Committees March 2013/14 cycle

	<p>be achieved in 2013/14. Finally the plans will include performance measures that will provide evidence that the outcomes have been achieved.</p> <p>This information will enable members and the services contributing to the delivery of the plan to be clear about the priorities for the portfolio and will assist in decisions about where resources should be focussed within the portfolio.</p> <p>Heads of individual service areas prepare operational plans indicating how they will meet objectives set in portfolio plans and setting out their priorities and work programmes for the year ahead.</p>	Operational Plans
1.5	<p>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.</p>	Annual Report and Statement of Accounts
1.6	<p>The Council will seek to provide value for money to local people.</p> <p>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.</p> <p>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.</p>	Procurement Strategy

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

		Supporting Evidence
2.1	<p>The Council will set out a clear statement of the roles and responsibilities of Executive Members, other Members and Council Officers in its Constitution.</p> <p>The scheme of delegation within the Constitution will make clear what matters are reserved for collective decision-making by full Council.</p>	<p>Constitution</p> <p>Member/Officer Protocol</p>
2.2	<p>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.</p>	
2.3	<p>The Council's Chief Executive is its Head of Paid Service responsible and accountable to the authority for its operational management.</p> <p>The Director of Resources 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.</p> <p>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</p>	<p>Constitution</p> <p>Job Descriptions for the Chief Executive, Director of Resources and Monitoring Officer</p> <p>Schedule on the Role of the Chief Financial Officer</p>

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	with.	
2.4	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.	Portfolio Plans Performance Reviews Professional Qualifications and training
2.5	The Council's Civic Affairs Committee will be responsible for constitutional issues and will ensure that the constitution is monitored and updated when required.	Terms of Reference of Civic Affairs Committee
2.6	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. The Panel will operate in an open and transparent manner, making their agendas, reports and minutes available to the public. 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.	Independent Remuneration Panel Terms of Reference Independent Remuneration Panel agendas, reports and minutes Members' Allowance Scheme Pay Policy Statement
2.7	When working in partnerships the Council will ensure that Members are clear about their roles and responsibilities, both individually and	Partnership Terms of

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	<p>collectively, in relation to the partnerships and to the Council.</p> <p>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.</p> <p>The Council will operate in accordance with principles of partnership working agreed with our key partner organisations.</p>	<p>Reference</p> <p>Principles of Partnership Working</p>
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Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

		Supporting Evidence
3.1	<p>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 Medium Term Strategy document.</p> <p>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.</p>	<p>Constitution</p> <p>Confidential Whistleblowing Policy</p> <p>Annual Complaints Report</p> <p>Prevention of Fraud and Corruption Policy</p> <p>Register of Interests</p>
3.2	<p>The Council has adopted a Code of Conduct for Councillors and has put</p>	

	<p>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.</p> <p>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.</p> <p>It will also maintain a Prevention of Fraud and Corruption Policy and both policies will be reviewed regularly by the Civic Affairs Committee.</p> <p>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.</p>	<p>Code of Conduct for Councillors</p> <p>Terms of reference for Independent Persons Annual Complaints Report</p> <p>Whistleblowing Policy</p> <p>Prevention of Fraud and Corruption Policy</p> <p>Terms of reference for Civic Affairs Committee</p>
<p>3.3</p>	<p>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.</p>	<p>Competency Framework</p> <p>Grievance and Disciplinary Procedures</p>
<p>3.4</p>	<p>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.</p>	<p>Constitution</p>

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3.5	<p>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.</p>	<p>Partnership Terms of Reference Principles of Partnership Working</p>
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Taking informed and transparent decisions which are subject to effective scrutiny and risk management.

		<p>Supporting Evidence</p>
4.1	<p>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.</p>	<p>Core Competencies for managers Managers' Job Descriptions Role of Monitoring Officer</p>
4.2	<p>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.</p>	<p>Committee Agendas Constitution Committee Forward Plan</p>

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4.3	<p>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.</p>	<p>Publication Scheme Freedom of Information requests monitoring reports Council Website Open data</p>
4.4	<p>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.</p>	<p>Data Protection Policy Regulation of Investigatory Powers Act 2000 – Procedure guidance</p>
4.5	<p>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.</p>	<p>Agendas and Minutes of Committees Council website</p>
4.6	<p>Officers will use standard report templates for committee and executive reports to help ensure that readers are provided with information that is</p>	<p>Standard committee report templates</p>

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	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.	
4.7	The Council will actively consider the environmental impact of the Council's decisions before those decisions are made.	Environmental Assessment Tool for Council Policies Plans and Projects Environmental Action Programme Committee reports
4.8	The Council will develop and maintain an effective Scrutiny process to encourage constructive challenge and enhance the Council's performance. It will also have clear protocols about Members' access to information and officer advice to enable them to perform their roles.	Terms of Reference of Scrutiny Committees Protocol
4.9	The Council will have a network of Area Committees to ensure neighbourhood issues are considered in the Council's decision-making processes.	Area Committee terms of reference
4.10	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	Terms of reference of Joint Development Control Committee

	Cambridgeshire.	
4.11	<p>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.</p> <p>It will publish an Annual Complaints report analysing trends in complaints against the Council and what has been done to address them.</p>	<p>Complaints leaflet</p> <p>On-line complaints form</p> <p>Annual Complaints report</p>
4.12	<p>The Council's Civic Affairs Committee will fulfil the core functions of an Audit Committee.</p>	<p>Terms of Reference of the Committee</p>
4.13	<p>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.</p> <p>The Head of Internal Audit will produce an annual opinion on the Council's internal control environment to meet the requirements of the Code of Practice for Internal Audit in Local Government in the UK, 2006. 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.</p>	<p>Annual Audit Plan</p> <p>Head of Internal Audit Opinion</p> <p>Annual Governance Statement</p>

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4.14	<p>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.</p>	<p>Terms of Reference of Civic Affairs Committee Risk Register Annual Audit letter</p>
4.15	<p>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.</p>	<p>Risk Management Strategy Procedures and guidance on the Council’s Intranet</p>
4.16	<p>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.</p>	<p>Risk Assessments Risk Register</p>
4.17	<p>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.</p>	<p>Risk Management Strategy and Guidance</p>

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Developing the capacity and capability of Members and Officers to be effective

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

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	<p>provide resources for training, attending conferences/seminars and briefings in-house for all elected Members. It will keep a register of the training received by Members and will involve the Member Training Champions in reviewing training needs and the resources available during the year.</p>	
5.5	<p>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).</p>	
5.6	<p>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.</p>	
5.7	<p>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 Management Board and involvement of appointed “Independent Persons” in the work of the Civic Affairs Committee. It will also put resources into outreach work through its community development services and support to tenant and leaseholder representatives.</p>	<p>Membership and Terms of Reference of these bodies Public Questions and petitions</p>

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

		Supporting Evidence
6.1	<p>The Council will ensure that the authority as a whole is open and accessible to the community, service users and its staff.</p> <p>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.</p> <p>It will treat everyone fairly and strive to treat all as rational people able to make up their own minds.</p> <p>It will also strive to provide services on the basis of need rather than ability to pay.</p>	<p>Citizen Survey results</p> <p>Public Question Time and Petition procedures</p> <p>Council Website</p> <p>Cambridge Matters</p> <p>Annual Statement</p> <p>Charging policies for services</p>
6.2	<p>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.</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>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.</p>	<p>Citizens Surveys</p>

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6.4	<p>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.</p> <p>This will be achieved through a mix of corporate consultation initiatives with more targeted consultation on service specific issues led by relevant departments.</p>	<p>Consultation reports Statement of Community Involvement Code of Best Practice on Consultation and Community Engagement</p>
6.5	<p>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.</p> <p>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.</p>	<p>Consultation pages on website Council Publications Code of Best Practice on Consultation and Community Engagement</p>
6.6	<p>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.</p> <p>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.</p> <p>It will also use "Mapping Poverty" research data, or other relevant data,</p>	<p>Examples of Equality Impact Assessments Annual Review of Equalities Single Equality Scheme Comprehensive Equalities Action Plan</p>

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	to inform decisions about relative deprivation in the City.	Mapping Poverty report
6.7	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.	Terms of Reference and agendas of meetings
6.8	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.	Compact documents
6.9	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.	Collective Agreements Employment policies and procedures Trade Union Facilities Agreement
6.10	Members will meet with the Trade Unions in a Joint Staff/ Employer Forum. Each council department will have departmental staff forums and there will be a monthly Joint Trade Unions Group meeting.	Joints Staff /Employer Forum Terms of Reference and Agendas/Joint Trade Unions Group Agendas and Minutes Trade Union Facilities Agreement

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CAMBRIDGE CITY COUNCIL

REPORT OF: Director of Resources

TO: Civic Affairs Committee

26/6/2013

WARDS: None directly affected

ANNUAL REPORT AND STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013

1 INTRODUCTION

- 1.1. The Audit and Accounts Regulations govern the preparation, approval and publication of local authority accounts. There is a requirement for the Director of Resources 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.
- 1.4. Significant items of note in the 2012/13 accounts are also highlighted together with explanations of the differences in presentation between final outturn reporting to Scrutiny Committees (based on service portfolios) and the formal statement of accounts.

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

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

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

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

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

- 3.5 The timetable for production of the Council's draft accounts was achieved once again this year. The production of accounts under IFRS (introduced in 2010/11) remains a complex task and one that requires significantly greater resource than previously. This

additional workload can only be met within existing resources by staff working additional hours.

- 3.6 A brief Annual Report, outlining the Council's services and summarising the Council's performance in 2012/13 is being presented alongside the Statement of Accounts. The Annual Report pages presented here are the latest draft and may be further refined prior to publication in September 2012.

4 AUDIT OF THE ACCOUNTS AND REPORTING ARRANGEMENTS

- 4.1 The 2012/13 audit is the first to be undertaken by Ernst and Young, following the outsourcing of work previously undertaken by the Audit Commission.
- 4.2 Local Audit Commission staff transferred across to Ernst and Young, and although the Council's audit team this year is made up of ex-Audit Commission staff, they are all new to the Council. Officers have been working hard with the audit team to familiarise them with the Council and its systems as well as understanding the ways in which the Ernst and Young approach differs from that adopted previously. This has included a significant piece of work to provide transactional data from the Council's financial management system, Oracle Financials, for 2012/13.
- 4.3 The audit of the accounts is due to commence in late June 2013. Should any changes to draft accounts be required at the conclusion of their work, these will be incorporated into the final version presented for approval and publication in September 2013.
- 4.4 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 2012/13 Statement of Accounts has not yet been agreed with the auditors, but it is expected to include assurances that:
- All accounting records and other related information has been made available for the purposes of the audit and that all transactions have been properly reflected and recorded in the accounting records;
 - There are no instances of known irregularities that have not been disclosed to the auditors;

- There are no instances of fraud, suspected fraud or allegations of fraud that could have a material effect on the financial statements that have not been disclosed to the auditors;
- There are no instances of non-compliance with laws or regulations and codes of practice, which would have a material effect on the finances or operations of the Council;
- The Council has complied with all aspects of contractual arrangements and with requirements of regulatory authorities where non-compliance could have a material effect on the financial statements;
- There are no material transactions with related parties, other than those which have been disclosed in the accounts;
- There are no significant events after the financial year end, which would require an adjustment to or disclosure in the accounts.

These assurances can be given.

- 4.5 It is anticipated that the audit of the accounts will be concluded by early September. At the meeting of Civic Affairs scheduled for 19 September 2013, 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.
- 4.6 The accounts and certain other related documents will be available for inspection by members of the public for a period of 20 working days starting on 6 August 2013. Notice of the dates and times of availability will be published in the Cambridge News and on the Council's website. In addition, electors (or their representatives) have the right to question the auditors about the accounts and to make certain objections in relation to unlawful items of account, failure to bring a sum into account or a loss or deficiency caused by wilful misconduct. The date set for exercise of these rights is 4 September 2013.
- 4.7 The final Annual Report and Statement of Accounts, including the Audit Opinion, will be published on the Council's website.
- 4.8 The draft accounts are scheduled to be formally approved for issue by the Director of Resources on 21 June 2013. These draft accounts will also be made available on the Council's website, appropriately noted as being subject to audit. Any differences between the draft

accounts included with the agenda papers and those approved for issue will be tabled at the meeting.

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 (page 9) allows members to compare the actual surplus or deficit on the General Fund, and the separate ring-fenced Housing Revenue Account, with the budget.
- Total comprehensive income and expenditure as presented in the Movement in Reserves Statement is taken from the Comprehensive Income and Expenditure Statement (CIES). The analysis of service income and expenditure leading to the 'Cost of Services' totals is presented in line with CIPFA's Service Reporting Code of Practice (SERCOP).
- Items presented between 'Cost of Services' and the 'Surplus or deficit on the provision of services' include payments to the housing receipts capital pool, the surplus or deficit on disposal of assets, income, expenditure and movements in the value of the Council's investment properties and Council Tax and non-specific government grant income. Other comprehensive income and expenditure includes the movements in the revaluation reserve and the gains and losses on the pension scheme as assessed by the scheme actuary.
- Reserves, both General Fund and Housing Revenue Account, are an indication of the resources available to the Council to deliver services in the future. Information on the level of reserves can be found in the Balance Sheet and related notes and in the Movement in Reserves Statement and related notes.
- The Balance Sheet is presented on page 12. 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 such as the Capital Adjustment Account and the Revaluation Reserve aren’t subject to such member influence.

- 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:

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

Members are updated on the level of usable reserves, such as the Capital Receipts Reserve and earmarked reserves, as part of the Medium Term Strategy and decisions on their use are made as part of the budget-setting process.

6 FINANCIAL RESULTS FOR 2012/13

- 6.1 The Council's financial performance is summarised in the main financial statements.
- 6.2 The Movement in Reserves Statement (Page 9 of the statement of accounts) shows an overall increase in the Council's usable reserves of £4.7 million to £60.2 million.
- 6.3 There were net increases of £2.8 million in respect of the Capital Receipts Reserve and £3.9 million in respect of the Major Repairs Reserve and a reduction of £1.1 million in the Capital Grants Unapplied Reserve, all of which can only be used to support capital expenditure. There was therefore a net reduction in other usable reserves of £0.9 million.
- 6.4 The Comprehensive Income and Expenditure Statement (Page 11 of the statement of accounts) shows a net deficit on the provision of services (measured according to proper accounting practice) of £7.2 million, compared to £197.5 million last year. The comparative figure for 2011/12 included the HRA self-financing payment to Central Government of £213.6 million and gains in the value of investment properties of £15.5 million compared to only £2.3 million in 2012/13.
- 6.5 The Balance Sheet shows that the Council's overall net assets at 31 March 2013 were £2.0 million lower than at 31 March 2012, at £491.4 million. There were increases in the value of long term assets held and short term investments and cash balances, but these were offset by increases in the pension liability and capital grants receipts in advance.

7 CHANGES IN ACCOUNTING POLICY AND TREATMENT

Housing Revenue Account (HRA) Self-Financing

- 7.1 The Code did not introduce any significant new accounting requirements for 2012/13. However, there are some changes in accounting resulting from HRA self-financing.

- 7.2 Self-financing arrangements were introduced from 1 April 2012. This new financial regime for the funding of Council dwellings replaced the old annual subsidy system under which the City Council had to pay a significant amount of housing rent income to Central Government each year. The technical accounting changes resulting from self-financing are covered in the regulatory determinations issued by the Department for Communities and Local Government (CLG).
- 7.3 Prior to self-financing, and in line with practice for the General Fund, all depreciation, impairment and revaluation losses and revaluation and impairment loss reversals reflected in the CIES were reversed via a corresponding transfer from the Capital Adjustment Account to the Movement in Reserves so that they had no impact on usable HRA reserves.
- 7.4 The main change in 2012/13, as the regulations are currently written, is that the charges in respect of non-dwellings fall on the HRA balance, as the reversal of these charges is no longer permitted. In relation to non-dwelling depreciation, the impact on revenue balances is mirrored by an equal increase in the Major Repairs Reserve Balance (effectively a transfer from revenue to capital); however any impairment and valuation loss entries for non-dwellings (net of any charge to the revaluation reserve) should have a real impact on the level of HRA reserves.
- 7.5 Council officers of this and other authorities could foresee some potential practical technical accounting issues with these arrangements and contacted both CIPFA and the CLG about these in late 2012. CIPFA referred the query to CLG who effectively responded that they could not assist. The Council is continuing to engage with the Chartered Institute of Housing and the CIPFA Housing Panel on these issues, along with other local authorities.
- 7.6 As a result of the regulations, as they currently stand, a specific issue has arisen in the 2012/13 statement of accounts in respect of the accounting treatment of a number of housing properties earmarked for redevelopment under the Council's '146 Programme'. During the year these properties have been transferred from those available to rent as they no longer meet the definition of 'dwellings.' As a result of the accounting entries required under the new regime a net credit would theoretically be due to HRA reserves of £0.97 million in respect of these properties. The net credit predominantly results from the reversal of previous losses charged to the CIES. However, as the original losses were charged before self-financing commenced, they did not result in a real charge to HRA reserves.

Officers do not therefore believe that it is appropriate to credit HRA reserves in respect of reversal of a charge that those reserves did not bear in the first instance. Officers' key concern is that such an adjustment to HRA reserves is not cash-backed and should not, therefore, be included within a reserve defined as 'usable'.

- 7.7 In respect of these transactions Officers have therefore currently adopted the previous accounting treatment and reversed the net credit in the Movement in Reserves Statement. This is on the basis that not to do so would be misleading in that it would materially overstate the amount of money available to the HRA to use from its Reserves. The accounting policies as set out in the draft accounts have been revised to reflect this approach and External Audit have already been made aware of the issue. Continued efforts will be made prior to final approval of the accounts in September 2013 to resolve this issue.
- 7.8 Members of Civic Affairs are asked to approve the current prudent approach taken by Officers.

Restatement of 2011/12 – HRA dwelling revaluation losses

- 7.9 The accounting entries in respect of the reversal of revaluation losses previously charged to the CIES in respect of HRA dwellings have been reviewed. As a result of this review an additional net credit of £502,000 is required to HRA expenditure in respect of the reversal of gains previously credited to the Revaluation Reserve in error. This restatement has no effect on the balance on the HRA as at 31 March 2012 as previously reported.

8 SIGNIFICANT ITEMS OF NOTE IN THE 2012/13 ACCOUNTS

Icelandic Bank Deposits

- 8.1 The CIES reflects an increase of £64,000 in the impairment on the Council's deposits in LBI hf (the previously named Landsbanki Islands hf) and Heritable Bank Plc. The Council has reviewed these impairments in line with the latest revision to the CIPFA Local Authority Accounting Bulletin 82 issued in June 2013. This bulletin reflects expected recoveries of between 86% and 90% (with calculations based on the mid-point) of claims in Heritable and 100% of claims in respect of LBI. These recoveries are unchanged from those used in the 2011/12 accounts, but are now expected over a slightly longer period than before.

8.2 The Council received £0.4 million from the administrators of Heritable during 2012/13 and £0.9 million in respect of LBI. The estimated recoverable amounts for Heritable and LBI are reflected in long term and short term investments shown in the balance sheet, as outlined in Note 25 to the accounts.

Assets Held for Sale

8.3 Long Term assets held for sale at 31 March 2013 include £3.1 million in respect of the Council's holding of land at Clay Farm which is to be disposed of for market housing. In determining the value to be included in assets held for sale, the most up to date estimate available has been used, which is that market housing will account for approximately 50% of the site. However, this proportion could change as detailed plans for the site are finalised and approved.

9 IMPLICATIONS

- (a) **Financial Implications** None
- (b) **Staffing Implications** None
- (c) **Equal Opportunities 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 2012/13

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 Julia Minns on extension 8134.

Report file: O:\accounts\Committee Reports & Papers\Civic Affairs\June 2013\Statement of Accounts Report to Civic Affairs June 2013.doc

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**ANNUAL REPORT AND
STATEMENT OF ACCOUNTS**

**FOR THE YEAR ENDING
31 MARCH 2013**

DRAFT FOR EXTERNAL AUDIT

This document is available on our website at www.cambridge.gov.uk

Cambridge City Council
Annual Report & Statement of Accounts
2012/13

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

The services provided by the City Council include:

- ◆ Keeping the streets and public open spaces clean.
- ◆ Emptying refuse and recycling bins.
- ◆ Providing a range of leisure facilities, including swimming pools and community centres, and providing entertainment in the City's parks and at the Corn Exchange.
- ◆ Awarding a wide range of grants to support local organisations and community groups.
- ◆ Providing a wide range of play activities for children and young people.
- ◆ Developing a new local plan for Cambridge to guide development to 2031, offering planning advice, progressing planning applications and making sure that new buildings and alterations are safe.
- ◆ Providing housing advice and support, and working with partners to meet peoples' housing needs.
- ◆ Acting as landlord to over 7,100 council-owned properties.
- ◆ Processing housing benefit and council tax support applications.
- ◆ Monitoring and enforcing food and drink hygiene standards, together with the control of pests and disease, noise and air pollution.
- ◆ Licensing food premises, street traders and entertainment venues.
- ◆ Addressing anti-social behaviour, in partnership with the Police and other agencies.
- ◆ Managing council run car parks.
- ◆ Organising and managing elections and the electoral register.

The City Council serves a population of about 123,900 residents in an almost entirely urban area in an otherwise mainly rural county. Cambridge is a sub-regional centre with high levels of inward travel to work and for shopping and leisure activities, which adds significantly to the day-time population. The Council provides many services that are used by people who live outside of the city as well as residents, which places additional pressure on our resources.

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

What we want to achieve

Cambridge City Council has a clear vision for the future of the city, a vision which is shared with Cambridge citizens and with partner organisations.

Vision Statement

Cambridge - where people matter

- ◆ A city which celebrates its diversity, unites in its priority for the disadvantaged and strives for shared community wellbeing
- ◆ A city whose citizens feel they can influence public decision making and are equally keen to pursue individual and community initiatives
- ◆ A city where people behave with consideration for others and where harm and nuisance are confronted wherever possible without constraining the lives of all

Cambridge - a good place to live, learn and work

- ◆ A city which recognises and meets needs for housing of all kinds – close to jobs and neighbourhood facilities
- ◆ A city which draws inspiration from its iconic historic centre and achieves a sense of place in all of its parts with generous urban open spaces and well-designed buildings
- ◆ A city with a thriving local economy that benefits the whole community and builds on its global pre-eminence in learning and discovery
- ◆ A city where getting around is primarily by public transport, bike and on foot

Cambridge - caring for the planet

- ◆ A city in the forefront of low carbon living and minimising its impact on the environment from waste and pollution.

Priorities

The national economic situation and the government's plans to tackle the national debt will be a challenge for the City Council because over the next few years we will have less money to spend. As we plan for the future our aim will be to:

- ◆ protect services for vulnerable individuals and communities
- ◆ protect the basic services that keep our city looking good and working well
- ◆ make sure that we get right the things we only have one chance to get right – such as planning new communities.

How we will achieve our vision for Cambridge

Portfolio Plans

The Executive is made up of the Leader of the Council and six Executive Councillors. Each Executive Councillor is responsible for a specific group of services, known as a portfolio, and they can make decisions about the services they are responsible for. During 2012/13 the seven portfolios were:

- Arts and Recreation
- Community Development and Health
- Customer Services and Resources
- Environmental and Waste Services
- Housing
- Planning and Climate Change, and
- Strategy.

Each Executive Councillor has a plan that sets out how the services they are responsible for will contribute to the achievement of the council's vision for Cambridge.

The following pages outline what we achieved over the past year as a result of the 2012/13 portfolio plans, and what our plans are for 2013/14.

Arts and Recreation Portfolio Plan

During 2012/13 we:

- ◆ Improved access to arts, sports and public places for all city residents through the leisure grants programme and by engaging with groups of people that do not currently use these services.
- ◆ Celebrated the London 2012 Olympic and Paralympic Games. This included the staging of an Olympic Torch Relay at Parkers Piece during the Big Weekend event, which attracted over 80,000 people, in July and the arrival of the Paralympic flame during August.
- ◆ Improved the quantity and quality of provision of recycling, litter and dog waste bins on our open spaces.
- ◆ Made improvements to our open spaces, sports, recreation and public art provision through a range of projects funded by developers.
- ◆ Identified ways for the Council to promote public access to public open space not directly maintained by the City Council.
- ◆ Established a plan and priorities to enhance local environmental quality, biodiversity and sustainability.

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Our plans for 2013/14 in the Arts, Sports & Public Places portfolio include:

- ◆ Carrying out essential improvements to the Corn Exchange and Guildhall Halls and improve their marketing as part of the first year of a three year business plan to increase the number and type of events held.
- ◆ Awarding a new seven year leisure management contract.
- ◆ Supporting and encouraging more local groups to apply for grants from the Council's Area Committees for sports and arts related projects.
- ◆ Organising activities with partners to celebrate the 150th Anniversary of the Football Association and the 400th Anniversary of Parkers Piece.
- ◆ Developing the role of the Cambridge Arts Network to better coordinate and promote the city's arts and culture offer and improve networking and support amongst arts providers and practitioners.
- ◆ Producing a new five-year plan for Sports Development, Open Space and Play.
- ◆ Delivering developer contribution-funded Public Arts projects that are prioritised by the Council's Area and Scrutiny Committees.
- ◆ Increasing participation by under-represented groups and people with protected characteristics in arts, sports and activities in public places.
- ◆ Increasing the number of allotment plots and community orchards in Cambridge.
- ◆ Planning and coordinating multi-agency arrangements for the Tour de France: Grand Depart third leg start from Cambridge to London.
- ◆ Introducing a revised Tree Management Protocol that aligns with the Council's Area Committee decision-making cycle.

Planning and Climate Change Portfolio Plan

During 2012/13 we:

- ◆ Consulted on a range of issues and options that needed to be considered as part of the development of the new Cambridge Local Plan, which were important for the future planning and development of the city.
- ◆ Worked with the County Council and South Cambridgeshire District Council on the review of the Local Plan, and other planning matters, to ensure a co-operative and coordinated approach to planning for the Cambridge sub-region.
- ◆ Improved our planning application performance on major planning applications.
- ◆ Granted planning permission for the University of Cambridge North-West Cambridge development.

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- ◆ Commenced work on the 20mph project with consultation on the first phase of that project starting in the north area of the city.
- ◆ Consulted extensively about local priorities for the use of developer contributions channelled through our Area Committees and identified 16 initial priority projects, amounting to over £550,000, to meet local needs.

Our plans for 2013/14 in the Planning and Climate Change portfolio include:

- ◆ Consulting on the submission stages of the new local plan and the key stages of our approach to the Community Infrastructure Levy and submitting the new local plan for examination by the Secretary of State.
- ◆ Taking a lead role under the duty to co-operate in the delivery of the emerging strategic planning function at the sub-regional level and in the on-going working arrangements of the Local Enterprise Partnership.
- ◆ Working jointly with South Cambridgeshire District Council and Cambridgeshire County Council on the review of local plans and County Transport Strategy.
- ◆ Delivering our on-going statutory planning function and growth commitments in accordance with the present local plan (2006) to agreed time and quality of outcomes.
- ◆ Implementing principles of the Localism agenda relating to community engagement in the development plan process and neighbourhood planning responsibilities.
- ◆ Further improving the performance and efficiency of our planning service, especially in the area of planning application processing.
- ◆ Working closely with developers and other stakeholders to ensure that new developments are of a high design quality and environmentally sustainable and contribute positively to the character of the built and green space of the city.
- ◆ Continuing to secure funding for a range of public art projects across the city.
- ◆ Adopting a tree strategy, in consultation with key stakeholders, that sets out the council's overarching policy for the trees within the city and how they will be preserved for future generations.
- ◆ Making our planning enforcement function more responsive and visible in the city.
- ◆ Delivering a reduction in carbon emissions from our estate and operations.
- ◆ Taking forward a joint programme with partner local authorities to deliver a Green Deal model for Cambridgeshire.
- ◆ Exploring with partners in the Cambridge Retrofit project a long-term approach for financing and delivering energy efficiency improvements to existing properties in Cambridge.
- ◆ Working with partners organisations, including the universities in Cambridge and the private sector to develop options for a commercially viable district heating scheme.

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- ◆ Delivering new transport measures and actions to improve facilities for pedestrians, cyclists and public transport users, including in the new developments in the city.
- ◆ Contributing to the review of area transport plans and proposed projects for investment, supporting the local process for bidding for new and implementing relevant funding sources.
- ◆ Putting in place with our partners, subject to the outcome of consultations, additional new 20 mph zones across the city.
- ◆ Carry out a public consultation exercise on the preferred options for the redevelopment of the Park Street car park site and an action plan.
- ◆ Delivering additional cycle parking places in accordance with our cycle parking project.

Community Development and Health Portfolio Plan

During 2012/13 we:

- ◆ Provided local residents with more opportunities to influence decisions about their local area by using the learning from the North Area Committee pilot to support area working across the city's other three areas.
- ◆ Reviewed how the City Council's community facilities were managed, taking account of proposed facilities in the growth sites and the opportunities presented in the Localism Bill.
- ◆ Worked with the YMCA and young people to explore different options for providing a new facility for young people in the centre of Cambridge.
- ◆ Continued to support the integration of new communities with existing residents through the provision of community activities.
- ◆ Worked with partners to make significant progress towards delivering new community infrastructure in the North West and Southern fringes of Cambridge, including the Trumpington Meadows Primary School and the new multi-use community facility at Clay Farm.
- ◆ Set up and supported a Local Health Partnership to improve public health in Cambridge.
- ◆ Developed a model of Restorative Justice focusing on the needs of victims, encouraging offenders to take responsibility for their actions and to repair the harm they've done, in order to reduce re-offending, anti-social behaviour and low-level crime in Cambridge.
- ◆ Worked with our partners to reduce the presence of street drinkers and the associated anti-social behaviour.
- ◆ Continued to support events and programmes to celebrate diversity, such as Black History Month, Cambridge Celebrates Age, Disability History Month, Inter-Faith Week, Refugee Week, LGBT History Month, Holocaust Memorial Day and International Women's Day.
- ◆ Continued to promote and manage grant funding so that voluntary groups are able to access grant aid and other support to help them build their knowledge, skills and confidence as partners with the City Council and sustain vibrant localities and neighbourhoods.

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- ◆ Worked with the City's two Credit Unions to help them find additional volunteers and to promote their services to Cambridge residents in order to deter the use of high interest pay day loans and loans from loan sharks.
- ◆ Produced a Business Plan to deliver the findings from our review of our Children and Young People's Participation Service (ChYpPS) so that the service focuses on open access play for 9-13 year olds, takes a more entrepreneurial approach, makes the best use of the skills of the staff, uses volunteers to increase capacity and generates income.

Our plans for 2013/14 include:

- ◆ Delivering the first year of our plan for our Children and Young People's Participation Service (ChYpPS), achieving our income target of £30k and carrying out a review of how the first year went.
- ◆ Delivering our plan for the future management of the Council's community facilities that will deliver savings of £35k in 2013/14 whilst protecting them in the long-term for Cambridge residents and take into account the localism agenda and future pressures on public spending.
- ◆ Continuing to promote and manage a comprehensive grants programme that supports the city's community and voluntary sector.
- ◆ Developing our commemorations service to extend choices to the bereaved and making the service operate more efficiently.
- ◆ Strengthening our community engagement work across the southern fringe growth sites and establishing new community engagement structures across the north-west Cambridge growth sites.
- ◆ Involving stakeholders and residents in the design and future management arrangements for new community facilities at Clay Farm, the University site and NIAB1 and participating actively with partners to open new facilities at Trumpington Meadows.
- ◆ Ensuring that the Cambridge Local Health Partnership sets priorities for local public health work that align to local need and the Cambridgeshire Health and Well-being Strategy.
- ◆ Implementing plans for ultra-fast broadband coverage within the city area, as a part of the "Connecting Cambridgeshire" initiative, subject to successful bids for government funding.

Customer Services and Resources Portfolio Plan

During 2012/13 we:

- ◆ Worked with partner organisations to agree a common approach to the management of public sector owned property assets, to deliver the maximum possible benefit to the citizens of Cambridge.
- ◆ Strove to make optimum use of the Council's accommodation, providing support to enable our staff to work smarter and more flexibly.
- ◆ Obtained greater value for money from the Council's spending on procurement.

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- ◆ Ensured that the government's welfare reforms were efficiently and effectively implemented locally, including consultation about and implementation of a new Local Council Tax Scheme that protected the most vulnerable in the city, with action being taken to mitigate hardship where possible.
- ◆ Prepared for the retention of local business rates as part of the Local Government Resource Review.
- ◆ Continued to explore how we as an organisation, and with our partners, can provide more joined-up customer services.
- ◆ Developed and consulted on a business plan to support the development of a bid for a Business Improvement District within Cambridge, in order to enable the involvement and appropriate financial input from the city's business community to the future development of the city.

Our plans for 2013/14 include:

- ◆ Integrating the Council's information systems effectively and simplifying our internal processes and delegations to improve our efficiency.
- ◆ Obtaining greater value for money from the Council's spending on procurement.
- ◆ Identifying further opportunities to work in collaboration, or share services with other public sector organisations, in order to create efficiencies or improve our resilience.
- ◆ Developing a more commercial approach for our tourism service and identifying a sustainable model of tourism that is less reliant on the Council.
- ◆ Agreeing a strategy for the optimum use of the Council's accommodation for the period 2013 to 2017 that also supports our CO₂ reduction targets.
- ◆ Developing a planned maintenance programme for the Council's administrative buildings that reduces the Council's running costs and level of CO₂ emissions.
- ◆ Enabling more staff to work more effectively and flexibly, and therefore more efficiently, by providing appropriate support in terms of buildings, technology and working practices.
- ◆ Maximising the commercial return from the development of growth sites on the southern and north-eastern fringes of the city, subject to the Council's other objectives for these developments.
- ◆ Undertaking focused work to improve electoral registration rates in the Cambridge City electoral area and make preparations for the implementation of Individual Electoral Registration.
- ◆ Supporting the new Business Improvement District to deliver the projects set out in its Business Proposal.
- ◆ Implementing our Local Council Tax scheme as part of the government's welfare reforms, ensuring that the most vulnerable in the city are supported.

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- ◆ Preparing the Council's own systems and liaising with partners, such as the Department of Work and Pensions, for the future implementation of welfare reforms.

Environment and Waste Portfolio Plan

During 2012/13 we:

- ◆ Took steps to increase recycling in Cambridge, by providing customers with more new facilities for 'recycling on the go', encouraging the recycling of particular materials that aren't consistently recycled by residents across the city and by targeting particular groups.
- ◆ Increased the range of materials it is possible to recycle in the blue bin by adding plastic pots, tubs and trays to the mix.
- ◆ Introduced small Waste Electrical and Electronic Equipment banks to 5 bring banks sites across the city located in supermarket car parks.
- ◆ Now have 135 Recycling Champions across the city. Champions attend local events to provide information and communicate with residents about any barriers they may have to recycling.
- ◆ Increased the number of commercial customers with recycling services and this is demonstrated by results that show an increase from 21% to 29% recycling.
- ◆ Explored how we could better work with partners to improve the efficiency of our waste services.
- ◆ Addressed the impact that excessive noise has on residents, by mapping noise complaints across Cambridge, educating communities and enforcing change when necessary. Attendance at student events to raise awareness of noise nuisance and impact to their neighbours in the City.
- ◆ Contributed to improvements in the health of Cambridge residents by working with our partners to implement new public health arrangements, and by working to reduce the health impact of alcohol and the night-time economy. The partnership provided GPs with a clear and simple single point of contact to which they can report health issues caused by housing without having to identify the nature of tenure.
- ◆ Planned for the introduction of new licensing legislation and working with the Business Improvement District will result in cleaner, safer streets in the city centre.
- ◆ Made it easier for people to report litter, graffiti and fly tipping online and by text.
- ◆ Worked with the County Council to improve air quality and reduce emissions, by obtaining emission improvements from public transport vehicles and by promoting alternatives to the private car. New Quality Bus Partnership produced with stronger powers to exclude non-compliant vehicles from the core area.
- ◆ Set a standard for emissions in taxis and moved towards ensuring the taxi fleet will meet Euro 4/5 standard by 2014.
- ◆ Implemented the National Food Hygiene Rating Scheme.

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- ◆ Were awarded a grant of £60,000 from DEFRA for a project to hire equipment and its operators to monitor real-time tail-pipe emissions.

Our plans for 2013/14 include:

- ◆ Putting in place a programme of activities to increase the proportion of waste that is recycled in the city.
- ◆ Offering businesses incentives to use our recycling services to increase the proportion of commercial waste recycled.
- ◆ Successfully negotiating a specification for a joint Materials Recycling Facility contract.
- ◆ Delivering a programme of joint projects with partners in the RECAP Advanced Waste Partnership.
- ◆ Agreeing a cross-border refuse and recycling collection arrangement with South Cambridgeshire District Council to meet the needs of our new developments that straddle boundaries.
- ◆ Increasing the number of street and recycling bins and dog litter bins in the city.
- ◆ Working with the Police and PCSOs to take enforcement action against dog fouling following the introduction of dog control orders.
- ◆ Introducing a rapid response team to respond to environmental emergencies outside of the city centre.
- ◆ Continuing refurbishment of our public toilets and looking at opportunities for providing community toilets.
- ◆ Completing the “Cambridge Real Emissions” project with our partners to provide detailed evidence of air quality impacts of city centre transport options.
- ◆ Installing in-cab technology to our refuse trucks to improve services to our customers.

Housing Portfolio Plan

During 2012/13 we:

- ◆ Invested in our existing housing stock and started to deliver a new council house building programme.
- ◆ Worked with developers, Registered Providers (housing associations) and planners to ensure that the city’s social and market housing stock (including private rented housing) continues to grow, including 40% Affordable Housing in most new developments and the delivery of the Council’s own new build programme.
- ◆ Increased the energy efficiency of existing homes; promoting sustainable design and construction methods and promoting high standards of environmental sustainability of new homes and communities, including water management.

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- ◆ Reviewed our approach to ensure new specialist housing is provided, including an assessment of potential Gypsy and Traveller sites, as part of the local plan development.
- ◆ Completed a review of the Council's Letting Policy to ensure that priority for re-housing continues to be given to those who have least opportunity to access market housing.
- ◆ Maintained and promoted services to take action effectively against private sector landlords that do not comply with housing health and safety matters as well as landlord and tenant issues.
- ◆ Undertook a review of our empty homes policy in the light of national policy change so that effective action is taken to get vacant homes back into use.
- ◆ Improved the support provided to rough sleepers, including the completion of the Jimmy's Assessment Centre project, to help reduce the incidence of rough sleeping and use of temporary accommodation as households move more effectively to secure permanent housing.

Our plans for 2013/14 include:

- ◆ Working with developers, Registered Providers and planners to ensure the city's social and market housing stock continues to grow as the first new housing begins to emerge on the southern fringes of the city.
- ◆ Completing the redevelopment of Seymour Court to include the provision of 20 new homes for older people.
- ◆ Ensuring that the current standard of building by registered providers is maintained in terms of size, construction and layout to at least level four of the Code for Sustainable homes.
- ◆ Ensuring that new specialist housing is prioritised for revenue funding by partner agencies and partnerships.
- ◆ Assessing the potential for the provision of additional Gypsy and Traveller sites as part of the development of the Local Plan, in discussion with South Cambridgeshire District Council and Cambridgeshire County Council.
- ◆ Increasing the number of staff in City Homes to help mitigate the most adverse impacts of welfare reforms and settling people moving onto alternative housing from existing housing that is about to be redeveloped.
- ◆ Completing our annual planned maintenance programme of works that ensure City Homes are maintained to the best possible standard.
- ◆ Continuing to take action against private sector landlords that do not comply with health and safety requirements or good tenant management.
- ◆ Providing housing advice to keep homelessness to a minimum and help prevent homelessness by offering early advice on alternative housing options.
- ◆ Increasing the range of temporary housing available to minimise the impact on households that become homeless or threatened with homelessness.

Strategy Portfolio Plan

During 2012/13 we:

- ◆ Consulted local residents, partnerships and experts on, and adopted, a refreshed Climate Change Strategy, setting out our strategic approach to climate change over the next five years.
- ◆ Started to implement our Carbon Management Plan to reduce the City Council's carbon footprint and energy bills, for instance through the implementation of voltage optimisation technology in more of our buildings and the use of solar thermal heat in Abbey pools.
- ◆ Further developed proposals with Cambridge University for a potential district heating scheme.
- ◆ Started to implement our Single Equalities Scheme to ensure that we better understand and meet the diverse needs of the city's communities, for instance providing training for our staff on mental health issues and supporting a range of local groups through grants and other activities.
- ◆ Continued to engage and consult local communities on key issues affecting them using our Code of Best Practice on Consultation and Community Engagement to ensure our approaches were appropriate and effective (for instance adopting a more sophisticated approach to budget consultation than in previous years).
- ◆ Redesigned and re-launched our website so that our customers can conduct even more of their business online more easily; and continued to make effective uses of social media, with our Twitter account achieving over 3,000 followers.
- ◆ Ensured greater transparency and openness about how we conduct our business, by making more information and data about the Council's services and performance available in more accessible ways.
- ◆ Continued to work with our partners to drive forward the economic development of the city and its surrounding area through the Local Enterprise Partnership.
- ◆ Ensured the City Council is equipped to deliver the Council's vision for the city within the resources available, by taking a structured approach to identifying savings and further efficiencies.

Our plans for 2013/14 include:

- ◆ Contributing to continuing reductions in recorded incidents of anti-social behaviour.
- ◆ Reviewing the impact of our current interventions with the street life community and developing a refreshed action plan with our partners to maximise our transformative role with vulnerable individuals.
- ◆ Giving victims a greater say in the solutions to anti-social behaviour and low level crime by increasing our referrals to Neighbourhood Resolution Panels.
- ◆ Securing on-going resources for our Community Safety Partnership to enable continued strong inter-agency sponsorship of projects.

Annual Report

- ◆ Strengthening our partnership with the Local Enterprise Partnership and others to foster sustainable growth in the Greater Cambridge economy.
- ◆ Concluding negotiations for a City Deal for the Greater Cambridge sub-region with the Government, establishing effective governance arrangements and beginning to implement key projects.
- ◆ Exploring the potential for generating income from council services and the feasibility of sharing services with other partners in the public sector.
- ◆ Deciding on an accommodation strategy for the council and its associated savings.

How to find out more

Further information about the Council's performance and the Council's priorities for 2013/14 can be found in our Portfolio Plans which are available on our website

<http://www.cambridge.gov.uk/ccm/navigation/about-the-council/how-the-council-orks/council-performance/portfolio-plans/>

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 Director of Resources;
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- ◆ approve the Statement of Accounts.

The Director of Resources' Responsibilities

The Director of Resources 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 Director of Resources 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 Director of Resources 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.

Introduction to the Statement of Accounts

I am pleased to introduce the Council's Statement of Accounts for 2012/13. The preceding Annual Report section of this document describes the diverse range of services provided by Cambridge City Council to its residents, local businesses and visitors and provides details of some of the key activities and achievements during the year.

The Statement of Accounts, set out on pages 9 to 98, contain a series of statements, summarising the financial activity of the Council during the year in delivering these services. In addition, details of the Council's assets and liabilities at the beginning and end of the Council's financial year are presented. The financial year ran from 1 April 2012 to 31 March 2013.

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

The key financial statements are as follows:

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

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

Once again, the accounts have been produced promptly and to the high standard expected of the Council. This would not have been possible without the hard work of my own staff and other finance staff across the Council, and I would like to thank them, my fellow Directors, and service managers for their assistance in the preparation of these accounts.

Review of 2012/13

The national and international economic climate, together with pressures to significantly reduce public sector spending, continued to provide a very challenging financial environment for the Council during the year. Effects have been most marked in relation to higher levels of inflation than originally forecast, continuing low interest rates and the relatively slow recovery of the housing market. As in previous years, budgets were closely monitored and revisions made, where necessary, to reflect changing circumstances. These revisions included changes to reflect Council's approval to carry forward budgets from 2011/12 to meet the costs of re-phased expenditure, additional savings identified during the year and also to provide for unavoidable additional costs.

As previously reported, the City Council was one of many local authorities affected by the collapse of Icelandic banking institutions in 2008/09 with, at that time, a total of £9 million in short term deposits with two of the affected banks (Landsbanki Islands hf and Heritable Bank Plc). The prospects for recovery (albeit over an extended period) of the majority of these deposits continues to be positive.

In drawing up these accounts, the Council has followed the detailed guidance issued by the CIPFA Local Authority Accounting Panel in relation to the anticipated recovery of these deposits and in terms of the valuation shown in the accounts. Further information can be found in note 25.

Introduction to the Statement of Accounts

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

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

- ◆ A programme of service reviews continues to achieve worthwhile on-going savings that will support the Council's financial position going forward. As part of the review programme, the Council has continued to explore opportunities to share services with other local authorities. Shared service arrangements are already in place for the Choice Based Lettings Service, the management of the Internal Audit service and the provision of Home Improvement Agency services (to assist vulnerable people maintain their independence by helping them to repair maintain or adapt their homes).
- ◆ The Council implemented new streamlined arrangements for its administrative and business support services, delivering more cost effective services and contributing considerable on-going savings towards the Council's overall savings targets.
- ◆ We made improvements to our open spaces, sports, recreation and public art provision through a range of projects funded by developers.
- ◆ The Council worked closely with other public sector partners to plan the provision of new services and facilities in the North West and Southern fringes of the City (where major development is taking place) including a new primary school at Trumpington Meadows and a new multi-use community centre at Clay Farm.
- ◆ We worked to ensure that the Government's welfare reforms were efficiently and effectively implemented locally and to devise a new Local Council Tax Support scheme which protects the most vulnerable in the City.
- ◆ Major investment continued to be made in the Council's housing stock. In addition to expenditure on repairs and improvements to existing dwellings we have started to deliver a new council house building programme and are working with planners, developers and others to increase the supply of affordable housing.

Revenue Spending and Income

General Fund Services

For 2012/13, the Council agreed a budget for net spending of £17.0 million. This sum was to be financed in part by government grant together with the Council's share of Business Rates, with the remainder being raised through Council Tax. The Council Tax for City Council services was set at £166.57 for Band D properties, unchanged for the second year running.

The table below compares the final outturn figures for the General Fund with those originally planned, when the budget and Council Tax for the year was agreed in February 2012.

Introduction to the Statement of Accounts

(£000s)	Original Budget	Actual	Difference
Net Revenue Spending on Services	19,157	20,034	877
Capital Accounting Adjustments	(3,980)	(4,592)	(612)
Capital and Revenue Projects Spending Funded from Revenue	1,381	1,754	373
Contributions to/(from) Earmarked Reserves – before statutory accounting adjustments	1,079	1,429	350
Contributions to/(from) General Fund Reserve	(601)	(1,463)	(862)
Total	17,036	17,162	126
Financed by:			
Government Grants	1,857	1,983	126
Share of Business Rates	8,435	8,435	0
Council Tax	6,744	6,744	0
Total	17,036	17,162	126

Although the Council's actual net revenue spending on the provision of services was £877,000 more than the original budget set for the year, a variety of factors contributed to this overall position. The most significant of these related to depreciation that the Council is required to charge to services, which was £612,000 higher than originally budgeted. This increase reflected the valuation of assets at 31 March 2012, after the budget was set. The additional depreciation charges were, however, offset by a statutory capital accounting adjustment so did not affect the overall cost of services to Council tax payers. Tight budgetary control, the delivery of savings from service reviews and other efficiency measures combined to largely offset unavoidable additional costs.

The total amount of capital and revenue project expenditure funded from revenue was above original budget by £373,000 largely reflecting slippage on the timing of expenditure.

Government grant income was £126,000 higher than the original budget as a result of new grant allocations announced after the budget had been set. These new grants were awarded to support the Council in preparing for and meeting the additional costs arising from legislative changes such as Council Tax reform and reforms to the national welfare system.

Together, the overall changes in spending and grant meant that the combined use of general and earmarked reserves increased by £512,000 from that originally planned.

A net use of the General Fund Reserve of £1,463,000 was made for the year and, at the year-end, the reserve stood at £8.00 million. This reserve provides financial flexibility to the Council for meeting exceptional and/or unanticipated items and is used to support the Council's capital investment programme.

Housing Revenue Account

The Housing Revenue Account (HRA) budget for 2012/13 was set to deliver a sustainable financial position over the 30-year period of the HRA Self-Financing Business Plan, providing for funds to be set-aside to allow for debt repayment at loan maturity, if the authority so chooses. For 2012/13 the budget was originally set with the intention of using £2.60 million of reserves, with an expectation that by the end of 2012/13, reserves would be reduced to near the minimum level of £2 million. The strategy in recent years has been to use reserves to provide additional funding for capital expenditure, enabling extra investment in our housing stock, assisting in maintaining the decent

Introduction to the Statement of Accounts

homes standard, whilst also allowing for discretionary investment in areas such as the delivery of new affordable housing.

The table below compares the final outturn figures for the Housing Revenue Account with those originally planned, when the budget and rent levels for the year were agreed in February 2012.

(£000s)	Original Budget	Actual	Difference
Net Revenue Spending on Services	13,893	14,303	410
Negative HRA Subsidy	0	(12)	(12)
Debt Management Costs and Interest	7,434	7,805	371
Other Expenditure	312	286	(26)
Capital Accounting Adjustments	7,320	7,374	54
Direct Revenue Funding of Capital and Revenue Projects in the Housing Capital Investment Plan	9,333	7,353	(1,980)
Housing Set Aside	1,090	1,090	0
Total	39,382	38,199	(1,183)
Financed by:			
Dwelling Rents and Service Charges	35,137	35,055	(82)
Rent (Garages, Land & Commercial Property)	1,023	1,014	(9)
Interest Income	111	101	(10)
Other Income	509	550	41
Contributions (to) / from Reserves	2,602	1,479	(1,123)
Total	39,382	38,199	(1,183)

During the financial year, in June 2012, approval was given to carry forward resources of £1.85 million to fund expenditure re-phased from 2011/12. Of this sum, £1.15 million was towards meeting the costs of capital investment in the housing stock. The balance, £0.70 million, was predominantly to meet costs of cyclical revenue repairs in the housing stock, including external repairs and re-decoration, fire safety risk assessments, lift inspections and electrical testing, where work in 2011/12 had not progressed as quickly as planned. This approval increased the anticipated use of reserves in 2012/13 to £4.46 million.

Further changes in the planned use of reserves for 2012/13 were made as part of the Council's Medium Term Strategy and revised budget process, taking the planned use to £4.61 million. These changes reflected increased interest costs associated with the final HRA Self-Financing loan portfolio, partially offset by savings in staff and operational costs as a result of internal reorganisation and changes made in response to the anticipated loss of Supporting People funding.

The actual use of HRA reserves in 2012/13, reported to the Housing Management Board in June 2013, was £1,478,555. Requests have been made to carry forward funding of £3,108,480 into 2013/14, reflecting re-phasing of a number of projects, but particularly recognising the deferred need to use reserves to fund capital expenditure in light of slippage in the Housing Capital Investment Programme.

Housing Revenue Account available reserves stood at £5.495 million at the year-end.

Introduction to the Statement of Accounts

Capital Spending and Receipts

In 2012/13 the Council spent £16.2 million on capital projects. Of this expenditure £9.9 million was on major repairs and improvements to council dwellings, £2.9 million on other land and buildings (including £1.7 million on infrastructure works for land at Clay Farm) and £1.5 million on assets in the course of construction (including £1.0 million on the redevelopment of housing stock).

Capital receipts continue to be generated through the sale of land, council houses, shared ownership dwellings and other property. The Council received £4.4 million in the year, of which £0.9 million had to be paid over to central government.

External Borrowing

The Council did not need to undertake any new external borrowing during the year. The external debt of £213.7 million shown in the Balance Sheet at the end of the financial year relates to borrowing undertaken in 2011/12 to meet a one-off debt settlement payment to Central Government in relation to new Self-Financing arrangements for the Housing Revenue Account.

Pension Costs

The Council's share of the assets and liabilities of the County Pension Fund show an estimated net liability of £93.0 million at 31 March 2013. This liability has no impact on the level of the Council's available reserves.

Further information relating to the assets, liabilities, income and expenditure of the Council's pension scheme is presented in note 39 starting on page 62.

Looking ahead to 2013/14

Changes to the arrangements for funding of local government services came into effect from 1 April 2013 and future Statements of Account will reflect these. The Local Government Finance Act 2012 has introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. Under previous arrangements Central Government, as part of the Local Government Settlement announcement each year, determined the amount of the National Business Rates Pool that each authority would receive.

Alongside the potential for the Council to benefit from business rates growth in the City, the new funding arrangements bring a degree of risk to the Council in that the Council would have to bear a proportion of any reduction in business rates, for example as a consequence of demolition of premises or reductions in the rateable value of existing properties (including retrospective reductions).

The Council will need to carefully assess and quantify the income it expects to be able to retain from the business rates it collects and make provision, if considered necessary, to meet the costs of any refunds that might become due to business ratepayers as a consequence of successful valuation appeals.

Introduction to the Statement of Accounts

Further Information

Further information about the accounts is available from:

Head of Accounting Services
Cambridge City Council Resources Department
Lion House
Lion Yard
Cambridge CB2 3NA

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

Opinion

In my opinion the Statement of Accounts present a true and fair view of the financial position of Cambridge City Council at 31 March 2013 and its income and expenditure for the year then ended.

David Horspool
Director of Resources
Date:

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 2012/13

(£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
Balance at 1 April 2012	(9,458)	(19,706)	(6,974)	(2,472)	(10,420)	(1,171)	(5,261)	(55,462)	(437,960)	(493,422)
Movement in reserves during 2012/13	0	0	0	0	0	0	0	0	0	0
(Surplus) / deficit on the provision of services	5,390	0	1,812	0	0	0	0	7,202	0	7,202
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(5,155)	(5,155)
Total Comprehensive income and expenditure	5,390	0	1,812	0	0	0	0	7,202	(5,155)	2,047
Adjustments between accounting basis and funding basis under regulations (Note 4)	(4,577)	0	(1,724)	0	(2,790)	(3,940)	1,106	(11,925)	11,925	0
Net (increase) / decrease before transfers to earmarked reserves	813	0	88	0	(2,790)	(3,940)	1,106	(4,723)	6,770	2,047
Transfers to / (from) earmarked reserves (Note 5)	650	(650)	1,391	(1,391)	0	0	0	0	0	0
(Increase) / decrease in 2012/13	1,463	(650)	1,479	(1,391)	(2,790)	(3,940)	1,106	(4,723)	6,770	2,047
Balance at 31 March 2013	(7,995)	(20,356)	(5,495)	(3,863)	(13,210)	(5,111)	(4,155)	(60,185)	(431,190)	(491,375)

Main Financial Statements

Financial Year 2011/12 (as restated)

(£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
Balance at 1 April 2011	(9,850)	(17,318)	(5,688)	(2,236)	(12,765)	(352)	(6,076)	(54,285)	(652,229)	(706,514)
Movement in reserves during 2011/12										
(Surplus) / deficit on the provision of services	(11,313)	0	208,818	0	0	0	0	197,505	0	197,505
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	15,587	15,587
Total Comprehensive income and expenditure	(11,313)	0	208,818	0	0	0	0	197,505	15,587	213,092
Adjustments between accounting basis and funding basis under regulations (Note 4)	9,317	0	(210,340)	0	2,345	(819)	815	(198,682)	198,682	0
Net (increase) / decrease before transfers to earmarked reserves	(1,996)	0	(1,522)	0	2,345	(819)	815	(1,177)	214,269	213,092
Transfers to / (from) earmarked reserves (Note 5)	2,388	(2,388)	236	(236)	0	0	0	0	0	0
(Increase) / decrease in 2011/12	392	(2,388)	(1,286)	(236)	2,345	(819)	815	(1,177)	214,269	213,092
Balance at 31 March 2012	(9,458)	(19,706)	(6,974)	(2,472)	(10,420)	(1,171)	(5,261)	(55,462)	(437,960)	(493,422)

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	2012/13			2011/12 (As restated see Note 43)		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Central services to the public		9,008	(7,418)	1,590	8,656	(7,231)	1,425
Cultural and related services		13,487	(4,312)	9,175	12,587	(4,498)	8,089
Environmental and related services		13,742	(5,430)	8,312	13,349	(4,935)	8,414
Planning Services		8,491	(2,307)	6,184	7,300	(2,245)	5,055
Highways and transport services		5,409	(8,768)	(3,359)	5,866	(8,702)	(2,836)
Local authority housing – settlement payment to government for Housing Revenue Account self-financing	3	0	0	0	213,572	0	213,572
Local authority housing (Housing Revenue Account) – other	3	33,259	(36,642)	(3,383)	30,771	(34,599)	(3,828)
Other housing services		42,448	(37,467)	4,981	41,683	(36,923)	4,760
Corporate and democratic core		2,924	0	2,924	2,645	0	2,645
Non distributed costs	3	(1,461)	0	(1,461)	252	0	252
Cost of Services		127,307	(102,344)	24,963	336,681	(99,133)	237,548
Other operating expenditure	6	1,262	(589)	673	1,899	(37)	1,862
Financing and investment income and expenditure	7	19,001	(18,244)	757	11,000	(33,048)	(22,048)
Taxation and non-specific grant income	8	0	(19,191)	(19,191)	0	(19,857)	(19,857)
(Surplus) / deficit on provision of services	9	147,570	(140,368)	7,202	349,580	(152,075)	197,505
(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	35			(16,293)			(3,965)
Actuarial (gains) / losses on pension assets / liabilities	39			11,138			19,552
Other comprehensive (income) / expenditure				(5,155)			15,587
Total Comprehensive (Income) / Expenditure				2,047			213,092

Main Financial Statements

Balance Sheet

The Balance Sheet shows the value at the stated date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves 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 (for example 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 that hold unrealised gains and losses (for example 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 2013	31 March 2012	1 April 2011
Property, Plant and Equipment	16	619,754	618,547	612,795
Heritage Assets	19	430	430	430
Investment Property	22	114,476	111,373	96,834
Intangible Assets	23	472	538	504
Assets Held for Sale	27	3,354	0	0
Long Term Investments	25	1,734	2,190	3,294
Long Term Debtors	26	1,108	1,111	1,001
Long Term Assets		741,328	734,189	714,858
Short Term Investments	25	59,093	57,606	50,587
Assets Held for Sale	27	1,024	0	0
Inventories		274	239	303
Short Term Debtors	28	8,076	8,079	11,177
Cash and Cash Equivalents	29	7,734	4,781	2,557
Current Assets		76,201	70,705	64,624
Short Term Creditors	30	(11,420)	(13,053)	(8,767)
Receipts in Advance	31	(3,352)	(2,779)	(3,424)
Provisions	32	(364)	(315)	(284)
Current Liabilities		(15,136)	(16,147)	(12,475)
Long Term Borrowing	37	(213,654)	(213,654)	0
Other Long Term Liabilities	39	(92,967)	(78,945)	(57,871)
Capital Grants Receipts in Advance	33	(4,397)	(2,726)	(2,622)
Long Term Liabilities		(311,018)	(295,325)	(60,493)
Net Assets		491,375	493,422	706,514
Usable Reserves	34	(60,185)	(55,462)	(54,285)
Unusable Reserves	35	(431,190)	(437,960)	(652,229)
Total Reserves		(491,375)	(493,422)	(706,514)

David Horspool, Director of Resources

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	2012/13	2011/12
Cash flows from operating activities			
Cash receipts		108,908	115,088
Cash payments		(93,718)	(320,192)
Net cash flows from operating activities	40	15,190	(205,104)
Net cash flows from investing activities	41	(9,020)	(13,335)
Net cash flows from financing activities	42	(3,217)	220,663
Net (decrease) / increase in cash and cash equivalents		2,953	2,224
Cash and cash equivalents at the beginning of the year	29	4,781	2,557
Cash and cash equivalents at the end of the year	29	7,734	4,781

NOTES TO THE MAIN FINANCIAL STATEMENTS

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Notes to the Main Financial Statements

1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 83 to 98, 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 reduce levels of service provision.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2013 (excluding assets and liabilities that are carried at fair value based on a recently observed market price) for which there is a significant risk of material adjustment 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 effects on the net pensions liability of changes in individual assumptions can be measured as follows.

Change in assumptions at 31 March 2013	Approximate monetary amount (£000)
0.5% decrease in real discount rate	25,040
1 year increase in member life expectancy	7,241
0.5% increase in the salary increase rate	6,626
0.5% increase in the pension increase rate	18,105

However, the assumptions interact in complex ways so care should be taken in looking at changes in one variable in isolation.

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.

Notes to the Main Financial Statements

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 £735,000 for every year that useful lives had to be reduced.

The Council owns an area of 6.75 acres at Clay Farm on the southern fringe on the city. The element of this land that will be retained by the Council for the development of social housing is held within the asset category of property, plant and equipment. The remainder, which is to be disposed of for market housing, is held in long term assets held for sale. The total area of land is assessed as having a value of £6.25 million as at 31 March 2013. In determining the proportion of this value to be included in assets held for sale and property, plant and equipment the Council has used the most up to date estimate available to it, which is that social housing will account for approximately 50% of the site. However, this proportion could change as detailed plans for the site are finalised and approved.

3 Material Items of Income and Expenditure

The following material items of income and expenditure are included in the Comprehensive Income and Expenditure Statement.

As disclosed in the comparative figures for 2011/12 on the face of the Comprehensive Income and Expenditure Statement the Council made a settlement payment to central government in respect of self-financing of the Housing Revenue Account of £213.6 million in March 2012.

In addition the following material items are included within the relevant service lines:

A net debit for revaluation losses of £8.2 million has been charged to expenditure within the Local authority (HRA) net cost of service line. The comparative expenditure figure for 2011/12 includes a net credit for reversal of previous revaluation losses of £4.8 million. More detail on the movements in the value of the Council's housing stock can be found in note 16 to the main financial statements.

A net credit of £1.3 million has been included in gross expenditure against non-distributed costs in respect of the reversal of previous revaluation losses on houses in the HRA now earmarked for redevelopment.

The comparative figure for 2011/12 for the Financing and investment income included increases in the fair value of investment properties of £15.5 million.

The Surplus on revaluation of Property, Plant and Equipment includes a net £8.5 million gain in respect of the Council's housing stock and an additional £5.1 million gain in respect of previous HRA dwellings now earmarked as surplus for disposal and therefore no longer valued on a discounted social housing basis.

Notes to the Main Financial Statements

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.

Financial year 2012/13

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Grants Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(4,456)	0	0	0	0	4,456
Net revaluation losses on property, plant and equipment	119	(6,860)	0	0	0	6,741
Movements in the market value of investment properties	2,308	15	0	0	0	(2,323)
Impairment losses on assets held for sale	0	(354)	0	0	0	354
Amortisation of intangible assets	(146)	0	0	0	0	146
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(2,252)	(116)	0	0	0	2,368
HRA Self-financing settlement payment funded from capital under statute	0	0	0	0	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(214)	(3,694)	0	0	0	3,908
Private sector housing loans adjustment	7	0	0	0	0	(7)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Private sector housing loan repayments – original loan less than £10,000	(26)	0	0	0	0	26
Capital expenditure charged against General Fund and HRA balances	2,688	7,447	0	0	0	(10,135)

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	
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,261	316	0	0	(1,577)	0
Transfer of capital contributions unapplied to the General Fund	(122)	0	0	0	122	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	2,561	(2,561)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	4,436	(4,436)	0	0	0
Other capital receipts	0	13	(13)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	779	0	0	(779)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(908)	0	908	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	(17)	0	0	17
Adjustments primarily involving the Major Repairs Reserve:						
HRA depreciation	0	0	0	(10,623)	0	10,623
Reversal of Major Repairs Allowance credited to the HRA	0	(3,259)	0	3,259	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	3,424	0	(3,424)

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	
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	11	301	0	0	0	(312)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,950)	(766)	0	0	0	7,716
Employer's pension contributions and direct payments to pensioners payable in the year	4,045	787	0	0	0	(4,832)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1	0	0	0	0	(1)
Adjustments primarily involving the Accumulated Absences Account:						
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	67	0	0	0	0	(67)
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation	(10)	10	0	0	0	0
Total adjustments	(4,577)	(1,724)	(2,790)	(3,940)	1,106	11,925

Notes to the Main Financial Statements

Financial year 2011/12 (as restated)

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Grants Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(4,433)	0	0	0	0	4,433
Net revaluation losses on property, plant and equipment	155	4,720	0	0	0	(4,875)
Movements in the market value of investment properties	15,029	447	0	0	0	(15,476)
Amortisation of intangible assets	(122)	0	0	0	0	122
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(2,874)	(46)	0	0	0	2,920
HRA Self-financing settlement payment funded from capital under statute	0	(213,572)	0	0	0	213,572
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(2,055)	(1,590)	0	0	0	3,645
Private sector housing loans adjustment	37	0	0	0	0	(37)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Private sector housing loan repayments – original loan less than £10,000	(12)	0	0	0	0	12
Capital expenditure charged against General Fund and HRA balances	3,268	1,842	0	0	0	(5,110)

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	
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,487	0	0	0	(1,487)	0
Transfer of capital contributions unapplied to the General Fund	(120)	0	0	0	120	0
Application of grants to capital financing transferred to the Capital Adjustment Account	1,010	62	0	0	2,182	(3,254)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,075	2,020	(3,095)	0	0	0
Other capital receipts	0	37	(37)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	4,056	0	0	(4,056)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,441)	0	1,441	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	(8)	0	0	8
Adjustments primarily involving the Major Repairs Reserve:						
HRA depreciation	0	0	0	(9,808)	0	9,808
Reversal of Major Repairs Allowance credited to the HRA	0	(4,689)	0	4,689	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	4,300	0	(4,300)

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	
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	44	346	0	0	0	(390)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,631)	(817)	0	0	0	6,448
Employer's pension contributions and direct payments to pensioners payable in the year	4,061	865	0	0	0	(4,926)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(75)	0	0	0	0	75
Adjustments primarily involving the Accumulated Absences Account:						
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	(77)	26	0	0	0	51
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation	(9)	9	0	0	0	0
Total adjustments	9,317	(210,340)	2,345	(819)	815	198,682

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 2012/13.

(£000s)	2011/12			2012/13			Balance at 31 March 2013
	Balance at 1 April 2011	Transfers In	Transfers Out	Balance at 31 March 2012	Transfers In	Transfers Out	
General Fund:							
Asset Repair and Renewals Reserves	(12,995)	(3,238)	2,307	(13,926)	(3,122)	2,895	(14,153)
Insurance Fund	(687)	(869)	693	(863)	(1,155)	823	(1,195)
Technology Investment Fund	(241)	(15)	43	(213)	(15)	87	(141)
Development Plan Reserve	(272)	(181)	35	(418)	(150)	173	(395)
Compulsory Purchase Order Compensation Reserve	(583)	0	0	(583)	0	0	(583)
Major Planning Appeals Reserve	(31)	0	8	(23)	(84)	107	0
Revenue Contributions to Capital	(243)	0	20	(223)	0	45	(178)
Other	(2,266)	(2,056)	865	(3,457)	(1,315)	1,061	(3,711)
Total	(17,318)	(6,359)	3,971	(19,706)	(5,841)	5,191	(20,356)
Housing Revenue Account:							
Asset Repair and Renewal Reserve	(1,826)	(265)	103	(1,988)	(286)	125	(2,149)
Shared Ownership Reserve	(300)	0	0	(300)	0	0	(300)
Other	(110)	(95)	21	(184)	(1,251)	21	(1,414)
Total	(2,236)	(360)	124	(2,472)	(1,537)	146	(3,863)

Notes to the Main Financial Statements

6 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

(£000s)	2012/13		2011/12	
	Income	Expenditure	Income	Expenditure
Payments to the Government Housing Capital Receipts Pool	0	908	0	1,440
Impairment losses on assets held for sale	0	354	0	0
(Gains) / losses on the disposal of non-current assets	(576)	0	0	459
Other income	(13)	0	(37)	0
	(589)	1,262	(37)	1,899

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

(£000s)	2012/13		2011/12 (as restated see Note 43)	
	Income	Expenditure	Income	Expenditure
Interest payable and similar charges	0	7,496	0	84
Impairment of investments	0	64	0	(468)
Pensions interest cost and expected return on pensions assets	(7,234)	9,991	(8,798)	10,435
Gains and losses on trading (note 10)	0	28	(22)	0
Interest receivable and similar income	(821)	0	(841)	0
Income and expenditure in relation to investment properties and changes in their fair value	(10,189)	1,422	(23,387)	949
	(18,244)	19,001	(33,048)	11,000

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

(£000s)	2012/13	2011/12
Council tax income	(6,745)	(6,670)
Non domestic rates	(8,435)	(7,268)
Non-ringfenced government grants	(2,434)	(3,361)
Capital grants and contributions	(1,577)	(2,558)
	(19,191)	(19,857)

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 net cost of services.
- Reports include contributions to Repairs and Renewals Funds rather than the actual expenditure reflected in the accounts.

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)	2012/13	2011/12 (as restated)
Net Expenditure for the year as reported to management		
General Fund		
Community Services Scrutiny Committee		
Arts, Sports and Public Places	6,913	6,031
Community Development & Health	3,093	3,310
Housing	2,746	2,827
Environment Scrutiny Committee		
Planning & Climate Change	1,610	1,784
Environmental & Waste Services	7,736	8,014
Strategy & Resources Scrutiny Committee		
Customer Services and Resources	(5,452)	(6,245)
Strategy	3,389	2,869
Housing Revenue Account		
Housing Management Board	(12,464)	676
	7,571	19,266
Amounts in the Comprehensive Income & Expenditure Statement not reported to management	12,564	212,771
Amounts reported to management not included in the Comprehensive Income and Expenditure Statement	4,828	5,511
Cost of Services in the Comprehensive Income and Expenditure Statement	24,963	237,548

The 2011/12 comparative figures have been restated to reflect the portfolios in operation during 2012/13.

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 2012/13

(£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	(70,326)	0	0	0	12,455	(57,871)
Interest and investment income	(699)	(101)	0	(9,576)	(7,868)	(18,244)
Income from council tax	0	(6,744)	0	(1)	0	(6,745)
Gain on disposal of assets and other capital receipts	0	0	0	(589)	0	(589)
Government grants, donations and contributions	(45,047)	(10,418)	123	(1,577)	0	(56,919)
Total Income	(116,072)	(17,263)	123	(11,743)	4,587	(140,368)
Employee expenses	21,632	0	0	61	13,446	35,139
Other service expenses	72,998	0	(2,033)	4,100	(3,413)	71,652
Recharges	15,606	0	0	0	(15,606)	0
Depreciation, amortisation and impairment	13,405	10	(176)	8,159	922	22,320
Interest payments	2	7,494	0	9,991	64	17,551
Payments to Housing Receipts Pool	0	0	0	908	0	908
Total Expenditure	123,643	7,504	(2,209)	23,219	(4,587)	147,570
(Surplus) / Deficit on the provision of services	7,571	(9,759)	(2,086)	11,476	0	7,202

Notes to the Main Financial Statements

Financial year 2011/12 (as restated)

(£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	(67,035)	0	0	0	11,156	(55,879)
Interest and investment income	(727)	(64)	0	(24,306)	(7,929)	(33,026)
Income from council tax	0	(6,744)	0	75	0	(6,669)
Gain on disposal of assets and other capital receipts	0	0	0	(37)	0	(37)
Government grants, donations and contributions	(43,277)	(10,629)	0	(2,558)	0	(56,464)
Total Income	(111,039)	(17,437)	0	(26,826)	3,227	(152,075)
Employee expenses	21,031	0	0	(63)	15,413	36,381
Other service expenses	82,180	0	(1,943)	3,078	(5,390)	77,925
Recharges	15,346	0	0	0	(15,346)	0
Depreciation, amortisation and impairment	11,746	0	(164)	(4,342)	2,249	9,489
Loss on disposal	0	0	0	489	0	489
Interest payments	2	0	0	10,435	(153)	10,284
Payments to Housing Receipts Pool	0	0	0	1,440	0	1,440
HRA self-financing settlement payment	0	0	0	213,572	0	213,572
Total Expenditure	130,305	0	(2,107)	224,609	(3,227)	349,580
(Surplus) / Deficit on the provision of services	19,266	(17,437)	(2,107)	197,783	0	197,505

10 Trading Operations

The financial results of the Council's significant trading activities for the year are set out below:

Included within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement

(£000s)	2012/13	2011/12 (as restated – see Note 43)
Ditchburn Place Extra Care Contract		
Income	(622)	(668)
Expenditure	650	646
Deficit/(Surplus)	28	(22)

The City Council is contracted by Cambridgeshire County Council to provide care and support services for the extra care housing at Ditchburn Place.

Notes to the Main Financial Statements

Included within Planning services in the Comprehensive Income and Expenditure Statement

General Markets – the Council operates the general daily market in the city centre together with a number of other smaller specialist markets.

(£000s)	2012/13	2011/12
Income	(741)	(704)
Expenditure	405	365
Surplus	(336)	(339)

11 Agency Services

Agency Services provided on behalf of Cambridgeshire County Council were:

(£000s)	2012/13	2011/12
Highways Functions and Services		
Total costs	144	178
Costs reimbursed by the County Council	144	178
On-Street Parking Services		
Net surplus	0	(1,349)
Surplus reimbursed to county council	0	1,349

Box Office Services

The Council operates a box office for private promoters for performances and events held at the Corn Exchange. Gross income collected and paid over to promoters was £3,156,000 in 2012/13 (£3,446,000 in 2011/12.)

12 Members' Allowances

The total allowances paid to members during the financial year 2012/13 were £245,487 (£242,910 in 2011/12) as analysed below. Details of payments to individual members are published annually in a local newspaper.

(£000s)	2012/13	2011/12
Basic allowance payments	116,842	116,610
Special responsibility payments	126,175	124,571
Childcare allowance	192	198
Travel and subsistence payments	2,278	1,531
	245,487	242,910

Notes to the Main Financial Statements

13 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 33.

Members of the Council have direct control over the Council's financial and operating policies. During 2012/13 the Council gave grants totalling £246,266 (£339,546 in 2011/12) to voluntary organisations in which 12 (9 in 2011/12) members had an interest. £0 (£0 in 2011/12) of these grants were unpaid at the year end.

The relevant members did not take part in any discussion or decision relating to the grants. In addition one of these organisations has a long term loan from the Council as disclosed in Note 26 to the accounts.

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

14 Employee Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

	2012/13	2011/12
£50,000 to £54,999	3	2
£55,000 to £59,999	1	3
£60,000 to £64,999	9	9
£65,000 to £69,999	2	3
£70,000 to £74,999	4	3
£75,000 to £79,999	0	1
£80,000 to £84,999	0	0
£85,000 to £89,999	1	1
£90,000 to £94,999	2	2
£100,000 to £114,999	0	0
£115,000 to £119,999	1	1

Notes to the Main Financial Statements

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 2012/13

(£) Position / Name	Salary	Allowances & Benefits in Kind	Pension Contribution	Total
Chief Executive (A Jackson)	117,859	45	21,922	139,826
Director of Resources (D Horspool)	91,891	0	17,092	108,983
Director of Environment (S Payne)	88,646	12	16,488	105,146
Director of Customer & Community Services (L Bisset)	91,891	62	17,092	109,045
Head of Corporate Strategy (A Limb)	63,778	0	11,863	75,641

Financial year 2011/12

(£) Position / Name	Salary	Allowances & Benefits in Kind	Pension Contribution	Total
Chief Executive (A Jackson)	117,859	47	21,922	139,828
Director of Resources (D Horspool)	91,891	485	17,092	109,468
Director of Environment (S Payne)	88,646	0	16,488	105,134
Director of Customer & Community Services (L Bisset)	91,891	471	17,092	109,454
Head of Corporate Strategy (A Limb)	63,778	0	11,863	75,641

Notes to the Main Financial Statements

The number of exit packages, analysed between compulsory redundancies and other departures, and the total cost per band are set out in the table below:

Exit Package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total Number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
£0 - £20,000	9	14	0	0	9	14	94	103
£20,001 - £40,000	4	7	0	0	4	7	102	215
£40,001 - £60,000	3	0	0	0	3	0	136	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
Total	16	21	0	0	16	21	332	318

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.

15 Audit Costs

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

(£000s)	2012/13	2011/12
Fees payable in respect of the financial year:		
Audit Commission		
External audit services carried out by the appointed auditor	0	99
Certification of grant claims and returns	0	22
Fees payable in respect of other services	2	4
Ernst & Young		
External audit services carried out by the appointed auditor	68	0
Certification of grant claims and returns	13	0
Fees payable in respect of other services	36	0
	119	125

Ernst & Young were appointed as External Auditors to the Council on 1 October 2012. They received payment for services of £3,150 in 2011/12 before their audit appointment.

Notes to the Main Financial Statements

16 Property, Plant and Equipment

Financial year 2012/13

(£000s)	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Total Property, Plant & Equipment
Cost or Valuation							
At 1 April 2012	491,714	116,538	16,427	1,832	919	4,320	631,750
Fully depreciated assets derecognised	0	(130)	(1,700)	0	0	0	(1,830)
Additions	9,903	2,875	971	112	93	1,510	15,464
Revaluation increases/(decreases) recognised in the revaluation reserve	(1,822)	6,009	0	0	0	0	4,187
Revaluation increases/(decreases) recognised in the surplus / deficit on provision of services	(8,148)	1,492	0	0	0	0	(6,656)
Derecognition – disposals	(3,276)	0	0	0	0	0	(3,276)
Derecognition – other	(480)	(172)	0	0	0	(25)	(677)
Assets reclassified from investment properties	0	30	0	0	0	(109)	(79)
Assets reclassified (to) / from held for sale	0	(4,733)	(733)	0	0	0	(5,466)
Assets reclassified (to) / from other categories of property, plant and equipment	(1,388)	4,539	94	98	65	(3,408)	0
At 31 March 2013	486,503	126,448	15,059	2,042	1,077	2,288	633,417
Accumulated Depreciation and Impairment							
At 1 April 2012	0	(4,598)	(8,331)	(249)	(25)	0	(13,203)
Fully depreciated assets derecognised	0	130	1,700	0	0	0	1,830
Depreciation charge	(10,478)	(3,016)	(1,630)	(50)	0	0	(15,174)
Depreciation written out to the Revaluation Reserve	10,331	1,775	0	0	0	0	12,106
Depreciation written out to the Surplus / Deficit on the Provision of Services	62	11	0	0	0	0	73
Assets reclassified to / from Held for Sale	0	0	705	0	0	0	705
Assets reclassified to / from other categories of property, plant and equipment	85	(38)	(23)	(24)	0	0	0
At 31 March 2013	0	(5,736)	(7,579)	(323)	(25)	0	(13,663)
Net Book Value							
At 31 March 2013	486,503	120,712	7,480	1,719	1,052	2,288	619,754
At 31 March 2012	491,714	111,940	8,096	1,583	894	4,320	618,547

Notes to the Main Financial Statements

Financial year 2011/12 (as restated)

(£000s)	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Total Property, Plant & Equipment
Cost or Valuation							
At 1 April 2011	489,599	113,387	16,763	1,533	909	1,012	623,203
Additions	6,732	2,626	636	299	10	3,493	13,796
Revaluation increases/(decreases) recognized in the revaluation reserve	(7,843)	1,623	0	0	0	0	(6,220)
Revaluation increases / (decreases) recognised in the surplus / deficit on provision of services	4,754	61	0	0	0	0	4,815
Derecognition – disposals	(956)	0	0	0	0	0	(956)
Derecognition – other	(651)	(1,209)	0	0	0	(27)	(1,887)
Assets reclassified to intangible assets	0	0	0	0	0	0	0
Assets reclassified from investment properties	154	0	0	0	0	0	154
Assets reclassified (to) / from held for sale	0	0	(1,155)	0	0	0	(1,155)
Assets reclassified (to) / from other categories of property, plant and equipment	(75)	50	183	0	0	(158)	0
At 31 March 2012	491,714	116,538	16,427	1,832	919	4,320	631,750
Accumulated Depreciation and Impairment							
At 1 April 2011	(1)	(2,738)	(7,435)	(209)	(25)	0	(10,408)
Depreciation charge	(9,673)	(2,625)	(1,901)	(40)	0	0	(14,239)
Depreciation written out to the Revaluation Reserve	9,653	532	0	0	0	0	10,185
Depreciation written out to the Surplus / Deficit on the Provision of Services	18	151	0	0	0	0	169
Impairment losses / reversals recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0
Assets reclassified to / from Held for Sale	0	0	1,090	0	0	0	1,090
Assets reclassified to / from other categories of property, plant and equipment	3	82	(85)	0	0	0	0
At 31 March 2012	0	(4,598)	(8,331)	(249)	(25)	0	(13,203)
Net Book Value							
At 31 March 2012	491,714	111,940	8,096	1,583	894	4,320	618,547
At 31 March 2011	489,598	110,649	9,328	1,324	884	1,012	612,795

Notes to the Main Financial Statements

17 Property Plant and Equipment - Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

Current year revaluations were carried out externally by:

Mr S Layfield FRICS IRRV(Hons) REV (Wilks Head and Eve)
Ms A Briggs BA (Hons) MRICS (Bidwells LLP)
Ms A Groom MA MRICS (Bidwells LLP)
Ms C Sale BA (Hons) MSc MRICS (Bidwells LLP)

The basis for valuation is set out in the statement of accounting policies on page 93.

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 Appraisal and Valuation Standards prepared by the Royal Institution of Chartered Surveyors. This is because the valuation of the portfolio is such that Bidwells has not been instructed to re-inspect any of the properties. They have therefore relied on information either obtained by them in 1995, 1998, 2003, 2008 and 2013, or subsequently provided by Cambridge City Council in order to reach their conclusions.

Bidwells did undertake an external visual inspection of the properties valued. The Council provides updated information on each property to Bidwells to supplement the detail they already hold and meetings are held to plan and discuss the valuations. These would highlight any significant changes.

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

The following table shows the current carrying value of assets by the date of the most recent valuation:

(£000s)	Council Dwellings	Other Land and Buildings	Total
Valued at fair value as at:			
31 March 2013	486,503	37,757	524,260
31 March 2012		10,037	10,037
31 March 2011		38,803	38,803
31 March 2010		8,228	8,228
31 March 2009		25,887	25,887
Total Valuation	486,503	120,712	607,215

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

Notes to the Main Financial Statements

18 Property, Plant and Equipment - Depreciation

The majority of the Council's Property, Plant and Equipment are council dwellings. These are placed into three useful-life bandings. Assets built before 1945 are assessed as having a remaining useful life of 29 years, those built between 1945 and 1974 have a remaining useful life of 39 years, those built between 1974 and 2010 have a remaining useful life of 49 years and those built after 2010 have a useful life of 80 years.

The useful lives of other assets are estimated as:

- Infrastructure Assets – 40 years
- Other buildings – 60 years
- Vehicles, Plant and Equipment – 3 to 20 years

19 Heritage Assets

(£000s)	Civic Regalia
Carrying value at 1 April 2011, 31 March 2012 and 31 March 2013	430

The collection of Civic Regalia was valued at market value for insurance purposes in November 2011 by Mr Peter Buckle FIRV.

The Council has assessed that the value at the end of each financial year from 2009 to 2013 would not be materially different from the figure obtained in November 2011.

Notes to the Main Financial Statements

20 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)	2012/13	2011/12
Opening Capital Financing Requirement	213,852	(3)
Capital Expenditure		
Property, Plant and Equipment	15,464	13,796
Investment Properties	701	64
Intangible Assets	80	156
Non-current assets held for sale	0	0
Capital Expenditure Charged to the Comprehensive Statement of Income and Expenditure		
Revenue Expenditure Funded from Capital	1,788	2,797
HRA self-financing settlement payment	0	213,572
De-minimus capital expenditure	580	123
Loans Advanced		
Private Sector Housing Improvement Loans	38	67
Sources of finance		
Capital receipts	(779)	(4,056)
Government grants and other contributions	(2,561)	(3,254)
Revenue and reserves	(13,559)	(9,410)
Closing capital financing requirement	215,604	213,852

Notes to the Main Financial Statements

21 Capital Commitments

At 31 March 2013, the Council was contractually committed to capital work valued at approximately £4.4 million, as shown in the following table. Capital expenditure under these contracts will be incurred in 2013/14, apart from £1.4 million which it is estimated will be spent in 2014/15.

(£000s)	31 March 2013	31 March 2012
Property, Plant and Equipment		
Clay Farm Community Centre	290	0
Jesus Green tennis courts	0	94
Community Olympic Public Art Commission	0	101
Mill Road Cemetery memorial artwork	0	53
Affordable homes	0	93
Decent Homes	0	1,323
Other HRA stock spend	0	974
Mercury abatement	31	77
Vehicle asset replacements	25	118
Grand Arcade Car Park control room	1	54
Development land on Kings Hedges Road	164	293
Arbury Community Centre	80	0
Grand Arcade Annex Car Park – Drainage Gulleys	52	0
Refurbishment of Newmarket Road Cemetery Buildings	56	0
Roman Court	1,236	0
Brandon Court	0	400
Other works – less than £50,000 per contract	220	204
Investment Properties		
Lion Yard contribution to works	124	0
Assets Held For Sale		
Land at Clay Farm	1,633	0
Revenue Expenditure Funded from Capital Under Statute		
Assessment Centre	241	0
Grants for Private Sector energy efficiency improvements	18	0
Community Development grants	225	178
	4,396	3,962

Notes to the Main Financial Statements

22 Investment Properties

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement.

(£000s)	2012/13	2011/12
Rental income from investment property	(7,866)	(7,911)
Direct operating expenses arising from investment property	703	605
Net gain	(7,163)	(7,306)

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)	2012/13	2011/12
Balance at start of the year	111,373	96,834
<i>Additions:</i>		
Subsequent expenditure	701	64
Net gains / losses from fair value adjustments	2,323	15,476
Disposals	0	(847)
<i>Transfers:</i>		
To / from Property, Plant and Equipment	(30)	(154)
Transfers from assets in the course of construction	109	0
Balance at the end of the year	114,476	111,373

Notes to the Main Financial Statements

23 Intangible Assets

The Council accounts for its software as intangible assets, where the software is not such an integral part of a particular IT system that it is accounted for as part of the hardware item of property, plant and equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £146,000 charged to revenue in 2012/13 relates to specialist software and was charged to relevant services in the Comprehensive Income and Expenditure Statement.

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

(£000s)	2012/13 Software licences	2011/12 Software licences
Balance at start of the year		
Gross carrying amounts	1,061	905
Accumulated amortisation	(523)	(401)
Net carrying amount at start of the year	538	504
Purchases	80	156
Amortisation for the period	(146)	(122)
Other changes	0	0
Net carrying amount at end of year	472	538
Comprising:		
Gross carrying amounts	1,081	1,061
Accumulated amortisation	(609)	(523)

Specialist software was purchased in 2012/13 relating to the localisation of council tax benefits and the introduction of a Business Improvement District in Cambridge. The costs will be amortised over the expected life of the software.

Fully amortised assets of £60,000 were written out of accumulated amortisation and the gross carrying amount during the year.

Notes to the Main Financial Statements

24 Leases

Council as Lessee

Finance Leases

The carrying value of investment properties held under finance leases was £1,645,000 at 31 March 2013 (£1,547,000 at 31 March 2012). Secondary lease payments of £2,247 in each of 2011/12 and 2012/13 were accounted for as finance costs. This annual charge will continue until 2035.

These Industrial units are leased out under operating leases and the total minimum lease payments are £74,824 at 31 March 2013 (£39,000 at 31 March 2012).

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 £16,619,767 at 31 March 2013 (£16,907,740 at 31 March 2012).

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 2013	31 March 2012
Not later than one year	479	287
Later than one year and not later than five years	503	599
Later than five years	182	182
	1,164	1,068

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

(£000s)	2012/13	2011/12
Minimum lease payments	411	411

Council as Lessor

Operating Leases

The Council leases out commercial properties across the City under operating leases. The portfolio includes shops, industrial units and shopping centres.

Notes to the Main Financial Statements

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

(£000s)	31 March 2013	31 March 2012
Not later than one year	4,305	3,332
Later than one year and not later than five years	12,311	10,314
Later than five years	102,039	97,025
	118,655	110,671

The minimum lease payments receivable do not include contingent rents such as those based on turnover. In 2012/13 £2,302,188 of contingent rents were receivable by the Council (2011/12 £2,207,699).

25 Short-Term and Long-Term Investments

(£000s)	2012/13		2011/12	
	Long Term	Short Term	Long Term	Short Term
Investments in Icelandic banks and their UK subsidiaries	1,734	794	2,190	1,545
Other investments	0	58,299	0	56,061
	1,734	59,093	2,190	57,606

Investments in Icelandic Banks and their UK Subsidiaries

Investments included in current assets and long-term assets in the Balance Sheet at 31 March 2013 include the following investments, the values of which have been impaired because of the financial difficulties experienced by Icelandic banks and their subsidiaries. The impairments reflected in the accounts are based on the latest CIPFA Local Authority Accounting Panel (LAAP) guidance issued in May 2013.

In October 2008, a number of Icelandic Banks and their UK subsidiaries went into administration.

The Council had £9m deposited between Landsbanki Islands hf and its UK subsidiary, Heritable Bank Plc, with varying maturity dates and interest rates as follows:

(£000s)	Original Investment Date	Original Maturity Date	Amount Invested (£000)	Interest Rate (%)
Heritable	09/01/2008	09/10/2008	1,000	5.65
Heritable	13/06/2008	22/12/2008	1,000	6.21
Landsbanki	30/06/2008	06/01/2009	2,000	6.22
Heritable	05/09/2008	05/03/2009	2,000	6.00
Landsbanki	01/07/2008	24/04/2009	1,000	6.35
Landsbanki	01/07/2008	22/05/2009	2,000	6.42
			9,000	

During 2012/13 Landsbanki Islands hf was renamed LBI hf.

Notes to the Main Financial Statements

All monies within these institutions are currently subject to their respective administration and receivership processes. The amount and timing of payments to depositors such as the Council is determined by the administrators / receivers.

Based on the latest information available, the Council considers that it is appropriate to make an impairment adjustment for the deposits based on the information outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

The impairment losses recognised in the Income and Expenditure Account in 2012/13 of £66,000 (2011/12 net reversal of impairment losses of £471,000) have been calculated by discounting the assumed cashflows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered.

The overall position is summarised as follows:

(£000s)	2012/13		2011/12	
	Heritable Bank Plc	LBI hf	Heritable Bank Plc	LBI hf
Balance sheet carrying value				
Long term investments	0	1,734	222	1,968
Short term investments	421	373	567	979
Increase / (decrease) in impairment recognised in the Comprehensive Income and Expenditure account	15	51	(95)	(376)
Cash received	381	941	725	1,556

The deposits in Heritable were originally impaired by £1,244,000 and in LBI by £1,390,000 in 2008/09. In 2009/10 there was an additional impairment of £408,000 in respect of LBI and a reversal of the Heritable impairment of £212,000. In 2010/11 there was a further impairment of £42,000 in respect of LBI.

Heritable Bank Plc

Heritable Bank Plc is a UK registered bank operating under Scottish law. The company was placed in administration on 7 October 2008. In relation to the 2008/09 statement of accounts the Council decided to recognise an impairment based on recovering 80p in the £. The progress report issued to creditors, by the administrators Ernst and Young in August 2011, noted a base case return to creditors of 86 to 90 pence in the £. The latest updates from the administrators have not changed this estimate. Total dividends paid to date are 77.2% of the claim. In calculating the current expected recoverable amount the Council has made the following assumptions in respect of the timing of recoveries:

July 2013	2.00%
January 2014	8.80%

This schedule is based on expected total dividends of 88% of the claim. Recoveries are expressed as a percentage of the Council's claim, which includes interest accrued up to 6 October 2008.

Notes to the Main Financial Statements

LBI hf

Following steps taken by the Icelandic Government in early October 2008 the then Landsbanki's domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki (now renamed LBI) being placed in the hands of a resolution committee. LBI's affairs are being administered under Icelandic law. In respect of the 2008/09 accounts the Council decided to recognise an impairment based on it recovering 83p in the £.

The Council's estimate of the likely recoverable amount was subsequently updated in line with CIPFA guidance to 94.86 pence in the £.

This rate of recovery was based on the assumption that local council deposits had priority status and would therefore be repaid ahead of any creditors that did not have priority status. This was based on the Reykjavik District Court verdict on 1 April 2011 confirming that local authorities' claims qualified for priority status under Article 112 of the Icelandic Bankruptcy Legislation. However, this decision was subject to an appeal to the Icelandic Supreme Court.

The Supreme Court confirmed the priority status of local council deposits in October 2011. Under the terms of the distribution proposal, payment of each depositor's claim (measured in Icelandic Kroner as at 22 April 2009) was made in a basket of currencies with conversions made using Central Bank of Iceland selling rates as at 22 April 2009. The distribution currencies were Icelandic Kroner, Euros, US dollars and sterling. A total of £740 million, €710 million, \$710 million and ISK 10 billion was distributed to qualifying priority creditors. The Council therefore received a distribution in February 2012 close to one-third of its priority claim. The Icelandic distribution is currently held in escrow.

The Winding Up Board announced in March 2012 that it anticipated that recoveries would exceed the book value of priority claims. It is therefore now considered likely that UK local authorities will recover 100% of their deposits, subject to future exchange rate fluctuations. The latest published update in December 2012 confirms this view.

Following the sale of Iceland Foods, the Winding Up Board authorised a further distribution to priority creditors in May 2012. The distribution was made wholly in sterling and the total amount distributed to creditors was £850 million. A further distribution of sterling, US Dollars and Euro was made in October 2012. Taken together with the earlier distributions this raised the total amount distributed to approximately 49.65%.

The future pattern of distributions by the Winding Up Board is not known, but the Council has followed CIPFA's recommendation and in estimating the current expected recoverable amount the Council has made the following assumptions in respect of the timing of recoveries:

December 2013	7.50%
December 2014	7.50%
December 2015	7.50%
December 2016	7.50%
December 2017	7.50%
December 2018	7.50%
December 2019	5.35%

Interest credited to the Comprehensive Income and Expenditure Statement in respect of these investments (but not actually received) is as follows:

Notes to the Main Financial Statements

(£000s)	2012/13	2011/12
Heritable Bank Plc	29	62
LBI hf	152	235

The Council took advantage of the Capital Finance Regulations to defer the impact of impairments recognised on these investments in 2008/09 and 2009/10 on the General Fund using the Financial Instruments Adjustment Account. Under the regulations the total impairments recognised in the Comprehensive Income and Expenditure Statement in 2008/09 and 2009/10 were charged to the General Fund in 2010/11. From 2010/11, any changes to the impairments previously recognised are reflected in the General Fund in the relevant year.

Further details on the Council's approach to managing credit risks are contained in Note 38.

26 Long-Term Debtors

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

(£000s)	31 March 2013	31 March 2012	1 April 2011
Mortgages	3	8	17
Grand Arcade reverse lease premium	217	223	228
Private sector housing improvement loans	832	812	675
Sale of land at Kings Hedges	30	30	30
Long term loan – Kelsey Kerridge Sports Centre	26	38	51
	1,108	1,111	1,001

27 Assets Held for Sale

(£000s)	Current		Long Term	
	2012/13	2011/12	2012/13	2011/12
Balance at 1 April	0	0	0	0
Assets newly classified as held for sale:				
Property, plant & equipment	1,052	65	3,708	0
Assets sold	(28)	(65)	0	0
Impairment losses	0	0	(354)	0
Balance at 31 March	1,024	0	3,354	0

The impairment loss recognised in 2012/13 relates to land at Latimer Close where the expected fair value on disposal is lower than the previous valuation on an existing use basis.

Notes to the Main Financial Statements

28 Debtors

(£000s)	31 March 2013	31 March 2012	1 April 2011
Central government bodies	679	885	4,021
Other local authorities	1,721	2,004	1,329
NHS bodies	16	28	10
Public corporations and trading funds	0	2	3
Council Tax payers (City share)	621	622	689
Council Tax payers (precepting bodies share)	2,080	2,020	2,615
Housing tenants and leaseholders	465	470	674
Trade and other	2,494	2,048	1,836
	8,076	8,079	11,177

29 Cash and Cash Equivalents

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

(£000s)	31 March 2013	31 March 2012	1 April 2011
Cash held by the Council	5	3	5
Bank current accounts	479	398	302
Bank deposits account	7,250	4,380	2,250
	7,734	4,781	2,557

30 Short-Term Creditors

(£000s)	31 March 2013	31 March 2012	1 April 2011
Central government bodies	(468)	(4,351)	(956)
Other local authorities	(324)	(1,112)	(3,107)
NHS bodies	0	0	(1)
Public corporations and trading funds	0	(19)	0
Housing tenants and leaseholders	(640)	(619)	(613)
Other entities and individuals	(9,988)	(6,952)	(4,090)
	(11,420)	(13,053)	(8,767)

Notes to the Main Financial Statements

31 Receipts in Advance

(£000s)	31 March 2013	31 March 2012	1 April 2011
Cambridge City Council share of Council Tax receipts	(358)	(365)	(347)
Capital grants receipts in advance	(1,072)	(677)	(1,376)
Other	(1,922)	(1,737)	(1,701)
	(3,352)	(2,779)	(3,424)

32 Provisions

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 or motor claim up to a total combined loss in any insurance year of £275,000. 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.

(£000s)	Insurance Provision	Other Provisions	Total
Balance at 1 April 2012	(306)	(9)	(315)
Additional provisions made in 2012/13	(260)	(6)	(266)
Amounts used in 2012/13	104	0	104
Unused amounts reversed in 2012/13	113	0	113
Balance as at 31 March 2013	(349)	(15)	(364)

Notes to the Main Financial Statements

33 Grant Income

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2012/13:

(£000s)	2012/13	2011/12
Credited to Taxation and Non Specific Grant Income		
Share of National Non-domestic Rates	(8,435)	(7,268)
Revenue Support Grant	(163)	(2,247)
Council Tax Freeze Grant	(171)	(170)
New Homes Bonus	(1,399)	(910)
New Burdens Grants	(126)	(34)
Homelessness Grant	(575)	0
Capital grants and contributions	(1,577)	(2,558)
	(12,446)	(13,187)
Credited to Services		
Homelessness Grant	0	(575)
Local Support Partnership Grants	0	(43)
Council Tax Admin Subsidy	(214)	(232)
Council Tax Benefits Subsidy	(6,414)	(6,267)
Rent Allowance and Rent Rebates Admin Subsidy	(477)	(607)
Rent Allowance Subsidy	(17,180)	(16,644)
Rent Rebates Subsidy	(18,345)	(16,823)
Non HRA Rent Rebates Subsidy	(104)	(67)
	(42,734)	(41,258)

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 giver. The balances at the year-end are as follows:

(£000s)	31 March 2013	31 March 2012
Capital Grants Receipts in Advance		
Due within 12 months	(1,072)	(677)
Due in more than 12 months	(4,397)	(2,726)
Total	(5,469)	(3,403)

Notes to the Main Financial Statements

34 Usable Reserves

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

35 Unusable Reserves

(£000s)	31 March 2013	31 March 2012 (as restated see Note 43)	1 April 2011
Deferred Capital Receipts	(60)	(77)	(97)
Revaluation Reserve	(57,261)	(41,815)	(38,615)
Capital Adjustment Account	(467,565)	(476,122)	(672,761)
Financial Instruments Adjustment Account	81	393	783
Pensions Reserve	92,967	78,945	57,871
Collection Fund Adjustment Account	157	158	83
Accumulated Absences Account	491	558	507
Total Unusable Reserves	(431,190)	(437,960)	(652,229)

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)	2012/13	2011/12
Balance at 1 April	(77)	(97)
Transfer to the Capital Receipts Reserve upon receipt of cash	17	20
Balance at 31 March	(60)	(77)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Notes to the Main Financial Statements

(£000s)	2012/13	2011/12 (as restated see Note 43)
Balance at 1 April	(41,815)	(38,615)
Net (gains) / losses on revaluations during the year	(16,293)	(3,965)
Amounts written off to the Capital Adjustment Account		
Difference between fair value depreciation and historical cost depreciation	810	765
Accumulated gains on assets sold or scrapped	37	0
Balance at 31 March	(57,261)	(41,815)

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)	2012/13	2011/12 (as restated see Note 43)
Balance at 1 April	(476,122)	(672,761)
Charges for depreciation and impairment of non-current assets	15,174	14,241
Revaluation losses on property, plant and equipment	6,647	(4,875)
Impairment losses on assets held for sale	354	0
Amortisation of intangible assets	146	122
Revenue expenditure funded from capital under statute and de minimus capital spend	2,368	2,920
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	3,871	3,645
Depreciation in excess of historic cost transfer from revaluation reserve	(810)	(765)
Transfer from revaluation reserve on disposal of non-current assets	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	(779)	(4,056)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,424)	(4,300)
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,561)	(3,254)
Repayment of private sector housing loans	36	12
Private sector housing loans adjustment	(7)	(37)
Capital expenditure charged against the General Fund and Housing Revenue Account balances	(10,135)	(5,110)
Self-financing of the HRA settlement payment	0	213,572
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,323)	(15,476)
Balance at 31 March	(467,565)	(476,122)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains in accordance with statutory provisions.

(£000s)	2012/13	2011/12
Balance at 1 April	393	783
Amortisation of debt redemption premium	(301)	(346)
Movement in fair value of private sector housing improvement loans	(11)	(44)
Movements in respect of investments in Icelandic banks	0	0
Balance at 31 March	81	393

Notes to the Main Financial Statements

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 39.

(£000s)	2012/13	2011/12
Balance at 1 April	78,945	57,871
Actuarial gains or losses on pensions assets and liabilities	11,138	19,552
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	7,716	6,448
Employer's pension contributions and direct payments to pensioners payable in the year	(4,832)	(4,926)
Balance at 31 March	92,967	78,945

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

(£000s)	2012/13	2011/12
Balance at 1 April	158	83
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	(1)	75
Balance at 31 March	157	158

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. The amounts accrued at the end of each year reflect untaken leave, time-off-in-lieu and flexitime balances. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Notes to the Main Financial Statements

(£000s)	2012/13		2011/12	
Balance at 1 April		558		507
Settlement of or cancellation of accrual made at the end of the preceding year	(558)		(507)	
Amounts accrued at the end of the current year	491		558	
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		(67)		51
Balance at 31 March		491		558

36 Contingent Liabilities and Assets

Contingent Liabilities

Compulsory Purchase Orders

Residential dwellings:

The Council has compulsorily purchased two houses, the first in 2003/04 and the second in 2006/07. The obligation to compensate the previous owners arises when the claimant actually claims compensation and such amount is agreed or awarded by the Lands Tribunal. The claimants have 12 years from the date of purchase to make a claim for compensation and are entitled to the value of land and property, plus interest accrued in accordance with the interest rate set in the Land Compensation Act 1961. The values plus accumulated interest at 31 March 2013 are £583,448.

A compensation claim has now been received in respect of one of the two houses.

Legal Cases

There are two ongoing legal cases in respect of planning issues. A legal challenge by way of judicial review has been made in both cases and should legal proceedings find against the Council, it may be liable for some or all of the claimants' costs.

Property Search Fees

A group of Property Search Companies is seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims is at present £95,314 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behavior. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

Notes to the Main Financial Statements

Municipal Mutual Insurance

In 1992/93 the Council's then insurers, Municipal Mutual Insurance (MMI), ceased taking new business and are now being managed under a "scheme of arrangement". City Council claims under this arrangement have totalled £1,034,649. The directors of MMI triggered an insolvency under this scheme in November 2012, meaning that a solvent run-off was no longer foreseen.

The appointed administrator has indicated that based on current projections a levy equal to 15% (excluding the first £50,000 of claims) is required. A creditor for £148,000 has therefore been recognised in the 2012/13 statement of accounts. The administrator is required to review the levy rate at least once every 12 months. Although the administrator has indicated that unless there is a significant change to the financial position of MMI, the current levy of 15% should be sufficient, they have undertaken modeling that indicates a worst case scenario that a levy of up to 28% could be required.

New arrangements for the retention of Business Rates

New local authority funding arrangements came into effect on 1 April 2013 with the introduction of a scheme for the local retention of a share of business rates replacing the old Formula Grant system. Local authorities will now assume a liability for refunding businesses who have successfully appealed against the rateable value of their properties to the Valuation Office Agency. This will include amounts that were originally collected and paid over (to Central Government) in respect of 2012/13 and prior years.

In arriving at the estimated income from Business Rates for 2013/14, the Council included a prudent estimate of the likely financial impact of successful valuation appeals, including those relating to prior year periods of £3.8 million in total. Of this sum, the Council would bear a 40% share but it is not possible to accurately assess how much of this will relate to prior year periods.

Contingent Assets

VAT

HM Revenue and Customs (HMRC) v Isle of Wight and others

The above case has been appealed again following a judgement in October 2012. No final determination has yet been made as to whether the VAT liability for the provision of off-street car parking by local authorities should be VAT standard rated or classed as 'non-business' (and hence outside the scope of VAT). The Council has submitted, based on the possible final outcome of the case, claims for the repayment of £23.7 million of VAT (net of fees) paid over to HMRC in relation to off-street car parking since the start of VAT in April 1973. As at 31 March 2013 this claim remained outstanding pending the outcome of a further VAT tribunal (with the date to be confirmed). The result of the tribunal will not be known until the winter of 2014 at the earliest. This tribunal will be looking at the question of possible distortion of competition if the provision of off-street parking by local authorities was not subject to VAT but that provided by the private sector was.

Compound Interest

There have been a number of recent developments in relation to the ability of taxpayers to claim 'compound', as opposed to 'simple', interest on monies repaid (or to be repaid) to them by HMRC. Compound interest can far exceed that of simple interest and the Council has been advised that claims for compound interest can, potentially, go back to 1973. In view of the significant value of VAT repayment claims already made by the Council, both in relation to that still outstanding (as

Notes to the Main Financial Statements

above) and those already repaid by HMRC under 'Fleming', the Council has engaged a firm of lawyers to submit a claim for compound interest to the High Court. It is currently unclear when these claims will be determined.

37 Financial Instruments

Categories of Financial Instrument

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

(£000s)	Long Term		Current	
	31 March 2013	31 March 2012 (as restated)	31 March 2013	31 March 2012 (as restated)
Investments				
Loans and receivables	1,734	2,190	59,093	57,606
Debtors				
Loans and receivables	892	889	3,478	5,520
Creditors & Receipts in Advance				
Financial liabilities at amortised cost	(4,374)	(2,726)	(14,174)	(11,115)
Long Term Borrowing	(213,654)	(213,654)	0	0
	(215,402)	(213,301)	48,397	52,011

Comparative figures for 31 March 2012 have been restated to include capital contributions held as receipts in advance as these are contractual liabilities.

Private Sector Housing Improvement Loans

The Council makes means-tested loans of up to £20,000 to individuals, secured on the value of their property, in order to fund major improvements. These loans are normally repayable on sale of the property. These loans are interest free and are therefore deemed to be soft loans. The interest rate used for these loans is based on the Council's prevailing cost of borrowing for a maturity loan of 5 years duration. No allowance is made for the risk that the loans might not be repaid as they are secured.

(£000s)	2012/13	2011/12
Carrying value as at 1 April	812	675
Nominal value of new loans recognised in the year	45	106
Interest – increase in discounted amount	20	32
Loans repaid	(36)	(12)
Fair value adjustments	(9)	11
Carrying value as at 31 March	832	812
Nominal value of loans at 31 March	913	904

Notes to the Main Financial Statements

Income, Expense, Gains and Losses

The following items of income, expense, gain or loss are reflected in the Statement of Comprehensive Income and Expenditure in respect of financial instruments:

(£000s)	2012/13		2011/12	
	Financial Liabilities at amortised cost	Financial Assets – Loans and Receivables	Financial Liabilities at amortised cost	Financial Assets – Loans and Receivables
Interest expense	7,496	0	84	0
Reductions in fair value	0	9	0	0
Reversal of losses on impaired financial assets	0	0	0	(471)
Impairment losses	0	221	0	251
PWLB fees on arrangement of HRA self-financing loans	0	0	75	0
Total expense in Surplus or Deficit on the Provision of Services	7,496	230	159	(220)
Increases in fair value	0	0	0	(11)
Interest Income	0	(640)	0	(544)
Interest income accrued on impaired financial assets	0	(181)	0	(297)
Total income in Surplus or Deficit on the Provision of Services	0	(821)	0	(852)

Fair Value of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- ◆ An estimated interest rate at 31 March 2013 of 1.87% (2.18% at 31 March 2012) has been used to calculate the fair value of private sector housing improvement loans
- ◆ Estimated ranges of interest rates at 31 March 2013 of 2.94% to 3.13% (3.22% to 3.28% at 31 March 2012) for loans from the PWLB based on premature repayment rates at that date
- ◆ No early repayment is recognised
- ◆ Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- ◆ The fair value of trade and other receivables is taken to be the invoiced or billed amount
- ◆ The fair value of capital contributions received in advance is taken to be the amount received

Notes to the Main Financial Statements

The fair values are calculated as follows:

(£000s)	31 March 2013		31 March 2012	
	Carrying amount	Fair Value	Carrying amount (as restated)	Fair Value (as restated)
Financial Liabilities at amortised cost				
Creditors and receipts in advance	(18,548)	(18,548)	(13,841)	(13,841)
Long term borrowing	(213,654)	(232,650)	(213,654)	(224,896)
Loans and receivables:				
Long term debtors	892	892	889	889
Current debtors	3,478	3,478	5,520	5,520
Long term investments	1,734	1,734	2,190	2,190
Current investments	59,093	59,093	57,606	57,606

Comparative figures for 31 March 2012 have been restated to include capital contributions held as receipts in advance as these are contractual liabilities.

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the prevailing rates at the balance sheet date.

38 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 2012/13 the Council did not make any amendments to its investment strategy.

Credit risk

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

Notes to the Main Financial Statements

One of the things that the Council seeks to do through the operation of its Treasury Management and Investment Strategy is to minimise its exposure to risks in relation to investments.

The Council has, in general, continued with its suspension of lending to overseas financial institutions or their UK subsidiaries. The Council's current policy is to only lend to UK banks, building societies and other local authorities for up to twelve months in duration. This is in line with guidance from our treasury management advisers and in line with the Council's established Treasury Management Investment Strategy.

The Council has also maintained a limit on the total that may be invested within the same company group. The policy of having no limit on the total amount which may be invested in the Government's Debt Management Account deposit Facility (DMADF) continued in 2012/13.

The Council uses the 'creditworthiness service' provided by Sector. 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 Poors. 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 now gives a much improved level of security for its investments.

With the exception of the DMADF, limits are set for the amount that may be on deposit with any one institution. At 31 March 2013 these were: a maximum of £16 million with HSBC Bank Plc (the Council's bank), £10 million with other approved counterparties and a maximum of 1.5 times this limit may be invested, in total, with counterparties belonging to the same company group. The Council also took advantage of using these limits in depositing funds within bank call accounts. This increased yield levels without prejudicing the Council's risk averse nature.

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 2013 and that any residual risk cannot be quantified.

The following shows the original principal sums of investments at 31 March analysed by the nature of financial institution, country in which they are domiciled and remaining period to maturity:

Notes to the Main Financial Statements

(£000s)	Maturity Band			Total
	Less than 3 months	3 months to 6 months	6 months to 1 year	
31 March 2013				
United Kingdom				
Banks	0	23,000	12,000	35,000
Building Societies	7,000	3,000	0	10,000
Local Authorities	13,200	0	0	13,200
Total	20,200	26,000	12,000	58,200

(£000s)	Maturity Band			Total
	Less than 3 months	3 months to 6 months	6 months to 1 year	
31 March 2012				
United Kingdom				
Banks	26,380	13,000	0	39,380
Building Societies	10,000	0	0	10,000
Local Authorities	11,000	0	0	11,000
Total	47,380	13,000	0	60,380

These tables exclude the investments in Heritable Bank and LBI as detailed in Note 25.

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 2013		31 March 2012	
	Gross Debt	Impairment Allowance	Gross Debt	Impairment Allowance
Long term debtors	892	0	889	0
Current and former tenants	1,523	1,205	1,520	1,270
Other debtors	3,465	306	4,000	926
	5,880	1,511	6,409	2,196

Long-term debtors include private sector housing improvement loans and council house mortgages. These debts are secured on properties.

The movement in the impairment allowance during the year can be summarised as follows:

(£000s)	31 March 2013	31 March 2012
Balance at 1 April	2,196	1,970
Increase in allowance for impairment	100	240
Balances written off during the year	(785)	(14)
Balance at 31 March	1,511	2,196

Notes to the Main Financial Statements

The Council does not generally extend credit to its customers beyond 21 days. At 31 March 2013, of the total debtor and deferred debtor balances of £5.9 million (£6.4 million at 31 March 2012), the past due amount was £2.3 million (£2.8 million at 31 March 2012) and can be analysed by age as follows:

(£000s)	31 March 2013	31 March 2012
Customer Debts		
Less than three months	368	611
Three to six months	446	73
Six months to one year	202	195
More than one year	1,286	1,914
Balance at 31 March	2,302	2,793

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the Public Works Loan Board (PWLB). There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

On 28 March 2012 the Council took out a number of fixed rate maturity loans with the PWLB to meet the cost of the HRA self-financing settlement due to central government. These loans had terms of between 26 and 45 years. The HRA business plan confirms the affordability of interest payments and the repayment of these loans on maturity and that the Council may be able to consider earlier redemption if advantageous. However, this will not be considered in the short-term, due to current market conditions.

The maturity analysis of the loans is as follows:

(£000s)	31 March 2013	31 March 2012
Between 20 and 25 years	10,683	0
Between 25 and 30 years	53,413	53,413
Between 30 and 35 years	53,413	53,413
Between 35 and 40 years	53,414	53,414
Between 45 and 50 years	42,731	53,414
	213,654	213,654

Market risk

Interest rate risk

The Council is exposed to minimal risk in terms of its exposure to movements in interest rates. This is because the majority of its investments are at fixed rates. These investments are also of less than one year in duration and so changes to fair value will be minimal. The Council does, however, utilise bank deposit accounts for very short term cash deposits and the interest rate on this account moves in line with movements in the bank rate.

Notes to the Main Financial Statements

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. However, looking back on last year, if interest rates on the bank deposit accounts had been one percentage point higher, with all other variables held constant, the financial effect would have been an additional income of £178,000 (£65,000 in 2011/12).

Price risk

The Council does not invest in equity shares and so is not exposed to this risk.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies other than its exposure as detailed in Note 25.

39 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 pensions liabilities with investment assets.

Transactions relating to post employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the employer contributions payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Notes to the Main Financial Statements

(£000s)	Local Government Pension Scheme	
	2012/13	2011/12
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	4,699	4,650
Past service costs	0	0
Settlements and curtailments	260	161
Financing and Investment Income and Expenditure:		
Interest cost	9,991	10,435
Expected return on scheme assets	(7,234)	(8,798)
Total post employment benefit charged to the surplus or deficit on the provision of services	7,716	6,448
Other post employment benefit charged to the comprehensive income and expenditure statement		
Actuarial (gains) / losses	11,138	19,552
Total post employment benefit charged to the comprehensive income and expenditure statement	18,854	26,000
Movement in reserves statement		
Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the code	(14,022)	(21,074)
Employers' contributions payable to the scheme	4,832	4,926

The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £84.4 million (£73.3 million at 31 March 2012).

Assets and liabilities in relation to post employment benefits

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

(£000s)	2012/13	2011/12
Opening balance at 1 April	(208,232)	(190,481)
Current Service Cost	(4,699)	(4,650)
Interest Cost	(9,991)	(10,435)
Contributions by scheme participants	(1,501)	(1,567)
Actuarial gains / (losses)	(23,267)	(8,775)
Past Service Gains	0	0
Benefits paid	6,235	7,514
Estimated unfunded benefits paid	323	323
Curtailments	(260)	(161)
Closing balance at 31 March	(241,392)	(208,232)

Notes to the Main Financial Statements

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

(£000s)	2012/13	2011/12
Opening balance at 1 April	129,287	132,610
Expected return on assets	7,234	8,798
Actuarial gains / (losses)	12,129	(10,777)
Employer Contributions	4,832	4,926
Contributions by scheme participants	1,501	1,567
Unfunded benefits paid	(323)	(323)
Benefits paid	(6,235)	(7,514)
Closing balance at 31 March	148,425	129,287

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yield on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on the Fund in market value terms for the year to 31 March 2013 is estimated as 15%.

Scheme History

(£000s)	2012/13	2011/12	2010/11	2009/10	2008/09
Present value of liabilities	(241,392)	(208,232)	(190,481)	(227,955)	(133,978)
Fair value of assets in the Local Government Pension Scheme	148,425	129,287	130,056	121,762	90,405
Surplus / (deficit) in the scheme	(92,967)	(78,945)	(60,425)	(106,193)	(43,573)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £93.0 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:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 are £4.287 million.

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

Notes to the Main Financial Statements

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 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2012/13	2011/12
Long-term expected rate of return on assets in the scheme:		
Equity investments	4.5%	6.3%
Bonds	4.5%	3.3%
Property	4.5%	4.4%
Cash	4.5%	3.5%
Mortality Assumptions:		
<i>Longevity at 65 for current pensioners</i>		
Men	21.0	21.0
Women	23.8	23.8
<i>Longevity at 65 for future pensioners</i>		
Men	22.9	22.9
Women	25.7	25.7
Rate of inflation	2.8%	2.5%
Short term rate of increase in salaries	1.0%	1.0%
Long term rate of increase in salaries	5.1%	4.8%
Rate of increase in pensions	2.8%	2.5%
Rate for discounting scheme liabilities	4.5%	4.8%
Take up of option to convert annual pension into retirement lump sum (in respect of post April 2008 service)	63.0%	63.0%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2013 %	31 March 2012 %
Equity investments	76	72
Bonds	14	14
Property	7	9
Cash	3	5
Total	100	100

Notes to the Main Financial Statements

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

%	2012/13	2011/12	2010/11	2009/10	2008/09
Difference between the expected and actual return on assets	8.2	(6.4)	1.3	19.6	(31.8)
Experience gains and losses on liabilities	(0.0)	(0.0)	0.1	(0.1)	0.3

40 Cashflow Statement – Operating Activities

The cash flows for operating activities include the following items:

(£000s)	2012/13	2011/12
Housing rents	17,034	16,088
Revenue Support Grant	164	2,247
Council share of national non-domestic rates from national pool	8,435	7,268
Housing Benefit subsidies	35,834	33,385
Council share of Council Tax receipts	6,872	6,846
Cash paid to and on behalf of employees	(33,025)	(33,013)
Payments to the capital receipts pool	(1,036)	(1,310)
Housing Benefit paid	(17,615)	(16,882)
Interest received	584	619
Interest paid	(7,496)	(2)
HRA Self-financing settlement payment	0	(213,572)
Other operating cash flows	5,439	(6,778)
	15,190	(205,104)

41 Cashflow Statement – Investing Activities

The cash flows for investing activities are as follows:

(£000s)	2012/13	2011/12
Purchase of property, plant and equipment, investment property and intangible assets	(16,246)	(12,839)
Purchase of short-term and long-term investments	(141,490)	(206,975)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,549	3,209
Proceeds from short-term and long-term investments	140,612	201,719
Other receipts from investing activities	3,555	1,551
	(9,020)	(13,335)

Notes to the Main Financial Statements

42 Cashflow Statement – Financing Activities

(£000s)	2012/13	2011/12
Cash receipts from long-term borrowing	0	213,497
Other receipts from financing activities	(3,217)	7,166
Net cash flows from financing activities	(3,217)	220,663

Other receipts from financing activities reflect movements in the cash collected for National Non-Domestic Rates and Council Tax collected by the Council as an agent for others.

43 Prior Period Adjustments

A surplus on trading of £22,000 previously included in the gross income of other housing services has been disclosed as part of financing and investment income in the prior year comparatives to be consistent with the accounting treatment adopted this year. This adjustment has no impact on the General Fund Balance.

(£000s)	As previously stated	Restated
Effect on Comprehensive Income and Expenditure Statement:		
Gross Income on other housing services	(36,945)	(36,923)
Financing and Investment Income	(33,026)	(33,048)

The accounting entries in respect of the reversal of revaluation losses previously charged to the Comprehensive Income and Expenditure Account have been reviewed for 2011/12. As a result of this review an additional net credit of £502,000 is required to other HRA gross expenditure as reported in the Comprehensive Income and Expenditure Statement in respect of the reversal of revaluation gains previously credited to the Revaluation Reserve in error.

The effect of the adjustment can be summarised as follows:

(£000s)	As previously stated	Restated
Effect on Comprehensive Income and Expenditure Statement:		
Gross Expenditure on HRA Services	31,273	30,771
Surplus on revaluation of Property, Plant and Equipment Assets	(4,467)	(3,965)
Movement in Reserves Statement		
Deficit on the Provision of HRA Services	209,320	208,818
Other Comprehensive Income and Expenditure	15,085	15,587
Adjustments between accounting basis and funding basis for the HRA	(210,842)	(210,340)
Unusable Reserves (Note 35)		
Revaluation Reserve	(42,317)	(41,815)
Capital Adjustment Account	(475,620)	(476,122)

Notes to the Main Financial Statements

The comparative figures in other notes to the accounts, including notes 4, 9 and 16 have been adjusted as necessary, together with the HRA statement itself. This restatement has no effect on the balance on the HRA as at 31 March 2012 as previously reported.

44 Impact of the adoption of new accounting standards on the financial statements – effective for the 2013/14 financial year

The *2013/14 Local Authority Accounting Code of Practice* includes changes to the classification, recognition, measurement and disclosure requirements relating to employee benefits, introduced by amendments to IAS19. A change in accounting policy will therefore be required as at 1 April 2013. The amendments include new classes of components of defined benefit cost and new recognition criteria for service costs and termination benefits. The Council's actuary estimates that the effect of the change to IAS19 on the Comprehensive Income and Expenditure Statement for 2012/13 would have been an additional notional charge of £1.033 million.

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 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 actual cash paid. For this reason the amendments to IAS19 will not impact on the amounts charged to usable reserves, but will lead to offsetting adjustments to the Pensions Reserve and Pension Liability.

The 2013/14 Local Authority Accounting Code of Practice will also introduce changes resulting from *IAS1 Presentation of Financial Statements – Other Comprehensive Income* (June 2011 Amendments) and *IFRS7 Financial Instruments Disclosures – Offsetting Assets and Liabilities* (December 2011 A amendments). These amendments are not expected to lead to significant changes to the Statement of Accounts.

45 Date the Statement of Accounts were authorised for issue

The audited Statement of Accounts were authorised for issue by the Director of Resources on 21 June 2013. This is the date up to which events after the balance sheet date have been considered.

Additional Financial Statements and Information

Additional Financial Statements and Information

Housing Revenue Account Income and Expenditure Account

This statement sets out details of the income and expenditure in relation to the provision of Council dwellings.

(£000s)	Note	2012/13	2011/12 (as restated see Note 13)
Income			
Dwelling rents	2	(32,817)	(30,384)
Non-dwelling rents		(655)	(759)
Charges for services and facilities		(2,672)	(2,727)
Contributions towards expenditure		(477)	(708)
Reimbursement of costs		(21)	(21)
Total		(36,642)	(34,599)
Expenditure			
Repairs & Maintenance		7,680	5,929
Supervision & Management		6,369	6,331
Rents, rates, taxes & other charges		251	252
Depreciation & impairment		18,898	5,545
Negative HRA Subsidy	3	(12)	12,903
Increased provision for bad debts		73	238
Debt Management Costs		0	75
HRA self-financing settlement payment to government	12	0	213,572
Total		33,259	244,845
Net cost / (income) on HRA Services as included in the Comprehensive Income and Expenditure Statement		(3,383)	210,246
HRA services share of Corporate and Democratic Core		180	291
HRA services share of Non Distributed Costs		(1,288)	91
Net cost / (income) on HRA Services		(4,491)	210,628
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
(Surplus) or deficit on sale of HRA non-current assets		(742)	(429)
Other income		(13)	(37)
Impairment losses on assets held for sale		354	0
Interest payable on PWLB loans		7,494	82
Interest and Investment Income		(474)	(862)
Capital Grants and Contributions Receivable		(316)	(62)
(Surplus) / Deficit for the year on HRA services		1,812	209,320

Additional Financial Statements and Information

Statement of Movement on the Housing Revenue Account Balance

(£000s)	Note	2012/13	2011/12 (as restated see Note 13)
(Surplus) / Deficit for the year on the HRA Income and Expenditure Account		1,812	209,320
Adjustments between accounting basis and funding basis under statute			
Gain or loss on sale non-current assets		742	430
Other capital receipts		13	37
Impairment loss on assets held for sale		(354)	0
Net revaluation losses on property, plant and equipment		(6,860)	3,686
Revenue expenditure funded from capital under statute and de-minimus capital expenditure		(116)	(46)
Self financing settlement payment funded from capital under statute		0	(213,572)
Capital Contributions unapplied credited to the Comprehensive Income and Expenditure Statement		316	62
Movement in investment property value		15	447
Movement in short term accumulating absences		0	26
Net charges made for retirement benefits made in accordance with IAS19		(766)	(817)
Employers Contributions payable to the Cambridgeshire County Council Pension Fund		787	865
Difference between amortisation of debt redemption premium determined in accordance with the Code and those determined in accordance with statute	5	301	346
Sums to be debited or credited to the HRA that are not income or expenditure in accordance with GAAP		10	9
Capital Expenditure funded by the Housing Revenue Account	8	7,447	1,842
Transfer from the Major Repairs Reserve	10	(3,259)	(4,157)
Net (increase) / decrease before transfers to or from reserves		88	(1,522)
Transfers to reserves		1,391	236
Total movement on Housing Revenue Account for the year		1,479	(1,286)
Housing Revenue Account balance brought forward		(6,974)	(5,688)
Housing Revenue Account balanced carried forward		(5,495)	(6,974)

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 2013, 2.1% of properties were vacant (1.76% at 31 March 2012).

The average rent payable in 2012/13 was £94.69 per week based on 48 payable rent weeks (£87.41 per week on a 52 week basis). The average rent payable in 2011/12 was £87.78 per week based on 48 payable rent weeks (£81.02 per week on a 52 week basis).

3 Housing Revenue Account Subsidy Payable

Following the introduction of Self-Financing for the Housing Revenue Account from April 2012, the Council is no longer required to pay Housing Revenue Account Subsidy to Central Government to match the surplus on the notional HRA.

Transactions in 2012/13 related solely to any retrospective adjustments in respect of subsidy payable for 2011/12 as follows:

(£000s)	2012/13	2011/12
Management and maintenance	0	12,061
Capital charges	0	495
	0	12,556
Notional rent	0	(30,650)
Interest on receipts	0	(1)
	0	(18,095)
Major Repairs Allowance	0	5,119
Subsidy Paid in Year	0	(12,976)
Adjustment to subsidy required in future years	0	(15)
Estimated adjustment to subsidy for prior year	0	2
Actual adjustment to subsidy for prior year	12	10
Adjustment for HRA self-financing interest	0	76
Negative subsidy included in HRA Summary	12	(12,903)

Additional Financial Statements and Information

4 Asset Values within the HRA

(£000s)	Asset Values		Depreciation	
	31 March 2013	1 April 2012	2012/13	2011/12 (as restated)
Dwellings	486,502	491,714	10,478	9,673
Other Land and Buildings	19,297	9,458	118	114
Infrastructure	1,005	953	26	21
Investment Properties	4,423	4,808	0	0
Assets held for sale – long term	230	0	0	0
Assets held for sale - current	1,024	0	0	0
Assets in the course of construction	1,925	3,987	0	0
	514,406	510,920	10,622	9,808

The value of council dwellings at 1 April 2012, based on vacant possession, was £1,261 million (2011/12: £1,255 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 losses on Property, Plant and Equipment of £6.9 million have been charged to the Comprehensive Income and Expenditure Statement in 2012/13 (net revaluation gains of £4.6 million in 2011/12). Remaining valuation movements in the value of property, plant and equipment have been charged to the revaluation reserve.

An impairment loss of £354,000 has been recognised in respect of land at Latimer Close where the expected fair value on disposal is lower than the previous valuation on an existing use basis.

De-minimis capital expenditure of £116,000 (2011/12 £46,000) has been written off during 2012/13.

5 Loan Interest Charges

During 2011/12 authorities managed their debt as a whole and no separate record was kept of loans taken out for HRA purposes. However notional HRA debt was estimated by reference to a calculation called the HRA capital financing requirement. The HRA capital financing requirement is a measure of net HRA indebtedness which takes account of any new borrowing taken out each year, assumed to be for HRA purposes, and the assumed repayment of existing HRA debt. The loan interest charges met by the HRA are calculated by multiplying the mid-year credit ceiling by the Council's average rate of interest for long-term borrowing.

As noted elsewhere in the Statement of Accounts 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).

Additional Financial Statements and Information

Under HRA self-financing the Council has adopted a 'two-pool' approach so that HRA self-financing loans and the resultant interest are directly attributable to the HRA. This has led to external interest charges of £7,494,000 being charged to the HRA in 2012/13.

6 Housing Stock

The Council was responsible for an average stock of 7,252 dwellings during the year. The stock as at 31 March 2013 was as follows:-

(£000s)	31 March 2013	31 March 2012
Houses & bungalows	3,659	3,697
Flats	2,966	3,058
Sheltered housing units	520	525
Shared ownership properties	39	40
Total	7,184	7,320
The change in stock during the year can be summarised as follows:		
Stock at 1 April	7,320	7,330
Right to buy sales	(41)	(12)
Net shared ownership changes	(1)	0
New properties	2	2
Other changes	(6)	0
Vacant awaiting redevelopment	(90)	0
Stock at 31 March	7,184	7,320

Those properties which are vacant awaiting demolition or significant redevelopment are no longer treated as lettable HRA dwellings and are therefore included in Property, Plant and Equipment as Other Land and Buildings, or as Assets held for Sale as appropriate.

7 Rent Arrears

Rent arrears at 31 March 2013 were £1,523,287 (£1,518,854 at 31 March 2012) and as a proportion of gross rent income have decreased from 4.59% in 2011/12 to 4.30% in 2012/13.

At 31 March 2013 a provision for bad debt of £1,204,518 was held in the balance sheet (£1,232,318 at 31 March 2012).

Additional Financial Statements and Information

8 Financing of Capital Expenditure

(£000s)	2012/13	2011/12
Capital receipts	362	3,663
Major repairs reserve	3,424	4,300
Revenue financing of capital	7,447	1,842
Capital contributions and grants	306	258
	11,539	10,063

Capital expenditure in the year was all in relation to HRA stock apart from £79,000 (£209,000 in 2011/12) which was spent on HRA infrastructure assets, £270,000 on other land and buildings (£94,000 in 2011/12), £0 on investment properties (£35,000 in 2011/12), and £ 1,172,000 (£3,229,000 in 2011/12) on assets in the course of construction.

9 Capital Income within the HRA

(£000s)	2012/13	2011/12
Dwellings	4,625	2,027
Land	13	37
	4,638	2,064

10 Major Repairs Reserve (MRR)

(£000s)	2012/13	2011/12 (as restated)
Balance at 1 April	(1,171)	(352)
Transfer to MRR during the year	(10,623)	(9,808)
Amount transferred from MRR to HRA	3,259	4,689
HRA capital expenditure on housing charged to MRR	3,424	4,300
Balance at 31 March	(5,111)	(1,171)

11 Contributions from the Pensions Reserve

The Housing Revenue Account is charged with an attributable share of current service costs in line with IAS19. The difference between this cost and employer contributions payable is then appropriated from the pensions reserve so that the overall amount to be met from rent and government subsidy reflects employer contributions payable by the Council.

12 HRA self-financing settlement payment

The Council made a settlement payment to central government in respect of self-financing of the HRA in March 2012.

Additional Financial Statements and Information

13 Prior Period Adjustments

The prior year comparative figure for depreciation and impairment has been restated as detailed in Note 43 to the main statement of accounts. This restatement has no impact on the balance on HRA reverses as previously stated.

Additional Financial Statements and Information

Collection Fund

This shows the transactions in relation to the collection of Council Tax and National Non-Domestic Rates (NNDR). The account shows how the amounts collected have been distributed to Cambridgeshire County Council, Police and Fire Authorities and to the City Council's General Fund as well as to the NNDR Pool.

(£000s)	Note	2012/13	2011/12
Income and Expenditure Account	1		
Income			
Council Tax	2	(60,238)	(58,183)
National Non-Domestic rates	3	(89,727)	(88,062)
Contributions towards previous year's estimated Collection Fund deficit			
Cambridge City Council		(87)	(42)
Cambridgeshire County Council		(548)	(262)
Cambridgeshire Police Authority		(89)	(42)
Cambridgeshire Fire Authority		(30)	(14)
		(150,719)	(146,605)
Expenditure			
Precepts and demands:			
Cambridge City Council		6,831	6,786
Cambridgeshire County Council		44,238	42,685
Cambridgeshire Police Authority		7,157	6,908
Cambridgeshire Fire Authority		2,432	2,358
Allowable costs of NNDR collection		231	233
Payment to NNDR Pool	3	89,496	87,829
Provision for non-payment of Council Tax	4	331	469
		150,716	147,268
(Surplus) / Deficit for the year	5	(3)	663
(Surplus) / Deficit as at 1 April		1,384	721
Deficit as at 31 March	5	1,381	1,384

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 NNDR 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 2013 was set at £1,479.04, made up as follows:

(£000s)	2012/13	2011/12
Cambridge City Council	166.57	166.57
Cambridgeshire County Council	1,078.65	1,047.78
Cambridgeshire Police Authority	174.51	169.56
Cambridgeshire Fire Authority	59.31	57.87
Total	1,479.04	1,441.78

The following table shows the calculation of the Council Tax Base for 2012/13 (used to determine the tax needed at Band D to finance spending).

Council Tax Base 2012/13

Valuation Band	Total number of dwellings on the Valuation List	Total Equivalent Dwellings (after discounts, exemptions etc)	Ratio to Band D	Band D Equivalents
A	2,842	2,094	6/9	1,396
B	9,484	7,552	7/9	5,874
C	17,554	15,055	8/9	13,382
D	8,543	7,255	9/9	7,255
E	4,865	4,189	11/9	5,119
F	3,070	2,636	13/9	3,808
G	2,834	234	15/9	3,889
H	448	255	18/9	510
Total	49,640	39,270		41,233

Additional Financial Statements and Information

The income of £60.24 million in 2012/13 was receivable from the following sources:

(£000s)	2012/13	2011/12
Billed to Council Tax payers	53,875	51,977
Transfer from General Fund – Council Tax benefits	6,337	6,180
Ministry of Defence Contributions in Lieu	26	26
Total	60,238	58,183

3 National Non-Domestic Rates Income

Under the arrangements for business rates, the council collects non-domestic rates for its area, based on local rateable values multiplied by a nationally set business rate. This amount, less certain allowances and other deductions, is paid into the NNDR Pool, which pays back to authorities a share of the pool based on a standard amount per head of population.

The local rateable value as at 31 March 2013 was £255,874,011 (£257,462,261 at 31 March 2012) and the Uniform Business Rate in 2012/13 was set by the government at 45.8p (2011/12, 43.3p).

4 Provision for Non-Payment of Council Tax

A contribution of £331,457 (£469,315 in 2011/12) was made to a provision for bad debts. During 2012/13, £1,843 of irrecoverable debts were written off (2011/12 £283,637).

5 Collection Fund Surpluses and Deficits

The deficit of £1,381,288 at 31 March 2013 (£1,383,787 deficit at 31 March 2012), which related to Council Tax, will be recovered in subsequent financial years from Cambridgeshire County Council, Cambridgeshire Police and Fire Authorities and the Council in proportion to their shares of the total Council Tax raised.

The total Collection Fund deficit is therefore shared as follows:

(£000s)	31 March 2013	31 March 2012
Cambridge City Council	157	158
Cambridgeshire County Council	1,005	1,007
Cambridgeshire Police Authority	163	163
Cambridgeshire Fire Authority	56	56
	1,381	1,384

**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 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, 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 NNDR 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.

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3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are convertible to known amounts of cash with an insignificant risk of change in value (no loss of interest). The Council therefore treats all fixed term deposits, which have no contractual provision for early redemption, and if they were redeemed early would suffer a penalty of at least a loss of interest, as investments.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4 Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, ie, in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

5 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This provision, known as Minimum Revenue Provision (MRP), is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. No MRP is currently charged as the debt acquired in relation to HRA self-financing is outside the scope of this regime.

The provisions for charges to revenue for non-current assets in the HRA were amended on 1 April 2012 following the introduction of HRA self-financing. The Major Repairs Reserve is credited and the HRA balance is debited with a sum equal to depreciation on all HRA non-current assets. The

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HRA balance is credited and the Capital Adjustment Account debited with the depreciation charged on dwelling assets so that the depreciation on dwelling assets is now a charge to the HRA. Statute also requires that revaluation and impairment losses on non-dwelling assets are also charged to the HRA where there are no gains on the Revaluation Reserve against which to offset losses. However, where proper accounting practice requires the Council to reverse revaluation losses to the Comprehensive Income and Expenditure Account on non-dwelling assets the Council has decided not to credit the HRA balance, except to the extent that it offsets any losses charged in the year.

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 when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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:

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- 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.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the gilt yield applied to the cash flows of a typical Local Government Pension Scheme employer and the mean credit spread applying to AA corporate bonds within the IBoxx over 15 years index).
- The assets of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value
- The change in the net pensions liability is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
 - Contributions paid to the 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

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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 year-end. The balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows than as benefits are earned by employees.

7 Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Account.

8 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the account.

9 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future

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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.

10 Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

The Council currently only has assets classified as 'loans and receivables.'

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has made interest-free loans for private sector housing improvements (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a change made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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11 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

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

12 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licence) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised),

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are

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posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first-in first-out (FIFO) costing formula.

14 Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at a cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated, but assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

15 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee and the fair value of the property, plant or equipment at lease inception is above the Council's de-minimis levels of £2,000 for vehicles and £15,000 for other items. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- 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

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Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/13* (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.

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These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

17 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver 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.

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 will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

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- All other assets – fair value, determined the amount that would be paid for the asset in its existing use (existing use – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation or impairment loss previously charged to a service.

Where decreases in value are identified, the revaluation loss is accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

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

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held

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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.

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 on the day of disposal itself.

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 is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer

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.

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Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

18 Heritage Assets

Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

Civic Regalia

The collection of civic regalia includes ceremonial maces, chains of office and other civic items. These items are reported in the balance sheet at insurance valuation which is based on market values. These valuations are reviewed regularly to ensure that they are current. These items are deemed to have indeterminate lives and high residual values so the Council does not consider it appropriate to charge depreciation.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example where there is physical deterioration, breakage or doubts as to authenticity. Any impairment is recognised and measured in accordance with the Council's general policy on impairment of non-current assets.

The Council does not normally make any purchases or disposals of these items. Further information on the most significant items in the collection can be found on the Council's website.

19 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes

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less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

20 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus/deficit on the 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 that do not represent usable resources for the Council – these reserves are explained in the relevant policies.

21 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital

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Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

22 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

23 Foreign Exchange Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate on the date that the transaction was effective. Where amounts in foreign currency are outstanding at the year end they are converted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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Glossary of Financial Terms and Abbreviations

Accounting Period

The period of time covered by the accounts, normally 12 months commencing on 1 April for local authorities.

Accruals

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

Amortisation

A measure of the consumption of the value of intangible assets, based on the remaining economic life.

Capital Expenditure

Expenditure on new assets such as land and buildings, or on enhancements to existing assets which significantly prolong their useful life or increase their value.

Capital Receipt

Income from the sale of capital assets such as council houses, land or other buildings.

Cash Equivalents

Cash equivalents are investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Contingent Liabilities

Potential liabilities which are either dependent on a future event or cannot be reliably estimated.

Creditors

Amounts owed by the Council at 31 March for goods received or services rendered but not yet paid for.

Current Assets

Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period.

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Debtors

Amounts owed to the Council which are collectable or outstanding at 31 March.

Depreciation

A measure of the consumption of the value of non-current assets, based on the remaining economic life.

Effective rate of interest

The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance sheet at initial measurement.

Equity instrument

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (e.g. an equity share in a company.)

Fair Value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

Financial Asset

A right to future economic benefits controlled by the Council. Examples include bank deposits, investments, trade receivables and loans receivable.

Financial Liability

An obligation to transfer economic benefits controlled by the Council. Examples include borrowings, financial guarantees and amounts owed to trade creditors.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Government Grants

Payments by central government towards local council expenditure. They may be specific, for example Housing Benefit subsidy, or general such as Revenue Support Grant.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

Heritage Assets

Heritage Assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.

Impairment

The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the balance sheet.

Non-current assets

Assets which can be expected to be of use or benefit the Council in providing its service for more than one accounting period.

Operating Lease

A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

Outturn

Refers to actual income and expenditure or balances as opposed to budgeted amounts.

Precepts

The amount which a local council which cannot levy a council tax directly on the public (for example a County Council or Police Authority) requires to be collected on its behalf.

Provisions

Monies set aside for liabilities which are likely to be incurred but where exact amounts or dates are uncertain.

Reserves

Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions which are set up to meet known liabilities.

Revenue Expenditure

Spending on day to day items including employees' pay, premises costs and supplies and services.

Revenue Expenditure Funded From Capital Under Statute

Expenditure which legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax.

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Revenue Support Grant

Grant paid by central government to a local council towards the costs of its services.

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13. 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

CIPFA	Chartered Institute of Public Finance and Accountancy
GAAP	Generally Accepted Accounting Practice
HRA	Housing Revenue Account
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
LAAP	Local Authority Accounting Panel
LGPS	Local Government Pension Scheme
MRP	Minimum Revenue Provision
NNDR	National Non-Domestic Rates
SERCOP	Service Reporting Code of Practice
SOLACE	Society of Local Authority Chief Executives and Senior Managers

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CAMBRIDGE CITY COUNCIL

REPORT OF: DIRECTOR OF RESOURCES

TO: CIVIC AFFAIRS COMMITTEE

26/06/13

WARDS: All

ANNUAL REPORT ON PREVENTION OF FRAUD & CORRUPTION POLICY AND IMPLEMENTATION OF THE REQUIREMENTS OF THE BRIBERY ACT 2010

1 Introduction

- 1.1 In previous years an annual report has been made to the Council's Standards Committee to review the Council's Prevention of Fraud & Corruption (PFC) Policy and to provide Members of the Committee with a summary of fraud/whistle-blowing activity during the year.
- 1.2 With the decommissioning of Standards Committee in July 2012, this report was not produced last year. The last report on the PFC Policy was made in June 2011, where it was agreed that an addendum would be added to the Policy to cover the implications of the Bribery Act.
- 1.3 The purpose of this report is to provide Members of Civic Affairs with:
- a) An overview of the Bribery Act 2010 and its implications for the City Council, including a review of the PFC Policy (and addendum) and the relevant sections of the Officer Code of Conduct;
 - b) A summary of fraud/whistle-blowing activity during 2011-12 and 2012-13.

2 Recommendations

Members of Civic Affairs Committee are asked to:

- 2.1 Approve the changes to the Prevention of Fraud & Corruption (PFC) Policy and the content of the addendum to the PFC Policy (Appendix 1), plus the changes proposed to the Officer Code of Conduct (Appendix 2), to reflect the requirements of the Bribery Act.
- 2.2 Approve the amendments proposed to the Officer Code of Conduct to reflect the changes made to the guidance on gifts and hospitality and declarations of conflicts of interest.

- 2.3 Note the details of fraud/whistle-blowing activity provided in sections 6-8 of this report for the two-year period 1 April 2011 – 31 March 2013.

3 Background to the Bribery Act 2010

- 3.1 The Bribery Act 2010 (The Act) came into effect on 1st July 2011. It is a major piece of legislation which updates existing laws on bribery offences and places additional requirements on 'commercial organisations'. Whilst the Council is not a 'commercial organisation' in terms of its normal local authority activities, it is considered good practice for the Council to be able to demonstrate compliance with the spirit of the Act in the conduct of its business and in its policies and procedures
- 3.2 The Ministry of Justice produced guidance to support the introduction of the Act and one of the key messages coming out of this guidance was the need for proportionality, as the threat of bribery varies considerably across different sectors. The guidance is non-prescriptive and is formulated around six guiding principles, which should inform the overall approach to anti-bribery taken by an organisation:
- *Top Level Commitment*
 - *Communication and Training*
 - *Proportionate Procedures*
 - *Risk Assessment*
 - *Due Diligence*
 - *Monitoring and Review*
- 3.3 Following a report made to the Strategic Leadership Team (SLT) in November 2011, the Council has already taken a number of measures to address some of the requirements of the Act. For example, an anti-bribery message was publicised to all staff through the Council's Insight magazine in December 2011, demonstrating **top level commitment** and **communication** with staff.
- 3.4 In other areas, the Council already has a number of key policies and procedures in place covering anti-bribery measures, including the PFC Policy; the Officer Code of Conduct (which covers the Council's policy on acceptance of gifts and hospitality and declarations of interest); and the Council's Whistle-blowing Policy. These policies demonstrate that the Council has **proportionate procedures** covering anti-bribery, but they need updating to reflect the new Bribery Act, to strengthen the message about the Council's stance on bribery and to provide greater clarification on the recording of gifts and hospitality.
- 3.5 The Council introduced the Prevention of Fraud and Corruption (PFC) Policy in June 1998. The purpose of the Policy is to set 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 received.

3.6 In June 2011, it was agreed that an addendum would be added to the PFC Policy to cover the implications of the Bribery Act. The Policy itself has also been updated to make specific reference to the Bribery Act, where applicable. The revised Policy and Addendum are attached at Appendix 1 to this report.

3.7 In summary, the Addendum to the PFC Policy provides

- a definition of bribery;
- a statement setting out the Council's 'zero-tolerance' towards any act of bribery;
- a list of areas identified where the Council may be exposed to the *risk* of bribery;
- a reference (and link) to the Council's Policy on Gifts & Hospitality (as set out in the Officer Code of Conduct); and
- a link to the Council's Whistleblowing Policy.

3.8 **Due diligence**, within the scope of the Bribery Act, refers to the checks and procedures undertaken by an organisation to prevent associated persons from bribing on their behalf. Employees are considered associated persons under the Act and due diligence forms part of HR recruitment processes, including undertaking full references for all jobs.

3.9 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.

4 Policy on Gifts and Hospitality

4.1 The Council's Policy on Gifts and Hospitality is set out in the Officer Code of Conduct.

4.2 During 2012-13, Internal Audit carried out a corporate review of gifts and hospitality and declarations of conflict of interest. This audit highlighted the need for greater clarity on what gifts or hospitality can be accepted and what needs to be recorded in the register and on the process for recording declarations of interest.

4.3 The Officer Code of Conduct has been updated to provide this clarification and to make reference to the requirements of the Bribery Act 2010. A set of 'Frequently Asked Questions' (FAQs) has also been put together to supplement the guidance provided in the Code of Conduct.

4.4 The Updated Draft Code of Conduct and FAQs are provided at Appendix 2 to this report. The proposed changes made to the Code have been highlighted for ease of reference.

5 Working Time Directive

- 5.1 The Council's Working Time Policy is being updated. The Officer Code of Conduct includes a section on 'Having Another Job' and this section of the Code has therefore been updated to reflect the changes to the Council's Policy. The updates to the Code can be seen in Appendix 2.

6 Fraud Investigation

- 6.1 Dependant on their nature, fraud investigations are carried out by either the Revenue & Benefit Services Fraud Prevention Team (FPT) or Internal Audit.

Fraud Prevention Team

- 6.2 The FPT prevents, detects and pursues those who commit benefit fraud against Cambridge City Council. The team consists of 1.7 FTE officers, who conduct investigations into benefit fraud, local taxation, local support scheme, social housing fraud and some internal allegations. As a result of their investigations, the following was achieved during 2012-13, where the value of the activity can be identified:

Identifiable Value	
Amount	Description
£144,723	Benefit fraud identified [can / is being recovered].
£95,461	Additional 23 benefit claims terminated following investigation [this would have been paid in a year, if not investigated].
£21,305	6 customers withdraw their claims when questioned about their validity [this would have been paid in a year, if not investigated].
£18,000	The keys to a Council owned property were handed back. This means a new home for someone [plus DCLG estimates each recovered property saves a Local Authority £18,000].
£14,599	Customer error identified [can / is being recovered].
£5,537	Fines agreed by customers as an alternative to prosecution [Administration Penalties - can / are being recovered].
£299,625	Total

- 6.3 In 2011-12 the total amount of benefit fraud identified was £115, 919 and of this the single largest fraud was £20,333.
- 6.4 During 2012-13 the FPT imposed a total of 43 Sanctions, including 16 successful prosecutions for benefit fraud (one of these prosecutions resulted in a 6-month prison sentence). The figures for 2011-12 were similar with a total of 46 sanctions, including 17 successful prosecutions. The slight reduction in the number of sanctions imposed during 2012-13 corresponds with a change of approach to prevention measures first and foremost.
- 6.5 In addition, the team was also successful in a number of other activities, where it is not possible to quantify the outcome financially, as follows:
- 5 suspicious benefit claims were refused, before payments were made.
 - 5 suspicious 'Right to Buy' applications were withdrawn.
 - A number of internal investigations were undertaken.
 - Intelligence has been supplied to the police in relation to 145 properties or individuals (in line with Data Protection legislation).
 - Intelligence has also been provided to other external agencies such as Trading Standards and the UK Border Agency.
 - A false national insurance number was identified and reported.

Internal Audit

- 6.6 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.
- 6.7 During 2012-2013 Internal Audit undertook three whistleblowing investigations concerning potential breaches of the Officer Code of Conduct and manipulation of records. As a result of these investigations, actions were agreed with management in order to improve controls in the areas concerned and in one case appropriate action was taken in accordance with the Council's employment policies.
- 6.8 In 2011-12, Internal Audit undertook two whistleblowing allegations: One allegation into the appointment of staff was concluded with no further action required. The second allegation concerned the acceptance of excessive hospitality and was dealt with in accordance with the Council's employment policies.

6.9 The Council also made a referral to the Serious Organised Crime Agency (SOCA) under its obligation to refer cases of suspected money-laundering. The case was not, however, progressed by SOCA.

7 Fraud Prevention

7.1 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.

7.2 Revenues Services follows appropriate Department for Work and Pensions 'Security Guidance' and has recently 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.

7.3 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.

8 Fraud Detection

8.1 The FPT is in the process of setting up a Social Housing Fraud Hub with Huntingdon, Peterborough, South Cambs and Fenland District Councils. This will involve the sharing of data to detect social housing fraud, such as vacant or illegal sub-letting of council properties. This follows a successful bid for funding from the Department for Communities and Local Government (DCLG). It is hoped that the FPT will be able to recover several council properties for legitimate use. It is estimated by the Audit Commission that nationally, £0.9 billion fraud is committed in this way. DCLG estimate that each property recovered saves the local authority £18,000 a year.

8.2 The authority is required to participate in the National Fraud Initiative (NFI), a national data-matching exercise organised by the Audit Commission 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.

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

- Housing Benefits
- Payroll
- Housing Rents
- Insurance claims

- Creditors
- Market trader licences
- Taxi-driver licences
- Personal licences to supply alcohol

8.4 Work to investigate the results of the 2012-13 NFI began in March 2013. As in previous years, the initial investigation work is undertaken by Internal Audit and any cases of suspected fraud are referred to the FPT, Housing or Human Resources for further detailed investigation, as appropriate. The key outcomes from the 2012-13 NFI will be reported to the meeting of Civic Affairs Committee next June.

8.5 The key outcomes from the 2010-11 NFI exercise were as follows:

- A total of £25,288.70 fraudulently claimed Housing Benefit (HB) and Council Tax Benefit (CTB) was identified.
- A total of £7,282.62 in terms of customer error was identified.
- The Council undertook two successful prosecutions and issued two Formal Cautions, which were accepted.
- One personal license to sell alcohol was surrendered.
- Single Person Discount (SPD) was removed from a number of Council Tax accounts generating an additional £1,594.28 in Council Tax income.
- Of the creditor payments investigated, only two genuine duplicate payments were identified amounting to £2,296. Refunds have subsequently been obtained for these from the supplier concerned.
- Two minor VAT errors were also identified, totaling £1,229, for which corrective action has been taken in the relevant year.

8.6 The authority also participates in the Housing Benefit Matching Service operated by the DWP.

9 Consultations

9.1 Relevant officers have been consulted on the Addendum to the PFC Policy and the updated Code of Conduct. Whilst the unions have raised no objection to the proposed changes, UNISON has very recently raised issues regarding other unrelated aspects of the Code. The Head of Human Resources will meet UNISON representatives to discuss the issues raised and these can be addressed in a further revision to the Code, if appropriate.

10 Conclusions

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

10.2 Although the City Council is not a *commercial organisation* as defined in the Bribery Act, it is considered good practice for the Council to be able to demonstrate compliance with the spirit of the Act. We already have a number of key policies and procedures in place which cover anti-bribery measures, including the PFC Policy and Officer Code of Conduct, both of which have been updated to reflect the requirements of the Bribery Act 2010.

IMPLICATIONS

- (a) **Financial Implications**
None
- (b) **Staffing Implications**
This policy applies to all members of staff.
- (c) **Equal Opportunities Implications**
None
- (d) **Environmental Implications**
None
- (e) **Community Safety**
None

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

Date originated: 17 June 2013
Date of last revision: 17 June 2013

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

Councillors

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

Complaints Procedure

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

Benefit Fraud

- 3.8 The Council has a dedicated team in Revenue and Benefits to identify and investigate suspected fraudulent Housing and Council Tax Benefit claims.

4 REPORTING AND INVESTIGATING POTENTIAL FRAUD AND CORRUPTION

- 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 A 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 Audit Commission for the National Fraud Initiative and the Department for Work and Pensions for Housing Benefit Data Matching. 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 Officer (Revenue Services)	(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, to ensure that the City Council does not fall foul of the new legislation, the Council should have regard to the principles of the Act in the conduct of its activities and its policies and procedures.
- 1.3. The Bribery Act 2010 (http://www.opsi.gov.uk/acts/acts2010/ukpga_20100023_en_1) 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.

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

APPENDIX 2 Cambridge City Council Code of Conduct for all employees

What is the Code of Conduct?

The Code of Conduct tells you what Cambridge City Council expects of you in your daily work and your dealings with your colleagues and members of the public. The Council wants to maintain high standards of service and reputation and this document tells you how you play your part in that.

In all aspects of your employment, the Council is committed to treating you fairly and with dignity and respect at all times, in line with the [Comprehensive Equalities and Diversity Policy](#).

Who does it apply to?

This Code applies to all employees, whether permanent or fixed term. Contractors, consultants, temporary agency staff, casuals and volunteers are required to follow the Code when carrying out work for the Council.

Additional guidance for Senior Managers (including Directors, Heads of Service and managers who report directly to a Head of Service) is given at **Appendix 1** to this Code.

Elected Members have their own separate Code of Conduct, available on the intranet.

What does the Council expect from you?

Under this Code of Conduct, you are required to:

- Conduct yourself with the highest standards of honesty and integrity so the Public maintain confidence in the Council.
- Understand and follow the Code of Conduct and other rules and procedures relevant to your job.
- Follow reasonable management instructions.
- Attend work in a condition to be able to carry out your work safely.
- Act professionally and treat others with dignity and respect.

If you breach the rules of this Code of Conduct it could result in disciplinary action being taken against you.

Council money and equipment

If public funds are entrusted to you they must be used in a lawful and responsible manner, and following any local rules and procedures. Council facilities, vehicles or property must not be

APPENDIX 2 Cambridge City Council Code of Conduct for all employees

used for personal use. Specific rules about [internet and e-mail use](#) can be viewed on the Intranet.

Conduct outside work

Although what you do in your free time is your own concern, you should avoid any actions that will negatively affect the reputation of the Council. If you are charged, cautioned or convicted with a criminal offence, or implicated in a criminal investigation; you must notify the Council immediately.

Having another job

If you have another job, you must inform your Manager, and ensure that it does not conflict with your job at the Council. You must not work a total of more than 48 hours per week on average (as stated in the Working Time Regulations), unless the Council have agreed to you 'opting out' of this maximum. This will only be agreed to in exceptional circumstances. Please refer to the Working Time policy for more information.

If you are in pay band 4 or above you must obtain the consent of your Manager before taking another job.

Accepting gifts

The principle is that you should refuse any gift you are offered by external people you come into contact with at work. The only exception is for small items such as calendars, diaries, sweets or similar token low value gifts and where refusal is likely to offend the donor.

If you are offered something unexpectedly, inform your Director/Head of Service, who will consider the circumstances under which the gift has been offered and decide whether it is appropriate to accept it. For example, if you are involved in a tendering exercise and one of the potential suppliers offers you a gift or generous hospitality, this offer should be reported to your line manager and recorded in the gifts/hospitality register, even if the gift/hospitality is subsequently refused.

You should ensure there is a record of any gift received (other than the small, low value items described above) in the Gifts and Hospitality Register and that your Manager has authorised this.

APPENDIX 2 Cambridge City Council Code of Conduct for all employees

You should be aware that [under the Bribery Act 2010](#) it is a criminal offence to corruptly receive a gift, loan, fee, reward or advantage for doing or not doing anything in your official capacity.

Hospitality

You should only accept hospitality where it is on a corporate rather than a personal basis, and it is appropriate to the occasion, e.g. tea/coffee/biscuits/cake/refreshments.

Attending a working lunch, or a dinner or ceremony where you will be representing the Council are examples of acceptable hospitality, although you must obtain approval from your Manager [and this should be recorded in the gifts/hospitality register.](#)

[Further advice on gifts and hospitality is contained in a set of FAQs on the HR intranet pages:](#)

Being politically neutral

You must be politically neutral and unbiased in your dealings at work, whether or not you are in a 'politically restricted' post. This means you can't allow your political opinions to influence or interfere with your work. If your post is politically restricted, further [political restriction guidance](#) is available on the intranet.

Expressing your views

You should not publicly voice or associate yourself with an opinion, which is in conflict with a Council view, on a matter that relates to your job. This could lead to loss of public confidence in the Council.

If you are required to explain a decision the Council has made, in the course of your job, you should not express your personal views. The Media Protocol gives further information. Guidance for attendance at public/political meetings is contained in **Appendix 2**.

Conflicts of interest

You should inform your Manager immediately if any conflict of interest occurs between your work duties and your personal life. Examples of where a conflict of interest could arise include:

- Involvement with a business that is competing with the Council for work.
- Relationships of a business or a personal nature with an external contractor.
- Involvement with an individual or firm who has submitted a planning application.

APPENDIX 2 Cambridge City Council Code of Conduct for all employees

- Membership of a community group whose views and actions may oppose that of the Council.
- Being on the panel of an interview where you have a personal friendship or are related to the interviewee; or being in a position where you are the line manager to a close personal friend or relative
- You (or a relative or close friend) submitting a planning application.
- Matters that affect you or your family, such as lodging an objection to a planning application as a Cambridge resident.

You must declare personal membership of any organisation which is not open to the public, without formal membership and commitment of allegiance and which has secrecy about rules or members conduct.

If you think a conflict of interest has arisen please inform your Manager immediately. [Where a conflict of interest arises, this should be formally recorded by your Line Manager.](#)

Concerns

If you have a general concern at work, you should speak to your Line Manager.

If you have a concern about serious malpractice at work, such as something unethical, fraudulent or illegal, you can contact the Whistle blowing line. Telephone: extension 8181 / 01223 458181 or e-mail: whistleblowing@cambridge.gov.uk

View the full [whistleblowing policy](#) on the intranet.

If you are concerned about bullying or harassment, you should refer to the Bullying and Harassment Policy.

Confidential Information

In the course of doing your job, you may have access to confidential information such as information about members of the Public. You must never disclose such information without authorisation, or make personal use of it. You must also ensure that confidential information sent outside of the organisation is sent securely, via recorded delivery or is encrypted if being sent electronically. The [Data Protection](#) pages on the intranet give further guidance.

APPENDIX 2 Cambridge City Council Code of Conduct for all employees

Separation of roles during tendering

If you are involved in the tendering process you should be clear on the separation of client and contractor roles. You must not disclose confidential information on tenders or costs of internal / external contractors to any unauthorised person or organisation.

Safeguarding of Children and Vulnerable Adults

Cambridge City Council has a statutory duty to safeguard and promote the welfare of children, and to develop procedures to protect vulnerable adults. As a City Council employee, you:

- Must be aware of the [Safeguarding Policy](#)
- Must attend Safeguarding training if it's required for your job
- Must not begin any unsupervised activity involving access to children or vulnerable adults before receiving a satisfactory Criminal Records Bureau (CRB) check from the Council.
- Must report inappropriate behaviour or bad practice.

Where to get more information

The Council's Intranet site contains employment policies and guidance, as well as health and safety information.

Speak to your Line Manager if you have any questions or if you cannot access the required information from the Intranet.

APPENDIX 2 Cambridge City Council Code of Conduct for all employees

Appendix 1 For Senior Management

Scope

This guidance applies to you if you hold a senior Management position (where you report directly to a Head of Service) or the position of Head of Service or Director. You are also bound by the 'Code of Conduct for All Employees'.

Your responsibilities

As a senior manager of Cambridge City Council, you hold a position of greater trust and confidence. You are expected to:

- Be a role model for all employees in upholding the Code of Conduct, and ensure your teams are aware of its contents.
- Conduct your role with openness, honesty and integrity at all times.
- Ensure that employees understand their roles and that Council policies and procedures are accessible to all.
- Act promptly, thoroughly and fairly when responding to reports of wrong doing within the Council.
- Consider sustainability issues when carrying out your role including in the procurement of goods and services.
- Report any personal conflict of interest immediately.
- Ensure Council funds and resources are used in a proper manner.

Political neutrality

In the course of your work you are expected to adopt a politically neutral and objective approach at all times. You may be required, as part of your role to attend public meetings or private political meetings. You must refer to the Guidance for attendance at public/political meetings contained in **Appendix 2**.

If you hold a politically restricted post, you must read and comply with the [Political Restriction Policy](#).

Personal relationships

Close personal familiarity with another employee, Councillor or member of the Council or a contractor may lead to an accusation

APPENDIX 2 Cambridge City Council Code of Conduct for all employees

of bias or other employees feeling uncomfortable; it should therefore be avoided where possible. If a relationship arises this must be immediately disclosed to your Manager.

You must not be involved in the appointment of any applicant for a job if you are their relative, friend or partner; nor should you take a role in their discipline, promotion or pay adjustment. If you are put in a position of being the line manager to your relative, close friend or partner this must also be immediately disclosed. You must not be involved in the awarding of a contract for anyone you are in a close personal relationship with outside of work.

Ethical decision making

As a senior manager you make decisions daily that could be analysed or interpreted by others. Not every ethical dilemma can be outlined in a written Code. You should consider:

- Is the public's confidence in the Council at risk?
- Would a member of the public see the proposed action, decision or practice as fair, honest and appropriate?
- Would the action comply with relevant legislation, policy and practice?

Annual declaration

Directors and Heads of Service are required to complete a Declaration of Pecuniary Interests on an annual basis. This includes details of any outside business interests. The declaration form will be sent to you when it is due to be completed.

You should speak to your Manager if you are in any doubt about a particular issue or aspect of your role.

APPENDIX 2 Cambridge City Council
Code of Conduct for all employees

Appendix 2

Guidance for attendance at public / political meetings

Scope

This guidance applies to all employees.

Public meetings

You may be expected to attend a public meeting called by a Councillor, to give a professional or technical view or answer questions.

Attendance at public meetings is acceptable only when meetings are genuinely open and invitations to platform speakers are not restricted to one political group.

Public political meetings

It is not acceptable for you in your official capacity to speak at a public political meeting called by a political group.

Private political groups

You will not be called upon to attend or advise any private political group meeting. **However the Chief Executive, Directors and Heads of Service** may attend a private political group meeting to explain or advise on Council policies or issues; provided that this facility is available to all political groups who are represented on the Council.

Politically restricted posts

If you hold a politically restricted post, you may not speak in public or publish material that affects support for a political group. However it is acceptable to explain the Council's position on a policy or issue in your official capacity. Refer to the [Political Restriction Policy](#) for further guidance.

Political publicity

In the course of your work, you must not publish any material, or give quotes which partly or wholly appear to support one political group. This includes materials or quotes referring to a political group, or promoting or opposing a point of view that is identifiable to one political group.

Speak to your Head of Service or Director if you require further guidance about attendance at public/ political meetings.

Appendix 2

Frequently Asked Questions in relation to Gifts & Hospitality and Conflicts of Interest

Q: I have been offered a diary and a wall planner by a supplier to the Council that I deal with, can I accept them?

A: Yes. Low value or token items such as these can be accepted, as they are items that will be used in the office and therefore do not need to be recorded.

Q: I have been offered a bottle of wine/chocolates by one of the Council's suppliers, can I accept them?

A: Provided these are low value items and this is a one-off occurrence then this is acceptable, but it is down to the discretion of your line manager. Consideration should be given to donating items such as this to one of the mayor's charities. These items should be recorded in the hospitality register.

Q: I have been asked to attend a working lunch in relation to a joint working arrangement with a number of other local councils/organisations, can I go?

A: Yes. You will be representing the Council at this event in your official capacity, so you can attend. You should still notify your line manager and record it in the hospitality register.

Q: A supplier to the Council has invited me to attend an event using their corporate hospitality box, can I go?

A: No. This is not an event where you will be representing the Council in your official capacity so you should not attend. You should report it to your line manager and record the offer in the hospitality register.

Q: Our office is in need of some urgent repair work, my friend is able to do the work and offers very good rates, can I get him to do the work?

A: No. Orders and contracts for any work required by the Council must be awarded by fair competition and no special favour should be shown to businesses run by friends/relatives.

Q: My partner works for a contractor that will be tendering for work with the council, what should I do?

A: Inform your line manager of your interest. You should not be involved in the evaluation of any tender relating to the contract concerned. If this is not possible (e.g. due to specialist technical expertise required) you should contact the Head of Internal Audit (Ext. 8181) to discuss.

Q: I regularly attend meetings with external groups and am sometimes offered a piece of cake/sweets/cup of tea, for example, during the meeting. Do I need to record this in the hospitality register ?

A: No, as this is refreshment being offered as part of your working day and provided the offer of refreshment is being extended to all attending the meeting and is not excessive it is OK to accept. N.B. This is different to being invited to a formal lunch, which should be recorded and approved by your line manager.

Appendix 2

Q: What should I do if I suspect any wrongdoing with regards to the acceptance of gifts or hospitality or if I suspect that someone has not declared a potential conflict of interest?

A: You should speak to your line manager in the first place who should refer it to the Head of Internal Audit if they are concerned. If you feel it is not appropriate to talk to your line manager or if you feel that they have failed to address your concerns properly, then you can raise your concern directly with the Head of Internal Audit, under the Council's [Whistleblowing Policy](#).

The above questions and answers provide some examples of situations you may encounter while at work. You may encounter other situations where you are not sure what to do and some judgement may be required as to what is appropriate or reasonable.

If in any doubt, contact your line manager, HR or Internal Audit for advice.

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CAMBRIDGE CITY COUNCIL

REPORT OF: Chief Executive

TO: Civic Affairs Committee

26/06/2013

WARDS: All

**UPDATE ON ACTION PLAN TO ADDRESS ISSUES EMERGING FROM
BUDGET FORECASTING ERROR**

1 INTRODUCTION

- 1.1 Civic Affairs Committee considered a report on 17 April 2013 regarding actions that were being taken in response to Ernst & Young's review of errors discovered in financial modelling in respect of the 2012/13 budget. One of these actions was to report back on possible improvements to future processes and this report suggests changes to the Council's processes in relation to the Medium Term Strategy (MTS) and its scrutiny.
- 1.2 The report asks the Committee to support the principle of amending the constitution to invest the role of Section 151 officer in a new post of Head of Finance should the Leader of the Council decide to recommend this to Council.
- 1.3 The report also updates the Committee on the progress with other actions in the action plan.

2. RECOMMENDATIONS

Civic Affairs Committee is asked to recommend to Council:

- 2.1 That the Budget Setting Report should be the place where the Council sets out its medium term financial strategy in future years, rather than being produced as a separate Medium Term Strategy document.
- 2.2 That the Council undertakes a Mid-Year Financial Review in its autumn cycle comprising the following core elements:
- a) To consider the implications of year-end actuals on both revenue and capital expenditure going forward and level of reserves
 - b) To consider any implications from the Annual Statement
 - c) To reflect any changes from the Government's Budget and Spending Review Announcements

- d) To test underlying assumptions about inflation and interest rates in the light of latest information and conditions
 - e) To review forecasts on retained business rate and Council Tax in light of actual growth and latest projections
 - f) To consider what impact all of the above have on reserves and future savings targets
- 2.3 That the proposed Mid-Year Financial Review document should be considered by Strategy & Resources Scrutiny Committee before the Leader makes a recommendation to Council.
- 2.4 To delegate authority to the Chief Executive to amend the Council's Constitution to reflect these new arrangements.

The Committee is asked to resolve:

- 2.5 That, subject to more detailed consideration by the Council, following the Chief Executive's report to the Leader and Strategy & Resources Scrutiny Committee, it endorses the proposal to designate a new Head of Finance post as Section 151 Officer.

3. PROPOSED CHANGES TO MTS PROCESS

- 3.1 I reported to the last meeting on actions that were being taken to address the issues raised in Ernst & Young's review of the errors discovered in financial modelling in respect of the 2012/13 budget. One of these actions was make recommendations to Civic Affairs to streamline and simplify the council's financial decision making processes and to report back on possible improvements to future processes.
- 3.2 The officer work to date has focused on changes to the MTS process, as the Council needs to make decisions on this issue now, to enable planning for this year's autumn cycle. I will report back to Civic Affairs in September on any changes proposed to the budget setting process.
- 3.3 The Council has produced a detailed Medium Term Strategy over the summer for reporting to the autumn Council meeting for a number of years. The document currently fulfils two functions:
1. An opportunity to take a long-term view of the Council's finance – which has been done over a 25 year model for a number of years.
 2. An opportunity to review assumptions made in the previous February's Budget Setting Report (BSR) to see whether any of those assumptions need changing as we begin preparations for the next year's budget.
- 3.4 With regard to the first function, there is no requirement to take a long term look at this particular time of the year and many councils simply incorporate their long term financial planning as part of their final budget setting report. Experience in

recent years has shown that most Government announcements happen so late in the budget setting process that the Executive has needed to make material revisions to long term assumptions anyway, as part of the BSR in the following February. So, in this sense, there is limited advantage in taking a detailed long-term view in the autumn as a separate process.

- 3.5 The second function is more critical in terms of timing. The document provides an opportunity to review assumptions made in the previous February's BSR and to see whether any of those assumptions need changing as we begin preparations for the future year's budget. The timing is important as it allows the Council to review the impact of year-end outturn for the previous year and the implications these may have for future plans. It also allows adjustment to budgets as a result of the revised priorities of any new administration following the May election.
- 3.6 Having some form of financial review in the autumn allows the Council to do a number of things:
- a) To consider the implications of year-end actuals on both revenue and capital expenditure going forward and level of reserves
 - b) To consider any implications from the Annual Statement, particularly relevant if there is a change in Council administration in any year
 - c) To reflect any changes from the Government's Budget and Spending Review Announcements
 - d) To test underlying assumptions about inflation and interest rates in the light of latest information and conditions
 - e) To review forecasts on retained business rate and Council Tax in light of actual growth and latest projections
 - f) To consider what impact all of the above have on reserves and future savings targets
- 3.7 The list above is the key content that it makes sense for the Council to consider in early autumn.
- 3.8 A significant amount of resource in the finance team and the council more widely, goes into producing a detailed MTS in addition to the BSR. It is proposed in future that the BSR should be the place where the Council sets out its medium term financial strategy, as well as detailed budget and Council Tax proposals for the following year. The current MTS would be replaced by a much shorter Mid-Year Financial Review document which would fulfil the core functions of the current MTS (as laid out in para 3.6 above) namely reviewing assumptions made in the BSR and updating assumptions if any such updating is required in the lead into the budget setting round. Removing the long-term strategic elements from the mid-year document (rather than duplicating that which will still appear in the BSR) will not only release officer capacity but also provide members with a more concise and focused document which will facilitate more thorough scrutiny.
- 3.9 At the meeting in April, Civic Affairs raised the issue of how the MTS was scrutinised before it was put before Council for approval. In recent years the MTS

has been considered by the Executive without Scrutiny Committee review. Members expressed the view that formal scrutiny of the MTS by a scrutiny committee was desirable.

- 3.10 It is proposed that a Mid-Year Financial Review document should be considered at a special meeting of Strategy & Resources Scrutiny Committee before the Leader makes a recommendation to Council. In 2013 this would be timetabled to replace the scheduled Executive meeting on 29 September.
- 3.11 If approved the Constitution will need updating to reflect these proposals.

4. CONSULTATION ON CHANGES TO THE ROLE OF S151 OFFICER

- 4.1 I reported to the last meeting that I intended to consult on changes to the structure of the Resources department to separate the role of the Section 151 officer from the post of Director of Resources. I will be making detailed proposals on this to the Leader which would be considered at Strategy & Resources Scrutiny Committee in July, before formal consideration by Council on 19 July.
- 4.2 In summary, having considered the consultation responses, I intend to pursue this proposal. I will propose that a new Head of Finance post should be created to fulfil the role of section 151 officer. This will have implications for the current posts of Director of Resources and Head of Accountancy and Support Services.
- 4.3 I will report in more detail on the consultation responses in my Strategy & Resources report but would highlight two issues that have been raised which are of particular relevance to this committee.

1. A number of respondents commented that CIPFA's guidance on the role of the Section 151 Officer requires that not only should the post holder be professionally qualified, but they should also report directly to the Chief Executive, and be a member of the Leadership Team with a status at least equal to other members

This is CIPFA's guidance and reflects a more traditional model of council structure. But it is non-statutory guidance and a number of councils have their section 151 officer reporting to a Director and not reporting in line management terms directly to the Chief Executive. This includes Southend and Luton, which are unitary authorities, Surrey County Council and Oxford City Council. It is now also common to see shared Section 151 officers across more than one council and these types of arrangements are not reflected at all in the CIPFA guidance.

It is my proposal that the Head of Finance should be a full member of the Strategic Leadership Team. I would also expect them to report directly to me on financial matters, as the Head of Legal Services does in his Monitoring Officer role or the Head of Internal Audit does in his role. This does not mean that I need to have line management responsibility for the post or the whole of the finance service.

2. It was also suggested that CIPFA guidance states that the Head of Internal Audit should report to the Chief Financial Officer.

In fact the guidance states that the Chief Financial Officer should ensure 'that the authority has put in place effective arrangements for Internal Audit...' and

‘implement appropriate measures to prevent and detect fraud’. This does not require the direct management of the function by the officer to ensure this. The CIPFA statement on the role of the Head of Internal Audit suggests that the post should report to a member of the management team and is not specific about which this should be. It could be argued that there is in fact more independence if they are not managed directly by the s151 officer, whose systems they are assuring.

4.4 The CIPFA guidance also says

"There is a growing trend for CFOs to hold a range of different responsibilities beyond finance, including managing other services or leading change programmes. Whilst these can develop the individual as a corporate manager, authorities must not let the CFO's core financial responsibilities be compromised through creating too wide a portfolio."

I believe my proposals address this concern directly.

4.5 I have discussed the proposed structure with our External Auditor and he is satisfied that my proposals address his comments.

4.6 If agreed, the proposed structure will depart from the CIPFA guidelines outlined above and CIPFA suggests this departure should be noted in our annual governance statement.

4.6 Civic Affairs is asked that, subject to more detailed consideration by the Council, following the Chief Executive's report to the Leader and Strategy & Resources Scrutiny Committee, it endorses the proposal to designate the new Head of Finance post as Section 151 Officer.

4.7 If the recommendations are approved then changes will be needed to the Constitution to reallocate delegations currently held by the Director of Resources in the role of S151 Officer. Council will be asked to delegate authority to the Chief Executive to amend the Council's Scheme of Delegation to reflect the new structure.

5. UPDATE ON OTHER ACTIONS

	Action	Who	Update
1.	Internal Audit will work with the Finance team to make improvements to the control and supervision in the service and to address recommendations 1, 2 and 4.	Head of Internal Audit Head of Accounting Services	Some changes to the control environment have been implemented. Internal Audit will continue to work with the service to address any further changes in controls that may be required to reflect proposed changes to the council's decision making processes. They will also be checking that agreed controls are being used.

2.	The financial model will be reviewed to ensure it is fit for purpose in accordance with recommendation 6 and decisions made on whether to make changes and improvements to the existing model or to procure a new one.	Head of Accounting Services DOR	A review of systems used in a number of other local authorities has been completed. A demonstration has been arranged of a proprietary alternative which appears to be the only suitable one available that links to Oracle Financials (the Council's financial system). A decision on whether this is the best way forward is on target to be made by end of July.
3.	Any recommendations from external audit as part of their annual audit work will also be incorporated into improved process.	External Audit	These will be picked up during the year as part of the Council's work with external audit.
4.	<p>In accordance with recommendations 3 and 5, systems within the finance team will be reviewed</p> <ol style="list-style-type: none"> 1. to ensure that there are clear processes in place to capture information and knowledge in case of staff absence 2. to ensure there are clear escalation polices and processes for problems with the service <p>All staff in the team will be provided with copies of these policies and processes and any necessary training will be provided.</p> <p>Managers tasked with ensuring these are effectively embedded in the culture and practice of the service.</p>	Head of Accounting Services (supported by Head of HR)	<ol style="list-style-type: none"> 1. Completed 2. Initial draft agreed and being checked against good practice elsewhere. <p>In progress</p> <p>This is being reinforced through team meetings. It will also be reinforced through the Council's performance review system.</p>
5.	Appropriate actions are being taken in accordance with council's HR policies.	CEX	Completed

6.	CEX to consult on changes to the structure of the Resources department to separate the role of Section 151 officer from the role of Director of Resources.	CEX	Consultation closed on 5 June 2013. Outcomes to be reported to Strategy & Resources Scrutiny Committee and Council in July 2013.
7.	Implementation of agreed changes.	CEX	This will be dependent on decisions made by full Council.
8.	Make recommendations to Civic Affairs Committee to streamline and simplify the council's financial decision making processes. The aim will be to balance the need to free up capacity and make efficient use of the organisational resources available, with the need to give members clear and transparent oversight of the council's finances.	CEX	Recommendations in relation to the MTS process are covered in this report. There will be a further report in September on the BSR process.

6. IMPLICATIONS

(a) Financial Implications

Financial implications will be reported to Strategy & Resources Scrutiny Committee.

(b) Staffing Implications

As described in 4.2.

(c) Equal Opportunities Implications

There are no direct equal opportunities implications.

(d) Environmental Implications

The proposals have no climate change impact.

(e) Consultations

The consultation document on structure was sent to all staff in Accountancy and Support Services, all Directors and Head of Service and all Councillors. I also consulted with our External Auditor.

7. BACKGROUND PAPERS:

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

Consultation responses

CIPFA Guidance on the role of the Chief Financial Officer and the Head of Internal Audit.

The author and contact officer for queries on the report is Antoinette Jackson on extension 7001.

Report file:

Date originated: 17 June 2013

Date of last revision: 17 June 2013

CAMBRIDGE CITY COUNCIL

REPORT OF: Director of Resources

TO: Civic Affairs Committee

26/6/2013

WARDS: All

REVIEW OF CONTRACT PROCEDURE RULES (PART 4G OF THE CONSTITUTION)

1 INTRODUCTION

- 1.1 The current Contract Procedure Rules in the Council's Constitution (Part 4G) were written in 2007. Although they have been amended in parts since then a full review is now required. This work forms part of the Corporate Change Programme Bureaucracy Busting workstream.

2. RECOMMENDATIONS

- 2.1 To approve the changes to Part 4G of the Constitution, Contract Procedure Rules, as shown in appendix 1 to this report for implementation with effect from 1 November 2013.
- 2.2 If approved, to refer the Contract Procedure Rules to the next meeting of Council for ratification.

3. BACKGROUND

- 3.1. The Corporate Change Programme Bureaucracy Busting workstream has identified the Council's procurement processes as a key area of work. In order to carry out a root and branch review of the processes and documents that we use in our procurement activities it is necessary to start with a review of our internal Rules.

3.2. If adopted in the format in Appendix 1, the new Contract Procedure Rules (the Rules) will provide a basis for a lean approach to procurement because:

- Budget holders will take more direct responsibility for and control over their procurements;
- Under the new Rules the level of scrutiny and regulation that a project will receive will be based on an assessment of the risk inherent in the project (which will include the financial value) rather than purely on the basis of financial thresholds (which sometimes bear little relationship to wider project and commercial risks).
- Adopting a risk based approach means that once the budget for a project has been approved, officers will be able to get on with low/medium risk procurements quickly thereby reducing the delivery time for routine new projects. Member scrutiny will be reserved for high value/high risk projects.

4. THE NEW RULES

- 4.1. Prior to starting work on the new Rules we gave the opportunity to frequent users to identify the aspects of the existing rules that hindered their efficient delivery of projects. In summary, users wanted simplicity and clarity with any unnecessary bureaucracy stripped from the processes.
- 4.2. A mature draft of the Rules was sent to three high spend areas whose staff are familiar with the existing rules and who undertake regular procurements and to the internal contract auditors and contract lawyers. Further amendments were made to the document to reflect the feedback that we received. The new Rules have also been reviewed and approved by the Strategic Leadership team and the Corporate Change Board.
- 4.3. The Rules that are now being proposed embody a different approach to procurement in the Authority. In summary we have adopted a risk-based approach so that low/medium risk projects can be dealt with in departments with a minimum of fuss while high risk/high value projects attract a more rigorous approach requiring direct Member authority to issue tenders (and accept offers) and the early involvement of professional advisers within the Council.

This will ensure that limited resources are targeted at projects with a high risk profile where failure would have a significant impact on the services that we provide to the public.

4.4. The main changes to the existing Rules are:

A. Simplified spend levels.

These are:

Below £10,000 - a single quotation is required

£10,000 to £49,999 – a minimum of three written quotations is required

£50,000 to EU threshold/£300,000 for works contracts – public tenders are required

EU threshold and above – EU compliant tenders required

B. Positive steps to encourage local suppliers to compete for Council work by increasing the number of lower value contracts that are advertised on the Council's website and on Source Cambridgeshire (a local advertising portal aimed at the local supply market); and by recommending that at least one supplier based in Cambridge or immediately surrounding area should, wherever possible, be included in the list of suppliers invited to submit quotations.

C. Simplifying the approvals process by removing the requirement for Executive Councillor approval/pre-scrutiny for contracts below £300,000. At the moment, irrespective of the strategic importance of a project or the level of risk, all contracts valued over £75,000 require Executive Councillor approval following pre-scrutiny. This causes a significant bottle-neck.

The new Rules require only contracts over £300,000 (the key decision threshold) to be taken to Committee/Executive Councillor authority unless the relevant Director considers the project to be a high risk one (using the risk indicators on the matrix at Appendix 2).

D. Simplifying the requirements for Parent Company Guarantees(PCG) or Bonds.

At the moment PCGs are required for contracts over £250,000 and Bonds for contracts over £500,000. Often these guarantees are unnecessary and add delay and cost to contracts. Bonds and Guarantees have rarely been called upon since the requirement was introduced and add (in the case of Bonds) avoidable cost to projects. In future for contracts over £300,000 it will be for the relevant Director (in consultation with others as necessary) to assess the risk of the appointed contractor becoming insolvent or breaching a contract and to decide whether a PCG or Bond is necessary.

- E.** Simplifying the contract completion process. At the moment all contracts over £75,000 must be sealed by the Head of Legal Services. This gives rises to unnecessary work for the legal team and can lead to delays in getting the contract completed. In practice sealing is only required for a small number of contracts. Completing a contract by signing is satisfactory for a large proportion of the contracts that we enter into (and is generally quicker).

In future sealing will only be required for high value (over £300,000) or high risk contracts, building and works related contracts and a small number of other contracts. All other contracts can be signed either by the Head of Service (for contracts up to £50,000) or the relevant Director.

- F.** Simplified approach to exemptions from the Rules.

At the moment there are two ways in which permission can be sought to act outside the Rules - exemptions and waivers. Waivers in particular require a long paper trail which can sometimes cause delay. The distinction between the two types of permission has caused confusion among users and is really quite academic.

In future there will be one process to get permission to let a contract without full competition and this has been simplified.

- G.** Simplified presentation of the Rules to make them more accessible and easier to use.

We have provided an easy to follow summary sheet at the beginning of the document which points users to the key rules for each spend level, specifies the advertising that is required, identifies who can give authority to proceed with the procurement and who can sign the resulting contract. Navigating around the current rules has been a problem for some users.

The process for each spend level is self-contained within each section of the document so users will have a single source of information about the relevant spend level.

Hyperlinks to the Quick Procurement Reference Guides will provide ready access to simple guidance and template documents for each stage of the process. This will mean that users will be given the necessary tools to carry out low risk procurements with less need to reference limited specialist resources (although this will remain available to help officers that really need advice).

5. NEXT STEPS

If the Rules are approved in the format at Appendix 1, the next steps will be for the current processes, guides and template documents to be reviewed and “leaned” wherever possible. We will continue to work with the review group that has helped us with the new Rules to put systems in place that are user friendly.

6. CONSULTATIONS

6.1 The following groups have been consulted about the new draft Rules:

- Regular users of the procurement processes
- Internal Audit
- Legal services
- Strategic Leadership Team
- Corporate Change Board
- The Executive
- Chamber of Commerce policy unit (for the purposes of the attached Equalities Impact Assessment)

7. IMPLICATIONS

- (a) **Financial Implications** – there are no financial implications as a consequence of the introduction of a new set of Contract Procedure Rules.
- (b) **Staffing Implications** Regular users of the procurement processes and senior officers have been consulted about the Rules. Detailed guidance and training to enable users to understand and apply the new Rules will be provided before they come into effect in November 2013.
- (c) **Equal Opportunities Implications**
Please see the Equalities Impact Assessment at Appendix 3
- (d) **Environmental Implications**
The Climate Change Rating for these proposals is nil.
- (e) **Procurement**
Covered in the report.
- (f) **Consultation and communication**
Covered in the report

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

Equalities Impact Assessment at Appendix 3

To inspect these documents contact Deborah Quincey, Strategic Procurement Adviser on extension 7400

The author and contact officer for queries on the report is Deborah Quincey, Strategic Procurement Adviser on extension 7400

Report file:

Date originated: 17 June 2013
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DRAFT – 11.06.2013 version 10

Cambridge City Council

PART 4G: CONTRACT PROCEDURE RULES FOR INCOME AND EXPENDITURE CONTRACTS

**Under Section 135
Local Government Act 1972**

ISSUED [DATE] BY DIRECTOR OF RESOURCES
CIVIC AFFAIRS [DATE]
COUNCIL DECISION [DATE]

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SUMMARY OF KEY CONTRACT PROCEDURE RULES

Total Value	Competition	Advertising	Authority	Signature	Rules
Below £10,000	1 written Quotation required, and which must demonstrate value for money	None required	Director's delegated authority under scheme of Delegation (Part 3, Section 9 of the Constitution) – this has been delegated to Officers	Signed by Officer responsible for the purchase	Parts 2 & 4
<u>QUOTATIONS</u> £10,000 to £49,999	Minimum 3 competitive Quotations invited in writing, 1 from a local Supplier wherever possible	Council's website (mandatory) Source Cambridgeshire (recommended) or call-off from framework agreement	Director's delegated authority under scheme of Delegation (Part 3, Section 9 of the Constitution) – this has been delegated to Heads of Service	Signed by Head of Service or Officer authorised by him/her	Parts 2, 3, 5 & 8
<u>NON-EU TENDERS</u> £50,000 to £173,934 (Services & Supplies) £4,348,350 (Works)	Minimum 4 Suppliers invited to Tender	Council's website (mandatory) Source Cambridgeshire (mandatory) or call-off from framework agreement	Below £300,000 – Director's delegated authority Over £300,000 (Key Decision) – Scrutiny Committee & Executive Councillor	Sealed by the Council (as appropriate); or Signed by Director; Contracts over £300,000 (Key Decision) must be sealed	Parts 2, 3, 6 & 8
<u>EU TENDERS</u> Over £173,934 (Services & Supplies) £4,348,350 (Works)	Use Restricted/Open procedure (unless advised otherwise by Strategic Procurement) Minimum 5 Suppliers invited to Tender	OJEU advert (mandatory) Council's website (mandatory) Source Cambridgeshire (mandatory) or call-off from framework agreement	Below £300,000 – Director's delegated authority Over £300,000 (Key Decision) – Scrutiny Committee & Executive Councillor	Sealed by the Council (as appropriate); or Signed by Director and one other Officer; Contracts over £300,000 (Key Decision) must be sealed	Parts 2, 3, 7 & 8
Framework Agreements	<u>NEW Framework:</u> Use Restricted/Open procedure (unless advised otherwise by Strategic Procurement)	<u>NEW Framework:</u> OJEU advert (mandatory) Council's website (mandatory) Source Cambridgeshire (mandatory)	New Frameworks and Call-off Contracts <u>below</u> £300,000 (Key Decision) – Director's delegated authority	New Frameworks must be sealed by the Council	Parts 2 – 8 depending on value See Rules 11 & 46
	<u>EXISTING Framework:</u> Follow the procedure in the Framework Agreement for call-off Contracts and mini-competitions	<u>EXISTING Framework:</u> Not relevant	New Frameworks and Call-offs Contracts <u>over</u> £300,000 (Key Decision) – Scrutiny Committee & Executive Councillor	Call-off Contracts <u>below</u> £300,000 (Key Decision) are signed by Director Call-off Contracts <u>over</u> £300,000 (Key Decision) are generally sealed	

EU Thresholds 1 January 2012 – 31 December 2013	
Services contracts	£173,934
Supplies contracts	£173,934
Works contracts	£4,348,350

CONTRACT PROCEDURE RULES

Part 1 Introduction

See [Procurement Quick Reference Guide No.5a The Constitution and Basic Procurement Law \[insert hyperlink\]](#)

The Local Government Act 1972 requires the Council to have standing orders for how it enters into Contracts. These Contract Procedure Rules are the standing orders required by the 1972 Act. They form part of the Council's Constitution and are, in effect, the instructions of the Council to officers and elected members for entering into Contracts on behalf of the Council.

The purpose of these Contract Procedure Rules is to set clear rules for the purchase of Works, Goods and Services for the Council and are intended to promote good purchasing practice, public accountability and to deter bribery and corruption, in which the probity and transparency of the Council's procurement process will be beyond reproach or challenge. Accordingly, these Contract Procedure Rules must be followed for **all** Contracts over £10,000 for the supply of Goods and Services to and the carrying out of Works for the Council and where Concessions are sought.

The Council is also subject to EU law with regard to public procurement, which requires all contract procedures, of whatever value, to be open, fair and transparent. These Contract Procedure Rules provide a basis for true and fair competition in Contracts, by providing clear and auditable procedures, which, if followed, will give confidence that the Council has a procurement regime that is fully accountable and compliant with EU law.

Following the Contract Procedure Rules will also help to ensure that the Council obtains value for money when it buys Works, Goods or Services.

These Contract Procedure Rules are to protect the interests of the Council, its officers and elected members and the communities of Cambridge.

Part 1 Definitions

Award a contract	means to accept an offer by a Supplier (following approval by the appropriate decision maker), as evidenced by a written Contract signed or sealed (as appropriate) by <u>both</u> parties and dated [hyperlink to Guide on Process for Award and Signature of Contracts]
Award Criteria	means the criteria by which the successful Quotation or Tender is to be evaluated
Bond	means an agreement whereby the surety or insurer under the bond pays out a sum of money (often 10% of the Contract value) in the event that the Supplier in a Contract commits a serious breach of contract (that cannot be remedied) or becomes insolvent
Business Case	means a written commercial assessment that provides the key facts and rationale for the proposed purchase. A template business case is in the 'Project Management Guidelines' on the intranet at para XXX
Central Purchasing Body	means another local authority or 'Contracting Authority' (e.g. ESPO or the Government Procurement Service) which acquires Supplies/Services or awards public contracts or concludes Framework Agreements intended for use by other public sector bodies
Collaboration	means a procurement undertaken jointly by the Council and one or more other public bodies with one of the bodies nominated as the lead authority
Concession	means a Contract where the payment or part-payment of the Services or Works consists of the grant by the Council of the right for the Supplier to exploit the Services or Works to be carried out
Contract	means the bargain or agreement between the Council and a Supplier for the supply of Works, Goods or Services in return for a valuable benefit (usually money)

Contract Document	means the document setting out the terms and conditions of the Contract. A purchase order is a contract document. Although at law a verbal agreement may be a Contract, Contracts for the Council must always be supported by appropriate written contract documents
Contractor	see Supplier
Corporate Contract	means a Contract for the supply of Works, Goods or Services to the Council as a whole rather than for an individual service area, e.g. stationery. Corporate Contracts are listed on the intranet
Delegation	means any power, duty or authority delegated to a chief Officer by the Council as set out in Section 9 of Part 3 of the Council's Constitution
Director	means one of the Officers defined in Article 11 para 11.1.2 of Part 2 of the Council's Constitution
EU Regulations	means the Public Contracts Regulations 2006 as amended from time to time
EU Threshold	means the value in pounds sterling above which the EU Regulations apply to a proposed public contract. The thresholds are set out in the table above.
Executive Councillor	means one of the six Councillors who, together with the Leader, comprise the Executive and who have delegated authority to take decisions within their portfolio area
Exemption Notification Form	means the form [hyperlink] to be used when applying for an exemption under Rule 57
Financial Regulations	means the rules at Part 4F of the Council's Constitution
Framework Agreement	means an agreement between one or more contracting authorities and one or more Suppliers which fixes the terms and conditions under which the Supplier will enter into one or more specific contracts with an authority during the term of the framework agreement, which should be no more than 4 years
Goods	see Supplies
Grant	means a voluntary transfer of money by the Council to an organisation in accordance with the guidance provided by the Head of Legal Services
Head of Service	see Officer
ITT	means an Invitation to Tender, and contains documents inviting Suppliers to tender for a Contract

Key Decision	means a decision made in exercise of an executive function by any persons (including Officers) or body which meets one or more of the conditions set out in Article 12.3.2 in Part 2 of the Constitution. In relation to incurring expenditure or making savings, the value is £300,000 and above.
Monitoring Officer	means the officer designated under section 5 of the Local Government and Housing Act 1989 to monitor the Council's compliance with the law and rules of administration. The Head of Legal Services is the Monitoring Officer
Objectives	means the Council's objectives set out in the Annual Statement each year
Officer	means an individual who holds a post on the Council's establishment
OJEU	means the Official Journal of the European Union
Open Procedure	means a one stage tender process to select an appropriate Supplier. The procedure does not include a pre-qualification stage and allows any interested Supplier to submit a tender
Parent Company Guarantee	means the guarantee from a parent company to act in accordance with the Contract in the event that the subsidiary company fails to perform under the terms of the Contract with the Council
PQQ	means a pre-qualification questionnaire, which Suppliers have to complete to provide evidence of their legal, financial and technical capacity (including their health and safety and equal opportunities policies) to undertake a Contract for the Council
Project Appraisal	means a report to the Executive Councillor on the corporate template seeking approval for the appraisal as required by para 9.3.3 of Part 3 of the Council's Constitution of the financial and Business Case for the proposed procurement in accordance with any guidance issued by the Director of Resources
Quotation	means an offer by a Supplier to undertake a Contract of less than £50,000 in value
Restricted Procedure	means the process which allows any interested party to request to participate in the Tender procedure but only those invited by the public body following a pre-qualification stage may submit a Tender
RFQ	means a Request for Quotation, inviting Suppliers to quote for Works, Goods or Services below £50,000 in value
Selection Criteria	means the criteria used for the selection of Suppliers to be invited to tender
Services contract	means a Contract for the provision of services to the Council

Specification	means a clear and comprehensive description of the Council's requirements. This will vary according to the value and complexity of the purchase
Sponsorship Rules	means the Council's approved rules that regulate the acceptance of sponsorship [hyperlink]
Standard Terms and Conditions	means the terms and conditions of contract used for purchase orders and Contracts under £50,000
Supplier	means a supplier of Works, Goods or Services to the Council
Supplies contract	means a Contract for the sale or hire of goods to the Council and includes, where appropriate, installation of goods
Tender	means an offer by a Supplier in response to an ITT to undertake a Contract of £50,000 or more
Tender Record Book	means the book which records the receipt of tenders as maintained by the Central Post Scanning Facility
TUPE	means the Transfer of Undertaking (Protection of Employment) Regulations 2006 and any amendment, re-enactment or replacement of them. In general terms, the rules protect employees when their business is taken over by a new employer.
Vision Statement	means the Council's published statement from time to time of its aims and objectives
Works contract	means a Contract for the construction, repair or maintenance of built asset, e.g. a building or a road

Part 2

All Contracts, whatever their value

1. APPLICATION AND SCOPE

Apply to:

- 1.1 **All** Contracts for the supply of Works, Goods or Services (including consultancy) **to** the Council, regardless of value.
- 1.2 Partnership and collaborative arrangements with other bodies
- 1.3 Concession Contracts

Do not apply to:

- 1.4 Contracts for the purchase or sale of any interest in land (including leasehold interests) for which the Financial Regulations and/or the Code for the Disposal of Land applies.
- 1.5 Contracts of employment for the appointment of individual members of staff, including members of staff sourced through employment agencies under a Corporate Contract.
- 1.6 Grant agreements, where the Council is giving an unconditional grant.
- 1.7 Sponsorship agreements regulated by the Sponsorship Rules.
- 1.8 Supply of Works, Goods and Services **by** the Council. However, the Head of Legal Services and Strategic Procurement must be consulted where the Council is contemplating this route.
- 1.9 Contracts procured in Collaboration with other local authorities where the Council is not the lead authority (subject to the necessary approvals having been obtained from the appropriate decision maker at the Council – see **Rules 21, 26, 35 and 45**). The Contract Procedure Rules of the lead authority shall apply. Assurance should be sought that the lead authority is in compliance with its own contract procedure rules.

2. **COMPLIANCE** See **Procurement Quick Reference Guide No.1 Probity in Procurement** [[insert hyperlink](#)]

- 2.1 Every Contract entered into on behalf of the Council must comply with
 - § these Contract Procedure Rules;
 - § the Council's Financial Regulations; and
 - § all relevant UK and EU legislation.
- 2.2 Each Director is responsible for ensuring that his/her department complies with these Contract Procedure Rules
- 2.3 All members of staff and consultants engaged in any capacity to manage or supervise the procurement of any Works, Goods or Services for the Council **must** comply with these Contract Procedure Rules. The attention of Officers is drawn to the Council's Code of Conduct and Disciplinary Policy. **Non-compliance with these Rules may constitute grounds for disciplinary action.**
- 2.4 Generally, work must not begin under a Contract until the Contract Document has been signed by both parties (or, if the only Contract Document is a purchase order, until the purchase order has been issued) except with the approval of the Head of Legal Services.

3. CONFLICTS OF INTEREST See Procurement Quick Reference Guide No.1 Probity in Procurement [insert hyperlink]

- 3.1 All members of staff must avoid any conflict between their own interests and the interests of the Council. This is a requirement of the Council's Code of Conduct, which all employees of the Council have signed and agreed to be bound by and includes :
- § not accepting gifts or hospitality from organisations or Suppliers that the Council has dealings with;
 - § not working for organisations or Suppliers that the Council has dealings with;
 - § notifying the Head of Legal Services and relevant Director if an Officer has links with (e.g. a family member or close friend works for) an organisation or Supplier who is tendering or quoting for a Contract with the Council or already has a Contract with the Council.
- 3.2 All consultants engaged to act on behalf of the Council must declare that :
- § they will avoid any conflict between their own interests or those of any of their other clients and the interests of the Council; and
 - § they will notify the relevant Director if they have any links with (e.g. a family member or close friend works for) an organisation or Supplier who is tendering or quoting for a Contract with the Council or already has a Contract with the Council.
- 3.3 If an elected member of the Council or a member of staff has an interest, financial or otherwise, in a Contract or proposed Contract, he/she must declare it in writing to the Director as soon as he/she becomes aware of the interest. An elected member or member of staff who has an interest in a Contract must not take part in the procurement or management of that Contract.

4. PREVENTION OF BRIBERY AND CORRUPTION See Procurement Quick Reference Guide No.1 Probity in Procurement [insert hyperlink]

- 4.1 A Contract may be terminated immediately, and any losses to the Council arising from the termination recovered from the Supplier, if the Supplier, or anyone acting on his behalf (with or without the Supplier's knowledge) :
- § offers or promises or gives a financial or other advantage to any elected member of the Council, any member of staff or any consultant in connection with the Contract; or
 - § requests, agrees to receive or accepts a financial or other advantage so that some action in relation to the Contract is performed improperly.
- A declaration to this effect must be included in the RFQ and ITT.
- 4.2 Any elected member of the Council, member of staff or consultant who becomes aware or has reason to believe that a Supplier or potential Supplier has committed one of the corrupt acts referred to in **Rule 4.1**, must report that to the Monitoring Officer and/or the Head of Internal Audit immediately.
- 4.3 A shareholding in a body not exceeding a total nominal value of £1000 or 1% of the nominal value of the issued share capital (whichever is less) is not a pecuniary interest for the purpose of this Rule.
- 4.4 The Chief Executive must maintain a record of all declarations of interest notified by elected members and Officers.

5. DUTIES OF DIRECTORS

- 5.1 To ensure that all Contracts within his/her department comply with Contract Procedure Rules, Financial Regulations and all applicable public procurement legislation. To plan the procurement of and manage Contracts within his/her department to ensure that Contracts
- § deliver value for money;
 - § are operated effectively, efficiently and economically; and
 - § are operated within the terms of the Contracts themselves, so that the Council is not at risk of being in breach of Contract.
- 5.2 To ensure that Strategic Procurement are advised of any Contracts over £10,000 entered into by his/her department.
- 5.3 Another Director or Officer within his/her own department may be authorised to carry out his/her duties in respect of a particular Contract or Contracts generally.
- 5.4 To keep adequate records to show compliance with Contract Procedure Rules, Financial Regulations and all relevant legislation in his/her department.

6. CALCULATING THE CONTRACT VALUE See **Procurement Quick Reference Guide No.7 Calculating the estimated value of your Contract** [\[insert hyperlink\]](#)

- 6.1 The Director responsible for each Contract must have obtained budgetary approval equal to the estimated value for the Contract before any offers are sought.
- 6.2 The value of a Contract is the **total** amount that the Council expects to pay or receive for the Contract, including any Contract extension period and any options within the Contract. This may be a lump sum (e.g. £20,000) or a periodic payment (e.g. £4,000 per year for a 5 year Contract = £20,000). If the Contract is for an uncertain term (e.g. a “rolling” Contract), the value is the amount the Council expects to pay or receive over four years.
- 6.3 The Director must not try to avoid compliance with these Contract Procedure Rules or the EU Regulations by splitting a procurement for the same or similar Works, Goods or Services into smaller, separate Contracts. If it will achieve better value for money, Contracts for the same or similar Works, Goods or Services must be aggregated into a single Contract of greater value.

7. HIGH RISK OR COMPLEX CONTRACTS See **Procurement Quick Reference Guide No.3a Managing Risk in Procurement Projects** [\[insert hyperlink\]](#)

- 7.1 The Director must undertake a risk assessment in accordance with Council guidance [\[insert hyperlink to Procurement Risks document\]](#). Advice from Legal Services and Strategic Procurement must be sought for the following Contracts:
- with a value above the EU Threshold
 - that involve leasing arrangements (Accountancy team must also be consulted)
 - where the Supplier’s terms and conditions are to be used
 - potentially involving the transfer of staff under TUPE
 - where the Supplier may hold any money on behalf of the Council
 - for software or licences
 - where an advance payment to the Supplier is envisaged
 - that are high risk or complex in any other way as indicated by the risk assessment

8. GRANT FUNDING AND THIRD PARTY FUNDING

- 8.1 Officers must fully comply with these Rules in respect of Contracts funded by grants or other third party funding.
- 8.2 Advice must be sought from Legal Services to ensure that the Council's terms and conditions comply with the grant conditions imposed by the funder.
- 8.3 Officers are responsible for ensuring that any funding agreement has been completed satisfactorily before entering into any contractual commitments in respect of the grant with third parties.

9. DEEDS, SEALING AND SIGNING OF CONTRACTS [\[hyperlink to Guide on Process for Award and Signature of Contracts\]](#)

- 9.1 Generally, a Contract can be signed by hand by the Director or Head of Service. In the event of a dispute, the Council can make a claim under the Contract for up to 6 years.
- 9.2 Some Contracts must be executed as deeds and are sealed by the Council by affixing the Common Seal. In the event of a dispute, the Council can make a claim under the Contract for up to 12 years. This applies to the following Contracts:
- Contracts over £300,000 (Key Decision) – unless agreed otherwise by Legal Services
 - New Framework Agreements
 - All building and Works-related Contracts – unless agreed otherwise by Legal Services
 - Where there is no consideration (ie money or money's worth) by one party (e.g. Grant agreements, where the Council is paying a voluntary sum to an organisation but the organisation is not giving anything in return)
 - Other high risk Contracts (as advised by Legal Services) where a longer limitation period of 12 years is required.
- 9.3 Before a Contract can be sealed by the Council, the Officer must provide Legal Services with the relevant decision to award in writing from the appropriate decision maker [\[hyperlink to Decision to Award Form\]](#)

10. USE OF CORPORATE CONTRACTS

If there is a Corporate Contract for the supply of any Works, Goods or Services, the Director must utilise that Contract, rather than awarding a separate contract for his/her own department.

11. USE OF FRAMEWORK AGREEMENTS, COLLABORATIVE PROCUREMENT AND PURCHASING CONSORTIA

- 11.1 Officers must follow the Council's Principles for Partnership Working [\[insert hyperlink\]](#)
- 11.2 Strategic Procurement must be consulted before joining or buying from consortia, buying groups or Framework Agreements [\[insert hyperlink to Framework Guidance document\]](#)
- 11.3 Where the expenditure will be more than the EU Threshold, and for Works contracts over £300,000 (Key Decision), Legal Services must be consulted before joining or buying from a Framework Agreement.

- 11.4 To select a Supplier for a call-off Contract under a multi-Supplier Framework Agreement or to conduct a mini competition, the Director, in consultation with Strategic Procurement, must follow the procedure set out in that Framework Agreement.
- 11.5 Successful and unsuccessful Suppliers who participated in a mini-competition must be notified of the decision to award the call-off Contract. The notification letter must be sent by e-mail or fax.
- 11.6 Where a Contract is procured through another local authority or public body (acting as lead authority), the contract procedure rules of that organisation shall apply. Assurance should be sought that the organisation is in compliance with its own contract procedure rules
- 11.7 A decision at the appropriate level will still be required to award a Contract procured through the consortia, buying groups or Framework Agreements (see [Rules 21, 26, 35 and 45](#)). This applies both to Framework Agreements set up by the Council alone and to Framework Agreements set up by another public authority.

12. PURCHASING CARDS

- 12.1 A purchasing card can only be used where provided by the Director of Resources and used strictly in accordance with the Purchasing Card Guidance [\[insert hyperlink\]](#)
- 12.2 Any use of a purchasing card other than in accordance with these Rules could lead to disciplinary action

13. SOCIAL VALUE AND SUPPORTING LOCAL ENTERPRISES INCLUDING VOLUNTARY AND COMMUNITY ORGANISATIONS

- 13.1 Officers should use the Council's purchasing power to support local organisations and to add value to the local geographical area wherever possible where this provides equal or better value for money for the Council than any alternative.
- 13.2 Officers must set out the Council's support for the living wage in the RFQ, ITT and the Contract Document.
- 13.3 Where appropriate, Officers should incorporate questions in the RFQ or ITT and evaluate responses to any of the following that are relevant to the subject matter of the procurement:
- local economic benefits
 - social value benefits
 - local employment
 - local apprenticeships
 - any other benefit that supports the local economy and well-being of the City of Cambridge

Part 3

INITIAL PROCUREMENT STEPS

14. PRE-PROCUREMENT STEPS

- 14.1 The Officer must ensure that the complexity, risk and value of any proposed procurement over **£30,000** is considered fully by setting out the following issues in sufficient detail proportionate to the value of the procurement in a Business Case:
- taking into account the requirements of any review of their service
 - considering the need for the expenditure and its priority
 - defining the objectives of the procurement, undertaking appropriate consultation, and relating these to the Vision Statement and Objectives
 - assessing and managing the risks of the procurement (see [Rule 7](#))
 - considering the most appropriate method of procurement e.g. internal or external sourcing, partnering, Collaboration or use of purchasing consortia.
- 14.2 For Services Contracts over the EU Threshold, in addition to the issues in [Rule 14.1](#) the Business Case must:
- identify how the procurement might improve the economic, social and environmental well-being of Cambridge when seeking authority to invite tenders
 - take into account the Council's Vision Statement, Environmental Objectives and Strategic Objectives in Portfolio Plans when considering the social value priorities for the procurement.

15. AUTHORITY TO INVITE AND EVALUATE QUOTATIONS AND TENDERS AND TO AWARD CONTRACTS

Prior to commencing a procurement exercise, relevant approval must be obtained from the appropriate decision maker to invite and evaluate Quotations and Tenders and (if relevant) delegation to award Contracts – see [Rule 21, 26, 35 and 45](#) and [Procurement Quick Reference Guide No.9 Approvals and Scrutiny \[insert hyperlink\]](#)

16. PRE-TENDER MARKET RESEARCH AND CONSULTATION

See [Rules 24, 31 and 41](#).

17. ADVERTISING AND SELECTION OF SUPPLIERS

- 17.1 If a Contract (regardless of value) may be of interest to both local Suppliers or Suppliers in EU member states, a sufficiently accessible advertisement must be published. Generally, the greater the likely interest, the wider the advertising coverage should be.
- 17.2 An advertisement should be placed in the following:
- Council's website – mandatory for all Contracts over £10,000
 - Source Cambridgeshire – mandatory for all Contracts over £50,000 and recommended for all Contracts under £50,000

- OJEU – mandatory for Contracts above the EU Threshold
 - National specialist journals and/or websites – as considered appropriate by the Director
- 17.3 Officers are responsible for ensuring Suppliers are suitably assessed. The assessment process shall establish that potential Suppliers have sound:
- economic and financial standing
 - technical ability and capacity
 - insurance cover
- 17.4 The Selection Criteria will be either in the RFQ, PQQ or Open Procedure ITT and must be designed to establish the capability of the Supplier to undertake the work (ie look 'backwards' at the Supplier's qualities).
- 17.5 Once Suppliers have been selected, all Suppliers who have submitted a RFQ or PQQ must be informed of the outcome of the selection stage.
- 17.6 Where Suppliers are selected without an advertisement, the Officer must assess potential Suppliers against criteria that:
- are relevant to the purchase, ensure equality of treatment, and the outcome gives value for money
 - do not include non-commercial considerations or matters that discriminate against EU Suppliers
 - confirm their financial soundness (appropriate to the value and importance of the Contract)
 - confirm their technical ability and capacity (including any necessary qualifications and/or licences)
 - confirm suitable insurance cover

18. STANDARDS AND AWARD CRITERIA

- 18.1 Irrespective of the value of the procurement, potential Suppliers must comply with the relevant European or international standards that apply to the Works, Goods or Services. Strategic Procurement must be consulted if other, or exclusively British, standards are to be used.
- 18.2 Award Criteria must be designed to assess the suitability of the offer being made to the Council for the purchase being made (ie looking 'forward') and must be appropriate to the purchase and ensure equal treatment of Suppliers and value for money for the Council. The basic criteria shall be one of the following:
- "lowest price" where payment is made by the Council
 - "highest price" where payment is received by the Council (e.g. a Concession)
 - "most economically advantageous" where considerations other than price also apply e.g. "quality"
- 18.3 If "most economically advantageous" is used, it must be further defined by use of sub-criteria. Any sub-criteria must be relevant to the subject matter of the Contract. These may include, for example:
- price
 - service standards (including equality issues where appropriate)
 - quality of goods
 - operating costs
 - technical merit

- delivery dates
- cost effectiveness
- environmental considerations
- aesthetic and functional characteristics
- safety (including Safeguarding arrangements where appropriate)
- after-sales service
- technical assistance

18.4 Award Criteria must **not** include:

- non-commercial considerations
- matters which discriminate against Suppliers from the EU
- matters already evaluated during the selection process (Selection Criteria) – see [Rules 17.3 – 17.6](#)

18.5 Award Criteria and sub-criteria must be set out in the RFQ or ITT.

Part 4 – BELOW QUOTATION LEVEL

Contracts below £10,000

19. COMPETITION

The Director must obtain **one** oral Quotation confirmed in writing for Contracts below £10,000 in value, and must be able to demonstrate that the Council is receiving value for money. Where appropriate, relevant consultation must be carried out.

20. STANDARD TERMS AND CONDITIONS [\[hyperlink to standard terms and conditions\]](#)

20.1 All Contracts must be in writing and a purchase order must be issued for every Contract.

20.2 All Contracts below £10,000 shall clearly specify:

- what is being supplied
- the price
- when the Contract will be performed (start and end dates)
- provision to terminate the Contract
- that the Contract is subject to the Council's Standard Terms and Conditions unless Legal Services approve an alternative

21. AUTHORITY TO ENTER INTO A CONTRACT – below Quotation level

21.1 Under the scheme of Delegation, Directors have authority to enter into Contracts below the Quotation level, provided that a budget has been allocated for that expenditure. Directors have agreed to delegate this authority to Officers for Contracts below £10,000 in value.

22. SIGNATURE OF THE CONTRACT – below Quotation level

22.1 Contracts below the Quotation level must be signed for and on behalf of the Council by the Officer responsible for the Contract.

Part 5 - QUOTATIONS

Contracts from £10,000 to £49,999

See [Procurement Quick Reference Guide No.13a How to Request for a Quotation \[insert hyperlink\]](#)

23. COMPETITION

A minimum of **three** competitive Quotations in writing must be sought. Wherever possible, one Quotation must be from a local Supplier.

24. PRELIMINARY STEPS – Quotations

24.1 Prior to the issue of the RFQ, potential Suppliers may be consulted in general terms about the nature, level and standard of Works, Goods or Services, Contract packaging and other relevant matters provided this does not discriminate against any potential Supplier.

24.2 Officers must not seek or accept technical advice about the preparation of a Specification or RFQ from anyone who may have a commercial interest in them if this prevents equal treatment or distorts competition.

24.3 Advice should be sought from Strategic Procurement prior to any pre-Quotation market research or consultation.

25. STANDARD TERMS AND CONDITIONS [\[hyperlink to standard terms and conditions\]](#)

25.1 All Contracts must be in writing and a purchase order must be issued for every Contract as appropriate.

25.2 All Contracts shall clearly specify:

- what is being supplied
- the price and terms for payment by the Council
- when the Contract will be performed (start and end dates)
- that the Contract is subject to the Council's Standard Terms and Conditions unless Legal Services approve an alternative, e.g. because the procurement is unusual or represents a significant risk to the Council

25.3 The Supplier's terms and conditions must not be used unless agreed otherwise by Legal Services.

25.4 All Contracts must provide for payment by the Council after supply of the Works, Goods or Services or as agreed by the Director responsible. Exceptionally, and only with the consent of the Director of Resources, a Contract may provide for payment in advance

25.5 Terms and conditions must be issued with the RFQ.

26. AUTHORITY TO INVITE AND EVALUATE QUOTATIONS AND AWARD CONTRACTS [See Procurement Quick Reference Guide No.9 Approvals and Scrutiny \[hyperlink\]](#)

Directors have delegated authority under the scheme of Delegation as set out in Part 3, Section 9 of the Constitution to invite and evaluate Quotations and to award Contracts below £300,000 (Key Decision) provided that a budget has been allocated for that expenditure. Directors have agreed to delegate this authority to Heads of Service for Contracts from £10,000 to £49,999.

27. REQUEST FOR QUOTATION

- 27.1 Select at least **3** Suppliers to be invited to quote, at least one of whom should, whenever possible, be based in the City of Cambridge or immediately surrounding area. The shortlist must be selected from responses to an advertisement on the Council's own website (mandatory) and Source Cambridgeshire (recommended).
- 27.2 Be satisfied that the Suppliers invited to quote have the technical ability and capacity (including their health & safety and equal opportunities policies as appropriate) to undertake the Contract for the Council and this can only be demonstrated via a competition, unless the Suppliers are selected from a Framework Agreement or other purchasing consortia.
- 27.3 The RFQ must contain sufficient information about the Council's requirements in the form of a Specification to enable a competitive price to be obtained.
- 27.4 The RFQ must state whether Quotations will be evaluated on the basis of most economically advantageous to the Council or on the basis of price only.
- 27.5 The RFQ must state that the Council is not bound to accept any Quotation.
- 27.6 All Suppliers must receive the same RFQ at the same time and subject to the same conditions, and this includes any subsequent information.
- 27.7 Allow sufficient time for submission of Quotations. The recommended minimum is **10** working days from the date of the RFQ, but this may vary depending on the urgency or complexity of the requirement.
- 27.8 The Head of Service shall keep a record of:
- the criteria used to select Suppliers to provide a Quotation
 - details of Suppliers requested to provide a Quotation
 - any checks carried out in respect of Suppliers
 - the basis of selection of a Quotation, ie most economically advantageous or lowest price – see **Rule 18 and Procurement Quick Reference Guide No.14 Evaluation of Tenders or Quotations** [\[insert hyperlink\]](#)

28. AWARD OF THE CONTRACT – Quotations

As soon as practicable after the decision to award the Contract has been made, the Head of Service must write to inform the successful and unsuccessful Suppliers of that decision. [\[hyperlink to standard letters\]](#)

29. SIGNATURE OF THE CONTRACT – Quotations

- 29.1 Contracts for Quotations must be signed for and on behalf of the Council by the Head of Service responsible for the Contract or an Officer authorised by him/her.
- 29.2 Unless ordered using a purchase order, the work under the Contract must not start until the Contract has been signed by both parties, unless agreed in advance with Legal Services. See guide on Process for Award and Signature of Contracts [\[insert hyperlink\]](#)

Part 6 – NON-EU TENDERS

Contracts from £50,000 to the EU Threshold

See Procurement Quick Reference Guide No.13c Inviting a Tender (ITT) [\[insert hyperlink\]](#)

30. COMPETITION

Competitive Tenders must be sought for Contracts of £50,000 or more in value.

31. PRELIMINARY STEPS – Non-EU Tenders

- 31.1 Prior to the issue of the ITT, potential Suppliers may be consulted in general terms about the nature, level and standard of Works, Goods or Services, Contract packaging and other relevant matters provided this does not discriminate against any potential Supplier.
- 31.2 Officers must not seek or accept technical advice about the preparation of a Specification or ITT from anyone who may have a commercial interest in them if this prevents equal treatment or distorts competition.
- 31.3 Advice should be sought from Strategic Procurement prior to any pre-tender market research or consultation.

32. SPECIFICATION – Non-EU Tenders **See Procurement Quick Reference Guide No.10 Specification Writing [insert hyperlink]**

- 32.1 A clear and comprehensive Specification of the Council's requirements must be prepared with regard to the Works, Goods or Services to be supplied.
- 32.2 The Specification should incorporate measurable and, so far as is possible, objective quality and performance criteria to enable the Director to see whether the Council's requirements are being met by the Supplier.
- 32.3 If an Officer is intending to allow Consultants who assist in the preparation of a Specification to be invited to tender for the Contract, advice must be sought from Strategic Procurement and Legal Services.

33. TERMS AND CONDITIONS – Non-EU Tenders

- 33.1 The Director must use the Council's standard contract for Contracts below the EU Threshold for inclusion in the ITT **[insert hyperlink]** which shall clearly specify:
- § the price and terms for payment by the Council; and
 - § when the Contract will be performed (start and end dates).
- 33.2 The Supplier's terms and conditions must not be used unless agreed otherwise by Legal Services.
- 33.3 All Contracts must provide for payment by the Council after supply of the Works, Goods or Services (which includes performance related milestones). Exceptionally, and only with the consent of the Director of Resources, a Contract may provide for payment in advance.
- 33.4 Terms and conditions must be issued with the ITT.

34. BONDS AND PARENT COMPANY GUARANTEES

Refer to **Rule 44**.

35. AUTHORITY TO INVITE AND EVALUATE TENDERS AND AWARD CONTRACTS – Non-EU Tenders See **Procurement Quick Reference Guide No.9 Approvals and Scrutiny** [[insert hyperlink](#)]

35.1 Directors have delegated authority under the scheme of Delegation as set out in Part 3, Section 9 of the Constitution to invite and evaluate Tenders and to award Contracts below £300,000 (Key Decision) provided that a budget has been allocated for that expenditure.

35.2 For Contracts of £300,000 (Key Decision) and above, consent from the relevant Scrutiny Committee and Executive Councillor to invite and evaluate Tenders (and, if appropriate, delegation to award Contracts) must be obtained before any procurement documents are issued. In order to get a report to the relevant Scrutiny Committee, the Officer must publish a short description of the proposed procurement on the Council's Forward Plan at least 3 months prior to the relevant Committee meeting. In order to obtain authority, a budget must have been allocated for the proposed expenditure.

36. TENDER PROCEDURE – Non-EU Tenders

36.1 The Tender procedure must be followed when letting Contracts of £50,000 or more in value.

36.2 Select a shortlist of at least **4** Suppliers to be invited to tender from responses to an advertisement on the Council's own website and Source Cambridgeshire (both mandatory).

36.3 To ensure genuine competition, a minimum number of **4** Suppliers must be invited to tender. If there are fewer than **4** expressions of interest in being invited to tender or fewer than **4** satisfactory PQQs (where a PQQ is used), then the minimum number of Suppliers to be invited to tender may be reduced as appropriate. Strategic Procurement must be consulted if there is only one remaining suitable Supplier.

36.5 The ITT [[insert hyperlink](#)] must include :

- § instructions to tenderers;
- § the Council's Specification;
- § the terms and conditions of Contract;
- § a form of tender for completion by the tenderer. The form of tender must acknowledge that the Council is not obliged to accept the lowest or any tender. The form of tender must also state that the tender will remain open for acceptance by the Council for a period of **90 days** after the last date for receipt of tenders, or such other period as appropriate;
- § if appropriate, a pricing document for completion by the tenderer; and
- § if the Contract may involve the transfer of employees under TUPE, from the Council to a Contractor or from one Contractor to another, all relevant information relating to those employees in an anonymised format **provided** tenderers have signed a confidentiality undertaking. It is the responsibility of the Director to obtain full and accurate employee information in sufficient time to include it in the ITT.

36.6 Sufficient time must be allowed for submission of tenders. The minimum is **20** working days from the date of the ITT, but this may vary depending on the urgency or complexity of the requirement and, if less than 20 working days, is subject to prior approval from the Director responsible for the Contract.

36.7 Amendments to ITT documents, made after the invitations have been sent out, must be clearly headed "**ITT Amendment**" and sent to all Suppliers who have been invited to tender. One or more amendments must be numbered consecutively. Amendments

must be sent out in sufficient time to allow Suppliers to adjust their Tenders before close of Tenders. If necessary, the tender period must be extended to allow for this.

- 36.8 Officers are permitted to provide clarification of an ITT to tenderers but any clarifications must be issued to all tenderers at the same time.
- 36.9 Until the Contract has been awarded (ie signed or sealed, as appropriate, and dated), the information obtained at the opening of tenders is confidential to those involved in the opening process and those directly involved in evaluation of the Tenders. Confidentiality must be maintained and any breach reported to the Council's Monitoring Officer.
- 36.10 On receipt, the Tenders must be:
- § date stamped
 - § marked with the time of receipt on the Tender envelope
 - § initialled by the receiving representative of the Director of Resources
 - § stored safely to guard against any amendment of its contents
 - § logged immediately in the Tender Record Book
- 36.11 The Director of Resources must ensure that all Tenders are opened at the same time once the tender period has ended. A representative of the Director of Resources and the Officer or his/her representative must be present at the Tender opening.
- 36.12 A tender that does not comply with the instructions to tenderers or is conditional must be treated as non-compliant and rejected. **Non-compliant tenders must not be evaluated unless the Strategic Procurement Adviser advises otherwise.**
- 36.13 Upon opening, the Officer must record in the Tender Record Book:
- § the Works, Goods or Services to be supplied;
 - § the name of each tenderer;
 - § the amount of each Tender or such other information as may be relevant to the procurement;
 - § the date and time of opening of each Tender;
 - § the names of all persons present at the time of opening.
- The Director's representative must certify the record as correct.
- 36.14 Negotiations with Suppliers who have tendered for a Contract are not permitted by EU law and are therefore unlawful, regardless of whether the value of the Contract is above or below the EU Threshold. After Tenders have been opened, **and before the Tenders have been scored**, the Officer, in consultation with Strategic Procurement may require one or more Tenders to be clarified by the tenderer. Clarification questions and answers must be fully documented and the relevant clarifications incorporated in the Contract Document. Clarifications must not make any substantive changes to the Tender. Tenders must not be scored until clarifications have been completed.
- 36.15 A Supplier's Tender is his offer to the Council, which the Council may accept as it stands. Once submitted, a tenderer cannot alter the amount of the Tender or any of his Tender proposals. If a tenderer attempts to alter his tender after the last date for receipt of Tenders, he must be given the opportunity to stand by or withdraw his original Tender. The Council may correct an obvious arithmetical error e.g. £2000 + £2000 = £5000 can be corrected to £4000.

37. EVALUATION OF NON-EU TENDERS – see **Rule 18** and **Procurement Quick Reference Guide No.14 Evaluation of Tenders or Quotations** [\[insert hyperlink\]](#)

- 37.1 Confidentiality of Tenders and the identity of tenderers must be maintained at all times and information about one tenderer's response must not be divulged to another tenderer.
- 37.2 The Head of Legal Services must be consulted before responding to a Freedom of Information request regarding a current or recent tendering process.
- 37.3 Tenders should normally be evaluated on the basis of 'most economically advantageous' to the Council. The basis of evaluation must be stated in the ITT. If the basis of evaluation is 'most economically advantageous', the criteria for evaluation must be set out in the ITT with the weightings to be given to them.
- 37.4 If the basis of evaluation is price only, only the lowest compliant Tender (if payment is to be made **by** the Council) or the highest compliant Tender (if payment is to be made **to** the Council) may be accepted.
- 37.5 If the basis of evaluation is 'most economically advantageous', an appropriate evaluation panel must consider the Tenders and evaluate them against the criteria and weightings stated in the ITT. The evaluation panel may include service users and/or external consultants but must not include elected members of the Council.
- 37.6 All valid Tenders received must be evaluated, and in accordance with the published Award Criteria.
- 37.7 Tenders must be accepted in accordance with the outcome of the evaluation or not at all.
- 37.8 If no suitable Tenders are received, Strategic Procurement must be consulted as to how the Works, Supplies or Service concerned may be procured.
- 37.9 A Tender that exceeds the budget allocated may only be accepted by the Director if it is within **5%** or less of the approved budget from the Business Case and approval to the additional expenditure is obtained from the Director of Resources **before** the Tender is accepted.
- 37.10 If a Tender exceeds the budget allocated by more than **5%** then either
- § a fresh Tender exercise is undertaken; or
 - § the Director must obtain the approval of the relevant Executive Councillor and the Director of Resources to accept the Tender.
- 37.11 For Concession Contracts, **Rules 37.9** and **37.10** shall apply if the Tender received is less than the Contract value by **5%** or more
- 37.12 If all valid Tenders are too high to be accepted and there is no further allocation of additional funds, the Director may delete part of the Specification and ask all Suppliers invited to tender to re-price and then re-submit their Tenders. In such cases, the Director must set out the deletion in a bill of reductions or other document, to be incorporated into the Contract Document.
- 37.13 If the Contract will result in the application of the TUPE, the Director must ensure that the successful tenderer has dealt with all employee matters including pay, conditions of employment and pension rights and benefits in his Tender and will give all appropriate indemnities in the Contract. Human Resources and Legal Services must be consulted early in all such cases.
- 37.14 The Director is responsible for producing a full tender report for the purposes of an audit trail and record keeping, which should :
- § confirm that the Tender procedure has complied with these Contract Procedure Rules;
 - § list the tenderers invited and Tenders received;
 - § list the evaluation criteria and weightings; and

§ show the scoring of Tenders on evaluation.

If the Director is not the decision maker, the Tender report must be sent to the decision maker before the decision to award the Contract is made.

38. AWARD OF THE CONTRACT – Non-EU Tenders

38.1 Refer to [Rule 35](#).

38.2 As soon as practicable after the decision to award the Contract has been made, the Director must write to inform the successful and unsuccessful tenderers of that decision.

38.3 If an unsuccessful Supplier requests in writing reasons for the decision, the Officer must comply with the Council's corporate response standard but in any event a written response must be provided within **10** days of the request.

39. SIGNATURE OF CONTRACT – Non-EU Tenders

39.1 The Supplier must not be allowed to begin work on the Contract until the Contract Document has been signed or sealed as appropriate by both parties. See guide to Process for Award and Signature of Contracts [\[insert hyperlink\]](#)

39.3 Contracts for Tenders must be signed for and on behalf of the Council by the Director responsible for the Contract personally (unless advised by Legal Services that the Contract should be sealed due to the risk or complexity of the Contract).

39.4 An award letter or letter of intent must not be used instead of a Contract (unless agreed otherwise by Legal Services).

39.5 Works Contracts are generally executed as deeds, by affixing the Council's Common Seal (unless agreed by Legal Services that the Contract can be signed).

Part 7 – EU TENDERS

Contracts over the EU Threshold

See [Procurement Quick Reference Guide No.13c Inviting a Tender \(ITT\) \[insert hyperlink\]](#)

40. COMPETITION

Competitive Tenders must be sought for Contracts over the EU Threshold.

41. PRELIMINARY STEPS – EU Tenders

41.1 Strategic Procurement must be consulted to determine the most appropriate method of conducting the procurement, taking into account the principles in the [["Guide" – insert hyperlink](#)].

41.2 At the same time as consulting Strategic Procurement, full instructions must be given to Legal Services to draft or approve terms and conditions of Contract.

41.3 A business case must be prepared, which must include provision for resources for the management of the Contract for its entire duration.

42. SPECIFICATION – EU Tenders [See Procurement Quick Reference Guide No.10 Specification Writing \[insert hyperlink\]](#)

42.1 A clear and comprehensive Specification of the Council's requirements must be prepared with regard to the Works, Goods or Services to be supplied.

42.2 All Works, Goods and Services must be specified by reference to European standards, or national standards if no European standards are set. Named products or manufacturers must not be specified. Although the words "or equivalent" may be used, it is preferable to describe the features of a particular product.

42.3 The Specification should incorporate measurable and, so far as is possible, objective quality and performance criteria to enable the Director to see whether the Council's requirements are being met by the Supplier.

42.4 All necessary professional and technical advice and assistance must be obtained in preparing the Specification, to ensure a comprehensive document that expresses the Council's requirements and protects its interests. If it is intended to allow Consultants who assist in the preparation of a Specification to be invited to tender for the Contract, advice must be sought from Strategic Procurement and Legal Services. The people who prepare the Specification should, as a rule, be part of the panel that will evaluate the Tenders.

42.5 Generally, the OJEU contract notice or other advertisement inviting Tenders must not be published until the Specification has been drafted.

43. TERMS AND CONDITIONS – EU Tenders

43.1 Full instructions must be given to Legal Services at the earliest opportunity to draft the terms and conditions of contract or to approve standard terms and conditions of contract e.g. JCT.

43.2 The Director must :

- § Require the Supplier to maintain appropriate and adequate levels of insurance cover, in consultation with the Council's Support Services Manager, for (as appropriate) employer's liability, public liability, products liability, all risks/contract

works and professional indemnity insurance. Unless otherwise agreed by the Support Services Manager, the minimum levels of cover shall be

§ £5 million for employer's liability insurance

§ £5 million for public liability and products liability insurance

§ £2 million for professional indemnity insurance.

All policies must contain an 'indemnity to principal' clause (ie the Supplier's insurance policy will be extended to the Council as if the Council was the insured person).

§ Ensure that the Supplier holds the required insurance cover at the start of the Contract and renews the policies as necessary during the Contract period.

43.3 All Contracts, whatever their value, must provide for payment by the Council after supply of the Works, Goods or Services (which includes performance related milestones). Exceptionally, and only with the consent of the Director of Resources, a Contract may provide for payment in advance.

44. BONDS AND PARENT COMPANY GUARANTEES

44.1 For every Contract of £300,000 or more in value, the Director must decide, taking appropriate advice, whether the circumstances justify the Council requiring the Supplier to provide a Parent Company Guarantee. If the Supplier does not have a parent company or the parent company is not approved under [Rule 44.4](#), the Supplier may be required to provide a Bond.

44.2 If a Bond is required, the amount of the Bond must be not less than **10%** of the total Contract value or the whole of the annual Contract value, unless agreed otherwise by the Director of Resources.

44.3 A Bond may be required where the Council intends to make staged payments in advance of receiving the whole of the deliverable under the Contract and there is concern about the financial stability of the provider.

44.4 The parent company or the surety for a Bond must be approved by the Director of Resources.

44.5 All Parent Company Guarantees and Bonds must be in a form approved by Legal Services. A specimen of the Parent Company Guarantee and Bond must be included in the ITT.

45. AUTHORITY TO INVITE AND EVALUATE TENDERS AND AWARD CONTRACTS – EU Tenders [See Procurement Quick Reference Guide No.9 Approvals and Scrutiny \[insert hyperlink\]](#)

45.1 Directors have delegated authority under the scheme of Delegation as set out in Part 3, Section 9 of the Constitution to invite and evaluate Tenders and to award Contracts below £300,000 (Key Decision) provided that a budget has been allocated for that expenditure.

45.2 For Contracts of £300,000 (Key Decision) and above, consent from the relevant Scrutiny Committee and Executive Councillor to invite and evaluate Tenders (and, if appropriate, delegation to award Contracts) must be obtained before any procurement documents are issued. In order to get a report to the relevant Scrutiny Committee, the Officer must publish a short description of the proposed procurement on the Council's Forward Plan at least 3 months prior to the relevant Committee meeting. In order to obtain authority, a budget must have been allocated for the proposed expenditure.

45.3 The OJEU contract notice or other advertisement inviting Tenders must not be published until the Director or Scrutiny Committee/Executive Councillor (as appropriate) has made the decision to invite and evaluate Tenders and the decision has been recorded in writing.

46. ESTABLISHING A NEW FRAMEWORK AGREEMENT

46.1 Legal Services and Strategic Procurement must be consulted before setting up a new Framework Agreement for the Council.

46.2 Prior to commencing a Tender exercise to set up a new Framework Agreement, approval must be obtained from the relevant decision maker – see [Rule 45](#).

46.2 A Framework Agreement must not be longer than **4 years** unless specifically agreed with the Head of Legal Services.

46.3 A Framework Agreement may be entered into with a single Supplier. However, a multi-Supplier Framework Agreement must be entered into with a minimum of **3** Suppliers.

47. TENDER PROCEDURE – EU Tenders See [Procurement Quick Reference Guide No.13c Inviting a Tender \(ITT\)](#) [\[insert hyperlink\]](#)

47.1 The Tender procedure must be followed, in consultation with Strategic Procurement and Legal Services, when letting Contracts above the EU Threshold or when setting up a new Framework Agreement.

47.2 The Director must first establish whether the EU Regulations apply to a proposed Contract and if so the appropriate EU Regulations must be followed (as defined in consultation with Legal Services and/or Strategic Procurement).

47.3 Sufficient time should be built into the Tender procedure to prepare the Specification and terms and conditions of Contract. This will enable a smooth, timely and lawful Tender procedure.

47.4 The selection of Suppliers to be invited to tender for the Contract must follow the requirements of the EU Regulations. The Contract must be advertised in OJEU. OJEU notices must only be placed by Strategic Procurement (or, where used, a Central Purchasing Body such as ESPO), in consultation with Legal Services. Directors or consultants must not place OJEU notices themselves.

47.5 Whether or not the EU Regulations apply to a proposed Contract, a sufficient number of Suppliers must be invited to tender to ensure genuine competition. The minimum number is **5**. If there are fewer than **5** expressions of interest in being invited to tender or fewer than **5** satisfactory PQQs, then the minimum number of Suppliers to be invited to tender may be reduced, with the approval of Strategic Procurement and Legal Services.

47.6 Where a PQQ is used, as soon as possible after the selection of the shortlist of Suppliers to be invited to tender, Officers must write to any Suppliers who submitted a PQQ but who were not selected, informing them why they were not selected. If a Supplier who was not selected asks for further information on why he was unsuccessful, the Director must make arrangements for the de-briefing within **5** days.

47.7 The ITT must include :

- § the criteria and sub-criteria against which Tenders will be evaluated, the weightings that will be attached to the criteria and sub-criteria and the method of scoring to be used;

- § instructions to tenderers;
 - § the Council's Specification;
 - § the terms and conditions of Contract, in a form drafted by or approved by Legal Services;
 - § a form of tender for completion by the tenderer. The form of tender must acknowledge that the Council is not obliged to accept the lowest or any tender. The form of tender must also state that the tender will remain open for acceptance by the Council for a period of **90 days** after the last date for receipt of tenders, or such other period as appropriate.
 - § if a performance Bond is required, the form of tender must require the tenderer to state the amount, if any, by which his price will be increased for the provision of the Bond;
 - § if appropriate, a pricing document for completion by the tenderer; and
 - § if the Contract may involve the transfer of employees, from the Council to a Contractor or from one Contractor to another, all relevant information relating to those employees in an anonymised format **provided** tenderers have signed a confidentiality undertaking. It is the responsibility of the Director to obtain full and accurate employee information in sufficient time to include it in the ITT.
- 47.8 The time allowed for submission of PQQs and Tenders must comply with EU Regulations.
- 47.9 Amendments to ITT documents, made after the invitations have been sent out, must be clearly headed "**ITT Amendment**" and sent to all Suppliers who have been invited to tender. One or more amendments must be numbered consecutively. Amendments must be sent out in sufficient time to allow Suppliers to adjust their Tenders before close of Tenders. If necessary, the Tender period must be extended to allow for this.
- 47.10 Until the Contract has been awarded, the information obtained at the opening of Tenders is confidential to those involved in the opening process and those directly involved in evaluation of the Tenders. Confidentiality must be maintained and any breach reported to the Council's Monitoring Officer.
- 47.11 On receipt, the Tenders must be:
- § date stamped
 - § marked with the time of receipt on the Tender envelope
 - § initialled by the receiving representative of the Director of Resources
 - § stored safely to guard against any amendment of its contents
 - § logged immediately in the Tender Record Book
- 47.12 The Director of Resources must ensure that all Tenders are opened at the same time once the tender period has ended. A representative of the Director of Resources and the Officer or his/her representative must be present at the Tender opening.
- 47.13 A Tender that does not comply with the instructions to tenderers or is conditional must be treated as non-compliant and rejected. **Non-compliant Tenders must not be evaluated unless the Strategic Procurement Adviser advises otherwise.**
- 47.14 Upon opening, the Officer must record in the Tender Record Book:
- § the Works, Goods or Services to be supplied;
 - § the name of each tenderer;
 - § the amount of each Tender or such other information as may be relevant to the procurement;

- § the date and time of opening of each Tender;
- § the names of all persons present at the time of opening.

The Director's representative must certify the record as correct.

48. CLARIFICATION AND NEGOTIATION – EU Tenders

- 48.1 Negotiations with Suppliers who have tendered for a Contract through an Open or Restricted Procedure are not permitted by EU law and are therefore unlawful. After Tenders have been opened, **and before the Tenders have been scored**, the Director **must** consider whether advice is required from Strategic Procurement or Legal Services to determine whether one or more Tenders need to be clarified by the tenderer.
- 48.2 Clarifications must be designed to ensure that the Council has fully understood the Tender submitted. Clarifications must not make any substantive changes to the Tender.
- 48.3 Clarification questions and answers must be fully documented in a form approved by Legal Services and the relevant clarifications incorporated in the Contract Document.
- 48.4 Tenders must not be evaluated and scored until clarifications have been completed.

49. EVALUATION OF TENDERS – EU Tenders [Procurement Quick Reference Guide No.14 Evaluation of Tenders or Quotations \[insert hyperlink\]](#)

- 49.1 Tenders should normally be evaluated on the basis of 'most economically advantageous' to the Council. Exceptionally, Tenders may be evaluated on the basis of price only. The basis of evaluation must be stated in the OJEU contract notice and in any other advertisement.
- 49.2 If the basis of evaluation is price only, only the lowest compliant Tender (if payment is to be made **by** the Council) or the highest compliant Tender (if payment is to be made **to** the Council) may be accepted.
- 49.3 If the basis of evaluation is 'most economically advantageous', an appropriate evaluation panel must consider the Tenders and evaluate them against the criteria and weightings stated in the ITT. The evaluation panel may include service users and/or external consultants but may not include elected members of the Council. The evaluation panel should, as a rule, comprise those people who have had significant input into drawing up the Specification.
- 49.4 All valid Tenders received must be evaluated. Each member of the evaluation panel must make full notes of his/her evaluation and pass the notes to the project lead for retention as part of the record of the procurement.
- 49.5 Tenders must be accepted in accordance with the outcome of the evaluation or not at all.
- 49.6 If no suitable Tenders are received, the Director must consult Strategic Procurement as to how the Works, Supplies or Service concerned may be procured.
- 49.7 A Tender that exceeds the budget allocated may only be accepted by the Director of Resources if it is within **5%** or less of the original estimate and approval to the additional expenditure is obtained from the Director of Resources **before** the Tender is accepted.
- 49.8 If a Tender exceeds the budget allocated by more than **5%** then either
 - § a fresh Tender exercise is undertaken; or

- § the Director must obtain the approval of the relevant Executive Councillor and the Director of Resources to accept the Tender.
- 49.9 If the Contract will result in the application of the TUPE, the Director must ensure that the successful tenderer has dealt with all employee matters including pay, conditions of employment and pension rights and benefits in his Tender and will give all appropriate indemnities in the Contract. Human Resources and Legal Services must be consulted early in all such cases.

50. AMENDMENTS AND ALTERATIONS TO TENDERS – EU Tenders

- 50.1 A Supplier's Tender is his offer to the Council, which the Council may accept as it stands. Once he has submitted his Tender and it has been clarified if necessary, a tenderer is not permitted to make any alteration to the amount of the Tender or any of his Tender proposals.
- 50.2 If a tenderer attempts to alter his offer after the last date for receipt of Tenders, he must be given the opportunity to stand by or withdraw his original offer. Correction of an obvious arithmetical error in a fixed price Tender, may be accepted e.g. £2000 + £2000 = £5000 can be corrected to £4000.
- 50.3 A Tender that is qualified or expressed to be conditional upon the Council's acceptance of alterations to the Specification or the terms and conditions of Contract must be treated as non-compliant and rejected. **Non-compliant Tenders must not be evaluated.** This does not prevent the Council inviting variant bids (provided this was set out in the OJEU notice). If variant bids are invited, tenderers must be required to submit a mandatory reference bid based on the Specification and terms and conditions included in the ITT as well as their separate variant bid, so that all bids may be compared fairly.
- 50.4 Before a Tender has been accepted, a Director may ask all tenderers to hold their Tenders open for a longer period. Tenders should in any event remain open for acceptance for a period of **90 days** from the latest date for receipt of Tenders, or such other period as the Director considers appropriate, and the form of tender must make this clear.

51. AWARD OF THE CONTRACT – EU Tenders

- 51.1 Refer to **Rule 45** in respect of authority to award a Contract.
- 51.2 The Director is responsible for producing a full tender report for the purposes of an audit trail and record keeping, which should:
- § confirm that the Tender procedure has complied with these Contract Procedure Rules.
 - § list the tenderers invited and Tenders received;
 - § list the evaluation criteria and weightings; and
 - § show the scoring of Tenders on evaluation.
- 51.3 If the Director is not the decision maker, the recommendation to the decision maker to award the Contract must include the name of the successful tenderer, the length of the Contract and any options for extension and the price or estimated price of the Contract.
- 51.4 As soon as possible after the decision to award the Contract has been made, the Director must write to inform the successful tenderer of that decision. The letter **must** state that award of the Contract is subject to signature by both parties of the Contract Document, which will be sent to the tenderer by Legal Services. The letter must be sent by e-mail or fax.

- 51.5 At the same time as informing the successful tenderer, the Director must write to each unsuccessful tenderer (and each Supplier who was invited to tender but who did not submit a Tender). The standstill letter to the unsuccessful tenderers must be sent by e-mail or fax. See **Procurement Quick Reference Guide No.15 The Standstill Period** [\[insert hyperlink\]](#)
- 51.6 The standstill letter must be approved by Strategic Procurement and Legal Services before being issued.
- 51.7 If an unsuccessful tenderer asks for further information on why he was unsuccessful, the Director must immediately i.e. the same day arrange for the de-briefing.
- 51.8 The Contract Document must not be signed or sealed (as appropriate) before the expiry of **10** days (the standstill period) following the date the notification of the decision to award the Contract (the standstill letter) was sent.

52. SIGNATURE OF THE CONTRACT – EU Tenders

- 52.1 The Supplier must not be allowed to begin work on the Contract until the Contract Document has been signed or sealed as appropriate by both parties unless the written consent of the Head of Legal Services is obtained. See Guide to Process for Award and Signature of Contracts [\[insert hyperlink\]](#)
- 52.2 All Contracts executed as deeds must have the Council's Common Seal impressed on them, witnessed by the Head of Legal Services or an Officer authorised by him.
- 52.3 All Framework Agreements, Bonds and Parent Company Guarantees, and all Contracts of £300,000 (Key Decision) or more must be executed as deeds, unless agreed otherwise by Legal Services. Legal Services may direct that other Contracts must be executed as deeds due to the risk or complexity of the Contract.
- 52.4 Contracts over the EU Threshold (that are not deeds) must be signed for and on behalf of the Council by the Director who is responsible for the Contract and one other Officer unless the Head of Legal Services advises otherwise.

Part 8

For Contracts that have commenced

- 53. CONTRACT MANAGEMENT** See **Procurement Quick Reference Guide No.17 Managing your Contract and Preparing for the Next** [\[insert hyperlink\]](#)
- 53.1 Work under a Contract must not begin until the Contract Document has been signed or sealed and dated unless the written consent of the Head of Legal Services is obtained.
- 53.2 The Director must ensure that Strategic Procurement are advised of any Contracts entered into by his/her department.
- 53.3 Strategic Procurement or a Central Purchasing Body (such as ESPO) shall arrange for publication of a Contract award notice in OJEU, if appropriate.
- 53.4 For all Contracts over £50,000, the relevant Head of Service shall appoint a Contract manager for the duration of the Contract.
- 53.5 The Contract manager is responsible for :
- § managing the Contract and ensuring that it is carried out in accordance with its terms and conditions
 - § monitoring the Supplier's performance and ensuring compliance
 - § monitoring cost and value for money requirements
 - § monitoring equalities and sustainability data, where appropriate
 - § monitoring user satisfaction and risk management
 - § formal and documented periodic reviews (as a minimum, these should be quarterly)
 - § making the Supplier aware that he is expected to comply with the Council's policies
 - § ensuring that the Supplier maintains the insurance policies required by the Contract
 - § agreeing and recording any minor changes to the Contract before they are carried out
 - § keeping a record of all valuations, payments, claims, monitoring, changes and certificates under the Contract. Payments must only be made against a valid invoice
 - § deducting liquidated damages, if appropriate
 - § in consultation with Legal Services and the Director of Resources, consenting to sub-contracts, and assignments and novations to new Suppliers
 - § managing the transition between the ending of one Contract and the beginning of another.
- 53.6 The Director **must** consult Legal Services for consideration of the Council's legal position :
- § before any Contract is to be terminated or suspended

- § in the event of a claim for payment not clearly within the terms and conditions of Contract
 - § before making any deduction from payments due to a Supplier or withholding payment from a Supplier (unless provision is made for this in the Contract)
 - § before settling any dispute
 - § before making any extension to a Contract or variation of the scope of a Contract
 - § In the event that a Supplier enters into receivership or goes into liquidation.
- 53.7 At the end of any Contract over the EU threshold, the Contract manager must provide a written report to the relevant Director evaluating the extent to which the Contract met the purchasing need and contractual objectives as set out in the original Project Appraisal or Business Case.
- 53.8 If the Contract is to be re-let, the Contract manager's report should be available in sufficient time to inform the approach to re-letting any subsequent Contract.

54. RECORD KEEPING

- 54.1 For Contracts between £10,000 and £50,000 the following records must be kept:
- RFQ issued and Quotations received
 - Exemptions and the reason for them
 - The reason(s) why the lowest price was not accepted
 - Written communications with the successful Supplier or unsuccessful Suppliers
 - Approval decisions from the appropriate decision make.
- 54.2 For Contracts above £50,000 the following records must be kept:
- Approval decisions from Directors and Executive Councillors
 - Details of approved budget
 - Details of any options appraisal and resulting Business Case
 - Method used for obtaining Tenders
 - Written communications with Suppliers
 - Contracting decisions (e.g. withdrawal of an ITT; who to invite to submit a Quotation or Tender; award of Contract; decision to terminate a Contract; variation or extension to a Contract) and the reasons for them
 - Exemptions and the reasons for them
 - Award Criteria in descending order of importance
 - Tender documents issued and received from Suppliers
 - Records relating to Evaluation of Tenders
 - Clarifications and any post-tender negotiations, including minutes of any meetings and correspondence
 - Contract Documents
 - Post-Contract monitoring information
 - Written communication with the successful Supplier throughout the Contract period
- 54.3 Records must be retained for **6 years** for Contracts signed by hand and for **12 years** for Contracts signed/sealed as Deeds.

54.4 Written records relating to unsuccessful Suppliers may be microfilmed, scanned or stored after 12 months from Contract award, provided there is no dispute about the award.

55. EXTENSION TO DURATION OF CONTRACT

55.1 An extension to a Contract is an additional period at the end of the Contract, during which the Works or the Services to be carried out are a repetition of the Works or Services under the original Contract.

55.2 Unless a Contract specifically includes an option to extend its term, that Contract may not be extended unless an appropriate exemption is approved. The Contract will cease to exist at the end of its term.

55.3 If a Contract specifically includes an option to extend its term **and** :

- § the OJEU notice or other advertisements for the Contract stated that an extension Contract may be awarded; and
- § the estimated value of the Contract in the OJEU notice or other advertisements took account of the potential extended Contract; and
- § the extension represents good value for money for the Council,

then the Director may make a decision to award the extension Contract.

Once the extension has expired, that Contract will cease to exist.

56. VARIATION TO THE SCOPE OF CONTRACT

56.1 Provided that a budget has been allocated for that expenditure and value for money can be demonstrated, the Director may agree with a Supplier for him to carry out additional related Works or Services that were not included in the original Contract but which through unforeseen circumstances have become necessary and which either

- § cannot for technical or economic reasons be carried out or provided separately from those included in the original Contract without major inconvenience to the Council; or
- § could be carried out or provided separately but are strictly necessary to the later stages of the Contract.

56.2 Authorisation for the additional spend must be obtained from the appropriate decision maker.

56.3 Officers must consult Strategic Procurement or Legal Services before varying a Contract

Part 9

Exemptions to the Contract Procedure Rules

EXEMPTIONS

- 57.1 An exemption to the Contract Procedure Rules is a permission to let a Contract without complying with one or more of the Rules relating to competition requirements, e.g. by negotiating with one or more Suppliers prior to awarding a Contract.
- 57.2 An application for an exemption to allow a Contract to be let without genuine competition will not be granted without a cogent reason. A lack of time caused by inadequate forward planning is not a cogent reason and will not permit an exemption to the Rules. If an application to let a Contract without genuine competition is granted, the Officer responsible for the Contract must demonstrate that the price obtained is not in excess of the market price and that the Contract represents best value for money.
- 57.3 An exemption cannot be granted for Contracts over the EU threshold unless agreed with Legal Services that there are no cross-border competition requirements.
- 57.4 Only the Director of Resources, in consultation with the Head of Internal Audit and the Strategic Procurement Adviser, may grant an exemption to let a contract without genuine competition. Applications for exemptions must be made in writing using the Exemption Notification Form [\[hyperlink\]](#), copied to the relevant Director and signed by the Officer requiring an exemption.
- 57.5 Officers are responsible for ensuring that exemptions to the Rules are approved in advance of any action undertaken.
- 57.6 The Head of Internal Audit will keep a register of all exemptions.
- 57.7 An exemption may be granted subject to conditions

AUTOMATIC EXEMPTIONS

- 57.8 A written application will NOT be required for an automatic exemption, which will be granted where the relevant Director is satisfied that any of the following apply:
- (a) following completion of a procurement exercise within the previous 6 months, no satisfactory Tender or Quotation has been received;
 - (b) relates to the hiring of performance artists (and the Council's existing rules for selecting artists has been complied with);
 - (c) relates to Goods, Services or Works which are required urgently as a consequence of an emergency or some other unforeseen event or circumstance.

DRAFT

ASSESSMENT OF PROCUREMENT RISKS

In order to identify whether your low/medium value project is a high risk one that requires the Lead Officer to take the additional steps identified below when planning a procurement, please decide whether any of the risks listed in column 1 apply to your contract. If they do, please take the additional steps identified in column 3

Type of risk	Does this risk apply to your procurement Yes/No (please indicate)	Additional requirements
Your contract is likely to involve the transfer under TUPE of staff into or out of the Council or between contractors.		Contact Legal, Procurement and HR at the first stages of project planning to ensure appropriate technical input from the outset. Ensure that clear information about TUPE is included in all your procurement documents starting with the advertisement/OJEU notice.
You are proposing or a collaborative or shared procurement/contract		Contact Legal and Procurement at the outset of the project for advice about: <ul style="list-style-type: none"> • The need for a memorandum of understanding between the collaborating parties; • The type of procurement to be undertaken – whether a Framework contract or not. • Which authority is leading and providing the legal support for the project. Notify your Director of the proposed collaboration
Your contract involves the leasing or		Contact Legal, Procurement and VAT officer at the outset of the

Type of risk	Does this risk apply to your procurement Yes/No (please indicate)	Additional requirements
sale/transfer of the Council's capital assets to the contractor eg leasing office space, transferring vehicles, equipment		project
The contract requires the contractor to use a sub-contractor nominated by the Council		Contact Legal and Procurement at the outset of the project. Nominating sub-contractors should be avoided if at all possible
Your contract is a construction contract or a contract for construction related services eg architecture.		<p>Contact Legal. Do not use the Council's standard terms and conditions for these contracts. Unless the Head of Legal agrees, these contracts may not be completed by the Lead officer, Head of Service or Director.</p> <p>Construction and some construction-related contracts need to be under seal rather than signed. Only the Head of Legal Services can complete contracts under seal.</p>
The contractor will be holding the Council's money		<p>Contact Legal, Finance and Procurement. If at all possible the Council should avoid situations where a contractor holds money for the Council (eg for the sale of on-line tickets/collection of payments from Council tenants etc). If this is unavoidable you will need advice about how to safeguard the Council's position effectively.</p> <p>Notify your Director about the proposed procurement.</p>
Your contract is to be funded from external sources including grant money.		<p>Contact Legal and Procurement. You will need to ensure that your procurement/payment provisions/contract conditions/contract management fulfils any grant conditions. Failure to fulfil the grant conditions could lead to funding being withdrawn.</p>
Your contract will involve the Council being responsible for another body's		<p>Eg some types of collaborative projects. Contact Legal, Procurement and Finance for advice at the outset of the project.</p>

Type of risk	Does this risk apply to your procurement Yes/No (please indicate)	Additional requirements
money.		Notify your Director about the proposed procurement.
<p>Your contract is for services that are politically sensitive or contentious where the failure/default of the contractor would lead to the Council's public facing services being compromised/serious adverse publicity</p>		<p>Discuss with the Director (or officer to whom responsibility has been delegated) whether the decision to procure should be referred to the Executive Councillor (with or without pre-scrutiny) rather than taken at an officer level.</p> <p>Contact Procurement/Legal/Finance. If the contract is for a critical service where failure could jeopardise the delivery of public facing services extra safeguards will need to be incorporated in the procurement including:</p> <ul style="list-style-type: none"> • Stringent financial stability checks • Requiring Bonds and/or Parent Company Guarantees (if applicable) • Carefully drafted default and termination provisions in the contract • Clear requirements for regular management information reports • Clear contract management and monitoring regime
The contract is for a new or innovative service/initiative that the Council has not provided before		Contact Legal at the outset of the project to ensure that the Council has the power to act in the way you propose
The contract services need to start before the contract documents have been agreed and or completed.		This will be in <u>exceptional cases only</u> and you will need to contact the Head of Legal Services for permission before any services start in these circumstances. Legal will decide whether a Letter of Intent or similar is required to cover the pre-contract completion period.
The contract is likely to be company that		Contact Legal as early as possible to let them know that these

Type of risk	Does this risk apply to your procurement Yes/No (please indicate)	Additional requirements
is not registered in the UK or will be guaranteed by a company that is not registered in the UK guarantor		circumstances are likely.
You or the Contractor are proposing that the contractor's own terms and conditions are used.		Contact Legal at the outset of the project. In some circumstances eg contracting with a Bank, the use of the contractor's terms and conditions is unavoidable and you just need to be aware of the impact of the contract terms
Your contract may involve particular issues with confidentiality, data protection, intellectual property rights or software, or the contractor is likely to need access to the Council's computer server or web sites.		Contact IT Client services and Legal at the outset of the project
The contract value will exceed the EU procurement thresholds.		Contact Legal and Procurement at the outset of the project. In some cases it may be possible to use an existing (EU compliant) framework agreement rather than run an entirely new procurement but that will have to be reviewed properly as part of options analysis work.
You intend to make use of an existing Framework Agreement for the first time		Consult Legal and Procurement at the outset of the project. Where use of a Framework Agreement is validated, repeat uses will generally not need to be referred back to Legal or Procurement.
You intend to contract with a supplier who has a known previously poor performance/ delivery track record		Consult Legal and Procurement at the outset of the project. There may be occasions where this situation is unavoidable and the commercial/ contract approach will need to seek to minimise risk of delivery/ service failure. Notify your Director about the proposed procurement.

Cambridge City Council Equality Impact Assessment



Completing an Equality Impact Assessment will help you to think about what impact your strategy, policy, plan, project, contract or major change to your service may have on people that live in, work in or visit Cambridge, as well as on City Council staff.

The template is easy to use. You do not need to have specialist equalities knowledge to complete it. It asks you to make judgements based on evidence and experience. There are guidance notes on the intranet to help you. You can also get advice from David Kidston, Strategy and Partnerships Manager on 01223 457043 or email david.kidston@cambridge.gov.uk or from any member of the Joint Equalities Group.

1. Title of strategy, policy, plan, project, contract or major change to your service:

CONTRACT PROCEDURE RULES - PART 4G OF THE CONSTITUTION

2. What is the objective or purpose of your strategy, policy, plan, project, contract or major change to your service?

The Rules set out the framework for the conduct of procurement within the Authority

3. Who will be affected by this strategy, policy, plan, project, contract or major change to your service? (Please tick those that apply)

Residents

Visitors

Staff

A specific client group or groups (please state):
Organisations that bid, or want to bid, for Council contracts

4. What type of strategy, policy, plan, project, contract or major change to your service is this? (Please tick)

New

Revised

Existing

5. Responsible directorate and service

Directorate: Resources

Service: Strategic Procurement

6. Are other departments or partners involved in delivering this strategy, policy, plan, project, contract or major change to your service?

No

Yes (please give details):

Procurement is undertaken by all departments and services and the Rules will therefore apply to and be implemented by all parts of the Authority. External organisations that bid for our contracts will have to do so in compliance with our Rules and they are therefore affected by the regime that is put in place.

A fundamental requirement of procurement processes is that all potential bidders are treated equally.

7. Potential impact

Please list and explain how this strategy, policy, plan, project, contract or major change to your service could **positively** or **negatively** affect individuals from the following equalities groups.

When answering this question, please think about:

- The results of relevant consultation that you or others have completed (for example with residents, people that work in or visit Cambridge, service users, staff or partner organisations).
- Complaints information.
- Performance information.
- Information about people using your service (for example whether people from certain equalities groups use the service more or less than others).
- Inspection results.
- Comparisons with other organisations.
- The implementation of your piece of work (don't just assess what you think the impact will be after you have completed your work, but also think about what steps you might have to take to make sure that the implementation of your work does not negatively impact on people from a particular equality group).
- The relevant premises involved.
- Your communications.
- National research (local information is not always available, particularly for some equalities groups, so use national research to provide evidence for your conclusions).

(a) Age (any group of people of a particular age, including younger and older people)

The Rules will not have any positive or negative impact on any particular age group.

(b) Disability (including people with a physical impairment, sensory impairment, learning disability, mental health problem or other condition which has an impact on their daily life)

The Rules will not have any positive or negative impact on any particular disability group.

(c) Gender

The Rules will not have any positive or negative impact on any particular gender group

(d) Pregnancy and maternity

The Rules will not have any positive or negative impact on any applicants that are pregnant or who have children

(e) Transgender (including gender re-assignment)

The Rules will not have any positive or negative impact on any particular transgender group.

(f) Marriage and Civil Partnership

The Rules will not have any positive or negative impact in terms of marriage or civil partnerships

(g) Race or Ethnicity

The Rules will not have any positive or negative impact on any particular racial or ethnic group.

(h) Religion or Belief

The Rules will not have any positive or negative impact on any particular religion or belief group

(i) Sexual Orientation

The Rules will not have any positive or negative impact in terms of the sexual orientation of any bidder or potential bidder for Council contracts

(j) Other factor that may lead to inequality (please state):

We consider that the extension of the requirement to advertise opportunities to apply for Council contracts and the requirement to include at least one locally based supplier on lists of suppliers to be invited to submit quotations will increase opportunities for SME and local companies which in the past have complained about the difficulty of accessing local work. The next stage in this project - to review the detail of the processes and to simplify the template documents (especially for lower value and low risk work)- will, we expect, further increase access to Council opportunities.

8. If you have any additional comments please add them here

9. Conclusions and Next Steps

- If you have not identified any negative impacts, please sign off this form.
- If you have identified potential negative actions, you must complete the action plan at the end of this document to set out how you propose to mitigate the impact. If you do not feel that the potential negative impact can be mitigated, you must complete question 8 to explain why that is the case.
- If there is insufficient evidence to say whether or not there is likely to be a negative impact, please complete the action plan setting out what additional information you need to gather to complete the assessment.

All completed Equality Impact Assessments must be emailed to David Kidston, Strategy and Partnerships Manager, who will arrange for it to be published on the City Council's website. Email david.kidston@cambridge.gov.uk

10. Sign off

Name and job title of assessment lead officer: Deborah Quincey, Strategic Procurement Adviser

Names and job titles of other assessment team members and people consulted:

Paul Necus, Head of Specialist Service

Steve Crabtree, Head of Internal Audit

Alka Kingham Contracts solicitor

Cambridge Chamber of Commerce - Policy Team

David Horspool, Director of Resources

Date of completion: 17th June 2013

Date of next review of the assessment: June 2015

Action Plan

Equality Impact Assessment title:

Date of completion:

Equality Group	Age
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

Equality Group	Disability
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

Equality Group	Gender
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

Equality Group	Pregnancy and Maternity
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

Equality Group	Transgender
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

Equality Group	Marriage and Civil Partnership
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

Equality Group	Race or Ethnicity
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

Equality Group	Religion or Belief
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

Equality Group	Sexual Orientation
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

Other factors that may lead to inequality	
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

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CAMBRIDGE CITY COUNCIL

REPORT OF: Returning Officer/Electoral Registration Officer

TO: Civic Affairs Committee

26/6/2013

WARDS: None directly affected

ELECTIONS MAY 2013 (REVIEW), ELECTIONS 2014 (ISSUES), INDIVIDUAL ELECTORAL REGISTRATION AND CONSULTATION ON ELECTORAL FRAUD

1. INTRODUCTION

The purpose of this report is to review elections held on 2 May 2013, highlight some issues that will need to be addressed in relation to the 2014 elections, update on the introduction of Individual Electoral Registration and highlight an Electoral Commission issues paper on fraud.

2. RECOMMENDATIONS

- i) That the Committee notes the issues raised in the report, and to give feedback on any matters concerning the running of the elections which it wishes the Returning Officer to consider further in planning and running future elections.
- ii) To agree that the Annual Meeting of the Council is held on Thursday 12 June 2014 if the date for local elections are confirmed for 22 May and that officers report to the next meeting with committee dates for the 2014/15 Municipal Year.
- iii) Agree that a response to the Electoral Commission's issues paper on electoral fraud (para 6), will be circulated to the committee, with the final response sent following consultation with Chair and spokes.

3. ELECTIONS 2013

Project planning

- 3.1 This year was a county council election year (there was one city council by-election held on the same day in the Abbey ward). The County Council Returning Officer (RO) met with Electoral Services Managers in January to agree the RO's requirement for the County Council elections which were carried out in each district by a Local Returning Officer under the RO's direction. It was at this meeting that the RO advised of her decision to hold the count at the same time across the County, commencing at 10am on Friday 3 May. There were two more meetings with the RO in the build up to polling day.

An Election Project Team, chaired by the Electoral Services Manager, and comprising officers from across the Council was tasked with leading on the known service requirements to run a successful election. This year it was only required to meet twice in the run up to the elections and dealt primarily with operational issues. An Election Steering Group, chaired by the Local Returning Officer met at least monthly from January. Its role was to monitor progress against the project plan, statutory electoral timetables and consider any ad-hoc matters.

A mini-Canvass was carried out in January with the revised Register of Electors published on 1 March. This had been planned because of our concern of the implications for registration of the earlier Canvass in 2012, which had been required so the Police and Crime Commissioner election could be held in November 2012.

Member briefing

- 3.2 A briefing paper on the preparation for the elections was sent to members of the Council on 8 March. The local party agents were briefed on 28 February.

Communication

- 3.3 The County Council led on the County elections. There were updates to the City Council website, with prominence given to electoral news on the homepage and links to the County Council website as requested. Press releases notifying the media of key deadlines were co-ordinated with County Council messages.

Correspondence

- 3.4 The Customer Service Centre received 569 telephone calls during April this year (compared to 703 over the same period in 2012). A

further 369 were received directly into the Electoral Services office. The Electoral Services office received 525 election related e-mails this year, compared with 433 in 2011.

Training

- 3.5 The Returning Officer required every person working at a polling station to receive training – if they did not attend the training they would not be employed. We held 3 training sessions for Presiding Officers and 4 sessions for poll clerks using training information provided by the Electoral Commission and adapted to local circumstances and using case studies from the last couple of years as learning points.

Issue of postal votes

- 3.6 Postal vote packs were issued in-house and 100% were handed over to Royal Mail for delivery on Friday 19 April, two days after the application deadline. The total number of postal vote packs issued was 11,041. The total number re-issued because of being spoilt, lost or not received was 4, compared to 17 in 2012.

Opening of postal votes

- 3.7 Postal votes were not opened daily as the volumes returned did not require it. 68.7% of postal votes were returned for inclusion in the count (70.5% in 2012).
- 3.8 Signature and date of birth checking was carried out for 100% of returned postal votes and 3.6% were rejected due to either an invalid or missing signature/date of birth. (2.5% in 2012). The number of postal votes received this year that had the signature and/or the date of birth missing was greater than in 2012, hence a higher proportion of rejects.

Polling stations

- 3.9 There were two different polling station locations from 2012. In King's Hedges, Arbury Court Library was used because Arbury Community Centre was being re-furbished. In Newnham, the University Sports Ground in Wilberforce Road was used as Newnham College Bar was being re-furbished. Newnham ward councillors expressed concern at the location of the venue prior to the election and formally complained afterwards on behalf of voters (poor location and unhelpful map on poll card, the station was on the

first floor and the lift had no working light for part of the day). The Returning Officer wrote to the ward councillors on 7 May advising that they would be consulted seeking ideas for possible alternative locations as part of the review of polling districts this autumn. The Chair of Civic Affairs Committee in answer to an oral question at Council on 23 May also asked that any new polling station should be subject to an Equalities Impact Assessment (the Returning Officer already has obligations under the Equality Act 2010). Officers did visit the venue prior to booking and used Electoral Commission checklists on accessibility.

- 3.10 Overall there were 43 stations, with 43 Presiding Officers and 105 poll clerks.

Inspectors

- 3.11 Four Polling Station Inspectors were responsible for checking all the polling stations at least twice during the course of the day. This was in addition to the Returning Officer visiting all polling stations.

The Count

- 3.12 Staffing was 6 counters per ward (except for Abbey which had 8 because of the city by-election) and as last year, the Small Hall was used to count five of the 14 wards, with a Deputy Returning Officer overseeing proceedings.
- 3.13 The process of getting into the Halls could have been better with party workers concerned that they would not be in situ in time for the start. However, everyone was in place for the count to commence at 10am.
- 3.14 For 2013, as in 2012, there was a single election to verify and count. In both years, using both Large and Small Halls the count was completed within 5 hours of close of poll. For May 2014-2016, there will be combined elections which will extend the time it takes to complete the count considerably and consideration will need to be given to the best arrangements for dealing with this.

Complaints

- 3.15 Other than the complaints about Newnham polling station referred to above, we received two complaints. One concerned someone who had not received a poll card and one concerning the RNIB approved template to assist visually impaired voters. We have referred a

matter to the Police where a person contacted the electoral services manager after the election alleging that their signature was forged on a candidate's nomination paper. The case is on-going.

4. ELECTIONS IN MAY 2014

- 4.1 The Government has consulted on moving the date of local elections from 1 May to 22 May 2014, the date of the European Parliamentary elections. The Government is yet to make its decision but elections were combined on the last two occasions (in 2004 and 2009) so it is likely.
- 4.2 The Annual Meeting in 2014 is currently scheduled for 22 May. If the local elections are moved to 22 May, the Annual Meeting will have to move. It is suggested the Annual Meeting moves to Thursday 12 June which will give a comparable period of time between election and Council meeting. There will be a knock on effect on the June/July decision making cycle which will be reported to the 19 September meeting of this committee.

5. INDIVIDUAL ELECTORAL REGISTRATION (IER)

- 5.1 IER is due to be introduced in July 2014 and will change the way that people register to vote. When a resident applies to register, they will need to provide their date of birth and national insurance number in addition to name, address and nationality.
- 5.2 IER's objectives stated by the Government are: increasing trust in voter registration; encouraging personal responsibility for your vote; introducing more convenient channels for registering and; reducing the risk and perception of electoral fraud.
- 5.3 Introducing such a significant change to the way registration is carried out will provide real challenge and there may be resource implications because of the make-up of the Cambridge electorate (high numbers of students and the transient nature of the population). IER is listed in the Executive Councillor for Customer Services and Resources portfolio plan 2013/14 and the Returning Officer is taking a project planning approach to delivery. The Electoral Services Manager is a member of a national panel reporting to the Cabinet Office on the issues IER raises for student electoral registration.

5.4 There will be a member briefing on IER at 6pm on 10 July to which political party agents have been invited. This committee will be kept informed as the implementation of IER progresses.

6. ELECTORAL COMMISSION ISSUES PAPER ON ELECTORAL FRAUD

6.1 The Electoral Commission is of the view that there is a consistent underlying level of concern among voters about electoral fraud in the UK. These concerns are shared by a broad range of people with experience of standing for election or running elections, and are particularly focused on specific areas of the country (Cambridge is not one of these areas).

6.2 In 2012 the Electoral Commission commenced a wide-ranging review to identify whether there are opportunities to improve confidence in the security of electoral processes in the UK. It recognises that there is an important balance to be sought between ensuring the integrity of electoral processes while guarding against risks to effective voter participation.

6.3 It published an evidence and issues paper, which set out information about electoral fraud in the UK and about concerns which people have raised during the initial consultation. (see www.electoralcommission.org.uk/voter-registration/electoral-fraud). The issues paper is wide-ranging and makes proposals covering postal voting, proxy voting, voting at polling stations and electoral registration

6.4 The Electoral Commission is clear that any changes to the electoral system need to take into account the impact on security and accessibility:

Security- ensuring everyone can be confident that their vote gets counted, that no one can steal or interfere with their vote, and that any fraudulently cast vote does not affect the result of an election.
Accessibility - ensuring that everyone who is eligible to vote gets the chance to vote without facing unnecessary or disproportionate barriers.

6.5 The Chair has requested that the Council responds to the Electoral Commission's issues paper because the changes suggested would have an impact on voters and a greater impact on candidates, political parties and campaigners.

- 6.6 Deadline for submissions in response to the issues paper is 9 August. Its final conclusions and any recommendations for change will be published by autumn 2013, in time for any legislation to be introduced before the end of the current Parliament.
- 6.7 It has not been possible to produce a response in time for the committee meeting. Therefore, officers will produce a draft response, circulate it to the Committee for comment and finalise the submission in consultation with the Chair and spokes.

7. IMPLICATIONS

- (a) **Financial Implications** - none
- (b) **Staffing Implications** - none
- (c) **Equal Opportunities Implications** – there will be an equality impact assessment of any proposed polling station prior to it being confirmed.
- (d) **Environmental Implications** - none
- (e) **Community Safety** - none

BACKGROUND PAPERS: There were no background papers.

The contact officer for queries on the report is Gary Clift 01223 457011
gary.clift@cambridge.gov.uk

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