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30 June 2017

To: Chairman – Councillor Andrew Fraser
Vice-Chairman – Councillor Grenville Chamberlain
Members of the Audit and Corporate Governance Committee – Councillors
John Batchelor, Simon Crocker, Christopher Cross, Roger Hall,
Douglas de Lacey, Tony Orgee and John Williams

Quorum: 3

Dear Councillor

Please find attached a supplementary report for the meeting of **AUDIT AND CORPORATE GOVERNANCE COMMITTEE**, which will be held in **MONKFIELD ROOM, FIRST FLOOR** at South Cambridgeshire Hall on **FRIDAY, 30 JUNE 2017** at **9.30 a.m.**

Members are respectfully reminded that when substituting on committees, subcommittees, and outside or joint bodies, Democratic Services must be advised of the substitution *in advance of* the meeting. It is not possible to accept a substitute once the meeting has started. Council Standing Order 4.3 refers.

Yours faithfully

Alex Colyer

Interim Chief Executive

The Council is committed to improving, for all members of the community, access to its agendas and minutes. We try to take all circumstances into account but, if you have any specific needs, please let us know, and we will do what we can to help you.

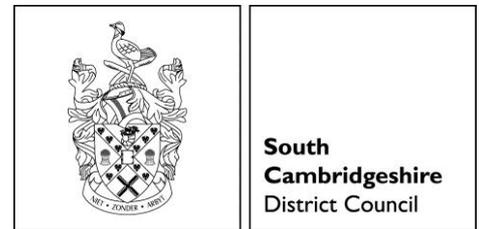
AGENDA

9. **Statement of Accounts**

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Agenda Item 9



REPORT TO: Audit and Corporate Governance
LEAD OFFICER: Interim Chief Executive

30 June 2017

Statement of Accounts 2016/17 (subject to audit)

Purpose

1. To note the main statements that will form part of the Council's Narrative Report and Statement of Accounts.

Recommendations

2. The Audit and Corporate Governance Committee is asked to note the statements attached at **Appendix A**.

Background

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

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

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.

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.

4. The requirements and timetable to prepare, audit and publish the accounts are governed by the Accounts and Audit Regulations 2015. For 2016/17 the regulations require the accounts to be approved by the Chief Financial Officer by 30 June, and approved by a committee of the Council (or the full Council) and published by 30 September.

Considerations

5. At this stage work continues to produce the full statement of accounts, including the narrative report, cash flow and supporting notes. The process of producing accounts under International Financial Reporting Standards is complex and involved and requires a significant and concentrated staff commitment to meet statutory deadlines.

6. The Principal Accountant who has prepared the accounts for a number of years unexpectedly took early retirement in February. The interim Principal Accountant who took over also moved on at the end of March. We now have two very experienced interims working to ensure that the accounts are ready for external audit by 24 July 2017 at the start of the final audit visit. These accountants have been working closely with the external auditors to understand how the accounts have been produced in previous years and their requirements for audit working papers. The main statutory financial statements have been drafted and are included at **Appendix A**. Work continues to complete the full statement of accounts.
7. The 2016/17 audit of accounts is being undertaken by Ernst & Young (EY). Representatives of EY will be present at the meeting to give the Committee a verbal update on the progress of the audit.
8. Should any changes to draft accounts be required at the conclusion of external audit's work, these will be incorporated into the final version presented for approval and publication in September 2017. EY will also present their formal findings in September.
9. The draft statements outlined below will be published on the Council's website later today. The accounts and certain other related documents are available for inspection by members of the public for a period of 30 working days after the publication of the draft each year. This period will start on 1 July 2017 and end on 11 August 2017. In addition, electors (or their representatives) have the right to question the auditors about the accounts and to make certain objections in relation to unlawful items of account, failure to bring a sum into account or a loss or deficiency caused by wilful misconduct, during the inspection period.

Movement in Reserves Statement

10. The Movement in Reserves Statement presents the total actual reserves of the Council and their movement in the financial year. Not all reserves can be used to deliver services and The Code reflects this by reporting reserves in two groups – 'usable' and 'unusable'.
11. Usable reserves include the General Fund Reserve, Housing Revenue Account Reserve, earmarked reserves and capital receipts. Members are updated on the level of usable reserves as part of the Medium Term Financial Strategy and decisions on their use are made as part of the budget-setting process.
12. Unusable reserves are not available to use to provide services. These reserves include those reserves that hold unrealised gains and losses (eg the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences (eg the Capital Adjustment Account) shown in the Movement in Reserves statement line 'Adjustments between accounting basis and funding basis under regulations.

Expenditure and Funding Analysis

13. The Expenditure and Funding Analysis and the associated note analyse the adjustments between the funding and accounting basis across the Council's portfolios and other operating income and expenditure.

14. 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). They are therefore not reported as part of outturn.
15. 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

Comprehensive Income and Expenditure Statement

16. The CIES presents service income and expenditure in line with the Council's portfolios on a proper accounting basis.
17. 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 Council Tax and non-specific government grant income. Other comprehensive income and expenditure includes the movements in the revaluation reserve and the remeasurement gains and losses on the pension scheme as assessed by the scheme actuary.

Balance Sheet

18. The balance sheet details the value of the Council's assets, including property and investments, and liabilities including the loan from the Public Works Loan Board and the pension liability.

Options

19. The committee may propose amendments to the presentation of the statements.

Implications

20. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered: -

Financial

21. The actual working balances will be incorporated in the next review of the Medium Term Financial Strategy.

Legal

22. The Code constitutes proper accounting practice under the Local Government Act 2003 and local authorities are legally required to comply with the Code.

Risk Management

23. The short deadlines and increasing complexity allow less time for preparation, checking and reviewing and there is, therefore, also the risk that errors may occur in the statement of accounts.

Consultation responses

24. None.

Effect on Strategic Aims

25. This report has no direct implications for any of the strategic aims but any variation in the expenditure on individual services might have affected the achievement of the aims and objectives.

Background Papers

Where [the Local Authorities \(Executive Arrangements\) \(Meetings and Access to Information\) \(England\) Regulations 2012](#) require documents to be open to inspection by members of the public, they must be available for inspection: -

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

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Telephone: (01954) 713072

Single Entity Statements (2016/17)

South Cambridgeshire District Council

- Expenditure and Funding Analysis
- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement

V3.0

Expenditure and Funding Analysis

This statement shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting principles. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

This statement is new for 2016/17.

2015/16				2016/17		
Net Exp. Chargeable to the GF and HRA £000	Adj. between the funding and accounting basis £000	NET EXPENDITURE in CIES £000		Net Exp. Chargeable to the GF and HRA £000	Adj. between the funding and accounting basis £000	NET EXPENDITURE in CIES £000
2,981	400	3,381	Finance and Staffing	2,621	(130)	2,491
5,516	0	5,516	Environmental Services	6,014	0	6,014
1,495	28	1,523	Housing (General Fund)	1,742	49	1,791
(5,179)	(5,185)	(10,364)	Housing Revenue Account	(24,694)	16,219	(8,475)
1,389	0	1,389	Planning	2,372	0	2,372
144	0	144	Economic Development	127	0	127
378	0	378	Leader	366	0	366
2,040	0	2,040	Corporate and Customer Services	1,530	0	1,530
729	0	729	Strategic Planning & Transportation	648	0	648
0	(2,704)	(2,704)	Other Corporate Adjustments	0	(2,051)	(2,051)
9,493	(7,460)	2,033	Net Cost of Services	(9,275)	14,088	4,813
(14,722)	2,686	(12,036)	Other Income and Expenditure	(11,759)	175	(11,584)
(5,229)	(4,774)	(10,003)	(Surplus) / Deficit	(21,034)	14,263	(6,771)
(13,431)			Opening General Fund and HRA Balances	(18,660)		
(5,229)			(Surplus) / Deficit on General Fund and HRA Balance in year	(21,034)		
(18,660)			Closing General Fund and HRA Balances #	(39,694)		

#: For a split of this balance between the GF and HRA- see Movement in Reserves Statement

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2015/16- Restated				2016/17			
GROSS EXPEND- ITURE £000	GROSS INCOME £000	NET EXPEND- ITURE £000		GROSS EXPEND- ITURE £000	GROSS INCOME £000	NET EXPEND- ITURE £000	
31,909	(28,528)	3,381	Finance and Staffing		31,470	(28,980)	2,491
8,118	(2,602)	5,516	Environmental Services		13,149	(7,135)	6,014
2,038	(515)	1,523	Housing (General Fund)		2,473	(682)	1,791
20,035	(30,399)	(10,364)	Housing Revenue Account		44,520	(29,214)	15,306
3,661	(2,272)	1,389	Planning		4,551	(2,179)	2,372
151	(7)	144	Economic Development		143	(16)	127
473	(95)	378	Leader		465	(99)	366
2,740	(700)	2,040	Corporate and Customer Services		2,054	(524)	1,530
933	(204)	729	Strategic Planning & Transportation		1,496	(848)	648
(91)	(2,612)	(2,703)	Other Corporate Adjustments		(1,855)	0	(1,855)
69,968	(67,934)	2,033	Net Cost of Services		98,467	(69,677)	28,790
		4,265	Other Operating (Income)/Expenditure	7			5,447
		8,439	Financing and Investment (Income)/Expenditure	8			7,927
		(24,740)	Taxation and Non-Specific Grant (Income)	9			(24,958)
		(10,003)	(Surplus) / Deficit on Provision of Services				17,206
		(35,796)	(Surplus) / Deficit on Reval. of Non-current assets	12			(455)
		(11,386)	Remeasurement of the Net Defined Liability/(Asset)	20			3,044
		(47,182)	Other Comprehensive (Income) and Expenditure				2,589
		(57,185)	Total Comprehensive (Income) and Expenditure				19,795

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other resources. The surplus or deficit on the provision of services line shows the true economic cost of providing the authority'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 Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Earmarked Reserves-HRA	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
	11	6&11	11	6&11	11a	11b	11	12	
Balance at 1 April 2015	(10,253)	(6,146)	(3,178)	(9,425)	(6,364)	(433)	(35,799)	(205,209)	(241,008)
Movement in Reserves during 2015/16									
(Surplus) or Deficit on provision of services	(3,841)	0	(6,162)	0	0	0	(10,003)	0	(10,003)
Other Comprehensive (Income) & Expenditure	0	0	0	0	0	0	0	(47,181)	(47,181)
Total Comprehensive Income & Expenditure	(3,841)	0	(6,162)	0	0	0	(10,003)	(47,181)	(57,184)
Adjustments between accounting basis & funding basis under regulations	5	(1,266)	0	0	(2,126)	0	(2,200)	2,200	0
Net (increase) / decrease before transfers to earmarked reserves	(5,107)	0	(4,970)	0	(2,126)	0	(12,203)	(44,981)	(57,184)
Transfers to/from earmarked reserves	6	4,773	(4,773)	75	(75)	0	0	0	0
(Increase) / Decrease in 2015/16	(334)	(4,773)	(4,895)	(75)	(2,126)	0	(12,203)	(44,981)	(57,184)
Balance as at 31 March 2016	(10,587)	(10,919)	(8,073)	(9,500)	(8,490)	(433)	(48,002)	(250,190)	(298,192)
Balance at 1 April 2016	(10,587)	(10,919)	(8,073)	(9,500)	(8,490)	(433)	(48,002)	(250,190)	(298,192)
Movement in Reserves during 2016/17									
(Surplus) or deficit on provision of services	(18,564)	0	35,770	0	0	0	17,206	0	17,206
Other Comprehensive Expenditure and (Income)	0	0	0	0	0	0	0	2,589	2,589
Total Comprehensive Expenditure and Income	(18,564)	0	35,770	0	0	0	17,206	2,589	19,795
Adjustments between accounting basis & funding basis under regulations	5	(3,336)	(36,689)	0	(3,212)	(53)	(43,290)	43,290	0
Net (increase) / decrease before transfers to earmarked reserves	(21,900)	0	(919)	0	(3,212)	(53)	(26,084)	45,879	19,795
Transfers to/from earmarked reserves	6	1,785	(1,785)	0	0	0	0	0	0
(Increase) / Decrease in 2016/17	(20,115)	(1,785)	(919)	0	(3,212)	(53)	(26,084)	45,879	19,795
Balance as at 31 March 2017	(30,702)	(12,704)	(8,992)	(9,500)	(11,702)	(486)	(74,086)	(204,310)	(278,396)

BALANCE SHEET

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

31 March 2016				31 March 2017	
£000	£000		Note	£000	£000
510,556		Property, Plant and Equipment	25	483,719	
233		Intangible Assets	-	184	
2,598		Long Term Investments	33	9,102	
971		Long Term Debtors	32	970	
	514,358	Long Term Assets			493,975
46,931		Short Term Investments	33	43,395	
72		Inventories	-	88	
5,151		Short Term Debtors	27	10,851	
4,795		Cash and Cash Equivalents	15	23,553	
1,751		Assets Held for Sale	25	1,139	
	58,700	Current Assets			79,026
(13,981)		Short Term Creditors	28	(28,033)	
0		Cash and Cash Equivalents	15	(871)	
(2,921)		Provisions	29	(3,082)	
	(16,902)	Current Liabilities			(31,986)
(52,841)		Liability related to Defined Benefit Pension Scheme	20/34	(57,496)	
(205,123)		Long-term Borrowing	34	(205,123)	
	(257,964)	Long Term Liabilities			(262,619)
	298,192	Net Assets			278,397
(48,002)		Usable Reserves	11		(74,086)
(250,190)		Unusable Reserves	12		(204,311)
	(298,192)	Total Reserves			(278,397)

The accounts were issued subject to audit on 24th July 2017.

Signed 
Alex Colyer

Date: 30th June 2017

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