Huntingdonshire
DISTRICT COUNCIL

CORPORATE GOVERNANCE COMMITTEE - TUESDAY, 27 SEPTEMBER 2016

LATE AGENDA ITEM(S)

11. **APPROVAL OF THE 2015/16 ANNUAL FINANCIAL REPORT AND ANNUAL GOVERNANCE STATEMENT INCLUDING EXTERNAL AUDITOR'S REPORT** (Pages 3 - 178)

To consider the draft Auditors ISA 260 report and endorsement of the Annual Governance Statement, the Letter of Representation and the Annual Financial Report.

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Approval for Publication of the 2015/16 Annual Governance Statement and the Annual Financial Report
Meeting & Date:	Corporate Governance Committee – 27th September 2016
Executive Portfolio:	Strategic Resources: Councillor Jonathan Gray (Deputy Executive Leader)
Report by:	Head of Resources: Clive Mason
Ward(s) affected:	All Wards

The Council is required by statute to produce both an Annual Governance Statement and an Annual Financial Report. Both of these documents are produced in line with statutory regulation and are required to be approved by "those charged with governance" and published by the 30th September.

In order to approve the accounts the committee must:

- Consider the Auditors Report (Audit Results Report) (Paragraph 3) which comments on the auditor's findings on the Annual Financial Report and their view on Value for Money. Both the Annual Financial Report and the Value for Money position of the Council are expected to receive an unqualified audit opinion.
- Approve the Annual Governance Statement (Paragraph 4) which includes some significant areas for improvement; including reporting arrangements for shared services and project management practices. Where appropriate there are actions to be taken.
- Approve the Letter of Representation (Paragraph 5)
- Approve the Annual Financial Report (Paragraph 6)

The costs of the audit can be met from within existing budgets.

Recommendation(s):

It is recommended that the Committee:

1. Receives the Auditor's Audit Results Report. (**Annex A**).

2. Approve the Annual Governance Statement (**Annex B**) and authorises the Executive Leader and Managing Director to sign the Statement on behalf of the Council.

3. Approves the Letter of Representation (**Annex C**) and authorises the Head of Resources to sign it on behalf of the Council.

4. Approves the Annual Financial Report (**Annex D**) and authorises the Chairman of the Committee and Head of Resources to sign the accounts on behalf of the Council.

1. PURPOSE OF THE REPORT

1.1 To complete the processes for finalising and publishing the Council's Annual Governance Statement (AGS) and Annual Financial Report (AFR) for 2015/16.

2. BACKGROUND

2.1 The Corporate Governance Committee is designated as "those charged with governance" and consequently is required to approve both the AGS and AFR prior to publication by the statutory deadline of the 30th September. To do this the Committee needs to follow the stages in the order shown in this report.

2.2 At the time of writing the report the audit is not yet complete with the auditors having some final queries to resolve to enable them to approve the accounts. An up to date position will be reported at the Committee however the Auditors fully anticipate that the audit will be concluded and the auditors will be in a position to issue an unqualified audit opinion and Value for Money judgement.

3. RECEIVING THE AUDITORS REPORT (AUDIT RESULTS REPORT)

3.1 The Audit Results Report that will be presented to the meeting by the Council's external auditors, Ernst & Young LLP (EY) is attached as **Annex A**. The auditors will verbally update the committee at the meeting of any further changes since the issuing of the report on the 19th September. At this point the auditors were confident that an unqualified opinion and a value for money opinion that the Council have proper arrangements in place to achieve value for money.

3.2 At the time of drafting this report, there are a few areas of audit work that remain outstanding, these are shown on page 10 of **Annex A** and are summarised below:

- Management representation letter
- Subsequent events review
- Pension liability valuation
- Whole of government accounts
- Value for money
- Completion of audit procedures
- Management review
- Engagement partner review

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

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

3.5 There are 6 issues raised as "Other Matters" by the auditors within the draft Audit Results Report in respect of the AFR; there is the potential that the auditors will seek a variation to scale fee as a result of these issues. The details of these adjustments, and the management action is shown in **Table 1** below:

Other Matters	Table 1
Description of Issue	**Management Response**
Identifying, investigating and agreeing audit amendments to: 1. Cash Flow Statement 2. Investments 3. Property, Plant and Equipment 4. Non-Domestic Rates Appeals	Errors were found and subsequent amendments required which has resulted in some restatement of the primary statements and disclosure notes. Further details are in Table 3 below.
Income Account Bank Reconciliation 5. The reconciliation between bank and general ledger shows an immaterial unreconciled difference.	There have been control weaknesses around the bank reconciliation process which the Council has addressed both before and during the course of the audit. New procedures are in place, with an automated process in development.
Sample testing for short-term: *6. debtors and creditors*	There have been issues from both the auditors and Council in getting this work completed as smoothly as would be hoped. There are lessons to be learnt which will be discussed with the auditors after the conclusion of the audit.

3.6 There are 2 issues raised as “Control Themes” by the auditors within the draft Audit Results Report in respect of the AFR. The details of these issues and the management response are shown in **Table 2** below.

Control Themes	Table 2
Description of Issue	**Management Response**
1. Income Account Bank Reconciliation	An immaterial unexplained difference appears in the final year end reconciliation. This is immaterial to the overall audit but is being worked through to ensure it is resolved in the current financial year. New controls are now in place to ensure the regular and timely reconciliation of all bank accounts and, in addition, a project has been initiated with ICT to improve the data flowing through the interfaces to increase the ease of reconciling bank statement and ledger. When the Head of Resources (as the Responsible Financial Officer) is satisfied with the amount, this will be agreed with the external auditor and reported to this committee.

	Members should note that the required adjustment will be a credit to the Councils accounts (i.e. additional income).
2. Property, Plant and Equipment Valuation The valuation figure was not reconciled to the figure provided by the valuer.	Weaknesses in the working paper controls were identified during the audit and these have now been addressed to ensure they are picked up in the future.

3.7 There are 6 issues raised as "Corrected Audit Differences", where an issue of greater than £1.73m has been identified, these are shown in table 3 below. Please note that none of these changes has had an impact on cash-backed usable reserves.

Corrected Audit Differences	**Table 3**
Description of Issue	**Management Responses**
1. Property Plant and Equipment The valuation total was not reconciled to the figure provided by the valuer.	The overall movement in the balance sheet is against the PPE value and the revaluation reserve and relates to an error in 2013/14. This has been corrected and has no impact on the usable reserves of the Council.
2. Short-term Investments (Balance Sheet and Cash Flow Statement) Recategorisation of short-term investments.	This is a re-classification correction where a number of the Council's investments are classified as cash equivalent assets, as per the accounting standards. A prior year adjustment has also been made for these.
3. Cash-Flow Statement – Reclassification of items on the face of the statement Three items REFCUS, MRP and direct revenue financing were incorrectly categorised	This has no impact on the overall cash flow statement but reclassifies between lines within the statement.
4. Short-term creditors Overstatement of local authority creditors and understatement of other entities and individuals.	The adjustment does not change the overall creditors balance on the balance sheet but has resulted in a change in the categorisation within the Creditors disclosure note (18).
5. Collection Fund Income and Expenditure Statement The recalculation of the appeals provision.	An incorrect version of the 2014/15 working paper was picked up resulting in an error coming through to the 2015/16 calculation. On identification of this error the Council re-created the 2014/15 closing working

	paper and amended the final 2015/16 closing position. The impact of this on the Council's accounts is a £1.2m reduction in provisions and a corresponding increase in unusable reserves.

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

4. APPROVE THE ANNUAL GOVERNANCE STATEMENT

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

4.2 A copy of the draft AGS has been circulated to all Committee members and their comments invited. This led to a small number of minor changes being made.

4.3 The governance statement includes two significant areas for improvement.

- The continual development of effective governance and reporting arrangements for shared services.
- The need to improve debt management.

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

4.5 The Committee is asked to agree the draft AGS.

5. APPROVE THE LETTER OF REPRESENTATION

5.1 Each year a letter has to be given to the auditor by the Council which explains what the Council has done to ensure its financial records are accurate; a draft of the letter is attached as **Annex C**. It is "best practice" for the Committee to approve the content of this letter and then authorise the Head of Resources to sign it on behalf of the Council.

5.2 The Committee is asked to agree the draft letter and once the External Auditor has confirmed that both the AGS and AFR are unqualified, that the Head of Resources is then authorised to sign on behalf of the Council.

6. APPROVE THE ANNUAL FINANCIAL REPORT

6.1 The Council is required to produce and approve by the 30th June the Draft AFR, which incorporates the Statement of Accounts. Then by the 30th September "those charged with governance" are required to approve and the Council is required to publish the AFR; a copy is attached at **Annex D**.

6.2 The Committee is asked to approve the AFR, which includes the Statement of Accounts. Once the External Auditor has confirmed that the AFR is unqualified, then the Chairman of CGC will sign on behalf of the Council.

6.3 The issues that have been raised by the auditor in respect of the AFR are detailed within section 3.

7. KEY IMPACTS & RISKS - HOW WILL THEY BE ADDRESSED?

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

8. WHAT ACTIONS WILL BE TAKEN

8.1 Actions required for implementation are noted above in paragraph 3 above.

9. LINK TO THE CORPORATE PLAN

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

10. CONSULTATION

10.1 In line with the Account and Audit regulations the AFR was available for inspection by the general public from the 3rd June to the 14th July 2016.

11. LEGAL IMPLICATIONS

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

12. RESOURCE IMPLICATIONS

12.1 As noted in the report above.

13. REASONS FOR THE RECOMMENDED DECISIONS

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

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

13.3 Both the AGS and the AFR have been subject to external audit review by the Council's auditors, Ernst and Young LLP.

14. LIST OF APPENDICES INCLUDED

Annex A – Auditor's Report –Audit Results Report
Annex B – 2015/16 Annual Governance Statement
Annex C - Draft Letter of Representation
Annex D – 2015/16 Annual Financial Report

BACKGROUND PAPERS

Working papers are held in Resources.

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Huntingdonshire District Council

Audit Results Report - ISA (UK and Ireland) 260 for the year ended 31 March 2016

SEPTEMBER 2016

Ernst & Young LLP

Building a better working world

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ''Statement of responsibilities of auditors and audited bodies 2015-16'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

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

The 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Corporate Governance Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	We have substantially completed our audit of the financial statements of Huntingdonshire District Council for the year ended 2015/16. Subject to satisfactory completion of the outstanding items included in Appendix C we will issue an audit opinion in the form which appears in Appendix F: Subject to the items listed in Appendix C we have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority's financial statements. We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources. We are currently completing the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We do not expect to have any issues to report. We expect to issue the audit certificate at the same time as the audit opinion.
Audit differences	We have identified 1 unadjusted audit difference within the draft financial statements, which management have chosen not to adjust. We ask the Corporate Governance Committee to consider approving management's rationale as to why these corrections have not been made and, if approved, include this in the Letter of Representation. Appendix A to this report sets out the uncorrected misstatement. We do not consider this to be material to our audit opinion. Our audit identified a number of further audit differences which our team have highlighted to management for amendment. These have been corrected during the course of our work and further details are provided at Appendix B. These adjustments have not had an impact on useable reserves.
Scope and materiality	In our audit plan presented at the March Corporate Governance Committee meeting, we communicated that our audit procedures would be performed using a materiality of £1.75 million. We have reassessed this based on the actual results for the financial year and have decreased this amount to £1.73 million due to lower gross revenue expenditure in 2015-16 than the previous year. The threshold for reporting audit differences which impact the financial statements has decreased from £88,000 to £86,000. The basis of our assessment is 2% of gross operating expenditure, which has remained consistent with prior years.

	We carried out our work in accordance with our Audit Plan.
Significant audit risks	We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan: • Valuation and Impairment of Property Plant and Equipment • Pension Liability • Risk of fraud in revenue recognition • Risk of management override The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.
Other reporting issues	This is our first year as auditor to Huntingdonshire District Council. Officers and the audit team have gone through a process of getting to know how each team works and this has led to some delay in the completion of the audit compared with the initial timetable as a different approach or different risk focus has thrown up some unexpected findings and weaknesses in some working papers. This is reflected in the findings that we are reporting to the Committee. See 'other matters' in section 3 for more details.
Control observations	We have adopted a fully substantive approach and have therefore not tested the operation of controls. However we draw your attention to two control weaknesses we identified during the audit: • Reconciliation of the income bank accounts to the general ledger • Reconciliation of valuations per management's expert to the Council's fixed asset register The 'control themes and observations' section of this report explains the detailed findings.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Neil Harris

Executive Director
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
Valuation and Impairment of Property, Plant and Equipment Property, Plant and Equipment (PPE) represent the largest asset values on the Council's balance sheet. Land and buildings are initially measured at cost and then revalued to fair value. Council dwellings are revalued annually whilst other land and buildings and investment property are revalued on a 5 year rolling basis. This is carried out by an external expert valuer and is based on a number of complex assumptions. Annually assets are assessed to identify whether there is any indication of impairment. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of external experts and assumptions underlying fair value estimates.	We obtained an understanding of and evaluate key controls over the valuation of PPE. Where asset valuations were undertaken in-year we: • agreed the source data used by your valuer to supporting records; • assessed the work of your valuer; and • agreed the outputs to your fixed asset register and statements Where the Council proposes significant changes to valuation bases we will evaluate the rationale. Where assets are not revalued in-year, we will review the Council's impairment assessment and consideration of whether the carrying values of these assets remain appropriate.	Our planned procedures in relation to this risk are substantially complete, subject to review. As part of our work we noted a discrepancy between the valuation provided by management's expert valuer and the net book value of assets revalued in 2015-16 within the financial statements. On further investigation management discovered a £2 million overstatement of Huntingdon multi-storey car park where components had been double counted. This error was corrected as a prior year adjustment during the course of the audit. Further details are provided at Appendix B.
Pension Liability The Council operates a defined benefits pension scheme. Accounting for this scheme involves significant estimation and judgement. The Pension liability is the largest balance on the balance sheet. Due to the nature, volume and size of the transactions we consider this to be a significant risk.	We obtained an understanding of and evaluated key controls over the valuation of the pension liability. We considered: ► the expertise of the Actuary used by the Council; ► the reasonableness of the estimations and judgements used; and the completeness and accuracy of the data provided to the Actuary	Our planned procedures in relation to this risk are substantially complete, subject to review. There are no issues to report to the Committee.

Risk of management override As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Reviewed accounting estimates for evidence of management bias; and • Evaluated the business rationale for any significant unusual transactions. • Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.	Our planned procedures in relation to this risk are on-going. There are no issues to report to the Committee to date.
Risk of fraud in revenue recognition Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.	• Reviewed and tested revenue and expenditure recognition policies; • Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias; • Developed a testing strategy to test material revenue and expenditure streams; and • Reviewed and tested revenue cut-off at the period end date.	Our planned procedures in relation to this risk are on-going. There are no issues to report to the Committee to date.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Council's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

This is our first year as auditor to Huntingdonshire District Council. Officers and the audit team have gone through a process of getting to know how each team works and this has led to some delay in the completion of the audit compared with the initial timetable as a different approach or different risk focus has thrown up some unexpected findings and weaknesses in some working papers. This is reflected in the findings that we are reporting to the Committee.

We intend to hold a debrief session with key officers after the conclusion of the audit for both teams to maximise the learning that has taken place in this first year.

We advised the Head of Resources that we are likely to seek a scale fee variation as a result of complications we experienced, including:

- Identifying, investigating and agreeing audit amendments to the cash flow statement; investments; PPE; and NDR appeals provision;
- Income account bank reconciliation;
- Difficulties completing sample testing in short-term debtors and creditors due to a combination of difficulties in obtaining sufficient audit evidence and insufficient clarity of audit requests

We will agree a proposed final fee with the Head of Resources which will need to be ratified by our regulator Public Sector Audit Appointments Ltd before we can bill the Council.

Control themes and observations

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have adopted a fully substantive approach and have therefore not tested the operation of controls. The matters reported below are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Description	Impact
The general ledger codes relating to the income bank account statements do not currently reconcile to the relevant bank statements.	We asked officers to provide further evidence that the income bank accounts were not materially misstated. We are satisfied that the £0.26 million remaining unexplained difference in the reconciliation is immaterial. However given the sensitive nature of this balance the Council should take steps to fully reconcile these codes as a matter of urgency.
Officers did not reconcile the total valuation figure provided by their expert to the updated figures in the Council's fixed asset register.	There was a material difference between the valuers report and the fixed asset note of £2.43 million. The error has been corrected in 2015/16 however in future years the Council should reconcile the fixed asset register to the formal valuation provided by the valuer as a matter of course to avoid the error repeating itself.

We are currently concluding our review of the Annual Governance Statement but expect to confirm that it is not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council at the Corporate Governance Committee.

Request for written representations

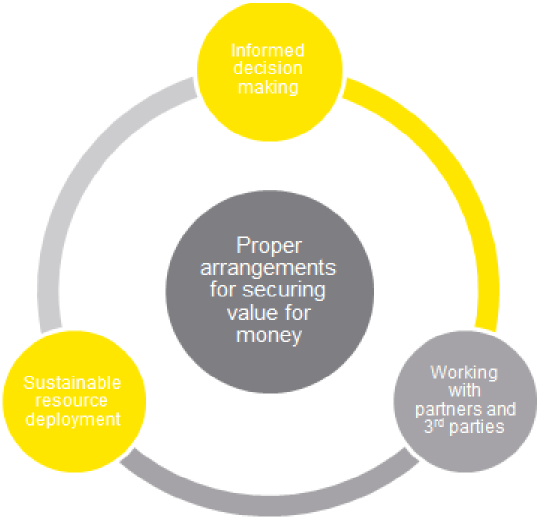
We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix G.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters that arise to the Corporate Governance Committee.

4. Value for money



We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In recent years the Council has responded well to the financial pressures arising from the recent economic downturn, and reductions in the level of central government funding to local government. These factors will continue to impact the Council's medium term financial strategy during the current and forthcoming financial years.

We reviewed the Council's 2016/17 Budget and Medium Term Financial Strategy. The Council has well established arrangements for reviewing its medium term financial plan which incorporates key assumptions and sensitivity review. The Council has a proven track record of achieving savings and achieving its budget using its zero based budgeting exercise.

The General Fund balance at £2.5 million is just under the Council's minimum level of £2.7 million. However in 2015/16 the General Fund contributed £9.8 million to earmarked reserves which are now £24 million. The Council is already developing plans for tackling the cumulative £3.6 million savings required over the period ending 2020/21.

On the basis of the work undertaken we have concluded that the Council has arrangements in place for deploying resources in a sustainable manner.

Overall conclusion

Our overall conclusion is still subject to final review however; we have performed the procedures outlined in our audit plan and we have not identified any significant risks or weaknesses in relation to these criteria in our work to date.

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Appendix A – Uncorrected audit differences

The following differences, which are greater than £86,000, have been identified during the course of our audit and have not been considered material by management or by us for adjustments. We are bringing them to the Committee's attention to enable you for form your own view on these items.

Balance sheet and Statement of comprehensive income and expenditure.

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement Decrease / (Increase) £000
Cash and cash equivalents	258	
Uncertain – impact here shows the maximum potential impact on the Council's net assets		(258)
Represents the uncertainty surrounding the remaining unreconciled difference in the Council's reconciliation of its income bank accounts.		
Cumulative effect of unadjusted differences	258	(258)

Appendix B - Corrected audit differences

The following corrected differences, which are greater than £1.73 million, have been identified during the course of our audit and warrant communicating to you.

These items have been corrected by management within the revised financial statements.

Balance sheet and Comprehensive Income and Expenditure Statement

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement Decrease / (Increase) £000
Property plant and equipment brought forward as at 1 April 2015	(1,758)	
Property plant and equipment upward revaluation in 2015/16	(285)	
Revaluation Reserve brought forward as at 1 April 2015	1,758	
(Surplus)/deficit on revaluation of non-current assets in 2015/16		285
Remove components from Huntingdon multi-storey car park that were double counted in the opening balances		
Short-term investments	(3,510)	
Short-term borrowing	382	
Cash and cash equivalents	3,128	
Reclassification of short term investments that meet the definition of cash equivalents current year. This audit difference also affected the cash flow statement as noted below.		
Short-term investments as at 31 March 2015	(2,463)	
Cash and cash equivalents as at 31 March 2015	2,463	
Reclassification of short-term investments that meet the definition of cash equivalents prior year		
Cumulative effect of unadjusted differences	(285)	285

Cash Flow statement

Item of cash flow	Operating cash flows (Decrease) / Increase £000	Investing cash flows (Decrease) / Increase £000	Financing cash flows (Decrease) / Increase £000
Adjustments to deficit on the provision of services for non-cash movements	(3,003)		
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	2,974`		
Investing Activities		29	
Remove REFCUS, MRP, and direct revenue financing that were incorrectly included as adjustments on the face of the cash flow statement.			
Proceeds from short-term and long-term investments		1,047	
Proceeds from short-term and long-term investments in 14-15		2,463	
This is the cash flow impact of the reclassification of short-term investments as cash equivalents, noted in the table above, on the current and prior year cash flow statement.			
Cumulative effect of unadjusted differences	(29)	29	0

Disclosures

Disclosure	Description of difference
Short-term creditors	Officers made inaccurate adjustments to the analysis of this note on the basis of a system produced report. As a result of this other local authorities were overstated and other entities and individuals were understated by £4.8 million
Collection Fund Income and Expenditure Statement: - Increase / (Decrease) in Provision for Appeals	The opening balance on the working paper used by officers to calculate the movement on the NDR appeals provision was materially inconsistent with the prior year audited provision. Officers recreated the 2014/15 position and recalculated the provision which led to the provision being reduced by £2.9 million. The Council's share of this is £1.2 million.

Appendix C – Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report

Item	Actions to resolve	Responsibility
Management representation letter	Receipt of signed letter of representation	Management and Corporate Governance Committee
Subsequent events review	Completion of the subsequent events procedures to the date of signing the audit report	EY and management
Pension Liability Valuation	Receipt and evaluation of assurance from the Pension fund administrator's auditor	EY and Cambridgeshire Pension Fund auditor
Whole of Government Accounts	Preparation of submission by management, and review of the submission by EY	EY and management
Value for Money	Update of our initial risk assessment to ensure arrangements remain in place	EY
Final completion of audit procedures; Manager review; and Engagement Partner review	Management and EY to work together to complete the outstanding work. We informed Management of the key areas of outstanding work as at 19 September. We expect these outstanding areas to be complete by 27 September and will update the Committee if any key areas remain outstanding as at that date.	EY and management

Appendix D – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 9 March 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Corporate Governance Committee on 27 September 2016.

We confirm that we have met the reporting requirements to the Corporate Governance Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 9 March 2016.

Appendix E – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee - Code work	TBC	53,236	See below
Certification of claims and returns	18,136	18,136	-

As noted in section 3 'other matters' we have experienced unexpected complications. We anticipate raising an additional fee for the extra audit work we have undertaken. We will discuss this with management and update the Committee. Any additional fee is subject to approval by Public Sector Audit Appointments Limited.

Our actual fee in in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

Appendix F – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUNTINGDONSHIRE DISTRICT COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Huntingdonshire District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Notes to the main financial statements 1 to 38, and
- Collection Fund and related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Huntingdonshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Resources and auditor

As explained more fully in the Statement of Responsibilities set out on page 20, the Head of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Huntingdonshire District Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Huntingdonshire District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Huntingdonshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of Huntingdonshire District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Neil Harris
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
September 2016

Appendix G – Management representation letter

xx September 2016

Mr N Harris
Executive Director
Ernst & Young
400 Capability Green
Luton
LU1 3LU

This letter of representations is provided in connection with your audit of the financial statements of Huntingdonshire District Council ("the Council") for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Huntingdonshire District Council as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because .

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

   - Additional information that you have requested from us for the purpose of the audit; and

   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council and Cabinet (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date:

   Council 27 July 2016

   Cabinet 22 September 2016

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 34 to the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than as described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

Yours sincerely,

____

Head of Resources

____

Chairman of the Corporate Governance Committee

Appendix H – Required communications with the Corporate Governance Committee

There are certain communications that we must provide to the Corporate Governance Committee of UK clients. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit, including any limitations.	Audit Plan
Significant findings from the audit ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	Audit Results Report
Misstatements ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant	Audit Results Report
Fraud ► Enquiries of the Corporate Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► A discussion of any other matters related to fraud	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	We have no matters we wish to report.

Required communication	Reference
External confirmations ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	We have received all requested confirmations.
Consideration of laws and regulations ► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ► Enquiry of the Corporate Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Corporate Governance Committee may be aware of	We have not dentified any material instances of non-compliance with laws and regulations.
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence	Audit Plan and Audit Results Report
Significant deficiencies in internal controls identified during the audit	Audit Results Report
Fee Information ► Breakdown of fee information at the agreement of the initial audit plan ► Breakdown of fee information at the completion of the audit	Audit Plan Audit Results Report Annual Audit Letter if considered necessary
Certification work ► Summary of certification work undertaken	Certification Report

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Huntingdonshire
DISTRICT COUNCIL

Annual Governance Statement 2015/2016

Introduction

The Leader of the Council (Cllr Robin Howe) and the Managing Director (Joanne Lancaster) both recognise the importance of having good rules, systems and information available to guide the Council when managing and delivering services to the communities of Huntingdonshire.

Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working.

This AGS is in respect of 2015/16 and was considered and approved by the Corporate Governance Committee at its meeting on 27 September 2016.

The Council also publishes an annual report. The 2015/16 **report** is available on the Council website. It provides further information on the challenges and opportunities faced by the Council.

What is Corporate Governance?

Corporate governance generally refers to the processes by which organisations are directed, controlled, led and held to account.

The Council's governance framework aims to ensure that in conducting its business it

- operates in a lawful, open, inclusive and honest manner
- makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- has effective arrangements for the management of risk
- secures continuous improvements in the way that it operates.

The governance framework comprises the culture, values, systems and processes by which the Council is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

The Council has a local Code of Corporate Governance. It is consistent with the principles set out in 'proper practice' for the public sector, namely 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE. A high level summary of the principles can be found on the following page.

The Principles
A summary

Principle 1

The Council clearly sets out its purpose and vision and the outcomes it is seeking to achieve.

This will be achieved by:

Clearly communicating the Council's purpose and vision and the intended outcome for citizens and service users

Making best use of resources and providing services that are good value for money

Seeking the views of service users on the quality of services that are provided

Principle 2

Members and Officers have clearly defined functions and roles which allow them to work together to deliver the Council's vision.

This will be achieved by:

Setting out executive and non-executive functions and the roles and responsibilities of the scrutiny function

Clearly setting out the roles and responsibilities of Members and Officers

Defining what is expected from partners

Principle 3

Demonstrate the values of good governance and uphold high standards of conduct and behaviour.

This will be achieved by:

Introducing and maintaining arrangements that clearly set out the standards of conduct and behaviours expected from Members and Officers

Underlying each of these principles is the Council's commitment to equality of opportunity in its approach to policy-making, service delivery and employment.

The Council aims to achieve good standards of governance by:

1. setting out its purpose and vision
2. making sure everyone understands their role
3. behaving in accordance with its core values
4. being open and accountable and exercising effective control
5. working effectively both as individuals and as a team
6. engaging with its stakeholders

Principle 4

Informed and transparent decisions are taken which are subject to effective scrutiny. Risks are identified and managed

This will be achieved by:

Having rigorous and transparent decision making processes in place

Maintaining an effective scrutiny process

Acting within the law

Providing good-quality information, advice and support to Members and partners

Ensuring that an effective risk management system is in place

Principle 5

Develop the capacity and capability of Members' and Officers' so that they can act effectively.

This will be achieved by:

Introducing and maintaining systems and resources that allow Members and Officers to develop and gain the skills and knowledge they need to perform well in their roles

Evaluating Members' and Officers' performance

Principle 6

Engage with local people and other stakeholders to ensure robust public accountability.

This will be achieved by:

Developing constructive relationships with stakeholders

Taking an active and planned approach to dialogue with the public

Regularly consulting with employees and their representatives

How do we know our arrangements are working?

Governance Framework

Assurance Required Upon

- Delivery of Corporate Plan priorities
- Services are delivered economically, efficiently & effectively
- Management of risk
- Financial planning and performance
- Effectiveness of internal controls
- Community engagement & public accountability
- Shared service governance
- Project management & project delivery
- Procurement processes
- Roles & responsibilities of Members & Officers
- Standards of conduct & behaviour
- Training and development of Members & Officers
- Compliance with laws & regulations, internal policies & procedures

Sources of Assurance

- Constitution (incl. statutory officers, scheme of delegation, financial management and procurement rules)
- Council, Cabinet, Committees and Panels
- Corporate and service plans
- Shared service joint committee
- Policy framework
- Risk management framework
- Project management methodology
- Financial Performance Monitoring Suite
- Medium Term Financial Strategy
- Customer Service Strategy
- Consultation and Engagement Strategy
- Complaints system
- Head of Paid Service, Monitoring Officer and S151 Officer
- HR policies & procedures
- Whistleblowing & other countering fraud arrangements
- Staff and Member training
- Codes of conduct
- Corporate Management Team
- Independent external sources

Code of Corporate Governance

This statement builds upon those of previous years. Many of the key governance mechanisms remain in place and are referred to in previous statements which are available on the Council's website. This statement therefore describes the key changes and developments within the Council's governance framework during 2015/16 and up to the date of approval of the Annual Financial Report. The progress that has been made in dealing with the significant governance issues identified last year is included and the significant governance issues that have been identified from the governance review are highlighted.

This statement allows the Council to meet the requirement of the Accounts & Audit (England) Regulations 2016, to prepare and publish an AGS to accompany the 2015/16 Annual Financial Report.

- Regular performance and financial reporting
- Annual financial report
- External audit reports
- Internal audit reports
- Officer governance groups
- On-going review of governance
- External reviews and inspectorate reports
- Customer feedback
- Peer reviews
- Council's democratic arrangements incl, scrutiny reviews and the 'audit' committee
- Staff surveys
- Community consultations

Assurances Received

- Continued development of effective governance and reporting arrangements for shared services
- Improve debt management

Opportunities to Improve

Annual Governance Statement

Dealing with last year's key improvement areas

Develop robust and effective reporting arrangements for shared services.

Action taken
In July 2015 the Council approved shared service governance arrangements. A Joint Committee has been set-up with Cambridge City Council and South Cambridgeshire District Council. The Council has not delegated any decision making powers to the Joint Committee.

The Joint Committee provides advice, oversight, challenge and endorsement of the shared services business plans and budget.

The Joint Committee will receive regular updates on the operation of the shared services and will take reports and recommendations for decision to their respective Executives (and full Council, if appropriate), at agreed points and with the engagement of each Council's Scrutiny committees.

Meetings of the Joint Committee are to be held in public from April 2016.

The 2014/15 annual governance statement contained two key improvement areas. As outlined below, significant progress has been made in each area. The project management issue is no longer considered to be of concern.
The Council's shared service arrangements with Cambridge City Council and South Cambridgeshire District Council are still developing and whilst there are no issues of concern, it is felt that the shared service initiative is strategically important – both in terms of improving service outcomes and the delivery of financial savings – that it should remain as a key improvement area for 2015/16. Further information on shared services can be found on page 12.

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

Action taken
All five of the recommendations agreed by Cabinet in April 2015 to improve project management have been introduced.

The Project Management Governance Board meets regularly to review progress on individual projects, question lead officers and oversee compliance with the toolkit.

All projects are reported quarterly to the Corporate Management Team and the Overview and Scrutiny Panel (Performance & Customers).

The Council: How it works

All Councillors meet together as the Council. Meetings are normally open to the public. The conduct of the Council's business is defined by formal procedures and rules, which are set out in the Constitution.

The Constitution explains the roles and responsibilities of the executive, non-executive, scrutiny and officer functions and the delegation arrangements that are in place. It also contains the Codes of Financial Management and Procurement and the Code of Conduct for Members'.

Council

Consists of 52 elected Councillors, covering 29 wards. Appoints the Overview & Scrutiny and other committees/panels. Approves the policy and strategic framework and budget.

Overview & Scrutiny.
Three Panels comprising 12 Members each with a remit to scrutinise a range of Council services.
Appoint Working Groups to undertake in-depth investigations and make recommendations to the appointing Panel.
Panels are responsible for their own work programmes, to hold the Executive Leader and Cabinet to account, monitor performance, examine issues in-depth and make recommendations for policy development.
The Communities and Environment Panel is responsible for all matters relating to Community Resilience, Leisure and Health and Environment, Street Scene and Operations.
The Economy and Growth Panel is responsible for matters relating to Business and Enterprise, Planning Policy, Housing and Infrastructure and Strategic Partnerships and Shared Services.
The Performance and Customers Panel is responsible for Strategic Resources, Organisation and Customer Services and Operational Resources.

Executive Leader and Cabinet.
They are responsible for the discharge of all the Council's functions which are not the responsibility of any other part of the council;
Ten Councillors form the Cabinet, each have specific areas of responsibility.
Sets out key decisions to be taken in a Notice of Key Executive Decisions published monthly.
Submits budget and key policy proposals to Council.
Consults with Overview & Scrutiny Panels and other Panels on the formulation of the policy, strategic and financial framework.
Arranges for the discharge of the executive functions by the Cabinet.

Regulatory Committees.
The Licensing and Protection Committee - Responsible for carrying out the Council's non-executive functions relating to licensing and registration, health and safety at work and protections of the environment;
Development Management Committee - Responsible for the discharge of the Council's non-executive functions relating to town and country planning and development control.

Other Committees and Employment Committee - Provides strategic overview of the people management and workforce decisions and issues within the Council;
Corporate Governance Committee - Issues of audit, risk, governance and finance and Standards of Conduct within the Council.

Managing Director assisted by **Senior Management Team** comprising of
Corporate Director – Services
Corporate Director – Delivery
6 Heads of Service & Corporate Team Manager

The Council, Cabinet, Panels and Committees are responsible for

Responsible for

Leadership and Direction
Governance
Corporate Plan
Performance Management
Financial Strategy

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

Which are implemented through

Day to day running of the Council

During 2015/16 the Council's Constitution was reviewed to ensure that it:

- remained up to date (with legislation and case law) and fit for purpose
- allowed decision making to be carried out effectively and in an efficient and timely manner
- provided greater clarity on the roles of Officers and Members, and
- was easier to understand and so become more accessible to the public.

A cross party Constitution Review Advisory Group was set-up to support the Monitoring Officer in undertaking the review. The new Constitution was approved by the Council in March 2016.

One of the changes introduced was the renaming of those Panels who had delegated decision making powers (Corporate Governance, Development Management and Licensing and Protection) to Committees. The Overview and Scrutiny Panels do not have delegated decision making and therefore the names are unchanged.

The Standards Committee (which dealt with issues relating to the conduct of Members) has also been disbanded and these responsibilities transferred to the Corporate Governance Committee. The Standards Committee also considered customers complaints about the Council, and this function has been transferred to the Overview and Scrutiny Panel (Performance and Customers).

The Council is controlled by the Conservative Party. Following the May 2016 District Council elections, they elected a new Executive Leader of the Council – Cllr Robin Howe, who replaced Cllr Jason Ablewhite (who was elected to the position of Police and Crime Commissioner). Cllr Howe was previously the Deputy Leader of the Council. Cllr Howe has restructured the portfolio responsibilities of Executive Councillors and in doing so has increased the number of Executive Councillors from 8 to 10. The portfolio positions reflect the three themes of the Council's 2016/18 Corporate Plan:

Enabling Communities
Delivering Sustainable Growth
Becoming a More Efficient and Effective Council

Further information on the Constitution and decision making structure including dates of meetings, agendas and reports can be found on the Council's **webpages**.

The Council's Vision, Strategic Priorities and Objectives are contained within its Corporate Plan, which covers a two year period. The Plan sets out what the Council aims to achieve in addition to the core statutory services. The 2014/16 Plan was reviewed and refreshed in April 2015 and lead to a number of changes to the key actions to be delivered during 2015/16.

The **2016/18 Plan** was approved by the Council in March 2016.

The Corporate Plan includes a number of key performance measures that provide additional supporting information for each Strategic Priorities and are **reported** to the Overview and Scrutiny Panels, Cabinet and the Corporate Management Team.

2016/18 Strategic Priorities and Objectives

Enabling Communities - our objectives are to:

- Create, protect and enhance our safe and clean built and green environment
- Support people to improve their health and well-being
- Develop stronger and more resilient communities to enable people to help themselves

Delivering Sustainable Growth - our objectives are to:

- Accelerate business growth and investment
- Remove infrastructure barriers to growth
- Develop a flexible and skilled local workforce
- Improve the supply of new and affordable housing, jobs and community facilities to meet future need

Becoming a More Efficient and Effective Council - our objectives are to:

- Become more efficient in the way we deliver services providing value for money services
- Become a customer focused organisation

The Managing Director is the Council's Head of Paid Service and is responsible for how the Council operates. She is assisted by the **Senior Management Team** (SMT).

The Council is required to appoint a Monitoring Officer whose role includes ensuring that decision making is lawful and fair. The Corporate Director (Services) held this post throughout 2015/16 and up until leaving the authority in July 2016 when she was replaced on a temporary basis by a Democratic Services Officer. On 22 August 2016 Cambridge City Council's Head of Legal Practice (via the Legal Services shared services arrangements) took up the position.

The Council and its decisions are **open and accessible**. All reports requiring a decision are considered by appropriately qualified legal and finance staff before being considered by relevant decision making forum.

In meeting the requirements of the Local Government Transparency Code 2015 the Council has also published on its website a wide range of **'open data' and information**.

During 2015 the Local Government Boundary Commission for England reviewed the Council's electoral arrangements. As a result of the review the Council decided in December 2015 that from 3 May 2018, District Council elections will be held every four years. Councillors currently are elected by thirds, which means there is a District Council election in three out of four years. Further information is available on the Council's website, in the **Changing to Whole Council Elections – Explanatory Document**

Shared Services

In July 2014, the Council agreed in principle to work in partnership with Cambridge City Council and South Cambridgeshire District Council (known collectively as the 3Cs) to deliver a range of shared services.

The first phase of this programme, which became operational in October 2015, involved shared services for ICT, Legal Services, and Building Control. The Council became the lead authority for the ICT shared service with Cambridge City Council becoming the lead authority for the other two. Staff employed within these three service areas were transferred to the appropriate lead authority and are managed by them.

Oversight and governance was established through establishing a Joint Committee (made up of the Leader of each Council) supported by an Officer Board, known as the Partnership Board for Shared Services (PBSS). The Joint Committee does not have any delegated powers or functions – theses powers are retained by each Council.

The Joint Committees role is to provide advice, oversight, challenge and endorsement of the shared services business plans and budget. The Joint Committee meets in public and the dates of its meetings can be found on each of the 3Cs websites.

The PBSS comprises the three Heads of Paid Service together with a Corporate Director from each Council. It oversees the ongoing operation of the shared service arrangements. In addition, it considers developments of new shared service proposals for Joint Committee consideration prior to them being submitted to each Council for review and approval.

Customer Service Strategy - 2015-2018

In December 2015 a new **Customer Service Strategy** was approved by Cabinet. The Strategy sets out how we will deliver the Corporate Plan objective of becoming a customer-focussed organisation.

The Strategy consists of six principles, key initiatives & projects and achievement measures (see table below). It also explains how both compliments and complaints about services can be reported and how they will be dealt with.

The Strategy is owned by all Officers through being linked to the Corporate Plan, Service Plans and into individual key performance objectives.

There are a number of important governance themes that flow throughout the Strategy which have been referenced in this or previous years Statements (e.g. Employees code of conduct, zero based budgeting, shared services). As initiatives and projects are developed that support the Strategy, updates will be provided in future years.

Objectives

To become more efficient in the way we deliver services and providing value for money services

To become a customer focused organisation

Principles

Listen to customers	**Get it right first time**	**Provide value for money service**	**Act and behave in the right way**	**Make it matter to staff**	**Work with partners for the benefit of customers**
Find out what customers want and design services that enable them to help themselves	Remove waste and make sure every contact with customers has value Bring the response as close as possible to the customer	Know the cost of providing good customer service Increased self-service, focus on customers who need our help and use technology to do things better	Work in the best interest of customers Treat customers with dignity and respect	Act as 'One Council' Retain, recruit and train the best people	If working together gives a better outcome, we do it

Corporate Initiatives and Projects

Improve & relaunch the Customer Feedback process Update our service standards Report on our performance Survey customers to assess how well we are doing	Improve the way we work using trained Officers from across the Council - we call this LEAN	Deliver a mobile friendly website focussed on customer need Use the Zero Based Budgeting exercise to balance cost and service delivery	Deliver on the Code of Conduct and our 7 Core Values	Customer Service features in all Service Plans Deliver the Organisational Workforce Development plan Communication – Key Issues, Team Meetings, news stories etc	Shared services with our strategic partners and others Develop multi-agency customer service at Pathfinder House

Outcomes

Customers are satisfied with the services we have provided to them	Services we provide are value for money	Staff are motivated to do their job, feel valued at work and deliver their best for customers

One of the key areas in which the Council keeps its residents informed is via its website: **http://www.huntingdonshire.gov.uk/**. The website was redesigned in 2015 so that it became easier to use on tablets and mobile phones –the method most used to access the website. The new site was launched in November 2015. Customer feedback has been very positive, as has the overall score assigned to the site through the national **Better Connected 2015/16** survey (undertaken by the Society for IT practitioners in the Public Sector), which gave the website a three (out of four) star rating – an improvement upon the 2015 one star rating - and also classed the site as passing both its mobile and accessibility standards.

The Council has also started to use social media more, to keep residents informed about ongoing events and provide immediate response to concerns and complaints about service standards.

twitter.com/huntsdc
2990 followers

facebook.com/Huntingdonshire
1062 'likes'

twitter.com/oneleisureuk
1135 followers

facebook.com/oneleisureuk
4183 'likes'

Other governance issues that have been addressed during 2015/16 include:

A **revised governance structure** for the management and operation of the Council's Community Infrastructure Levy
The adoption of a **procurement policy**
Establishment of a **Reserves Strategy**
The adoption of a **Corporate Equality Objectives** for 2015/19
2016/17 **Treasury Management Strategy**

Corporate Governance Committee seeking assurance

The **Corporate Governance Committee**[1] (CGC), as its name suggests, has responsibility for receiving reports that deal with issues that are key to good governance. It acts as the Council's audit committee. It met five times in 2015/16, considering a wide range of governance issues.

The 2014/15 AGS highlighted three specific areas of concern identified by the CGC:
1. The lack of any project management guidance.
2. Delays in introducing agreed internal audit actions.
3. The continuing 'little' assurance opinion that Internal Audit has given to the system for the collection of general debts.

Item 1 was identified as a significant AGS issue and the resulting action taken has been set-out on page 8.

[1] The former Corporate Governance Panel (2004 until May 2016) was renamed the Corporate Governance Committee following the 2015/16 Constitution review. For ease, reference to the CGC also includes reports and decisions made by the former Corporate Governance Panel.

In respect of item 2, the CGC raised this issue at the July 2015 Council who in turn referred the matter to the Cabinet. Whilst there was an immediate improvement in performance, this has subsequently tailed off. The percentage of audit actions introduced in time as at July 2016 was the lowest since April 2013. The CGC have been actively monitoring the situation during the year and have already taken action to address the fall in performance by calling to account those Heads of Service who have not been performing satisfactorily. Further action is planned, including requiring all Heads of Service to report the specific reasons why actions have not been introduced.

Key Improvement Area for 2016/17
Improve debt management procedures and processes.

The 2015/16 annual Internal Audit report that was considered by the CGC in June 2016, identified item 3 as a continuing issue of concern. The accounts receivable system was given little assurance for the third successive year. Over that time little improvement had been made to the implementation of the systems and processes in place due to the difficulties in recruiting and retaining staff. After discussing the matter, the CGC felt that improving debt management should be included as a significant item for the AGS.

Since 2008 the CGC have considered each year how effective they have been in overseeing the Council's governance arrangements. The 2015 review was **discussed** by the CGC in September 2015, when five opportunities to further improve effectiveness were identified. Due to the Council's decision in March 2016 to disband the Standards Committee and transfer a number of its functions to the CGC, the membership of the CGC increased from 8 to 12 members. The Chairman of the Committee decided that the effectiveness review should be postponed until February 2017 so as to allow the new Committee members a better opportunity to contribute to the review.

This governance statement is reported to Council once it has been approved by CGC. The CGC also submits an **annual report** to Council that summarises its work and allows the Council to take comfort that key governance processes are being reviewed.

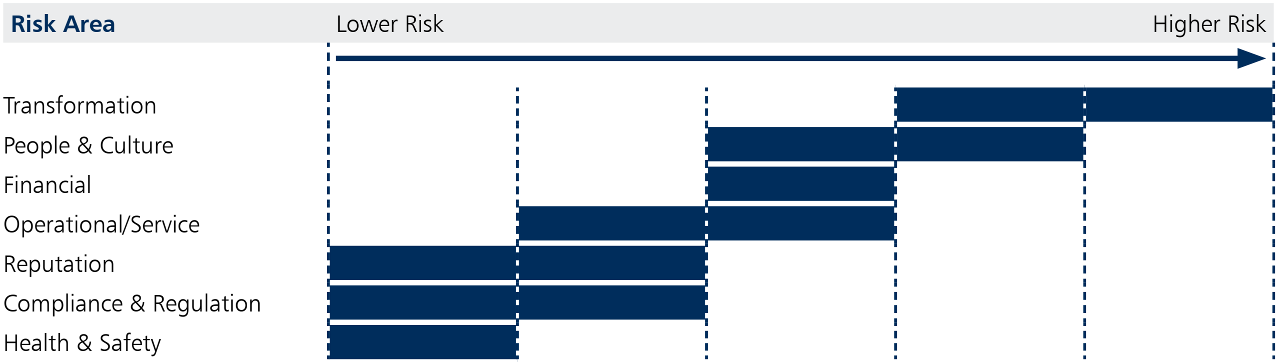
Managing key risks

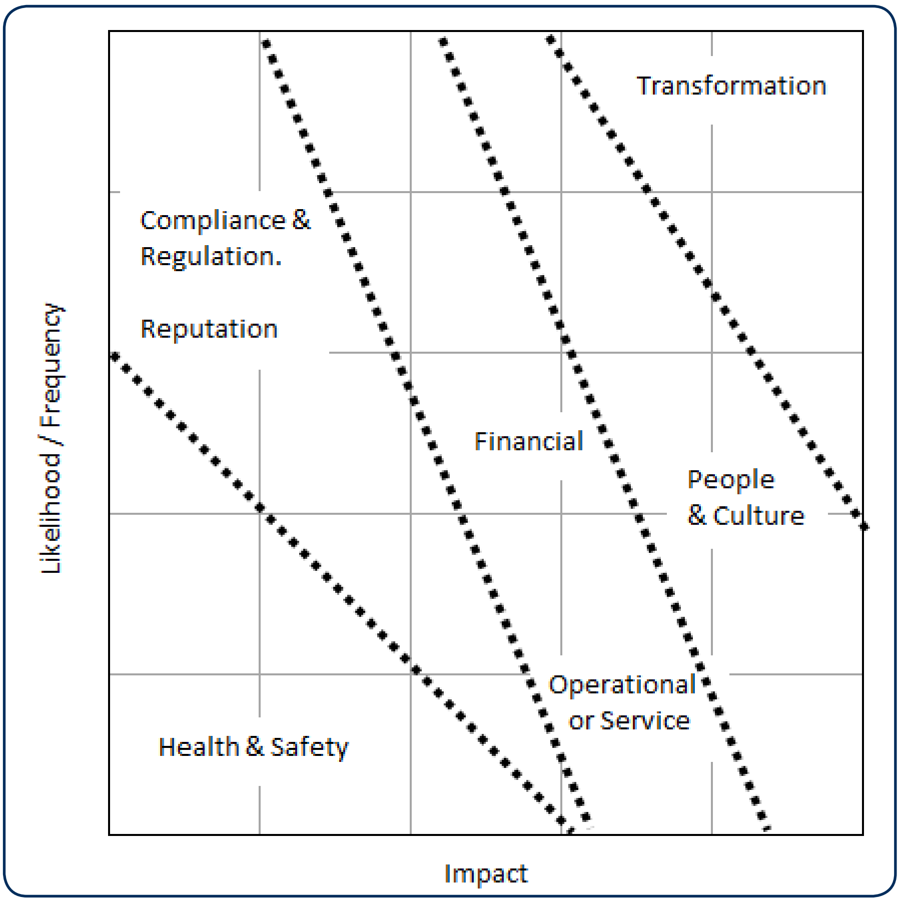
All Councillors and Managers are responsible for ensuring that risk implications are considered in the decisions they take. Managing risk is a key element of service planning.

Risk Management Strategy

The Council has a **risk management strategy**. It was reviewed by the Cabinet in July 2015 to ensure it remains appropriate and reflects the approach the Council wishes to take to the management of risk.

The successful delivery of the Corporate Plan priorities depends on the Council's ability to tolerate and manage risk rather than eliminate it altogether. A certain amount of risk taking is inevitable. The risk management strategy recognises this and different 'risk appetite' limits have been set that reflect seven key service aspects as shown below.





The Council operates a 5 x 5 risk 'matrix'. The risk appetite levels are reflected onto the matrix in the following way.

Risk review process

Significant risks that may be potentially damaging to the achievement of the Council's Corporate Plan objectives are recorded in a risk register and assigned owners.

Senior Managers regularly review and update the risk register and are required to positively state the level of assurance they can place upon the controls that mitigate risks. This information is used by Internal Audit during annual audit planning and reviewed during individual audits.

Following approval of the risk management strategy in July 2015, SMT led a fundamental review of the content of the risk register and in doing so the number of risks on the register was reduced from more than 150 to just less than 100. The risks that were deleted were considered 'business as usual' items.

If the residual risk exceeds the 'risk appetite', Managers are required to consider whether cost effective actions that will reduce the likelihood and/or impact of the risk occurring can be introduced.

The **corporate risk register** was reviewed by Cabinet in June 2016.

Managing the risk of fraud

During 2014/15 the Dept. for Works & Pensions introduced a single fraud investigation service (SFIS) to consider all types of welfare fraud. Three members of the Council's corporate fraud team who investigated potential fraudulent Housing Benefit claims were transferred to that service in May 2015. The CGC having considered the likely impact of SFIS recommended to Council that a Corporate Fraud team should be retained.

In June 2015 the CGC approved a revised **Anti-Fraud and Corruption Strategy** which took account of accepted best practice[2] and the requirement for the Corporate Fraud team to focus on issues other than welfare fraud. This was a major change and in December 2015 CGC reviewed and approved the teams work plan and an amended fraud prosecution policy

Anti-Fraud and Corruption Statement

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

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

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

(June 2015)

The Corporate Fraud team plays a key role in ensuring the Council meets the aims of its Anti-Fraud and Corruption Strategy.

[2] Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on managing the risk of fraud and corruption (October 2014) and accompanying guidance notes (December 2014).

Corporate Fraud team achievements 2015/16

Investigated 332 allegations of fraud.

Identified fraud totalling over £697k.

11 social housing properties recovered, valued at £198k.

Undertook 27 prosecutions and issued 24 penalties/fines.

The Council (on behalf of five local authorities and four housing associations) successfully bid for £330k of funding from Central Government in December 2014 to introduce the Cambridgeshire Anti-Fraud Network (CAFN) to investigate all types of fraud, including tenancy fraud. The funding ended in March 2016.

The CAFN has had limited success. It's primary purpose was to set-up a Cambridgeshire wide data-sharing hub. Only three of the partners provided data consistently so reducing the opportunities for identifying fraud across Council boundaries. The Council intends to continue to pursue the development of the data-sharing hub with CAFN partners.

To act as a deterrent to fraudsters, the Council issues press releases in respect of all benefit fraud cases that it successfully prosecutes and maintains a 24/7 telephone line to allow the public to raise concerns about possible frauds.

The Council has a **whistleblowing policy**. The Council is a signatory to the Public Concern at Works (PCaW) 'First 100 Campaign' – which required the Council to commit to support the PCaW Whistleblower Code of Practice.

In June 2015, the whistleblowing policy was amended to reflect the Code of Practice. This narrowed the scope of coverage. Previously any person was able to raise an issue under the policy, it now applies only to Council employees and those contractors who are working for the Council whether on their own premises or the Councils. The Council still wishes that all potential wrongs are reported to it, so it has retained the external facing 24 hr telephone line, dedicated email address and web-form.

A report detailing both the activity and performance of the **fraud team** and the general nature of the **whistleblowing** allegations received is presented to the CGC each year.

Insight

A 'Whistleblowing' policy is in place. The policy is reviewed annually and updated as and when required to bring it in line with best practice. The Council is committed to the highest standards of quality, probity, openness and accountability. As part of that commitment it encourages employees and others with serious concerns about any aspects of the Council's work to come forward and make those concerns known. Full details of how concerns are dealt with can be found on the Council's web pages.

Responsible Financial Officer

The Head of Resources is the Responsible Financial Officer and is a member of the senior Management Team. He has responsibility for delivering and overseeing the financial management arrangements of the Council and has line management responsibility for the Finance team. The role conforms with the good practice requirements within the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Responsible Financial Officer has been involved in reviewing the Code of Corporate Governance and preparing this Statement. He is satisfied with the arrangements that are in place for managing finances and with the exception of improving debt management, considers the system of internal control is working effectively and that no matters of significance have been omitted from this Statement

A report on the steps that have been taken to address the debt management concerns are being reported to CGC in September 2016.

Managing resources

The Council is continuing to face increasing financial pressures but as shown in the Medium Term Financial Strategy it aims to be self-financing by 2020/21. In order to achieve this a number of initiatives have been introduced.

A zero based budget (ZBB) review commenced in September 2014 with a view to driving out costs from the base budget. By the end of 2015/16, all Council services had been subject to a ZBB review, which included a robust challenge of their budget and resourcing requirements by both Finance staff, external benchmarking and then a Cabinet 'Star Chamber'. Savings in excess of £1.9m were identified and these have been embedded into the 2016/17 budget.

To ensure that the approved budget is not overspent, good financial and performance management is more important than ever. On a quarterly basis, Cabinet receives a update for the preceding quarter in respect of key **performance and financial information**; this information is also reviewed by the Overview and Scrutiny Panel (Performance and Customers).

Whilst the revenue budget is usually the focus of attention, the monitoring of capital spending and the achievement of value for money is also important. To allow appropriate capital resource allocation, a new capital approval process has been developed by the Finance & Procurement Governance Board. The capital programming process requires that all capital requests are subject to approval of outline business cases, that are then scored and ranked against Corporate priorities as well as value for money criteria.

In addition to the above, changes to the Code of Financial Management and the Code of Procurement were approved by Council in March 2016. The Code of Financial Management sets out the framework that unpins financial governance across the Council.

Disposal and Acquisitions policy and the Commercial Investment Strategy

As the Council is required to generate £3.6m of savings by 2020/21 a way of generating additional income is via selling assets or purchasing capital assets within the commercial environment. Consequently a new **Acquisitions & Disposals Policy** was approved in June 2015 (which included the formation of a Treasury & Capital Management Group). In September 2015 Cabinet approved the **Commercial Investment Strategy** (CIS) and then in December 2015 the CIS **Business Plan**. The Business Plan, as well as outlining the Councils approach to acquiring in excess of £70m in commercial assets with the aim of generating a revenue return to the Council, also details the governance arrangements around the CIS.

Internal and External Audit assurance

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

Internal Audit

The Council considers its Internal Audit Service to be a key component of its governance framework.

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

Further changes to the **Charter** were made in June 2016 to reflect the April 2016 amendments to the Public Sector Internal Audit Standards (PSIAS).

Purpose of Internal Audit

The Internal Audit Service has been established to:

- provide independent, risk-based and objective assurance, advice and insight to the Council on its operations
- enhance and protect value, by assisting management improve the delivery of the Council's objectives and operations through evaluating and challenging the effectiveness of risk management, control and governance processes.

Internal audit is required by the PSIAS to review how they work each year. The CGC considered the Internal Audit & Risk Managers effectiveness self-assessment in both July 2015 and July 2016. They concluded that Internal Audit was acting effectively and in accordance with the PSIAS. They noted that a number of improvements to current internal audit procedures had been identified and an action plan prepared. CGC decided that there were no issues of 'non-conformance' with the PSIAS that needed to be included in this statement.

The Internal Audit & Risk Manager (IARM) reports to the Head of Resources and has direct access to the Managing Director, the CGC and its Chairman.

One of the key assurance statements the Council receives is the annual report and opinion of the IARM. The opinion for the 12 month period ending March 2016 is shown below.

The Council's internal control environment and systems of internal control as at 31 March 2016 provide, with the exception of IT systems (were no work has been completed during 2015/16) adequate assurance over key business processes and adequate assurance over financial systems.

The assurance opinion is unchanged from 2014/15.

The annual report raised concerns over debt management processes (see page 14).

The Council's contract for specialist IT audit ended in January 2015 and was not immediately re-let. This was due to uncertainty over which 3C authority would become the employing lead for the 3C IT shared service and discussions about the possible introduction of a shared internal audit service being created across the 3Cs. The lack of IT audit cover is of concern, but mitigated in part by the Cabinet Office renewing the Council's Public Services Network compliance certificate in November 2015 for a further 12 month period. A specialist IT audit supplier was appointed in August 2016.

The IARM has stated in their annual report that they had no constraints placed upon them in respect of determining overall audit coverage, audit methodology, the delivery of the audit plan or proposing actions for improvement or forming opinions on individual audit reports issued.

The IARM is not aware of any significant changes having occurred across the Council's internal control environment between April 2016 and the approval of this Statement.

External Audit

The Council does not appoint its own external auditors – that task is carried out by Public Sector Audit Appointments Limited (PSAA). New external auditors – Ernest & Young LLP - were appointed by PSAA to undertake the Council's 2015/16 and 2016/17 external audit.

The statutory financial statements for 2015/16 have been audited and an unqualified opinion has been issued.

The external auditor has also issued an unqualified opinion on the Council's arrangements for securing economy, efficiency and effectiveness (value for money) and in the use of its resources.

Significant Governance Issues

The progress that has been made in dealing with the governance issues that were identified in the 2014/15 AGS are contained on page 8.

Whilst generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the following two issues, as highlighted in this Statement, have been identified for improvement.

Key Improvement Area	Lead Officer	To be delivered by
The need to improve debt management.	Head of Resources	March 2017
The continued development of effective governance and reporting arrangements for shared services.	Corporate Director - Services	March 2017

Councillor Robin Howe
Executive Leader

Joanne Lancaster
Managing Director

Signed on behalf of Huntingdonshire District Council

Pathfinder House,
St Mary's Street,
Huntingdon. PE29 3TN
www.huntingdonshire.gov.uk

September 2016

Mr N Harris
Executive Director
Ernst & Young
400 Capability Green
Luton
LU1 3LU

Dear Sirs,

Representation letter – audit of Huntingdonshire District Council's (the Authority's) Statement of Accounts for the year ended 31 March 2016

This letter of representations is provided in connection with your audit of the financial statements of Huntingdonshire District Council ("the Council") for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Huntingdonshire District Council as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify – nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16*.* We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with *[*the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because work is currently ongoing to determine if this is an historic balance. Once this work is complete this will be discussed and agreed with the external auditors and reported back to the Corporate Governance Committee.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - Additional information that you have requested from us for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council and Cabinet (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date:

   - Council 27 July 2016
   - Cabinet 22 September 2016

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 34 to the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than as described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

....

Clive Mason FCPFA

Responsible Financial Officer – Head of Resources

For and on behalf of Huntingdonshire District Council

Date ……………………

Huntingdonshire District Council

Annual Financial Report

For the year ended 31st March 2016

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Narrative Report

By the Head of Resources

As the Council's Responsible Financial Officer, I am pleased to present the Council's 2015/16 Annual Financial Report which outlines the Council's financial performance for the year ended 31 March 2016.

The purpose of this foreword is to provide a guide to the most significant matters reported in the Council's accounts and is in three sections.

- Commentary and review of 2015/16.
- The Financial Statements
- Technical information

Commentary and review of 2015/16

Review of the Year

2015/16 has been another challenging year for the Council with the reduction of grant funding from Central Government as austerity measures continue.

The Council set a net budget for the year of £19.678m (2014/15; £20.870m), a net decrease of £1.192m (5.71%). After allowing for the following non-ring fenced government grants:

- Revenue Support Grant of £3.183m (2014/15; £4.562m),
- Business Rates Retention scheme (NDR) of £4.160m (2014/15; £4.218m),
- New Homes Bonus and Council Tax Freeze Grant £4.585m (2014/15; £3.426m),
- Council Tax Collection Fund surplus of £82,000 (2014/15; £21,000)

and a contribution to revenue reserves of £0.797m (2014/15; £1.005m contribution from reserves), this left the Council to raise £7.768m (2014/15; £7.639m) from Council Tax. This equated to a Council Tax of £133.18 (2014/15; £133.18) for a Band D equivalent property, freezing the Council Tax for a third year running.

How the Council performed against its objectives and budget are detailed below. Further information can be found in the June 16 Cabinet report (link to be inserted).

Council Objectives
The following paragraphs outline how the Council has performed during 2015/16:

Theme: Strong local economy

- A fast track pre-application planning advice was set up for potential growing businesses. However, only one enquiry has been received and this was not dealt with within the 'fast track' target set.

- 'EDGE smarter skills for enterprise' public/private sector partnership launched to improve the area's business and education-training skills match.

- Work with Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership (LEP) has secured £10.5m of for the delivery of the iMET (Innovation, Manufacturing, and Engineering Technology) training centre on the Enterprise Zone at Alconbury. This will offer Advanced and Higher level apprenticeships, HNC/HND engineering courses, short specialist courses, digital technology training, sector leadership and management courses.

- There is currently some uncertainty about the impact of a devolution deal for the area on how we work with our Local Enterprise Partnership.

Theme: Enable sustainable growth

- A loan has been provided to the Luminus housing association to deliver an extra care housing scheme in St Ives, meeting a need identified in that area.

- Progress on major development sites has included the start of the first phase of housing on the Alconbury Weald site, with 128 houses under construction. Discussions are underway with two housebuilders for around 500 more dwellings. The construction of the first houses on the Bearscroft development in Godmanchester was expected to commence in April 2016.

- Plans for significant housing sites in St Neots are still being developed, with the Council minded to refuse application for 2,800 houses at Wintringham Park (part of St Neots East) on the basis that insufficient affordable housing is being proposed as part of the development and submission of viability information for Loves Farm East (the other part of St Neots East) still awaited.

- The number of unintentional priority homeless acceptances has increased despite the preventative measures taken by our housing services. Only 49 new affordable homes were provided last year, with a forecast of just 541 net additional homes delivered in Huntingdonshire in 2015/16.

- However, the Council's methodology for calculating its 5 year housing supply was endorsed by a planning inspector in February 2016, with the Annual Monitoring Report 2015 (AMR) confirming that HDC has a 5 year housing land supply of 5.23 years as at 31 December 2015. The trajectory data in the AMR projects that 541 dwellings will be completed in 2015/16 rising to 940 and 1214 in 2016/17 and 2017/18 respectively.

- The development of the Local Plan 2036 has been affected by delays, including a wait for re-validation of the County Council's Sub-Regional Transport model to allow modelling of transport impacts and required mitigation of Local Plan allocations including Wyton Airfield.

- Three key planning policy actions have not progressed due to the prioritisation of other work, with no progress on the development of a market town centre improvement strategy and action plan for St Neots, the 'Buildings at Risk' register not updated and an update to the Design Guide deferred to 2016/17.

Theme: Working with our communities.

- The One Leisure Active Lifestyle service, promoting active lifestyles, healthy activities and sports development, achieved its best ever overall attendances at 48,292, up 5% on the previous year. Group exercise classes, the exercise referral scheme, adult sports activities, disabled sports and PEDALS all achieved best ever results. However, there was a reduction in throughput on targeted diversionary activities for young people (Street Sports), partly due to the weather and dark nights but also affected by stretched staffing resources due to an employee resignation.

- The target of achieving 200 home energy assessments through the Action on Energy scheme to help reduce fuel poverty and improve health was exceeded by the end of September. There are currently no grant schemes available to promote to local residents.

- The Council has published a Neighbourhood and Community Planning Guide setting out how it will support community planning, including working with parishes to complete neighbourhood and parish plans. Following a referendum, the St Neots Neighbourhood Plan was made at the February 2016 Council meeting.

- Waste collection performance was below target at the end of the year, with the number of bin collections missed higher than in 2014/15 and the percentage of household waste recycled or composted lower than in 2014/15.

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

- The employee survey undertaken in summer 2015 showed improvements in nearly all results compared to the previous year, although we recognise that the results are not as good as we would want. Progress is underway on delivering an action plan developed to address issues identified through the survey and improve the results.

- The Council launched a new website in October 2015 which has resulted in significant improvements to speed and content. The amount of content to be maintained has reduced and the site is more customer focussed with a lower reading age and a mobile friendly layout. Savings of approx. £7k/year have been realised compared to the previous system and customer feedback has been very positive. The Council also adopted a new Customer Service Strategy with all services expected to take actions to help meet the objectives and deliver the outcomes.

- Customer satisfaction levels among call centre (94.3%) and customer service centre (92.2%) customers, as measured through recent surveys, remain high but fell compared to 2014/15 and were below target. Staff shortages have affected this performance.

- Sickness absence across the Council during 2015/16 was at the worst level recorded for a twelve month period at 11.7 working days lost/FTE. This is mainly as a result of a very high level of long-term sickness absence relating to a small number of employees.

- The One Leisure service achieved a surplus for the first time ever, with a record high income of £6.9m and expenditure levels reduced by £200k compared to the previous year. The outturn surplus was over £420k, which is an improvement of nearly £0.5m compared to 2014/15, based on directly controllable expenditure and income. The figures in Note 25 show the operations financial position after capital charges and overheads.

- Processing of Housing Benefit and Council Tax Support claims has improved, with new claims and change events processed within the targets set for the year. Collection of Council Tax and Business Rates has improved, with 98.5% of Council Tax and 99% of Business Rates collected.

- The 3C Shared Services partnership with Cambridge City Council and South Cambridgeshire District Council is underway with shared Building Control and Legal services being led by Cambridge City and a shared ICT service led by Huntingdonshire. These services will deliver savings in the region of 15% in addition to improving resilience and customer service.

- Since the autumn of 2014, the Council has undertaken a Zero Based Budgeting (ZBB) programme that has fundamentally reviewed all Council services. The review entailed all Heads of Service to review their respective service and then report to a

Star Chamber, led by the Executive Councillor for Resources along with the Leader and Deputy Leader of the Council.

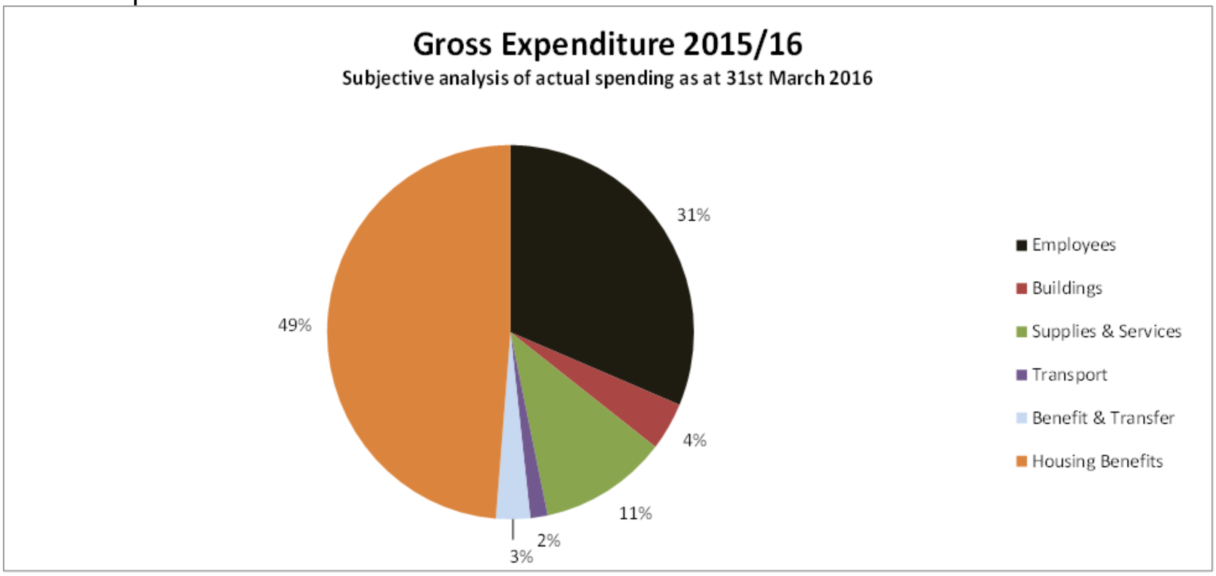
Revenue Spending and Sources of Income

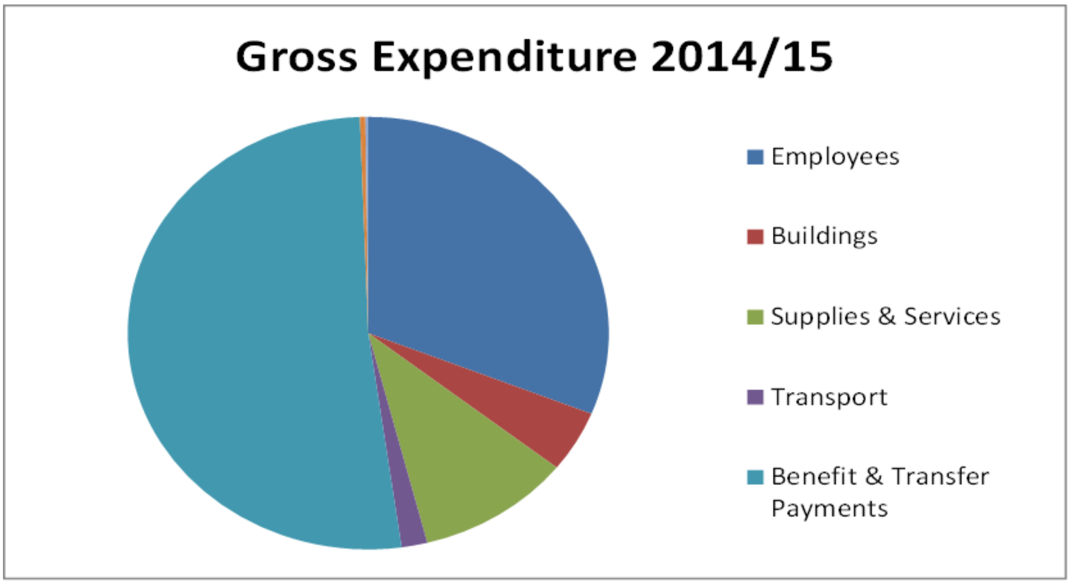
The Table below sets out the Council's budget for 2015/16 and how it performed against this and details out the main sources of income the Council receives to pay for its services.

2014/15 Outturn £000		Budget £000	2015/16 Outturn £000	Variation £000
	Service			
2,093	Community	2,130	1,674	(456)
4,222	Customer Services	4,488	4,114	(374)
1,338	Development	1,691	1,192	(499)
364	Leisure and Health	58	(141)	(199)
4,802	Operations	4,593	4,175	(418)
3,072	Resources	3,930	4,155	225
2,253	Directors and Corporate	2,377	2,107	(270)
(402)	Technical Adjustments	(386)	(177)	209
17,742	**Net Revenue Expenditure**	**18,881**	**17,099**	**(1,782)**
2,124	Contribution to Reserves	797	2,579	1,782
19,866	**Budget Requirement**	**19,678**	**19,678**	**0**
	Financing			
(6,222)	NDR and Council Tax	(4,242)	(2,750)	1,492
(8,022)	Government Grant (Non-Specific)	(7,668)	(7,668)	0
2,018	Contribution from Collection Fund Reserve	0	(1,492)	(1,492)
(7,640)	**Council Tax For Huntingdonshire DC**	**(7,768)**	**(7,768)**	**0**

Analysis of Revenue Income & Expenditure

The Council spent £73.855m in 2015/16 and the chart below shows the type of expenditure this was spent on.

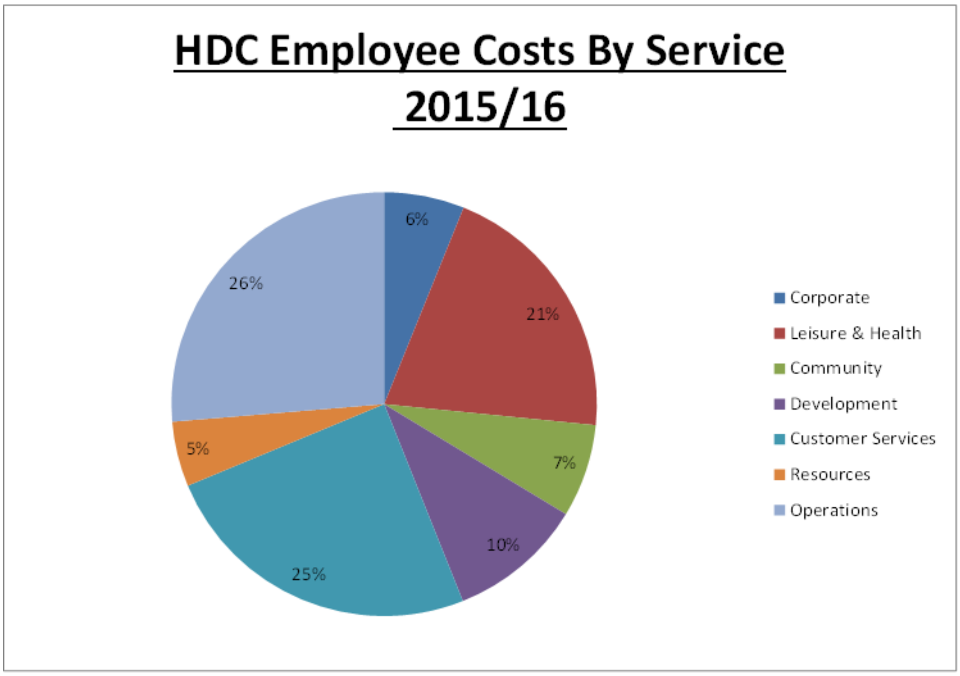


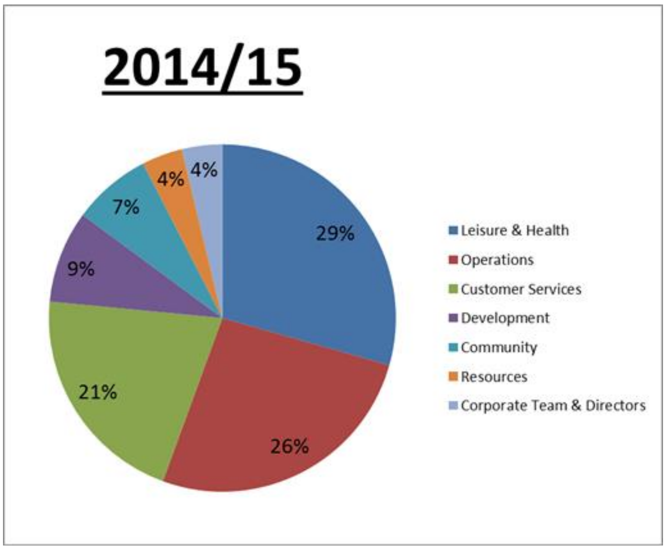


Note: These figures are different from thos in the Comprehensive Income and Expenditure Statement as that is based on accounting regulations and contains a number of costs that are not included in the above figures as they are not part of the Council's management accounts, for example depreciation charges.

Employee Expenditure

As can be seen from the graph above, the Council's biggest expenditure (excluding Housing Benefits which it does not control), and resource, is its staff. In 2015/16 it spent £23.052m (£22.259m 2014/15). The chart below show how this spend was split across the Council's departments.





Reserves
The table below shows the movement in the useable reserves during the year to 31st March 2016.

Revenue Usable Reserves 2015/16	B/f £000	Contributions To £000	From £000	C/f £000
General Fund	**9,287**	**0**	**(6,750)**	**2,537**
Earmarked				
Capital Investment	4,737	7,653	0	12,390
Delayed Projects	262	0	(262)	0
Special Reserve	2,500	0	(175)	2,325
S.106	2,903	272	(217)	2,958
Other	5,295	3,875	(2,833)	6,337
	15,697	**11,800**	**(3,487)**	**24,010**
Total Usable Reserves	**24,984**	**11,800**	**(10,237)**	**26,547**

The 2015/16 Outturn report reported a service expenditure underspend of £0.805m against the original budget approved in February 2015. On the 23rd June 2016 the report was presented to Cabinet who approved the reports' recommendation for the following transfers to Earmarked reserves:

- £0.244m – Collection Fund Reserve
- £0.110m - Democratic & Organisational Governance Initiative
- £0.471m – Efficiency Initiatives

Capital Spending

The final capital budget for 2015/16 was £9.300m plus loans to other organisations of £2.300m and the table below shows the movement from the original capital programme approved in February 2015.

Capital Programme	**£ m**	**£ m**
Original Approved Capital Programme 2015/16	9.637	
Approved Slippage from 2014/15	(0.274)	
Updated Capital Programme for 2015/16		**9.363**
Capital Outturn		5.534
Variation Against Updated Budget		**(3.829)**

The original net capital budget was £9.637m. In addition to this schemes were slipped from 2014/15 totalling (£0.274m), this resulted in an updated budget for the year of £9.363m. A combination of factors during the year have resulted in a gross expenditure of £7.495m, £0.823m on assets, £3.003m of grants and contributions, £1.362m on Commercial Investment Strategy, £2.302m on loans and £5,000 on intangible assets.

Additionally grants and contributions received of £1.119m, S106 grants of £0.080m and service capital receipts of £0.762m (total capital receipts were £1.991m) were netted from expenditure to give a capital programme outturn of £5.534m.

The most significant schemes in 2015/16 were £1.480m spent on Disabled Facilities Grants and the Community Infrastructure Levy advanced of £1.490m. In addition there was expenditure of £0.250m on replacing vehicles and £0.310m spent on Leisure schemes.

The council also spent £1.360m on the purchase of an industrial unit at Stonehill, Huntingdon, as part of the initial investments made as part of the Commercial Investment Strategy. This purchase has been financed by use of an earmarked general fund reserve.

Sales of assets in the year included clawback of housing right to buy receipts (£0.875m), the sale of the GreenHouse environmental home at St Ives (£0.295m), the sale of Land at St Marys Street Huntingdon (£0.432m), and the Hermitage at Earith (£0.144m). The total receipts (£1.994m) including repayments of loans (£0.194m) have been used to reduce the requirement to borrow to finance the capital programme, and reduced the amount that will be provided for the minimum revenue provision in future years.

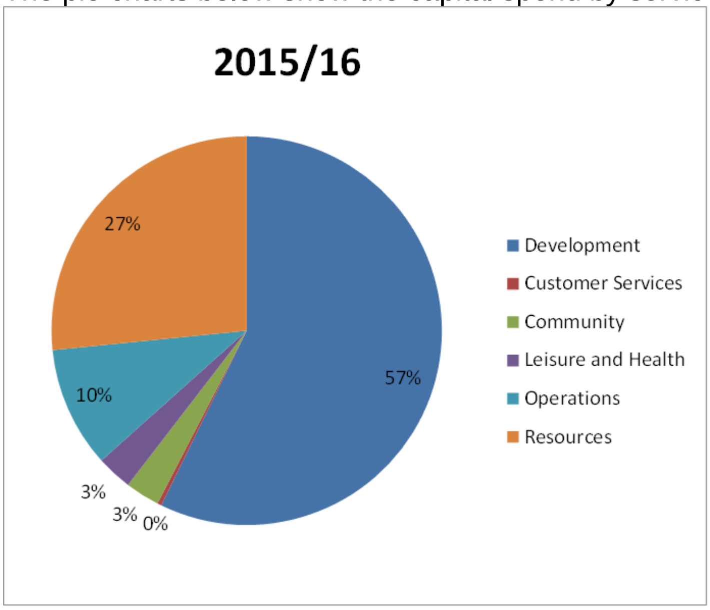
The table below shows the breakdown of the capital spend by project, the capital contributions and the funding pie charts show the capital spend by service area.

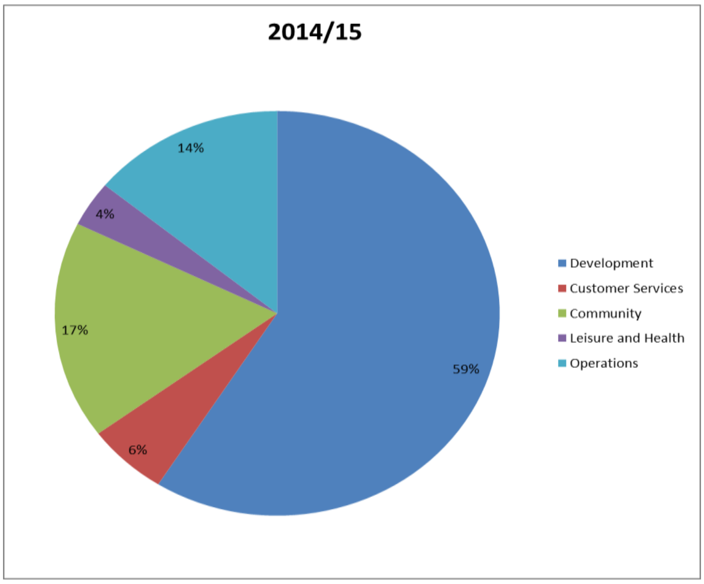
2014/15 £m	Capital Spending	2015/16 £m
0.1	Environmental Projects	0.1
1.4	Housing Grants	1.5
0.8	Vehicle Replacement Programme	0.3
0.5	Information & Communication Technology	0.0
0.2	Leisure & Recreation	0.3
0.0	Stonehill Huntingdon	1.4
0.0	Community Infrastructure Levy Schemes	1.5
4.2	Other	0.1
7.5	**Gross Expenditure**	**5.2**
	Less	
(4.3)	External contributions and capital grants	(1.2)
(0.2)	Castle Hill House capital receipt	(0.0)
3.0	**Net Expenditure**	**4.0**
	Funded from	
(0.9)	Capital Receipts	(2.0)
(0.0)	Capital Receipts Reserve Applied	(1.5)
(1.3)	Provision for Debt Repayment	(1.5)
(0.8)	Borrowing	2.39
(0.0)	Direct Revenue Funding	(1.4)
(3.0)		**(4.0)**

2014/15 £m	Capital Investments	2015/16 £m
0.1	Loans to Organisation	2.3
0.1	**Net Expenditure**	**2.3**
	Funded from	
(0.1)	**Borrowing**	**(2.3)**
(0.1)		**(2.3)**

Capital Expenditure by Service

The pie charts below show the capital spend by service area for 2015/16.





Treasury Management

The main purpose of the Treasury Management Strategy is to:

- Ensure the Council has sufficient cash to meet its day to day obligations.
- Borrow when necessary to fund capital expenditure, including borrowing in anticipation of need when rates are considered to be low.
- Invest surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest.

The key market Treasury Management issues though 2015/16 influencing the Council's decision-making were:

- A moderate improvement in the credit rating of financial institutions.
- The introduction of legislation (bail-in replaces bail-out) placing the burden of rescuing failing EU banks disproportionately onto unsecured institutional investors including local authorities.
- A continuation of the Bank of England's policy of very low interest rates, with the result that market rates also remain very low. The Council average investing rate was 0.41%.

The Council's response to the key issues in 2015/16 was:

- Where the Council has surplus funds to primarily make short term investments (the majority on call on a daily basis) in liquidity accounts and money market funds.
- Where possible to take a higher return without sacrificing liquidity.
- When borrowing the Council has used the Public Works Loan Board (PWLB), which offers low fixed rate borrowing over a long period. The average interest rate paid was 3.70%

Looking to the Future

Austerity across the public sector is a continuing them of the current Government and is expected to continue through to 2020. In 2014/15 the Council adopted a strategy, referred to as the 'Plan on a Page', that sought to meet the financial challenges that were being faced and to move to a position of financial independence from Central Government, i.e. not to be reliant on central government grant for financing services. Two key pillars of the 'Plan on a Page' are:

- Zero Based Budgeting across the Council
- Implementation of a Commercial Investment Strategy

The Council set a balanced budget for 2016/17, which included a contribution to reserves of £2.276m, as a result of having carried out a full ZBB exercise across all services and find £2.237m savings in 2016/17 increasing to £3.988m by 2020/21. However by the end of the Council's Medium Term Financial Strategy in 2020/21, after assuming the complete removal of non-ring fenced government grants, there is a reliance on contributions from reserves of £3.604m.

As a result of this the programme of ZBB reviews will continue into 2017/18 and future years.

The second major pillar of the Councils' Plan on a Page' is the Commercial Investment Strategy. This was approved by the Council in December 2015 and approved the use of the Council's resources, both cash reserves and borrowing abilities, to invest in commercial investments in order to generate a return that will further allow the Council to become financially self-sufficient.

The Financial Statements

The Council's financial statements for 2015/16 have been prepared in accordance with the:

- Standard format for local authority accounts recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2015/16 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 based on International Financial Reporting Standards.

- Accounts and Audit Regulations 2011.

The primary financial statements are supported by explanatory notes, including details of the accounting policies adopted by the Council.

The Comprehensive Income and Expenditure Statement (CIES)

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

Movement in Reserves Statement

The CIES differs from the Council's management accounts, as it contains a number of transactions that are required for accounting purposes but then removed from the accounts as they are deemed not to be covered by Council Tax. These movements happen in the

Movement in Reserves Statement (MiRS) and in a reconciliation between the two positions in shown in note 24 to the accounts.

This statement also shows the movement in the year on the different reserves held by the Council, analysed into 'useable reserves', (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. A final adjustment shows any discretionary transfers to or from earmarked reserves undertaken by the Council.

Balance Sheet

The Balance Sheet shows the value at the 31 March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are unusable and includes reserves that hold unrealised gains and losses *(*for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement at the line entitled 'Adjustments between accounting basis and funding basis under regulations'.

	31 March 2016 £m
Long Term Assets	90.952
Current Assets	14.612
Current Liabilities	(10.223)
Long Term Liabilities	(81.954)
Net Assets	**13.387**
Useable Reserves	31.219
Unusable Reserves	(17.832)
Total Reserves	**13.387**

The Balance Sheet has moved from a negative balance position in 2014/15 (£3.694m) to a positive position as shown above. The principle reason for this movement (£15.516m) is an improvement in the Pension Fund and Liability of £11.446m. A detailed explanation of the Councils pension liabilities is shown in Note.35 Defined Benefit Pension Scheme and in summary:

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

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

The Cash Flow Statement

The Cash Flow Statement shows the changes in "cash" (cash and cash equivalents) of the Council during the reporting period. The statement shows how the Council generates and uses "cash" by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Net cash flows from:	**31 March 2016 £m**
- operating activities	0.898
- investing activities	(2.457)
- financing activities	1.992
Net increase or (decrease) in cash and cash equivalents	**0.433**
Cash & Cash Equivalents	
- at the beginning of the reporting period	2.695
- **at the end of the reporting period**	**3.128**

The Collection Fund Revenue Account

The Collection Fund is a separate account into which are paid amounts raised from local taxation. As well as including amounts collected in respect of Council tax, it now includes amounts collected from local businesses, which following the introduction of the Local Business Rates scheme, now means that Non-Domestic Rates as distributed subject to predetermined government set formulae. The Fund also accounts for payments due to preceptors.

Technical Information

International Financial Reporting Standards
The Council has reported its financial position based on the requirements of International Financial Reporting Standards (IFRS) and this is encapsulated within the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Statement of Accounting Policies
The accounting polices applicable to the 2015/16 statement of accounts are, in the main, the same as those that were applied to the 2014/15.

True and Fair View Override
As required by the Accounts and Audit Regulations 2015, paragraph 8.2, it is noted that the Responsible Financial Officer has not had to use the “true and fair view override”.

Changes to the Statement of Accounts
There are no material changes to the Statement of Accounts.

Material and Unusual Charges or Credits in the Accounts
There are no material and unusual charges or credits in the accounts.

Material Events after the Reporting Date
There have not been any material events after the reporting date.

Material Assets Acquired or Liabilities Incurred
There have not been any material assets acquired or liabilities incurred during the year.

Changes in Statutory Functions
There were no changes in statutory functions in 2015/16.

Clive Mason FCPFA

Head of Resources

30th September 2016

Independent Auditors Report to be inserted once audit has been completed page 1

Independent Auditors Report to be inserted once audit has been completed page 2

Independent Auditors Report to be inserted once audit has been completed page 3

Independent Auditors Report to be inserted once audit has been completed page 4

Statement of Responsibilities

The Authority's Responsibilities
The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Head of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Head of Resources Responsibilities
The Head of Resources is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts the Head of Resources has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Head of Resources has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at 31 March 2016 and its income and expenditure for the year ended 31 March 2016

Clive Mason FCPFA
Head of Resources

31st May 2016

Chairman's Approval of the Statement of Accounts

This is the Annual Financial Report, incorporating the Statement of Accounts with all audit activities completed. The Corporate Governance Committee of Huntingdonshire District Council at its meeting on 14th September 2016 delegated authority to me as Chairman of the Panel to approve the Statement of Accounts.

Cllr Mike Frances
Chairman of the Corporate Governance Panel

XXth September 2016

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000 Note 8	Capital Grants Unapplied £000 Note 29	TOTAL USEABLE RESERVES £000	Unusable Reserves £000 Note 20	TOTAL COUNCIL RESERVES £000
Movement in reserves during 2015/16						
BALANCE AT 31 MARCH 2015 B/F	**9,287**	**15,697**	**4,090**	**29,074**	**(32,768)**	**(3,694)**
Surplus/(Deficit) on provision of services	646	0	0	**646**	0	**646**
Other comprehensive income and expenditure	0	0	0	**0**	16,435	**16,435**
Total comprehensive income and expenditure	**646**	**0**	**0**	**646**	**16,435**	**17,081**
Adjustments between accounting basis and funding basis under regulations (Note 7)	2,361	0	582	**2,943**	(2,943)	**0**
Net increase/(decrease) before transfers to earmarked reserves	**3,007**	**0**	**582**	**3,589**	**13,492**	**17,081**
Transfers (from)/to earmarked reserves (Note 8)	(9,757)	8,313	0	**(1,444)**	1,444	**0**
Increase/(Decrease) in Year	**(6,750)**	**8,313**	**582**	**2,145**	**14,936**	**17,081**
BALANCE AT 31 MARCH 2016 C/F	**2,537**	**24,010**	**4,672**	**31,219**	**(17,832)**	**13,387**
Movement in reserves during 2014/15						
BALANCE AT 31 MARCH 2014 B/F	**8,684**	**12,218**	**957**	**21,859**	**(10,867)**	**10,992**
Surplus/(Deficit) on provision of services	491	0	0	**491**	0	**491**
Other comprehensive income and expenditure	0	0	0	**0**	(15,177)	**(15,177)**
Total comprehensive income and expenditure	**491**	**0**	**0**	**491**	**(15,177)**	**(14,686)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	3,962	0	3,133	**7,095**	(7,095)	**0**
Net increase/(decrease) before transfers to earmarked reserves	**4,453**	**0**	**3,133**	**7,586**	**(22,272)**	**(14,686)**
Transfers (from)/to earmarked reserves (Note 8)	(3,850)	3,479	0	**(371)**	371	**0**
Increase/(Decrease) in Year	**603**	**3,479**	**3,133**	**7,215**	**(21,901)**	**(14,686)**
BALANCE AT 31 MARCH 2015 C/F	**9,287**	**15,697**	**4,090**	**29,074**	**(32,768)**	**(3,694)**

Comprehensive Income and Expenditure Statement

2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000		2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure £000
11,485	(7,214)	4,271	Cultural and Recreational Services	11,568	(7,524)	4,044
5,198	(1,625)	3,573	Environmental Services	5,300	(1,781)	3,519
3,187	(170)	3,017	Refuse Collection	3,409	(181)	3,228
7,477	(8,448)	(971)	Planning Services	4,453	(4,495)	(42)
41,643	(38,112)	3,531	Housing Services	41,333	(38,036)	3,297
2,927	(2,482)	445	Highways and Transport Services	4,045	(2,419)	1,626
681	(186)	495	Council Tax Benefits	458	(150)	308
1,353	(588)	765	Local Taxation Collection	1,414	(573)	841
1,149	(531)	618	Other Central Services	1,212	(647)	565
2,709	(584)	2,125	Corporate and Democratic Core	3,877	(166)	3,711
1,459	2	1,461	Non-Distributed Costs	708	(226)	482
79,268	**(59,938)**	**19,330**	**Cost of Services** (note 24)	**77,777**	**(56,198)**	**21,579**
4,641	0	4,641	Other Operating Expenditure (Note 9)	5,301	0	5,301
3,091	(2,895)	196	Financing and Investment Income and Expenditure (Note 10)	4,272	(3,479)	793
18,477	(43,135)	(24,658)	Taxation and Non-specific Grant Income (Note 11)	18,831	(47,150)	(28,319)
105,477	**(105,968)**	**(491)**	**(Surplus)/Deficit on provision of services**	**106,181**	**(106,827)**	**(646)**
		(802)	(Surplus) or deficit in the revaluation of non-current assets (Note 20)			(1,626)
		24	Impairment losses on non-current assets charged to the Revaluation Reserve (Note 20)			0
		0	(Surplus)/Deficit on revaluation of available for sale financial assets			182
		15,955	Actuarial losses/(gains) on pension assets and liabilities (Note 35)			(14,991)
		15,177	**Other comprehensive income and expenditure**			**(16,435)**
		14,686	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**(17,081)**

Balance Sheet

31 March 2014 £000 Restated	31 March 2015 £000 Restated		Notes	31 March 2016 £000
65,053	63,731	Property, Plant and Equipment	12	60,586
65	65	Heritage Assets		65
19,615	20,874	Investment Property	13	22,675
1,782	1,452	Intangible Assets	14	1,066
0	0	Long Term Investments	15	2,318
2,406	2,187	Long Term Debtors	15	4,242
88,921	**88,309**	**Long Term Assets**		**90,952**
0	0	Short Term Investments	15	500
62	94	Inventories		90
9,670	9,297	Short Term Debtors	16	10,854
1,686	2,695	Cash and Cash Equivalents	17	3,128
144	505	Assets held for sale		40
11,562	**12,591**	**Current Assets**		**14,612**
(6,282)	(282)	Short Term Borrowing	15	(347)
(7,461)	(8,620)	Short Term Creditors	18	(7,570)
(2,133)	(3,635)	Provisions	36	(2,306)
(15,876)	**(12,537)**	**Current Liabilities**		**(10,223)**
(11,368)	(11,202)	Long Term Borrowing	15	(13,233)
(783)	(771)	Other Long Term Liabilities	15	(758)
(61,464)	(80,084)	Net Pensions Liability	35	(67,963)
(73,615)	**(92,057)**	**Long Term Liabilities**		**(81,954)**
10,992	**(3,694)**	**Net Assets**		**13,387**
21,859	29,074	Useable Reserves	19	31,219
(10,867)	(32,768)	Unusable Reserves	20	(17,832)
10,992	**(3,694)**	**Total Reserves**		**13,387**

Clive Mason FCPFA
Head of Resources

31st May 2016

Cash Flow Statement

2014/15 £000 Restated		2015/16 £000
491	Net Surplus / (Deficit) on the provision of services	646
7,808	Adjustments to net surplus or deficit on the provision of services for non-cash movements	2,040
(2,599)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,788)
5,700	Net cash flows from Operating Activities(Note 21)	**898**
1,352	Investing Activities (Note 22)	(2,457)
(6,043)	Financing Activities (Note 23)	1,992
1,009	Net increase/(decrease) in cash and cash equivalents	**433**
1,686	Cash and cash equivalents at the beginning of the reporting period	2,695
2,695	**Cash and cash equivalents at the end of the reporting period (Note 17)**	**3,128**

Note 1. Accounting Policies

Accounting Policies in respect of Concepts and Principles

➢ **General Principles**

The Statement of Accounts summarises the Council's transactions for the **2015/16** financial year and its position at the year-end of 31 March **2016**. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom **2015/16** and the Service Reporting Code of Practice **2015/16,** supported by International Financial Reporting Standards (IFRS).

The underlying concepts of the accounts include the:

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

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

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

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

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

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

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

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

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

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

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

➢ **Accruals of Income and Expenditure**

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

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

➢ **Overheads and Support Services**

The costs of overheads and support services are charged to services on the basis of use in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15. The basis of the charge varies according to the nature of the support service provided (e.g. administrative buildings are apportioned on the basis of area occupied.) The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – for example the cost of lump sum employer contributions to the pension scheme.

These two cost categories are defined in the Service Reporting Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

The cost of overheads relating to staff time spent on capital projects is treated as a revenue charge to the service rather than a charge to the capital project.

➢ Changes in Accounting Policies, Prior Period Adjustments, Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, if material, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. For **2015/16**, there are no new accounting policies in respect of statutory requirements or to ensure local circumstances are better reflected within the Annual Report.

Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

➢ Exceptional Items

When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

➢ Interest Receipts

Interest receipts credited to the General Fund include all amounts received in respect of balances held and invested externally, except for interest earned on the S106 reserve (one of the earmarked reserves) which is credited to that reserve. Interest receipts are included in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

➢ Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement; they are included in the Balance Sheet as the General Fund Balance, Capital Reserve, Earmarked Reserves or Capital Grants Unapplied.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to count against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

However, there are other reserves that cannot be used to finance expenditure:

- Capital Adjustment Account – these are capital resources set aside to meet past expenditure.
- Revaluation Reserve – the gains of valuation of assets not yet realised by sales.

- Financial Instruments Adjustment Account – balancing account to allow for differences in statutory requirements and accounting requirements for borrowing and investments.
- Collection Fund Adjustment Account – holds the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund.
- Pensions Reserve – balancing account to allow the pensions liability to be included in the Balance Sheet.
- Accumulated Compensated Absences Adjustment Account – the value of untaken leave and other employee benefits.

➢ **Value Added Tax**

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

➢ **Events after the Balance Sheet Date**

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

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

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

➢ **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the investment date and that are readily convertible to cash with insignificant risk of change in value.

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

Accounting Policies in respect of Non-Current Assets

➢ **Property, Plant and Equipment (IAS 16)**

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

- Recognition

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

There is a de minimis level of £10,000 however, where the cumulative value of individual assets is greater than £10,000 and they meet the criteria for recognition they will be capitalised.

- Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement.

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

o	Fair Value:	Land and Buildings, Investment Properties
o	Depreciated Historic Cost:	Vehicles, Plant and Equipment, Infrastructure, Intangibles
o	Historic Cost:	Community Assets, Assets Under Construction Assets Held for Sale

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

Assets included in the Balance Sheet at fair value are revalued regularly to ensure that their carrying value is not materially different from their fair value at the year end, but as a minimum every three years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account. Thus there is no impact on the council tax.

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

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

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

- Components

The Council will separately account for components where the cost of the component is significant in relation to the overall total cost of the asset, and the useful economic life of the component is significantly different from the useful economic life of the asset.

Individual components with similar useful lives and depreciation methods will be grouped.

For this purpose a significant component cost would be 10% of the overall total cost of the asset but with a de-minimis component threshold of £100,000.

This policy has been applied prospectively when non-current assets have been revalued and will be considered only for new revaluations carried out after 1st April 2012 and when enhancement and/or acquisition expenditure is incurred after that date. The only assets that have been split into components in the 2015/16 accounts are offices and leisure centres. This is consistent with the prior year.

The impact is that some components have a useful life of between 15 and 35 years, which in some instances is different to the useful life of the main asset and therefore the depreciation charge varies from that based on the same useful life for the whole asset.

- Impairment

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

Where impairment losses are identified, they are accounted for:

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

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

- Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

- Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by allocating the value of the asset over their useful lives. An exception is made for assets where the finite useful life cannot be determined, (i.e. land and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated as follows:

Asset Type	Depreciation basis	Useful Economic Life
Operational Buildings	Straight-line allocation over the estimated life of the building or component where identified separately	5 years to 45 years
Vehicles, Plant, Furniture & Equipment	Straight line allocation over the estimated life of the asset	1 year to 48 years
Infrastructure		3 years to 44 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

The residual value of the assets is reviewed at least every five years and the depreciation adjusted to match any change in the life of the asset.

Year of depreciation charge

The depreciation charge will generally commence in the year after the addition of the asset, unless the in-year depreciation charge would have a material impact.

➢ **Depreciation and other Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment during the year:

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue, known as the minimum revenue provision (MRP), to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by MRP in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement to reflect the difference between the two.

The basis for calculating MRP is restricted by legislation and the policy has to be approved by the Council. From 2013/14, the Council adopted the following which clarifies the policy to be applied in differing circumstances:

i. <u>MRP Policy in respect of Loans to Organisations or Loans with Security (as defined within the Treasury Management Strategy</u>)

Where the Council has provided:

- loans to local organisations or businesses, and/or
- loans with security

and these loans are repaid on, at least an annual basis, that the principal repayments received can replace the need to make a minimum revenue provision.

ii. <u>MRP Policy in respect of Debt not relating to Loans to Organisations</u>

MRP for this category will be on an annuity basis. This results in the MRP increasing over the life of the asset to match the fall in the interest cost as the debt is "notionally" repaid. The net result is a consistent charge to the Council's accounts over the assumed life of the asset.

iii. <u>MRP Policy in respect of the Commercial Investment Strategy</u>

For each capital investment undertaken under the requirements of the Council's Commercial Investment Strategy, MRP will be made that is equal to the principal repayment for any loan finance supporting the investment.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal; receipts from disposals are credited to the same line. Any accumulated revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

➢ **Heritage Assets**

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)

Heritage Assets are those that are held and maintained by the Council principally for their contribution to knowledge and culture. Such assets can have historical, artistic, scientific, geophysical or environmental qualities.

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

The Authority's Heritage Assets are accounted for as follows:

- Cultural

  The Council has identified the Norman Cross and Eagle as a Heritage Asset and this is disclosed in the Balance Sheet, based on insurance valuation, at £0.065m. It should be noted that there is no phased basis of valuation. This asset is:

  - deemed to have an indeterminate life and consequently the Council does not consider it appropriate to charge depreciation.
  - static and located at Norman Cross, Cambridgeshire, near to the intersection with the A1.

- Mayoral Regalia and Art Collection

  The Council has two mayoral chains of office and two paintings; however the total estimated value of these assets, based on insurance valuations, is £0.033m. As individually these assets are not material, they have not been included in the Balance Sheet.

➢ **Intangible Assets**

Expenditure, on an accruals basis, for assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) are capitalised where they will bring benefit for more than one year. The balance is amortised (charged) to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

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

Any gain or loss arising on the disposal or abandonment of an intangible asset is debited or credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

- **Investment Properties**

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

Investment properties are measured initially at cost and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated and are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental income received in relation to investment properties is credited to the Financing and Investment Income and Expenditure line and results in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance and are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

- **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

- The Council as Lessee
  - <u>Finance leases</u>

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

Lease payments are apportioned between:

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

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

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

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

- <u>Operating leases</u>.

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

- The Council as Lessor

  - <u>Finance Leases</u>

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

    Lease rentals receivable are apportioned between:

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

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

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

- Operating Leases.

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

- **Revenue Expenditure funded from Capital under Statute**

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

Current Value Measurement (IFRS 13)

Previously, all assets and liabilities were valued under the principle of “fair value” which was defined as “the amount for which an asset could be exchanged or liability settled between knowledgeable, willing parties in an arm’s length transaction”.

Although “fair value” remains as the approach to valuation for a number of assets and liabilities, in respect of Operational Assets IFRS 13 introduces “current value”. This means such assets have to be measured in a way that recognises their “service potential”.

Accounting Policies in respect of Current Assets

- **Inventories**

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

- **Contingent Assets**

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

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

- **Provisions and Contingent Liabilities**

- Provisions

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

- Contingent Liabilities

  A contingent liability arises from an event which is too uncertain or the amount of the obligation cannot be reliably estimated. The liability is disclosed as a contingent liability within the notes to the accounts. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Accounting Policies in respect of Employee Benefits

- **Benefits Payable during Employment**

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees provide services to the Council.

An accrual is made against services in the Comprehensive Income and Expenditure Statement for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement. Thus there is no impact on the council tax.

- **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy.

Termination benefits are charged to the appropriate service line in the Comprehensive Income and Expenditure Account when the Council can demonstrate that it is committed to either terminating the employment of an officer or has made an offer of voluntary redundancy even if the officer has not left the Council by 31 March.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

➢ **Post-Employment Benefits (Pensions)**

Employees of the Council are members of the Local Government Pensions Scheme (LGPS), administered by Cambridgeshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

- The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bonds as identified by the actuary).

- The assets of the Cambridgeshire County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

- The change in the net pensions liability is analysed into seven components:

  - **current service cost** – the increase in liabilities as a result of years of service earned this year – debited in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - **net interest on the net defined liability**, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
  - **the return on plan assets –** excluding amounts charged in net interest on the net defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - **actuarial gains and losses –** changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
  - **contributions paid to the Cambridgeshire Pension Fund –** cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, rather than the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The balance (currently negative) that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

➢ **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Accounting Policies in respect of Financial Instruments

➢ **Financial Assets**

The main financial assets attributable to the Council are:

- Loans and receivables

  Financial assets that are applicable to the Council are loans and receivables which are assets with a fixed or determinable payment but not quoted in an active market (e.g. trade debtors, fixed term investments). Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. The Council has the following loans and receivables:

- Debtors

  Debtors are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end, taking into account the nature, value and age of debts and historic losses for similar groups of assets. Bad debts are written off when they are identified.

  Debtors falling due after more than one year are classified as long-term debtors, which includes housing improvement loans and housing advances. The charge for these services is to the Housing Services line in the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

- Cash and equivalents

  Cash and equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash. Due to their nature and short-term maturity, the fair values for debtors and cash and equivalents are estimated using their carrying values.

- Investments

  The Council has both long and short-term investments with various financial institutions. Investments are carried at their amortised cost. The fair value of investments is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same investment from a comparable institution, available at the Balance Sheet date.

  The Council has made loans for home improvement which are interest-free (soft loans). When these soft loans are made, a loss is recorded in the Housing Services line in the Net Cost of Services in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Statutory provisions require that the impact of soft loans in the Comprehensive Income and Expenditure Statement is managed by a transfer to the Financial Instruments Adjustment Account. It is included in the 'Adjustment between accounting basis and funding basis under regulation' line in the Movement in Reserves Statement.

➢ **Financial Liabilities**

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

- Creditors

  Creditors are carried at their original invoice amount.

- Bank overdrafts

  Bank overdrafts comprise amounts owed to banks and similar institutions and are repayable on demand.

  Due to their nature and short-term maturity, the fair values for creditors and bank overdrafts are estimated using their carrying values.

- Short-term borrowing

  Loans of less than 1 year and carried at amortised cost.

- Long-term loan

  Loans with the Public Works Loans Board are carried at their amortised cost but with the fair value disclosed as a note.

Note 2. Accounting Standards that have been issued but have not yet been adopted

The following are the accounting policies that have been issued but as yet have not been adopted by the Council as at the balance sheet date:

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2016.

- Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable

Methods of Depreciation and Amortisation)

- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS 1 *Presentation of Financial Statements* (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves

Statement and the introduction of the new Expenditure and Funding Analysis

- The changes to the format of the Pension Fund Account and the Net Assets Statement.

It is not anticipated that the above amendments will have a material impact on the information provided in the financial statements, i.e. there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services. However, in the 2016/17 year the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and reporting requirements as a result of the CIPFA/LAASAC (Chartered Institute of Public Finance and Accountancy/Local Authority Scotland Accounts Advisory Committee) Telling the Story review of the presentation of local authority financial statements.

Note 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- In light of the current financial environment or continuing austerity across the public sector, the Council has adopted the Zero Based Budgeting (ZBB) methodology to deliver savings and efficiencies, of which £2.2m was achieved in the 2016/17 budget approved in February 2016. The Medium Term Financial Strategy (MTFS), which was also approved in February 2016, removed the reliance on NHB by 2020/21. At present further ZBB reviews are ongoing and these may impact on service provision.

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

- In line with the Code of Practice on local authority accounting in the United Kingdom 2015/16, based on International Financial Reporting Standards, the Council has not charged depreciation on land, investment properties, community assets, assets held for sale and assets under construction. For all these assets, the total value for 2015/16 for land is £13.030m and Buildings (NBV) is £17.222m (2014/15; land is £13.427m and Buildings (NBV) is £16.367m).

- The Council has taken professional advice from the Pension Fund's actuary, Hymans Robertson LLP, to determine the overall net liability of the fund which is £68.638m for 2014/15; this has decreased by £11.446m since 2014/15. However:

  - This does not adversely affect the financial position of the Council as the actuarial valuation is based on a number of assumptions about the future, as shown in Note 39.
  - The revenue impact of the deficit is formally reviewed by the actuary on a triennial basis who determines revised employer contributions for the forthcoming 3-year period. Further, fluctuations in pension assets and liabilities occur due to movements in market investments.

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

  To estimate the provision for outstanding appeals, the Council has reviewed the outstanding appeals as at 31 March 2016. An estimated provision of £8.331m has been included in the Collection Fund in respect of successful appeals costs. Of the total estimated provision, £4.857m is for backdated costs prior 1 April 2015, £2.762m for costs attributable to 2015/16 and £0.712m in relation to appeals that are yet to be submitted. The Council's share of any such Collection Fund costs is 40% or £3.333m of the total provision and this is included in the General Fund balance.

Note 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property	All Property is reviewed on a 3 year rolling basis. Where an asset has not been specifically reviewed a “table-top” analytical review is undertaken to determine if the principle valuation indexes show a material change in the current assets valuation. In addition, an annual impairment review is undertaken to determine if any of the Council’s assets have been impaired.	75% of the Council’s assets are valued at fair value, so the impact of changes in market is significant. If there was a 1% fall in market value, it is estimated that the value of the Council’s property assets would reduce by £0.468m.
Plant and Equipment	Plant and Equipment are valued on an historic cost basis.	There will not be any changes to this valuation due to market conditions because the valuation approach reflects costs at acquisition or similar situations.
Investment Properties	Investment Properties are valued on an annual basis and are valued at fair value.	It is estimated that a 1% fall in market value would reduce the value of the Council’s investment properties by £0.227m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions, as provided by the actuary, can be measured. For instance: • A 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of 11% or £19.061m. • A 1 year increase in life expectancy would result in an increase in pension liability of 3% or £5.376m. • A 0.5% increase in the salary increase rate would result in an increase in pension liability of 3% or £5.831m. • A 0.5% increase in the pension increase rate would result in an increase in pension liability of 7% or £12.901m.
Sundry Debt Arrears	The Bad Debt Provision (BDP), also known as Debtor Impairment, calculation is based on the current aged debt profile, past payment behaviour and past write off activity.	Each debt type has an independent BDP rate determined by previous debt activity. If only Sundry Debtor debt is considered, increasing the BDP by 10% would have an additional £41,993 impact on revenue. However, to achieve such an increase in the BDP, the actual debt

	At 31st March 2016 the Council has a net debtors balance of £10.853m	would have to increase by £125,091.
Sundry Creditors (Housing Benefits)	During the year the Council pays Housing Benefits to local residents who are entitled to receive it; these payments are reimbursed by Central Government subsidy. The Subsidy reimbursement relates to amounts paid on or before 28th March, however, accruals have been made to reflect the period that the payments actually cover. The Housing Benefit payments made by the Council are on one of the two following bases: i. 4-week in arrears, or ii. 2-weeks in arrears/2-weeks in advance.	The amount of Housing Benefit in payment at any given time is dependent on the number of claims made at that time, which is itself affected by both local and national economic conditions. Consequently it is difficult to provide a meaningful sensitivity analysis.
Provision – Rateable Value Appeals	Appeals by non-domestic ratepayers for a reduction in the rateable value of their premises are outstanding. Appeals are determined by Valuation Office and are not within the Council's control. However, expert independent advice has been sought in arriving at an estimated provision.	The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of the estimated outcome of appeals calculated by a weighted average of the historic outcomes. It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by Safety Net calculation (the calculation of which is limited by regulation). A 10% variation in the estimated provision would be £0.539m for the Collection Fund of which £0.216m which would be attributable to the General Fund.

Note 5. Material Items of Income and Expenditure

The primary purpose of this note is to disclose those material items of income and expenditure that are not part of the ordinary course of business or events of the Council (i.e. extraordinary). During 2015/16 no such items of income or expenditure were incurred (2014/15; nil.)

Note 6. Events after the Balance Sheet Date

The Annual Financial Report, incorporating the Statement of Accounts, was authorised for issue by the Head of Resources on 31st May 2016.

With regard to 2015/16:

- **Adjusting Events**
  The financial statements and notes have not been adjusted for any such material events which took place after the 31 March 2016.

- **Non-Adjusting Events**
  Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating. The Council's Treasury Management Strategy, ensures that the Council's investments are well protected against market fluctuations in the short to medium term. The Council has concentrated its investing on short-term instruments, with the majority of the surplus funds available to be withdrawn on the day. There is likely to be an impact on the Council's investment property valuations if confidence in the wider UK property market falls; and the valuation of the Council's £68.638m defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact on the financial statements, and there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations. For the purposes of these financial statements, the Referendum is considered a non-adjusting event. There have been no other events occurring after the reporting date that would have a material impact on these financial statements

Note 7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of a council are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2015/16

	Useable Reserves			
	General Fund balance £000	**Capital receipts reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(3,762)			3,762
Amortisation of intangible fixed assets	(363)			363
Fair value of investment properties	439			(439)
Net Revenue expenditure funded from capital under statute	(2,398)			2,398
Net carrying amount of non-current assets sold	(1,674)			1,674
Revaluation Gains/Losses on non-current assets charge to the Comprehensive Income and Expenditure Statement	(637)			637
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:	514			(514)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	1,530			(1,530)
Adjustments involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to fund capital expenditure				
Proceeds of sale of non-current assets	1,789			(1,789)
Repayment of loan				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(1)			1
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(15)			15
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 5 of Pension Fund)	(6,900)			6,900
Employer's pensions contributions and direct payments to pensioners payable in the year	4,030			(4,030)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	2,851			(2,851)
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	2,072		(582)	(1,490)
Adjustment involving the Accumulated Compensated Absences Adjustment Account				
Adjustments in relation to short-term compensated absences	164			(164)
Total Adjustments	**(2,361)**	**0**	**(582)**	**2,943**

2014/15

	Useable Reserves			
	General Fund balance £000	**Capital receipts reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(3,788)	0	0	3,788
Amortisation of intangible fixed assets	(423)	0	0	423
Fair value of investment properties	1,259	0	0	(1,259)
Net Revenue expenditure funded from capital under statute	(1,096)	0	0	1,096
Net carrying amount of non-current assets sold	(410)	0	0	410
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:	116	0	0	(116)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	1,331	0	0	(1,331)
Adjustments involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to fund capital expenditure	0	1,087	0	(1,087)
Proceeds of sale of non-current assets	897	(897)	0	0
Repayment of loan	0	(190)	0	190
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	0	0	0	0
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(22)	0	0	22
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 35)	(6,493)	0	0	6,493
Employer's pensions contributions and direct payments to pensioners payable in the year	3,828	0	0	(3,828)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2,395)	0	0	2,395
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	3,133	0	(3,133)	0
Adjustment involving the Accumulated Compensated Absences Adjustment Account				
Adjustments in relation to short-term compensated absences	101	0	0	(101)
Total Adjustments	**(3,962)**	**0**	**(3,133)**	**7,095**

Note 8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts transferred back from earmarked reserves to meet General Fund expenditure (either revenue expenditure or direct revenue financing of capital).

	Balance 31.3.14 £000	Transfers in £000	Transfers out £000	Balance 31.3.15 £000	Transfers in £000	Transfers out £000	Balance 31.3.16 £000	Purpose of Reserve
S106 agreements	**(1,707)**	0	566	**(1,141)**	(191)	99	**(1,233)**	**A**
Commuted S106 payments	**(1,178)**	(663)	79	**(1,762)**	(81)	118	**(1,725)**	**B**
Repairs and renewals funds	**(1,202)**	(173)	75	**(1,300)**	(33)	352	**(981)**	**C**
Delayed projects	**(245)**	(17)	0	**(262)**	0	262	**0**	**D**
Collection Fund	**(2,768)**	0	0	**(2,768)**	(2,045)	2,111	**(2,702)**	**E**
Capital Investment	**(2,009)**	(2,728)	0	**(4,737)**	(7,653)	0	**(12,390)**	**F**
Budget Surplus Reserve					(805)	0	**(805)**	**G**
Special reserve	**(2,500)**	0	0	**(2,500)**	0	175	**(2,325)**	**H**
Other reserves	**(609)**	(618)	0	**(1,227)**	(992)	370	**(1,849)**	**I**
Total	**(12,218)**	**(4,199)**	**720**	**(15,697)**	**(11,800)**	**3,487**	**(24,010)**	
Net movement in Earmarked Reserves			**(3,479)**			**(8,313)**		

Purpose of Reserve		
A	S106 agreements	Contains payments made by developers to meet their planning approval obligation to contribute to the funding of infrastructure and community requirements. As a relevant project is completed it is funded in all or part from this reserve.
B	Commuted S106 payments	Represents payments made by developers to meet their planning approval obligation to contribute to the funding of the maintenance of specified assets for a set period of years. As relevant maintenance costs are incurred funding is transferred from the reserve.
C	Repairs and renewals funds	The services contribute an annual sum and the funds are used to pay for one-off repair or renewal items; thereby evening out the spending on large maintenance items.
D	Delayed projects	To fund items that were included in the budget for one year but will not be spent until the following year.
E	Collection Fund	Excess NDR and Council Tax received from the Collection Fund due to be repaid in future years.
F	Commercial Investment	Revenue allocation to meet future investment in commercial investment strategy
G	Budget Surplus	Contains “Surplus” funds that exceed 15% maximum threshold for the General Fund Balance
H	Special reserve	To support business activity that will achieve future savings.
I	Other reserves	This is a summary of other less significant reserves that support ongoing service activity, including the: • Building Control reserve, • Housing Association footpaths reserve. • Chequers Court Development fund • Local Plan • Anti-Fraud Partnerships • NDR Reliefs

Note 9. Other Operating Expenditure

2014/15 £000		2015/16 £000
4,820	Parish Council precepts	5,030
390	Drainage Board Levies	388
0	Payments to the Government housing capital receipts pool	1
(569)	(Gains)/losses on the disposal of non-current assets	(118)
4,641	**Total**	**5,301**

Note 10. Financing and Investment Income and Expenditure

2014/15 £000		2015/16 £000
454	Interest payable and similar charges	446
2,642	Pensions interest cost and expected return on pensions assets	2,566
(85)	Interest receivable	(160)
(2,764)	Income and expenditure in relation to investment properties and changes in their fair value	(2,047)
(51)	Other Investment, Trading operations & Shared Services	(12)
196	**Total**	**793**

Note 11. Taxation and Non Specific Grant Income

2014/15 £000		2015/16 £000
(12,571)	Council tax income	(12,885)
(3,076)	Non domestic rates	(7,195)
(8,895)	Non-ringfenced government grants	(7,726)
(37)	Capital grants	(513)
(79)	Donated Assets	0
(24,658)	**Total**	**(28,319)**

Note 12. Property, Plant and Equipment

Movements in 2015/16	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2015	**48,217**	**18,376**	**10,607**	**1,406**	**379**	**78,985**
Additions in year	301	522	0	0	0	**823**
Revaluation increases and decreases recognised in the Revaluation Reserve	765	0	0	0	0	**765**
Revaluation increases and decreases recognised in Comprehensive Income and Expenditure Statement	(661)	0	0	0	0	**(661)**
Transfer within Property, Plant and Equipment	379	0	0	0	(379)	**0**
Transfer to other types of assets	(40)	0	0	0	0	**(40)**
Adjustment for disposal	(275)	(1,132)	0	(955)	0	**(2,362)**
At 31 March 2016	**48,686**	**17,766**	**10,607**	**451**	**0**	**77,510**
Accumulated Depreciation						
At 1 April 2015	**(1,369)**	**(10,232)**	**(3,653)**	**0**	**0**	**(15,254)**
Depreciation charged in year	(1,570)	(1,717)	(474)	0	0	**(3,761)**
Depreciation written out to revaluation reserve	846	0	0	0	0	**846**
Depreciation written out to Comprehensive Income and Expenditure Statement	24	0	0	0	0	**24**
Adjustment for disposal	139	1,082	0	0	0	**1,221**
At 31 March 2016	**(1,930)**	**(10,867)**	**(4,127)**	**0**	**0**	**(16,924)**
Net Book Value						
At 31 March 2016	**46,756**	**6,899**	**6,480**	**451**	**0**	**60,586**
At 31 March 2015	**46,848**	**8,144**	**6,954**	**1,406**	**379**	**63,731**

Movements in 2014/15 Restated	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2014	**48,073**	**17,308**	**10,607**	**1,406**	**385**	**9**	**77,788**
Additions in year	529	1,495	0	0	0	370	**2,394**
Revaluation increases and decreases recognised in the Revaluation Reserve	150	0	0	0	0	0	**150**
Transfer to other types of assets	0	0	0	0	(385)	0	**(385)**
Adjustment for disposal	(535)	(427)	0	0	0	0	**(962)**
At 31 March 2015	**48,217**	**18,376**	**10,607**	**1,406**	**0**	**379**	**78,985**
Accumulated Depreciation At 1 April 2014	**(553)**	**(9,017)**	**(3,165)**	**0**	**0**	**0**	**(12,735)**
Depreciation charged in year	(1,667)	(1,633)	(488)	0	0	0	**(3,788)**
Depreciation written out to revaluation reserve	778	0	0	0	0	0	**778**
Adjustment for disposal	73	418	0	0	0	0	**491**
At 31 March 2015	**(1,369)**	**(10,232)**	**(3,653)**	**0**	**0**	**0**	**(15,254)**
Net Book Value							
At 31 March 2015	**46,848**	**8,144**	**6,954**	**1,406**	**0**	**379**	**63,731**
At 31 March 2014	**47,520**	**8,291**	**7,442**	**1,406**	**385**	**9**	**65,053**

Capital Commitments

As at 31 March 2016 the Council was contractually committed to capital works valued at approximately £2.840m (31 March 2015; £2.546m).

The schemes are:

		£m
Development:	Alconbury Weald - Building Foundations For Growth	1.984
Development:	Housing Grants	0.392
Operations:	Vehicle Replacements	0.346
	Salix Energy Projects	0.109
Customer Services:	Home-Link Software	0.009
Total		**2.840**

Note;
The Council is committed to spending £1.984m on the Alconbury Weald Enterprise Campus. This is the balance of the Building Foundations for Growth capital grant funding.

Revaluations

- Land and buildings
  These assets are held at current value and were revalued as at 1 April 2014 onwards. The council operates a three year rolling programme of revaluations although where there has been significant capital expenditure on properties a revaluation will take place.

  The valuations were carried out externally and independently by Mr MJ Beardall BLE (Hons) MRICS (Member, Royal Institution of Chartered Surveyors) of Barker Storey Matthews. Mr Beardall has relevant experience in valuing these types of property and is a member of the Valuer Registration Scheme, and meets the requirements of the Red Book with regard to qualifications of the valuer, knowledge and skills, and independence and objectivity.

  The specific assumptions applied in estimating current values in respect of Land and Buildings by the Council's valuer were as follows:

  - The updated valuations have been prepared in accordance with the publication Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards. With specific reference made to UK Appendix 5 – Valuation of Local Authority Assets.

  - The assets have been valued in accordance with the Code of Practice on Local Authority Accounting, published by CIPFA.

  - The current value has been calculated by reference to comparable market evidence, including market evidence from the local geographical area. Adjustments have been made to factor in any unusual or onerous obligations, such as repairing obligations.

  - Where market evidence is unavailable due to the nature of the property; a depreciated replacement cost (DRC) method has been used. The DRC approach requires an estimate of the value of the land in its exiting use together with the current gross replacement costs of the building and its external works. Adjustments have been made to reflect the age, condition, economic, functional and environmental obsolescence and other locational factors. The build cost for DRC purposes has been calculated using the Building Cost Information Service quarterly review of building prices and is representative for an instant build approach.

  - No adjustments have taken place for changes in value which may have taken place since the valuation date or for prospects of future growth.

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

  - It has been assumed that there are no unusual or especially onerous restrictions, encumbrances or outgoings and that a good title can be shown. Also that the valuation would not be affected, by any matter that would be revealed by a local search.

  - Assets falling outside of specific revaluation in the current financial year have been considered and it is the valuer's belief that no other assets require an impairment review.

  - Components have been considered in relation to LAAP 86 Componentisation of Property, Plant and Equipment, and the Council's componentisation policy.

- The properties have been assumed to be in reasonable tenantable condition, with no particular works being required that would prejudice a sale or the current value of the property, the properties have been assumed to be in a good state of repair.
- Building surveys have not been carried out, nor have inaccessible parts of buildings been inspected.
- No investigation has been made to determine whether or not any deleterious or hazardous material has been used in the construction of the properties or has since been incorporated. It has therefore been assumed in valuing the properties that such investigations would not disclose the presence of any such materials.
- We have assumed no contamination to be affecting the properties or neighbouring properties, which would affect our opinion on value.
- The properties are assumed to be in areas not prone to flooding.

Vehicles, Plant, Equipment and Infrastructure assets are valued at historic cost, as at the date of acquisition and subsequent capital enhancement expenditure less depreciation. Community Assets, and Assets Under Construction are valued at historic cost at the date of acquisition and subsequent capital enhancement. Consequently there is no ongoing revaluation review for these assets.

Assets Held For Sale are valued at lower of carrying value and fair value less cost of sale.

Revaluation Profile	**Other Land and Buildings £000**	**Total £000**
Valued at Fair Value as at:		
31 March 2016	17,034	17,034
31 March 2015	9,264	9,264
31 March 2014	20,458	20,458
Total Cost of Valuation	**46,756**	**46,756**

Note 13. Investment Property

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

2014/15 £000		**2015/16 £000**
(1,869)	Rental income from investment property	(1,863)
364	Direct operating expenses arising from investment property	255
(1,505)		**(1,608)**
(1,259)	Revaluation Adjustment	(439)
(2,764)	**Net (gain)/loss**	**(2,047)**

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

2014/15 £000		2015/16 £000
19,615	**Balance at start of the year**	**20,874**
0	Additions in year	1,362
1,259	Net gain/(loss) for fair value	439
20,874	**Balance at end of the year**	**22,675**

Restrictions
There are no restrictions on the Council's ability to realise the value inherent in the investment properties or the Council's right to receive the income and proceeds of disposal.

Gains or Losses from changes in Fair Value
Gains or losses from Changes in the fair value of investment property are recognised in the Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure line.

Highest and Best Use
In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques
There has been no change in valuation techniques used during the year for valuing investment properties. The fair value is measured on an annual basis as at 31st March. All valuations are carried out by a qualified valuer from Barker Storey Matthews, in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Fair Value Hierarchy
In order to increase the consistency and comparability in fair value measurements, the method by which fair values are assessed are separated into three levels. The three levels are based on the inputs to the valuation techniques that are used to measure fair value.

Level 1 Inputs
Quoted prices in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 Inputs
Inputs (other than quoted prices within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs
Unobservable inputs for the asset or liability.

Details of how the Fair Value Hierarchy inputs apply to the Council's Investment Properties are demonstrated in the table below:

2015/16 Fair Value Inputs				
Asset Type	Level 1 Quoted Prices £000	Level 2 Other significant observable inputs £000	Level 3 Significant unobservable inputs £000	Total £000
Retail	0	3,486	0	3,486
Office	0	9,000	0	9,000
Commercial	0	10,189	0	10,189
Total	**0**	**22,675**	**0**	**22,675**

2014/15 Fair Value Inputs				
Asset Type	Level 1 Quoted Prices £000	Level 2 Other significant observable inputs £000	Level 3 Significant unobservable inputs £000	Total £000
Retail	0	3,340	0	3,340
Office	0	9,000	0	9,000
Commercial	0	8,534	0	8,534
Total	**0**	**20,874**	**0**	**20,874**

Transfers between levels of the Fair value Hierarchy
There were no transfers between levels during the year.

Valuation Techniques to Determine Level 2 Fair Values

Significant Observable Inputs Level 2
The fair value for investment properties is based on the market approach, using current market conditions and sale prices for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant.

Note 14. Intangible Assets

The Council accounts for its software as intangible assets, where the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to software are generally 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £0.363m was charged to revenue in 2015/16, this was either charged to the Information Management Division and then absorbed as an overhead across all the service headings in the Net Expenditure of Services or directly to services.

Capital Commitments
As at 31 March 2016 the Council was committed contractually to capital works of £9,000, (31 March 2015; £nil).

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

2014/15 £000		2015/16 £000
	Balance at start of the year:	
3,655	Gross carrying amounts	3,575
(1,873)	Accumulated amortisation	(2,123)
1,782	**Net carrying amount at the start of the year**	**1,452**
157	Additions	5
(423)	Amortisation for the period	(363)
(237)	Disposals or retirements	(291)
173	Amortisation on Disposal	263
1,452	**Net carrying amount at the end of the year**	**1,066**
3,575	Gross carrying amounts	3,289
(2,123)	Accumulated amortisation	(2,223)
1,452	**Net carrying amount at end of the year**	**1,066**

Note 15. Financial Instruments

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

Long-term 2014/15 £000	Long-term 2015/16 £000		Current 2014/15 £000 Restated	Current 2015/16 £000
		Investments and Cash & Cash Equivalents		
0	0	Loans and receivables	0	500
0	2,318	Available for Sale financial assets	0	0
0	**2,318**	**Total investments and Cash & Cash Equivalents**	**0**	**500**
		Debtors		
2,187	4,242	Loans and receivables	8,868	10,395
2,187	**4,242**	**Total Debtors**	**8,868**	**10,395**
2,187	**6,560**	**TOTAL FINANCIAL ASSETS**	**8,868**	**10,895**
		Borrowings		
(11,202)	(13,233)	Financial liabilities at amortised cost	(282)	(347)
(11,202)	**(13,233)**	**Total borrowings**	**(282)**	**(347)**
		Other Long-Term Liabilities		
(771)	(758)	Financial liabilities as fair value through Profit and Loss	0	0
(771)	**(758)**	**Total Other Long-Term Liabilities**	**0**	**0**
		Creditors		
0	0	Financial liabilities at amortised cost	(7,772)	(5,507)
0	**0**	**Total creditors**	**(7,772)**	**(5,507)**
(11,973)	**(13,991)**	**Total Financial Liabilities**	**(8,054)**	**(5,854)**

Gains and losses on income and expense

Financial Liabilities (Liabilities measured at amortised cost) 2014/15 £000	2015/16 £000		Financial Assets (Loans and Receivables) 2014/15 £000	2015/16 £000
454	446	Interest expenses	0	0
0	0	Interest income	(85)	(160)
454	**446**	**Net gain/(loss) for the year**	**(85)**	**(160)**

Fair value of assets and liabilities carried at amortised cost

Financial assets classified as available for sale are carried in the Balance Sheet at fair value taken from the market price. In January 2016 the Council invested in the CCLA Property Fund. Pooled funds such as these are classed as an available for sale asset as it is in the form of shares which are actively traded and have a market price.

Financial liabilities and financial assets classified as loans and receivables are recorded on the Balance Sheet at their amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using spreadsheets provided by our advisors or by using the following assumptions:

- An estimated interest rate based on 10 year PWLB rates with a range of 2.76% to 5.15%, depending on the relevant year, has been used to calculate the fair value of private sector housing improvement loans.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- The fair value of debtors is taken to be the invoiced or billed amount.

IFRS 13 introduces a three level hierarchy for the inputs into a fair value calculation:

- Level 1 – quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – inputs other than quoted prices that are observable for the asset of liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

2014/15 Carrying amount Restated £000	2014/15 Fair value Restated £000		2015/16 Carrying amount £000	2015/16 Fair value £000
		Liabilities		
(19,256)	(21,355)	Financial liabilities	(19,087)	(21,841)
		Assets		
11,055	11,062	Loans and receivables	17,455	17,536

	Fair Value Level	Balance Sheet 31.3.2015 £000's	Fair Value 31.3.2015 £000's	Balance Sheet 31.3.2016 £000's	Fair Value 31.3.2016 £000's
Financial Liabilities held at amortised cost:					
Long term loans from PWLB	2	(11,202)	(13,300)	(13,233)	(15,981)
TOTAL		**(11,202)**	**(13,300)**	**(13,233)**	**(15,981)**
Liabilities for which fair value is not disclosed		(8,825)		(6,612)	
TOTAL FINANCIAL LIABILITIES		**(20,027)**		**(19,845)**	
Recorded on the balance sheet as:					
Short term creditors		(7,772)		(5,507)	
Short term borrowing		(282)		(347)	
TOTAL SHORT TERM FINANCIAL LIABILITIES		**(8,054)**		**(5,854)**	
Long term creditors		0		0	
Long term borrowing		(11,202)		(13,233)	
Other long term liabilities		(771)		(758)	
TOTAL LONG TERM FINANCIAL LIABILITIES		**(11,973)**		**(13,991)**	
TOTAL FINANCIAL LIABILITIES		**(20,027)**		**(19,845)**	

	Fair Value Level	Balance Sheet 31.3.2015 £000's Restated	Fair Value 31.3.2015 £000's	Balance Sheet 31.3.2016 £000's	Fair Value 31.3.2016 £000's
Financial assets held at fair value:					
Property Fund	1	0	0	2,318	2,318
Financial assets held at amortised cost:					
Long term loans to local authorities	2	33	42	13	25
Long term loans to local organisations	2	0	0	2,250	2,318
TOTAL		**33**	**42**	**4,581**	**4,661**
Assets for which fair value is not disclosed		11,022		12,374	
TOTAL FINANCIAL ASSETS		**11,055**		**16,955**	
Recorded on the balance sheet as:					
Short term debtors		8,868		10,395	
Short term investments		0		0	
TOTAL SHORT TERM FINANCIAL ASSETS		**8,868**		**10,395**	
Long term debtors		2,187		4,242	
Long term investments		0		2,318	
Cash and cash equivalents		2,695		0	
TOTAL LONG TERM FINANCIAL ASSETS		**4,882**		**6,560**	
TOTAL FINANCIAL ASSETS		**13,750**		**16,955**	

The Financial Liabilities are shown below:

Financial Instrument	2014/15 Carrying amount £000	2015/16 Carrying amount £000	Details
Long Term			
PWLB (3.91%)	(5,000)	(5,000)	3.91%; 19 December 2008 to 19 December 2057
PWLB (3.90%)	(5,000)	(5,000)	3.90%; 19 December 2008 to 19 December 2058
PWLB (2.24%)	(1,159)	(1,012)	2.24% 7 August 2013 to 7 August 2023
PWLB (3.28%)		(737)	3.28% 25 November 2015 to 25 November 2046
PWLB (3.10%)		(980)	3.10% 19 January 2016 to 19 January 2047
PWLB (2.91%)		(490)	2.91% 21 March 2016 to 21 March 2047
Salix Loan	(43)	(14)	
Accrued Interest	(115)	(130)	
	(11,317)	**(13,363)**	
Short Term			
PWLB (2.24%)	(138)	(143)	
PWLB (3.28%)		(14)	
PWLB (3.1%)		(20)	
PWLB (2.91%)		(10)	
Salix Loan	(29)	(29)	
	(167)	**(216)**	
Creditors	**(7,772)**	**(5,507)**	
Bank Balance	**0**	**0**	
	(19,256)	**(19,086)**	

The fair value of the liabilities is higher than the carrying amount because the portfolio of loans includes fixed rate loans where the interest rate payable is lower than the current rates available for similar loans at the Balance Sheet date.

The net fair value of financial assets is higher than the carrying amount because the portfolio includes investments where the interest rate receivable is higher than the rates available for similar investments at the Balance Sheet date.

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

Note 16. Debtors

2014/15 £000		2015/16 £000
3,321	Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	2,934
1,183	Other Local Authorities	2,696
6,569	Other entities and individuals	7,790
(1,776)	Bad debt provision (Impairment of loans and receivables)	(2,566)
9,297		**10,854**

Note 17. Cash and Cash Equivalents

2014/15 £000 Restated		2015/16 £000
10	Cash held by the Council	10
2,759	Bank balances	3,699
(74)	Bank current accounts (overdraft)	(581)
2,695	**Net Total Cash and Cash Equivalents**	**3,128**

Note 18. Creditors

2014/15 £000		2015/16 £000
2,481	Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	607
4,843	Other Local Authorities	1,127
311	NHS	290
52	Public Corporations'	0
933	Other entities and individuals	5,546
8,620		**7,570**

Note 19. Useable Reserves

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

Note 20. Unusable Reserves

2014/15 £000 Restated		2015/16 £000
(39,220)	Capital Adjustment Account	(38,596)
(13,680)	Revaluation Reserve	(14,302)
212	Financial Instruments Adjustment Account	227
0	Available for Sale Reserve	182
80,084	Pensions Reserve	67,963
5,162	Collection Fund Adjustment Account	2,312
210	Accumulating Compensated Absences Adjustment Account	46
32,768	**Total Unusable Reserves**	**17,831**

<u>Capital Adjustment Account</u>

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment and Investment Properties before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains and losses. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15 £000	2014/15 £000	Capital Adjustment Account	2015/16 £000	2015/16 £000
	(40,462)	**Balance at 1 April**		**(39,220)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
3,788		Charges for depreciation and impairment of non-current assets	3,762	
0		Impairment losses on property, plant and equipment	637	
423		Amortisation of intangible assets	363	
1,096		Revenue expenditure funded from capital under statute	2,398	
410		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	1,672	
0		Amount of Revaluation Reserve written-off following disposal of asset	(590)	
(501)		Adjusting amounts written out of the Revaluation Reserve	(399)	
		Capital financing applied in the year:		
(1,087)		Use of the Capital Receipts Reserve to finance new capital expenditure	(1,994)	
(371)		Use of S106 earmarked reserves	(81)	
(116)		Application of grants to finance capital expenditure	(514)	
0		Application of grants to capital financing from the Capital Grants Unapplied Account	(1,490)	
(1,331)		Statutory provision for the financing of capital investment charged against the General Fund (MRP)	(1,530)	
190		Repayment of long term debtors	193	
0		Capital expenditure charged to General Fund	(1,363)	
		Investment Property Fair Values		
(1,259)		Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(439)	
	1,242	**Total movements**		**624**
	(39,220)	**Balance at 31 March**		**(38,596)**

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost. If no surplus remains on a particular asset's account any further impairment must be charged to the surplus/deficit on the provision of services within the Comprehensive Income and Expenditure Statement;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

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

2014/15 £000 Restated	Revaluation Reserve	2015/16 £000
(13,403)	**Balance at 1 April**	**(13,680)**
(928)	Upward revaluation of assets	(1,683)
126	Other adjustments for assets disposed of or transferred - written off to Capital Adjustments Account	590
(802)	**(Surplus) or deficit in the revaluation of non-current assets**	**(1,093)**
24	Downward revaluation or impairment of assets not charged to the surplus/deficit on the provision of services	72
501	Difference between fair value depreciation and historical cost depreciation - written off to Capital Adjustment Account	399
(13,680)	**Balance at 31 March**	**(14,302)**

Financial Instruments Adjustment Account

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

2014/15 £000	Financial Instruments Adjustment Account	2015/16 £000
190	**Balance at 1 April**	**212**
22	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	15
212	**Balance at 31 March**	**227**

Available for Sale Reserve

Available for sale assets are carried at their fair value. Movements in fair value are posted to a revaluation reserve (the Available for Sale Financial Instruments Reserve) and taken to the Surplus or Deficit on the Revaluation of Available for Sale Financial Assets line in the Comprehensive Income and Expenditure Statement.

2014/15 £000	Available for Sale Reserve	2015/16 £000
0	**Balance at 1 April**	**0**
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	182
0	**Balance at 31 March**	**182**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Further information is found in Note 35 in respect of Defined Benefit Pension Scheme.

2014/15 £000	Pensions Reserve	2015/16 £000
61,464	**Balance at 1 April**	**80,084**
15,955	Actuarial (gains) or losses on pensions assets and liabilities	(14,991)
6,493	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	6,900
(3,828)	Employer's pensions contributions and direct payments to pensioners payable in the year	(4,030)
80,084	**Balance at 31 March**	**67,963**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account identifies the element of the Collection Fund balance that is due to this Council. It is included in the Comprehensive Income and Expenditure Statement as it relates to 2015/16 and previous years although it is only actually transferred from the Collection Fund in line with regulations.

2014/15 £000	Collection Fund Adjustment Account	2015/16 £000
2,767	**Balance at 1 April**	**5,162**
2,395	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic income calculated for the year in accordance with statutory requirements	(2,850)
5,162	**Balance at 31 March**	**2,312**

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year i.e. annual leave entitlement and accrued flexitime carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Accumulating Compensated Absences Adjustment Account.

The 2015/16 balance is considerably lower than previous years because of changes to the Council's leave arrangements policy and flexible working scheme. There is now no automatic carry forward of untaken annual leave and flexible working balances are limited to 14.8 hours.

2014/15 £000	Accumulating Compensated Absences Adjustment Account	2015/16 £000
311	**Balance at 1 April**	**210**
(311)	Settlement or cancellation of accrual made at the end of the preceding year	(210)
210	Amounts accrued at the end of the current year	46
210	**Balance at 31 March**	**46**

Note 21. Operating Activities

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

2014/15 £000		2015/16 £000
(87)	Interest Received	(107)
454	Interest Paid	461

Note 22. Investing Activities

2014/15 £000 Restated		2015/16 £000
(8,410)	Purchase of property, plant and equipment, investment property and intangible assets	(5,169)
(47)	Other payments for investing activities	(2,302)
1,087	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,789
(22)	Proceeds from short-term and long-term investments	(2,818)
8,744	Other receipts from investing activities	6,043
1,352	**Net cash flows from investing activities**	**(2,457)**

Note 23. Financing Activities

2014/15 £000		2015/16 £000
123	Other receipts from financing activities	(103)
(166)	Movement on long-term borrowing	2,031
(6,000)	Movement on short-term borrowing	64
(6,043)	**Net cash flows from financing activities**	**1,992**

Note 24. Amounts Reported for Resource Allocation Decisions

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

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

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

The income and expenditure of the main services is as follows:

2015/16	Customer Services £000	Leisure & Health £000	Operations £000	Other Services £000	TOTAL £000
Fees, charges and other income	(2,335)	(7,016)	(4,503)	(6,023)	(19,877)
Government grants	(36,482)	(46)	(21)	(383)	(36,932)
Total income	**(38,817)**	**(7,062)**	**(4,524)**	**(6,406)**	**(56,809)**
Employee expenses	5,201	4,319	5,338	8,248	23,106
Other service expenses	37,744	2,602	3,358	7,079	50,783
Total operating expenses	**42,945**	**6,921**	**8,696**	**15,327**	**73,889**
Net expenditure	**4,128**	**(141)**	**4,172**	**8,921**	**17,080**

2014/15	Customer Services £000	Leisure & Health £000	Operations £000	Other Services £000	TOTAL £000
Fees, charges and other income	(1,795)	(1,526)	(7,110)	(5,619)	(16,780)
Government grants	(1)	(36,054)	(177)	0	(37,351)
Total income	**(38,304)**	**(6,886)**	**(4,162)**	**(6,663)**	**(56,015)**
Employee expenses	4,766	4,599	5,659	8,064	23,088
Other service expenses	37,760	2,650	3,305	6,954	50,669
Total operating expenses	**42,526**	**7,249**	**8,964**	**15,018**	**73,757**
Net expenditure	**4,222**	**363**	**4,802**	**8,355**	**17,742**

Reconciliation of service income and expenditure to cost of services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2014/15 £000		2015/16 £000
17,742	**Net expenditure in service analysis**	**17,080**
1,704	Amounts in the Comprehensive Income and Expenditure Statement not included in the service analysis of revenue expenditure for budget monitoring	4,542
(116)	Amounts included in the service analysis of revenue expenditure and reported to management, but not included in net cost of services section of the Comprehensive Income and Expenditure Statement	(43)
19,330	**Net cost of services in Comprehensive Income and Expenditure Account**	**21,579**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16	Service Analysis £000	Not reported to management £000	Not included in cost of services £000	Net cost of services £000	Corporate amounts £000	TOTAL £000
Fees, charges and other income	(19,877)	0	1,589	**(18,288)**	(1,468)	**(19,756)**
Income from Council Tax	0	0	0	**0**	(12,883)	**(12,883)**
Income from NDR	0	0	0	**0**	(26,026)	**(26,026)**
Income from Investment properties	0	0	1,863	**1,863**	(1,863)	**0**
Interest and investment income	0	0	149	**149**	(149)	**0**
CIL and S106 Income	0	(2,427)	0	**(2,427)**	0	**(2,427)**
Capital Grants	0	(606)	0	**(606)**	(514)	**(1,120)**
Government Grants	(36,932)	43	0	**(36,889)**	(7,726)	**(44,615)**
Total income	**(56,809)**	**(2,990)**	**3,601**	**(56,198)**	(50,629)	**(106,827)**
Employee expenses	23,106	(161)	(798)	**22,147**	798	**22,945**
Other service expenses	50,783	98	(2,412)	**48,469**	411	**48,880**
Support service recharges	0	10,276	0	**10,276**	514	**10,790**
Recharges to other accounts	0	(10,393)	0	**(10,393)**	(66)	**(10,459)**
Depreciation and impairment	0	7,712	0	**7,712**	(386)	**7,326**
Interest payments	0	0	(434)	**(434)**	434	**0**
Pensions interest cost and expected return on pensions assets	0	0	0	**0**	2,567	**2,567**
Precepts and levies	0	0	0	**0**	5,418	**5,418**
NDR Payments to Central Government	0	0	0	**0**	18,831	**18,831**
Payments to housing capital receipts pool	0	0	0	**0**	1	**1**
Gain or loss on disposal of property, plant and equipment	0	0	0	**0**	(118)	**(118)**
Total operating expenses	**73,889**	**7,532**	**(3,644)**	**77,777**	**28,404**	**106,181**
(Surplus) or deficit on the provision of services	**17,080**	**4,542**	**(43)**	**21,579**	**(22,225)**	**(646)**

2014/15 Restated	Service Analysis £000	Not reported to management £000	Not included in cost of services £000	Net cost of services £000	Corporate amounts £000	TOTAL £000
Fees, charges and other income	(16,780)	0	79	**(16,701)**	(941)	**(17,642)**
Income from Council Tax	0	0	0	**0**	(12,570)	**(12,570)**
Income from NDR	0	0	0	**0**	(21,553)	**(21,553)**
Income from Investment properties	0	0	0	**0**	(1,869)	**(1,869)**
Interest and investment income	0	0	0	**0**	(85)	**(85)**
CIL and S106 Income	0	0	0	**0**	0	**0**
Capital Grants	0	0	0	**0**	0	**0**
Donated asset	0	0	0	**0**	(79)	**(79)**
Government Grants	(37,351)	(5,886)	0	**(43,237)**	(8,933)	**(52,170)**
Total income	**(54,131)**	**(5,886)**	**79**	**(59,938)**	**(46,030)**	**(105,968)**
Employee expenses	22,991	0	0	**22,991**	(4)	**22,987**
Other service expenses	47,819	0	(37)	**47,782**	130	**47,912**
Support service recharges	21,750	0	0	**21,750**	752	**22,502**
Recharges to other accounts	(22,442)	0	(19)	**(22,461)**	12	**(22,449)**
Depreciation and impairment	0	9,206	0	**9,206**	0	**9,206**
Interest payments	0	0	0	**0**	454	**454**
Pensions interest cost and expected return on pensions assets	0	0	0	**0**	2,642	**2,642**
Precepts and levies	0	0	0	**0**	5,210	**5,210**
NDR Payments to Central Government	0	0	0	**0**	18,477	**18,477**
Expenditure in relation to investment properties and changes to their fair values	0	0	0	**0**	(895)	**(895)**
Gain or loss on disposal of property, plant and equipment	0	0	0	**0**	(569)	**(569)**
Total operating expenses	**70,118**	**9,206**	**(56)**	**79,268**	**26,209**	**105,477**
(Surplus) or deficit on the provision of services	**15,987**	**3,320**	**23**	**19,330**	**(19,821)**	**(491)**

Note: The 2014/15 comparator figures have been restated. In 2015/16 the management structure of the Council changed to that reflected in the 2015/16 tables. 2014/15 was restated in order to allow a like for like comparator.

Note 25. Trading Operations

From a local authority context, a trading operation is one where a Council is trading and taking operational risks and could, if the economic environment so dictated, expose the Council to a financial loss on the service provided.

2014/15 £000		2015/16 £000
	Trading Operations included in the Net Cost of Service	
	Car Parks The Council collects car parking income from both its own off-street car parks and from the on-street car parking operations that it operates, as an agent, for the Highways Authority. The income is generated from a mix of parking fees and excess parking charges. The Council operates 22 chargeable off-street car parks across the district and 3 on-street car parking areas in Huntingdon, St. Ives, and St Neots.	
(2,125)	Gross Income	(2,399)
1,493	Gross Expenditure	1,639
(632)	**(Surplus)/Deficit**	**(760)**
	Leisure Services	
	The Council operates 5 leisure centres across the district, under the name One Leisure; namely Huntingdon, St. Ives, St Neots, Sawtry and Ramsey. The facilities provided vary across the district but include amongst others; Swimming Pools, Sports Halls, Astro-Turf, Athletics Track, Gymnasium, Spa facilities and Ten-Pin Bowling.	
(6,774)	Gross Income	(6,907)
8,647	Gross Expenditure	8,414
1,873	**(Surplus)/Deficit**	**1,507**
1,241	**Net (Surplus)/Deficit on Trading Operations included in Net Cost of Service**	**747**
	Trading Operations included in the Financing and Investment Income and Expenditure	
	Information Management Department: IT Software	
	The Councils Information Technology Service develops and sells a number of IT software packages (e.g. SharePoint related products, including Resource Booking and a Project Management Toolkit) and IT support (e.g. Business Analysis Consultancy).	
(13)	Gross Income	(8)
52	Gross Expenditure	8
39	**(Surplus)/Deficit**	**0**
	Markets The Council operates 3 stall markets in the towns of Huntingdon, Ramsey and St. Ives. In addition to the general market days Huntingdon has a separate farmers market and St Ives a bank holiday market.	
(144)	Gross Income	(129)
127	Gross Expenditure	139
(17)	**(Surplus)/Deficit**	**10**

Building Control

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement shows the total cost of operating the building control unit for chargeable activities.

(380)	Gross Income	(250)
356	Gross Expenditure	246
(24)	**(Surplus)/Deficit**	**(4)**

Printing

The Council operates a Document Processing Centre that produces a range of documents for both internal and external customers. All external work is undertaken on a marginal cost basis (i.e. excluding recharges) and on this basis external work has made a contribution to the net cost of the service. However, statutory reporting requires full cost.

(71)	Gross Income	(82)
72	Gross Expenditure	85
1	**(Surplus)/Deficit**	**3**

Grounds Maintenance

The Council’s in-house Grounds Maintenance Team provides a wide range of services, primarily in respect of green spaces. However, the service also provides some services for external organisations, namely Luminus Housing Association and Cambridgeshire County Council.

(233)	Gross Income	(121)
219	Gross Expenditure	165
(14)	**(Surplus)/Deficit**	**44**

Commercial Waste

The Council operates a waste collection service that is available to all businesses across the district. As this is a non-statutory service it is a chargeable activity.

(100)	Gross Income	(120)
64	Gross Expenditure	59
(36)	**(Surplus)/Deficit**	**(61)**

	Shared Services (Support Service) **3C's Information, Communication and Technology**	
	Non - Distributed costs and income relating to the 3C's ICT partnership with South Cambridgeshire District Council & Cambridge City Council, started 1st October 2015	
0	**Gross Income**	**(700)**
0	**Gross Expenditure**	**700**
0	**(Surplus)/Deficit**	**0**
(51)	**Combined Trading Operations & Shared Services included in Financing and Investment Income and Expenditure**	**(8)**
1,190	**Net (Surplus)/Deficit on Trading Operations**	**739**

The above figures include non-cash adjustments; including IAS19 pensions and depreciation.

Note 26. Members' Allowances

The Authority paid the following amounts to members of the Council during the year:

2014/15 £000		**2015/16 £000**
374	Allowances	382
23	Expenses	17
397		**399**

Note 27. Senior Officer Remuneration and staff over £50k 2015/16

The number of employees whose remuneration in the year was £50,000 or more is shown in the table below. It includes pay, redundancy payments and other employee benefits but not employer's pension contributions.

2014/15	**£**		**£**	**2015/16**
10	50,000	but less than	55,000	7
3	55,000	but less than	60,000	5
1	60,000	but less than	65,000	2
2	65,000	but less than	70,000	2
2	70,000	but less than	75,000	0
2	75,000	but less than	80,000	2
1	130,000	but less than	135,000	1
21				**19**

Included in the banding table above are those Senior Officers who are separately disclosed in the following Remuneration of Senior Employees table.

Remuneration of Senior Employees

The remuneration of Senior Employees is shown in the table below.

2015/16 Post holder	Salary including allowances £	Election Fees (1) £	Salary including allowances and fees £	Total remuneration £	Employer pension contributions £	Remuneration including pension contributions £
Managing Director	126,202	6,278	**132,480**	**132,480**	22,250	**154,730**
Corporate Director (Services) (2)	77,310	360	**77,670**	**77,670**	13,706	**91,376**
Corporate Director (Delivery) (3)	77,765	360	**78,125**	**78,125**	13,706	**91,831**
Head of Resources (S151 Officer) (4)	66,566	315	**66,881**	**66,881**	11,837	**78,718**

Key – 2015/16

Note 1 The election fees do not include fees for General, European and County Council elections paid for by third parties.

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2014/15 **Post holder**	**Salary including allowances** **£**	**Election Fees** (1) **£**	**Termination Costs** **£**	**Salary including allowances and fees** **£**	**Total remuneration** **£**	**Employer pension contributions** **£**	**Remuneration including pension contributions** **£**
Managing Director	125,955	7,899	**0**	**133,854**	**133,854**	22,250	**156,104**
Corporate Director (Services) (2)	44,917	0	**0**	**44,917**	**44,917**	7,995	**52,912**
Corporate Director (Delivery) (3)	48,395	0	**0**	**48,395**	**48,395**	8,548	**56,943**
Assistant Director Environment, Growth and Planning (4)	16,824	0	**40,518**	**57,342**	**57,342**	2,752	**60,094**
Head of Resources (S151 Officer) (5)	65,594	610	**0**	**66,204**	**66,204**	11,654	**77,858**

Key – 2014/15

Note 1 The election fees do not include fees for General, European and County Council elections paid for by third parties.

Note 2 The Corporate Director for Services, started at the Council on 1st September 2014.
(annualised salary; excluding employer pension contributions is £77,000)

Note 3 The Corporate Director for Delivery, started at the Council on 17th August 2014.
(annualised salary; excluding employer pension contributions is £77,000)

Note 4 The Assistant Director (Environment, Growth and Planning) post was created on 1 March 2013 and the post holder left the Council on the 10 June 2014.
(annualised salary; excluding employer pension contributions is £79,000)

Note 5 As of the 2nd June 2014, the RFO responsibility has passed to the newly appointed Head of Resources.
(annualised salary; excluding employer pension contributions for the Head of Resources is £66,000)

Note 28. External Audit Related Costs

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

2014/15 £000		2015/16 £000
79	External audit	53
18	Grant claim certification	18
2	National Fraud Initiative	0
(6)	Audit Commission rebate	0
93		**71**

Note 29. Grant Income

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

2014/15 £000		2015/16 £000
	Credited to taxation and non-specific income	
4,563	Revenue support grant	3,183
3,358	New Homes Bonus	4,417
892	Other Non Ringfenced Grants	43
82	Council Tax Freeze Grant	83
79	Donated Assets	0
8,974	**Total**	**7,726**
	Credited to Services	
35,081	Rent allowances	35,183
786	Benefits administration	695
530	Improvement grants	0
356	Transportation Development	0
5,000	Alconbury Weald Development Grant	0
529	Shared Services Grant	0
870	Other	1,057
43,152	**Total**	**36,935**

The Council has received some grants that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned. The balances at the year-end are as follows:

2014/15 £000	Grants Receipts in Advance	2015/16 £000
	Government grants	
52	Mortgage Rescue Scheme	52
61	Preventing Repossessions	61
113		**113**

The Council has received some grants that have no conditions attached; they have been recognised as income but are held in the Capital Receipts Unapplied Account pending their use to fund the relevant Capital Scheme. The balances at the year-end are as follows:

2014/15 £000	Capital Grants Unapplied Account	2015/16 £000
210	Government grant for housing	210
1,985	Building Foundations for Growth	1,985
1,895	Community Infrastructure Levy	2,477
4,090		**4,672**

Note 30. Related Parties

The Council must disclose in the accounts any material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently.

Central government has significant influence over the general operations of the Council, it is responsible for providing the statutory framework within which the Council operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties e.g. Council tax bills.

Grants received from government departments are set out in the analysis in Note 24 on" Amounts Reported for Resource Allocation Decisions" and Note 29 on “Grant Income”.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 26. Some Council members are also:

1. elected members of other Councils, including the County Council, Parish and Town Councils.
2. nominated representatives of Huntingdonshire County Council on various organisations.

The Council has a significant operational relationship with Cambridgeshire County Council. The Council is the administering authority for the Council's pension fund, and many of the Councils services work with County Council services on a day`-to-day basis e.g. the Council is the statutory waste collection authority whereas the County Council is the statutory waste disposal authority but each of the Councils has to pay the other in respect of certain types of waste. For 2015/16, the Council has paid:

- £7.402m to Cambridgeshire County Council (£3.328m for pension payments and £4.074m for services), and
- received £1.288m from the County Council

(£7.472m paid to and £2.749m received from the County Council; 2014/15)

In respect of 2015/16:

- no officers have disclosed any significant interests.
- By 31st May 2016, of the 50 members who served the Council, 46 had returned a Related Party Transaction disclosure form.

Following a comprehensive review of relevant statutory and voluntary disclosures and other ‘ad-hoc’ information sources, the following councillors (as either an individual or family interest) have disclosed a related party; this is shown below.

Councillor	Organisation	Relationship with Organisation	Payments from Organisations 2015/16 £	Payments made by the Council 2015/16 £	Interest
Carter	Luminus Homes Limited	Director	278,232	38,182	Appointed as Director Sept 2015
Curtis		Director			Appointed as Director Oct 2015
Fuller		Director			Appointed as Director Aug 2015
Shellens		Director			Appointed as Director May 2015
White		Director			Appointed as Director Nov 2015
Baker	Huntingdon Shopmobility	Trustee		25,750	Grant
Criswell	Hunts Forum of Voluntary Organisations	Committee		38,000	Grant
Morris	King's Street Housing Society	Board Member		166,618	Crash Bed for Homelessness
West	Huntingdon Volunteer Centre	Trustee		37,000	Grant

With regard to these organisations, the Council has either procured goods or services or provided funding that has supported them in providing their core services.

Note 31. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR); a measure of the capital expenditure incurred historically by the Council which has yet to be financed. The CFR is analysed in the second part of this note.

A net increase in the CFR reflects the Council's need to borrow to finance capital expenditure. The borrowing will be repaid from an annual revenue charge (MRP) which reflects the use of the assets over their useful lives.

2014/15 £000		
34,685	**Opening Capital Financing Requirement**	**35,474**
	Capital Investment	
2,315	Property, Plant and Equipment	823
0	Investment Properties	1,362
157	Intangible Assets	5
4,998	Revenue Expenditure Funded from Capital under Statute	3,003
47	Repayable Advances	2,302
7,517		**7,495**
	Sources of finance	
(1,087)	Capital receipts	(1,994)
(3,939)	Grants and other contributions	(1,119)
0	Capital Grants Unapplied Reserve – Community Infrastructure Levy	(1,490)
0	Direct Revenue Financing – Commercial Investment Strategy	(1,358)
0	Direct Revenue Financing – Other	(5)
(1,331)	Minimum revenue provision	(1,531)
(371)	S106 reserve	(81)
(6,728)		**(7,578)**
35,474	**Closing Capital Finance Requirement**	**35,391**
789	**Increase/(Decrease) in Underlying Need to Borrow**	**(83)**

Note 32. Leases

Council as Lessee

Finance Leases

The Council has acquired some industrial units under finance leases. The assets acquired under these leases are carried as investment property in the Balance Sheet at the following amounts:

2014/15 £000		2015/16 £000
1,773	Investment Properties	**1,990**

The Council is committed to making minimum payments under these leases, comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2014/15 £000		2015/16 £000
	Finance lease liabilities (net present value of minimum lease payments)	
545	Non-current	545
2,988	Finance costs payable in future years	2,949
3,533	**Minimum lease payments**	**3,494**

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

	Minimum lease payments		Finance lease payments	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Not later than 1 year	39	39	0	0
Later than 1 year and not later than 5 years	156	156	0	0
Later than 5 years	3,338	3,299	545	545
	3,533	**3,494**	**545**	**545**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 £0.081m contingent rents were payable by the Council (2014/15; £0.081m).

Operating Leases

The Council has a number of operating leases for land which vary from 3 years to 50 years. The Operating lease payments made in the year are as follows:

The future minimum lease payments due under non-cancellable leases in future years are:

2014/15 £000		2015/16 £000
27	Not later than 1 year	38
59	Later than 1 year and not later than 5 years	51
15	Later than 5 years	2
101		**91**

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

2014/15 £000		2015/16 £000
61	Minimum lease payments	**34**

Service Concessions

The Council does not have any contracts that include service concessions

Council as Lessor

Finance leases

The Council has no finance leases as lessor.

Operating Leases

The Council leases out property under operating leases held mainly for the purpose of achieving a commercial return.

The future lease payments receivable under non-cancellable leases in future years are noted below:

2014/15 £000		2015/16 £000
1,628	Not later than 1 year	1,817
5,848	Later than 1 year and not later than 5 years	6,180
17,999	Later than 5 years	16,572
25,475		**24,569**

The lease payments receivable do not include rents that are contingent on events taking place after the Balance Sheet date, such as adjustments following rent reviews.

Note 33. Impairment Losses

During 2015/16 the Council has recognised impairments to Property, Plant and Equipment of £0.710m (2014/15; £0.024m).

Note 34. Termination Benefits and Exit Packages

Compulsory Redundancy:
In respect of:

- 2015/16, the Council approved the compulsory redundancy of 13 employees 8 leaving the council during 2015/16 and a further 5 leaving in 2016/17.

In 2015/16 Huntingdonshire District Council became the lead authority in a shared ICT service with Cambridge City Council and South Cambridgeshire District Council. As a result of this, the total of the compulsory exit packages above and in the table below includes:

  - 2 employees that are bring fully recharged to their original employers Cambridge City Council and South Cambs District Council, at a cost of £137,275.

  - 5 employees' costs that are being split between the three authorities, where £88,857 is the proportion recharged to Cambridge City and South Cambridgeshire.

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

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

- 2015/16, 0 voluntary redundancies were approved.

In addition a further employee left the council in 2015/16 with a Compromise agreement and pension enhancement package

- 2014/15, 0 voluntary redundancies were approved.
  In addition a further employee left the council in 2014/15 but there was a pension enhancement

All costs in respect of Termination benefits and exit packages have been debited to the year in which the decision was made. The following table shows the banding of employee terminations and the total cost to the Council per band.

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages agreed		Total cost of packages	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15 £000	2015/16 £000
£0 to less than £20,000	1	6	0	0	1	6	11	73
£20,000 to less than £40,000	0	1	1	1	1	2	23	69
£40,000 to less than £60,000	0	3	0	0	0	3	0	145
£60,000 to less than £80,000	0	2	0	0	0	2	0	135
£80,000 to less than £100,000	1	0	0	0	1	0	89	0
£100,000 to less than £150,000	1	1	0	0	1	1	126	100
	3	**13**	**1**	**1**	**4**	**14**	**249**	**522**

Note 35. Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

Employees of Huntingdonshire District Council may participate in the Cambridgeshire Pension Fund, part of the Local Government Pension Scheme (LGPS). The fund is administered as a defined benefit final salary scheme by Cambridgeshire County Council in accordance with LGPS Regulations 1997, as amended.

Valuation of Pension Fund

The contribution rate is determined by the Fund's actuary based on triennial valuations. The last valuation took place as at 31 March 2013.

To avoid the impact of potential reductions in the workforce the actuary proposed that a fixed percentage of 17.8% be applied for 2014/15, 2015/16 and 2016/17.
This should be used to provide for future service liabilities, together with a lump sum contribution to reduce the existing deficit related to past service.

The lump sums proposed were:

2014/15 £0.789m
2015/16 £1.135m
2016/17 £1.510m

As a consequence of the triennial valuation, the asset value in the intervening period is an estimate calculated by the actuary using a model. Any differences between the estimate and actual figures are adjusted at the next full valuation.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The Council and employees pay contributions into a fund, at a level calculated to balance the pension liabilities with investment assets. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2014/15 £000		2015/16 £000
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
3,648	Current Service Cost	4,275
203	Past Service Cost	58
	Financing and Investment Income and Expenditure:	
6,965	Net interest expense	6,161
(4,323)	Expected Return on Scheme Assets	(3,595)
6,493	**Total post-employment benefit charged to the deficit on the provision of services**	**6,899**
	Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:	
	Re-measurement of the net defined benefit liability comprising:	
7,609	Return on plan assets (Excluding the amount included in the net interest expense)	(4,709)
(25,383)	Actuarial gains and losses arising on changes in financial assumptions	17,891
1,819	Other experience	1,809
(15,955)		14,991
9,462	**Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement**	**21,890**
	Movement in Reserves Statement	
(6,493)	Reversal of net charges made to the surplus/deficit on the provision of services for post-employment benefits in accordance with the Code	(6,900)
	Actual amount charged against the General Fund Balance for Pensions in the Year:	
3,686	Employer's contributions payable to the scheme	3,859
142	Retirement benefits payable to pensioners*	171
(2,665)	**Total Movement in Reserves Statement**	**(2,870)**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2016 is a loss of £53.95m, and to the 31 March 2015 is a loss of £69.59m.

Assets and Liabilities in relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities in respect of Huntingdonshire District Council:

31 March 2015 £000		31 March 2016 £000
162,360	**Opening balance as at 1 April**	**192,333**
3,648	Current Service Cost	4,275
6,965	Interest Cost	6,161
951	Contributions by scheme participants	912
25,383	Actuarial losses / (gains) from changes in financial assumptions	(17,891)
(1,819)	Other	(1,809)
203	Past service costs/ (gains)	58
(5,216)	Benefits paid	(4,668)
(142)	Estimated unfunded benefits paid *	(171)
192,333	**Closing balance at 31 March**	**179,200**
* The unfunded benefits are those relating to the early retirement of scheme members where the Council makes an additional contribution to the Pension Fund		

Reconciliation of fair value of the scheme assets in respect of Huntingdonshire District Council:

31 March 2015 £000		31 March 2016 £000
100,896	**Opening fair value of scheme assets balance as at 1 April**	**112,249**
4,323	Interest Income	3,594
7,609	The return on plan assets (Excluding amount included in net interest expense)	(4,709)
3,686	Contributions by the employer	3,859
951	Contributions by employees into the scheme	912
142	Contributions for unfunded (Discretionary benefits)benefits*	171
(5,216)	Benefits paid	(4,668)
`(142)	Unfunded (Discretionary benefits) benefits paid*	(171)
112,249	**Closing Balance at 31 March**	**111,237**

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

The actual return on scheme assets in the year was £1.12m (2014/15; £11.932m).

Scheme History

2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000		2015/16 £000
(132,435)	(151,909)	(162,360)	(192,333)	Present value of liabilities	(179,200)
81,094	93,475	100,896	112,249	Fair value of assets	111,237
(51,341)	**(58,434)**	**(61,464)**	**(80,084)**	**Deficit in the scheme**	**(67,963)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment benefits. The total liability of £179.20m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £67.96m. However, the statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The Council expects to contribute £3.86m into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2016. With regard to discretionary benefits, there were no such awards in 2015/16 (2014/15; Nil).

Basis for estimating Liabilities and Assets

Liabilities, for the purposes of IAS19, have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, longevity etc. The liabilities have been assessed by Hymans Robertson LLP, the independent firm of actuaries to the County Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2013. The results of this valuation were projected forward using approximate methods.

The main assumptions used by the actuary are as shown below.

2014/15	County Fund – Main Assumptions	2015/16
4.3%	Rate of increase in salaries	4.2%
2.4%	Rate of increase in pensions	2.2%
3.2%	Rate of discounting scheme liabilities	3.5%
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
22.5 years	Men	22.5 years
24.5 years	Women	24.5 years
	Longevity at 65 for future pensioners	
24.4 years	Men	24.4 years
26.9 years	Women	26.9 years

Local Government Pension Scheme Assets Comprised:

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

31 March 2015 £000		31 March 2016 £000
3,364	Cash and cash equivalents	1,583
	Equity instruments by industry:	
11,118	Consumer	2,556
6,882	Manufacturing	2,139
3,162	Energy and utilities	1,866
9,180	Financial institutions	4,052
5,465	Health and care	1,744
5,075	Information technology	879
0	Other	0
40,882	Sub-total equity	13,237
	Private equity:	
7,958	All not in active markets	10,281
7,958	Sub-total private equity	10,281
	Other investment funds:	
17,115	Bonds	16,692
34,579	Equity	59,948
8,351	Other	9,496
60,045	Sub-total other investment funds	86,136
112,249	**Total Assets**	**111,237**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2015/16 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2016.

2011/12	2012/13	2012/13	2013/14	2014/15		2015/16
(6.39%)	8.16%	8.85%	2.92%	2.62%	Differences between expected and actual return on assets	6.88%
(1.10%)	0.06%	0.06%	0.51%	0.95%	Experience gains/ losses on liabilities	1.01%

Sensitivity analysis:

Increase in assumption 31 March 2015 £000	Impact on the defined benefit obligation in the scheme	Increase in assumption 31 March 2016 £000
5,770	Longevity (increase or decrease in 1 year)	5,376
6,719	Rate of increase in salaries (increase or decrease by 0.5%)	5,831
12,732	Rate of increase in pensions (increase or decrease by 0.5%)	12,901
(19,905)	Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(19,601)

Further information

Further information may be found in the Cambridgeshire County Pension Fund Annual Report, available from the Director of Resources, Cambridgeshire County Council, Shire Hall, Castle Hill, Cambridge, CB3 0AP.

Note 36. Provisions, Contingent Assets and Liabilities

Provision

	Short Term Provision					
	Enterprise Zone Retained NDR (1) £000	NDR Appeals Provision (2) £000	Employee Litigation (3) £000	Local Land Charges (4) £000	Tree Claim (5) £000	Total £000
Balance at 1 April 2014	0	0	0	0	0	0
Balance at 31 March 2015	**79**	**3,319**	**39**	**198**	0	**3,635**
Amounts used in 2015/16	0	(1,977)	0	0	0	**(1,977)**
Amounts charged to services 2015/16	0	815	(39)	(158)	30	**648**
Balance at 31 March 2016	**79**	**2,157**	**0**	**40**	**30**	**2,306**

Short Term Provision

Where an obligating event is expected to occur within the next 12 months.

1. Enterprise Zone Retained NDR

The Council retains the Non Domestic Rates (NDR) income arising from increases in the rateable value of premises within the Alconbury Weald Enterprise Zone; however, there is a requirement to apply this retention to the Enterprise Zone. As no formal request to draw down this retention had been made by the Local Enterprise Partnership as at 31 March 2015, a provision for this liability has been recognised.

2. NDR Appeals Provision

As a consequence of the Government initiative in the localisation of Non-Domestic Rates (NDR), the Government transferred the risk of appeals against Rateable Values to local authorities. Following a review a provision for appeals outstanding was estimated to be £8.331m; of which £3.333m would have to be met by the Council, and £4.998m by other Collection Fund participants.

3. Employee Litigation

Amount set aside to meet the cost of employee litigation.

4. Local Land Charges

A group of Property Search Companies have sought to claim refunds on Land Charges from Local Authorities. The Council has been informed that the settlement of this claim will be within the next 12 months, although this claim has neither been verified nor accepted by the Council. The provision included is a pessimistic estimate based on the latest information available and includes legal costs and interest.

5. Tree Claim

This relates to the cost of underpinning and associated fees and expenses incurred by Co-Operative Insurance in relation to works carried out at Oak Lodge, Warboys Road, Old Hurst, PE28 3AA, that they claim are as a result of damage caused by a tree protected by a Tree Preservation Order.

Contingent Liabilities

The councils Contingent Liabilities cover various on-going litigations and these are detailed below. The total expected value of these liabilities is £6.213m (2014/15; £4.746m)

2014/15 Estimated value of contingent liability £000	Details of Contingent Liability	2015/16 Estimated value of contingent liability £000
	Environmental Related:	
3,750	**Contaminated Land** The Environmental Protection Act 1990 Part IIA makes the Council Liable for the costs of remediation of contaminated land where no other responsible person can be identified. The Council is in discussion with Cambridgeshire County Council over the planning position of a site owned by a company which is currently treating the leachate from a possible orphan site. If the planning application made to the County Council is approved, this will reduce the probability of abandonment and the likelihood of the Council becoming liable will reduce considerably. However, at this time there is a possibility that the Council could be liable if the site is abandoned. Current estimates are that the cost of leachate treatment would cost £150,000 per annum for 24 Years (Originally 30 Years).	3,600
3,750	**Total for Environmental Related**	**3,600**
	Housing Related:	
465	**Disabled Facilities Grants** The Council has agreed to pay disabled facilities grants; however, as yet the schemes have not yet started. The expense will only be incurred if the householders carry out the home alterations.	392
465	**Total for Housing Related**	**392**

	NHS Hospital Trust	
0	At this time a claim has been made against the Council by NHS Hospital Trusts in respect of mandatory NDR relief. However, via the Local Government Association, the Council along with many other Local Authorities is challenging this claim.	1,750
0	**Total for Customer Services Related**	**1,750**
	Corporate Related	
511	**Municipal Mutual Insurance Liquidation**	451
	Some years ago, the Council was insured by Municipal Mutual Insurance (MMI); unfortunately whilst the Council was insured by MMI they went into liquidation. Following the collapse of MMI, a Scheme of Arrangement was made that allowed MMI to 'run-off' the business and deal with outstanding claims. Due to increasing numbers of liability claims that MMI continued to receive, MMI pursed the matter of their continuing liability through the Courts. The Supreme Court gave judgement in March 2012. This clarified MMI's position in respect of future claims and led ultimately to increasing liabilities for MMI. The Council's Insurance Brokers informed the Council that following a February 2013 creditors meeting, the Scheme of Arrangement was likely to be enforced. Since then, a number of levies have been charged against the Council. The Contingent Liability shown for 2015/16 is the balance of the total claims paid by MMI on behalf of the Council.	
20	**Assets of Community Value**	20
	In 2015/16, the Council has listed 18 sites owned by private individuals or companies as Assets of Community Value, as required by the Localism Act 2011. The Assets of Community Value scheme includes provisions for owners to claim compensation for loss and expense incurred through the asset being listed or previously listed. All claims must be considered and decisions may be subject to a review and an independent appeal. The Council is liable for all compensation payments awarded up to a maximum of £20,000 in each financial year.	
531	**Total for Corporate Related**	**471**
4,746	**Total Contingent Liabilities**	**6,213**

The above litigations are prudent estimates of the potential cost to the Council. It is not possible, due to considerations of legal privilege to either provide further information or to give an assessment of the likelihood of success of any of the litigations.

Note 37. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise as a result of changes in measures such as interest rates.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the treasury management team with due regard to the Annual Treasury Management Strategy approved by the Council.

<u>Credit risk</u>

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

In relation to investments the Council has adopted CIPFA's *Code of Practice on Treasury Management in the Public Services,* has an agreed Treasury Management Strategy which addresses risk, and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £33.096m (2014/15; £17.908m) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. The risk of not being able to recover the principal sums applies to all of the Council's deposits but there was no evidence as at 31 March 2016 that this was likely to occur and there are no investments that as at 31 March 2016 were with institutions that had failed.

In relation to the sums owed by the Council's customers and contractual debtors, the Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts whilst maintaining a robust approach to the collection of debts. The older the debt, the greater is the provision for bad debts. The bad debt provision has taken into account the current economic climate and the increased likelihood of debtors not being able to settle their debts.

The following analysis summarises the Council's potential maximum exposure to credit risk on receivables, based on historical experience of default and uncollectability. It relates to the sundry debtors element of the total debtors, including debts of individuals, entities and housing benefit claimants.

	Amount at 31 March 2016 £000	Historical experience of default %	Historical experience of default adjusted for market conditions %	Impairment allowance 31 March 2016 £000	Impairment allowance 31 March 2015 £000
Sundry debtors	2,945	4.24%	4.24%	1,534	1,471

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

31/03/15 £000		31/03/16 £000
260	Less than three months	264
220	Three to six months	226
1,197	Six months to one year	864
1,469	More than one year	1,591
3,146		**2,945**

Liquidity risk

The Council maintains a cash flow projection that assists in ensuring that cash is available as needed. If unexpected movement happens the Council has ready access to borrowings from the money markets, and if necessary from the Public Works Loans Board (PWLB), although the Council does not generally uses the PWLB for short-term cash-flow deficits. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities of more than one year are shown below as at 31 March 2016.

Financial Year	£000s
2023/24	1,156
2046/47	1,850
2047/48	400
2057/58	10,000
	13,406

31/03/15 £000 Restated		31/03/16 £000
282	Less than one year	347
11,202	More than one year	13,233
11,484		**13,580**

All trade and other payables are due to be paid in less than one year.

Market risk – interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowing at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of liabilities borrowings will fall.
- Investment at variable rates – the interest income credited to the Surplus or deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall.

However the impact on the Surplus or Deficit on the Provision of Services is reduced because the Council does not generally borrow or invest at variable rates. Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The Council manages interest rate risk by not having any borrowings in variable rate loans. At times of falling interest rates and where economic circumstances make it favourable, consideration would be given to repaying fixed rate loans early to limit exposure to losses.

The treasury management team assesses the interest rate exposure that feeds into the setting of the annual budget and it is used to update the budget at least quarterly during the year.

If in 2015/16 interest rates on all of its investments and borrowings had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on borrowings of less than 1 year	0
Increase in interest receivable on investments of less than 1 year	154CR
Impact on the surplus on the Provision of Services	154CR
Increase in the fair value of fixed rate investments	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings (No impact on the Comprehensive Income and Expenditure Statement)	2,768

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

The Council does not generally invest in equity shares but has invested £2.5 million in the Local Authorities Property Fund in 2015/16. This is a professionally managed diversified property portfolio.

This investment is classified as ‘available for sale’, meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

A loss of £182,000 in respect of the Local Authorities Property Fund has been recognised in Other Comprehensive Income and Expenditure in 2015/16. This reflects general movements in the value of the shares, and the spread between the ‘offer’ price at which the shares were purchased and the ‘bid’ price that any purchaser would pay for them.

A general shift of 5% in the general price of shares (positive or negative) would have resulted in a gain or loss of £125,000 being recognised in the Other Comprehensive Income and Expenditure for 2015-16.

Foreign Exchange Risk

The Council does not hold foreign currencies and consequently has no exposure to loss arising from movements in exchange rates.

Note 38. Prior Period Accounting Adjustments

Restatement of 2013/14 and 2014/15 Comparatives

Balance Sheet

	2013/14				2014/15			
	Published AFR £000	Restatement Adjustment	£000	Restated AFR £000	Published AFR £000	Restatement Adjustment	£000	Restated AFR £000
Property Plant and Equipment	66,811	Correction of Valuation for Multi-Storey Car Park	(1,758)	65,053	65,489	Correction of Valuation for Multi-Storey Car Park	(1,758)	63,731
Other Long Term Assets	23,868		0	23,868	24,578		0	24,578
Long Term Assets	**90,679**		**(1,758)**	**88,921**	**90,067**		**(1,758)**	**88,309**
Short Term Investments	1,909	Reclassification of MMF & Call Account Deposits	(1,909)	0	2,463	Reclassification of MMF & Call Account Deposits	(2,463)	0
Cash & Cash Equivalents	0	Reclassification of MMF & Call Account Deposits	1,686	1,686	232	Reclassification of MMF & Call Account Deposits	2,463	2,695
Other Current Assets	9,876		0	9,876	9,896		0	9,896
Current Assets	**11,785**		**(223)**	**11,562**	**12,591**		**0**	**12,591**
Cash & Cash Equivalents	(223)	Reclassification of MMF & Call Account Deposits	223	0	0		0	0
Other Current Liabilities	(15,876)		0	(15,876)	(12,537)		0	(12,537)
Current Liabilities	**(16,099)**		**223**	**(15,876)**	**(12,537)**		**0**	**(12,537)**
Long Term Liabilities	**(73,615)**		**0**	**(73,615)**	**(92,057)**		**0**	**(92,057)**
Net Assets	**12,750**		**(1,758)**	**10,992**	**(1,936)**		**(1,758)**	**(3,694)**
Useable Reserves	21,859			21,859	29,074			29,074
Unusable Reserves	(9,109)	Correction of Valuation for Multi-Storey Car Park	(1,758)	(10,867)	(31,010)	Correction of Valuation for Multi-Storey Car Park	(1,758)	(32,768)
Total Reserves	**12,750**		**(1,758)**	**10,992**	**(1,936)**		**(1,758)**	**(3,694)**

Restatement of 2013/14 and 2014/15 Comparatives

Cash Flow

	2013/14				2014/15			
	Published AFR	Restatement Adjustment		Restated AFR	Published AFR	Restatement Adjustment		Restated AFR
	£000		£000	£000	£000		£000	£000
Net Deficit on the Provision of Services	(5,522)		0	(5,522)	491		0	491
Adjustments to the net surplus or deficit on the provsion of services for non-cash movements	8,553		0	8,553	7,808		0	7,808
Adjustments for items included in the net surplus or deficit on the provision of services that are investig and financing activities	(1,940)		0	(1,940)	(2,599)		0	(2,599)
	1,091		**0**	**1,091**	**5,700**		**0**	**5,700**
Investing Activities	(2,211)	Reclassification of MMF & Call Account Deposits	1,909	(302)	798	Reclassification of MMF & Call Account Deposits	554	1,352
Financing Activities	(5)		0	(5)	(6,043)		0	(6,043)
	(1,125)		**1,909**	**784**	**455**		**554**	**1,009**
Cash and cash Equivalents at the beginning of the reporting period	902		0	902	(223)	Reclassification of MMF & Call Account Deposits	1,909	1,686
Cash and cash Equivalents at the end of the reporting period	**(223)**		**0**	**1,686**	**232**		**1,909**	**2,695**

Collection Fund

Non-Domestic Rates 2014/15 £000	Council Tax 2014/15 £000	TOTAL 2014/15 £000		Non-Domestic Rates 2015/16 £000	Council Tax 2015/16 £000	TOTAL 2015/16 £000
			INCOME			
0	(91,905)	(91,905)	Council Tax Receivable	0	94,383	94,383
(55,700)	0	(55,700)	Non Domestic Rates Receivable	56,892	0	56,892
0	0	0	Enterprise Zone Relief	0	0	0
0	0	0	Transitional Relief	(305)	0	(305)
(55,700)	**(91,905)**	**(147,605)**	**Total Income**	**56,587**	**94,383**	**150,970**
			EXPENDITURE			
			Repay Previous Years Surplus			
(1,423)	0	(1,423)	Central Government	(3,239)	0	(3,239)
(1,138)	101	(1,037)	District Council - General	(2,591)	83	(2,509)
(256)	520	264	County Council	(583)	427	(156)
0	84	84	Police		69	69
(28)	30	2	Fire	(65)	25	(40)
(2,845)	**735**	**(2,110)**		**(6,478)**	**604**	**(5,875)**
			Precepts Demands and Shares			
29,029	0	29,029	Central Government	29,400	0	29,400
24,327	7,639	31,966	District Council - General	23,682	7,768	31,451
0	4,819	4,819	District Council - Parishes		5,030	5,030
223	0	223	District Council - Retained Amounts	0	0	0
5,229	64,351	69,580	County Council	5,329	66,744	72,072
0	10,402	10,402	Police	0	10,578	10,578
581	3,686	4,267	Fire	592	3,748	4,340
59,389	**90,897**	**150,286**		**59,003**	**93,868**	**152,871**
			Charges to Collection Fund			
73	219	292	Less Write Off Uncollectable Amounts	(292)	(228)	(520)
237	(31)	206	Less Increase / (Decrease) in Bad Debt Provision	314	161	475
3,163	0	3,163	Less Increase / (Decrease) in Provision for Appeals	(2,904)	0	(2,904)
222	0	222	Less Cost of Collection	222	0	222
			Renewable Energy Retentions	828	0	828
3,695	**188**	**3,883**		**(1,832)**	**(67)**	**(1,899)**
60,239	**91,820**	**152,059**	**Total Expenditure**	**50,693**	**94,405**	**145,098**
			Movement in Fund Balance			
4,539	**(85)**	**4,454**	**(Surplus)/Deficit For Year**	**(5,894)**	**22**	**(5,872)**
7,845	(773)	(7,072)	(Surplus)/Deficit Brought Forward 1 April	12,384	(858)	11,526
12,384	**(858)**	**11,526**	**(Surplus)/Deficit Carried Forward 31 March**	**6,490**	**(836)**	**5,654**

Notes to the Collection Fund

1. Purpose of Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for the Council as a billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Until it is distributed, the tax collected is held in a statutory Collection Fund which is separate from the General Fund of the Council. The accounts are however, consolidated into the Council's accounts. They have been prepared on an accruals basis.

Parish and Town Council precepts are transferred to the General Fund before being paid to the Parish or Town Council. Interest is not payable/chargeable to the Collection Fund on cash flow variations between it and the General Fund.

There is no requirement for a separate Collection Fund Balance Sheet. The assets and liabilities of the Collection Fund at the end of the year are apportioned between Huntingdonshire District Council and the major preceptors in proportion to their demand on the fund for the year. The major preceptors' share of the assets and liabilities of the Collection Fund are shown as a debtor in Huntingdonshire District Council's accounts. Huntingdonshire District Council's share of the assets and liabilities are held in the Collection Fund Adjustment Account reserve.

2. Council Tax

Tax base at 31 March 2016				
Tax band	**Properties**	**Exemptions & discounts**	**Band D multiplier**	**Band D equivalent**
A	11,589	(2,063)	6/9	6,351
B	19,918	(2,321)	7/9	13,687
C	17,625	(1,660)	8/9	14,191
D	11,662	(883)	9/9	10,779
E	8,856	(634)	11/9	10,049
F	3,663	(262)	13/9	4,913
G	1,733	(126)	15/9	2,678
H	165	(28)	18/9	274
Total	**75,211**	**(7,977)**		**62,921**

Council tax charge per band D property for 2015/16 £1,609.29.
Council tax charge per band D property for 2014/15 £1,584.76.

3. Non Domestic Rates (NDR)

The uniform business rate set by the Government for 2015/16 was 49.3p (2014/15 48.2p).

Total rateable value at 31 March 2016 £142.01m.
Total rateable value at 31 March 2015 £142.03m.

4. Non Domestic Rates Appeals

The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of the estimated outcome of appeals calculated by a weighted average of the historic outcomes. It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by Safety Net calculation (the calculation of which is limited by regulation).

A 10% variation in the estimated provision would be £0.539m for the Collection Fund of which £0.216m would be the share of the attributable to the General Fund.

GLOSSARY OF TERMS AND ABBREVIATIONS

GLOSSARY OF TERMS

Accrual
The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

Actuarial Assumptions
These are predictions made for factors that will affect the financial condition of the pension scheme.

Amortisation
The gradual write off of initial costs of assets.

Asset
An item having value to the Council in monetary terms.

Balance
Unallocated reserves held to resource unpredictable expenditure demands.

Business Improvement District
A levy on local business to provide funding to develop the immediate area covered by the levy. The levy is agreed by majority vote.

Capital Charges
Charges made to service department revenue accounts, comprising depreciation (where appropriate) based on the value of the asset employed.

Capital Expenditure
Expenditure on the acquisition of non-current assets which will be used in providing services beyond the current accounting period, or expenditure on non-current assets.

Capital Financing Charges
The annual cost of depreciation, leasing charges and other costs of funding capital expenditure.

Capital Adjustment Account
The account which reflects the extent to which the District Council's resources have been applied to finance capital expenditure and to meet future debt redemption or other credit liabilities.

Capital Receipts
Income received from selling non-current assets.

Carrying amount
The value of an asset or liability in the Balance Sheet.

CIPFA
This is the Chartered Institute of Public Finance and Accountancy which is an institute that represents accounting in the Public Sector.

Collection Fund
A separate fund that records the income and expenditure relating to council tax and non-domestic rates.

Community Infrastructure Levy
An amount payable by developers (commercial and domestic) in respect of new buildings created within the District. The Levy must be used to provide infrastructure; decisions on which are taken by District and Parish Councils.

Contingent Liabilities
These are amounts that the Council may be, but is not definitely, liable for.

Council Tax
A tax paid by residents of the District that is based on the value of the property lived in and is paid to the Council and spent on local services.

Creditors
These are people or organisations which the Council owes money to for goods or services which have not been paid for by the end of the financial year.

Current Assets
These are assets that are held for a short period of time, for example cash in the bank, inventories and debtors.

Debtors
Sums of money owed to the District Council but not received by the end of the financial year.

Depreciation
The amount an asset has dropped in value is the amount it has been judged to have depreciated. Accountants use depreciation to demonstrate how much of the property, plant and equipment value has been used and therefore lowered during a financial year, for example because of wear and tear.

Earmarked Reserves
Money set aside for a specific purpose.

Exceptional Item
A material item in the Comprehensive Income and Expenditure Statement that falls within the ordinary activities of the Council but which needs to be disclosed separately by virtue of their size to give a fair presentation of the accounts.

Fair value
The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in arms length transaction.

Finance Lease
A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. A finance lease transfers substantially all of the risks and rewards of ownership of an item of property, plant and equipment to a lessee.

Impairment
A reduction in the value of property, plant and equipment to below its carrying amount on the Balance Sheet.

Impairment of debts
This recognises that the real value of debt is less than the book value.

Intangible Assets
A non-physical item which provides future economic benefits. This Council’s intangible assets comprise computer software licences.

Liabilities
Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Liquid Resources
Current asset investments held as readily disposable stores of value, either readily convertible into cash, or traded in an active market.

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

Minimum revenue provision
The minimum amount that must be charged to the revenue account each year to provide for the repayment of monies borrowed by the Council.

Non Domestic Rates
Rates which are levied on business properties. From 1st April 2013, as a consequence of The Local government Finance Act 2012, a local Non Domestic Rating regime was introduced that included the business rates retention scheme. See also **Tariff** and **Safety Net**.

Operating Leases
A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. An operating lease is where the ownership of the non-current asset remains with the lessor.

Precept
A payment to the Council's General fund, or another local council, from the Council's Collection Fund.

Prior Year Adjustments
These are material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors.

Property, Plant and Equipment
Non-current assets that give benefit to the District Council and the services it provides for more than one year.

Provisions
Monies set aside for liabilities or losses which are likely to be incurred but where the exact amounts or dates on which they will arrive are uncertain.

Reclassification
Where comparative (prior year) figures are reclassified into new categories of income or expenditure, and the change has not been the result of a material error or accounting policy but the amount is "material" then this is a reclassification.

Responsible Financial Officer
The designated post within the Council, as determined by the Accounts and Audit Regulations 2011, which holds the statutory S.151 responsibility (Local Government Act 1972). This responsibility is in respect of ensuring the proper administration of the Council's financial affairs. This post was formerly known as Chief Financial Officer.

Restated
Where there has been a material error in the accounts or a new accounting policy has been applied, then the comparative (prior year) figures have to be "restated" as if the correction or policy had been in place as at the end of the previous financial year.

Revenue Expenditure Funded from Capital under Statute
Spending on items normally classed as revenue but which are defined by statute as capital e.g. improvement grants.

Revaluation Reserve The account that reflects the amount by which the value of the Council's assets has been revised following revaluation or disposal.

Revenue Expenditure
Spending on day-to-day items, including salaries and wages, premises costs and supplies and services.

Revenue Support Grant
A grant from Central Government towards the cost of providing services.

Safety Net
The scheme for localising Non Domestic Rates (NDR) includes a safety net provision. Where the actual NDR after Tariff is less than 92.5% of the funding baseline, Central Government makes a safety net payment to the Council equal to the difference between the actual NDR and the funding baseline.

Section 106
Under planning regulations developers can be requested to make contributions to on and off-site facilities required as a result of their development.

Tariff
The scheme for localising Non Domestic Rates (NDR) includes baselines for both the amount of NDR the Council receives and the amount of Council funding from NDR. The Council pays Central Government a Tariff equal to the difference between the two baselines.

True and Fair View Override
As required by the Accounts and Audit Regulations 2011, paragraph 8.2, the Responsible Financial Officer is required to certify that the statement of accounts presents a true and fair view of the financial position of the Council. However, as a consequence of IFRS, this has introduced the principle of the "true and fair view override". This means, where the Responsible Financial Officer considers that to give a true and fair view would actually require the Council to provide misleading information i.e. to provide an actual outturn figure would actually show to the reader an unexpected financial position, the Responsible Financial Officer is permitted to provide alternative figures providing such divergence from the "true and fair view" is appropriately acknowledged in the notes to the accounts.

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

ABBREVIATIONS

CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance and Accountancy
CPFA	Chartered Public Finance Accountant
DCLG	Department for Communities and Local Government
DRC	Depreciated replacement cost
FTE	Full Time Equivalent
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
LEP	Local Enterprise Partnership
LGPS	Local Government Pension Scheme
LLPG	Local Land and Property Gazetteer (UK)
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
NBV	Net Book Value
NDR	Non Domestic Rates
NHB	New Homes Bonus
NNDR	National Non Domestic Rates (Business Rates)
PWLB	Public Works Loans Board
RICS	Royal Institution of Chartered Surveyors

RSG Revenue Support Grant

S106 Section 106

SOLACE Society of Local Authority Chief Executives

ZBB Zero Based Budgeting

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