A meeting of the **CORPORATE GOVERNANCE COMMITTEE** will be held in **CIVIC SUITE 0.1A, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON PE29 3TN** on **WEDNESDAY, 13 SEPTEMBER 2017** at **7:00 PM** and you are requested to attend for the transaction of the following business:-

		Contact (01480)
	APOLOGIES	
1.	**MINUTES** (Pages 5 - 10)	
	To approve as a correct record the Minutes of the meeting of the Committee held on 12th July 2017.	**A Roberts 388015**
2.	**MEMBERS' INTERESTS**	
	To receive from Members declarations as to disclosable pecuniary and other interests in relation to any Agenda Item.	
3.	**CODE OF CONDUCT COMPLAINTS - UPDATE** (Pages 11 - 14)	
	To receive an update on complaint cases regarding alleged breaches of the Code of Conduct.	**L Jablonska 388004**
4.	**COMPLAINTS - ANNUAL REPORT** (Pages 15 - 26)	
	To consider information on complaints referred to the Local Government Ombudsman during 2016/17 and on stage 1 and stage 2 complaints received between April 2016 and March 2017.	**L Sboui 388032 A Dobbyne 388100**
5.	**APPROVAL FOR PUBLICATION OF THE 2016/17 ANNUAL GOVERNANCE STATEMENT AND THE ANNUAL FINANCIAL REPORT** (Pages 27 - 200)	
	To consider the Auditor’s Report and approval of the Annual Governance Statement, the Letter of Representation and the Annual Financial Report.	**C Mason 388157 A Forth 388115**
6.	**CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT** (Pages 201 - 206)	
	To receive the Corporate Governance Committee Progress Report.	**A Roberts 388015**

Dated this 6th day of September 2017

Head of Paid Service

Notes

1. Disclosable Pecuniary Interests

(1) Members are required to declare any disclosable pecuniary interests and unless you have obtained dispensation, cannot discuss or vote on the matter at the meeting and must also leave the room whilst the matter is being debated or voted on.

(2) A Member has a disclosable pecuniary interest if it -

(a) relates to you, or
(b) is an interest of -

(i) your spouse or civil partner; or
(ii) a person with whom you are living as husband and wife; or
(iii) a person with whom you are living as if you were civil partners

and you are aware that the other person has the interest.

(3) Disclosable pecuniary interests includes -

(a) any employment or profession carried out for profit or gain;
(b) any financial benefit received by the Member in respect of expenses incurred carrying out his or her duties as a Member (except from the Council);
(c) any current contracts with the Council;
(d) any beneficial interest in land/property within the Council's area;
(e) any licence for a month or longer to occupy land in the Council's area;
(f) any tenancy where the Council is landlord and the Member (or person in (2)(b) above) has a beneficial interest; or
(g) a beneficial interest (above the specified level) in the shares of any body which has a place of business or land in the Council's area.

Non-Statutory Disclosable Interests

(4) If a Member has a non-statutory disclosable interest then you are required to declare that interest, but may remain to discuss and vote providing you do not breach the overall Nolan principles.

(5) A Member has a non-statutory disclosable interest where -

(a) a decision in relation to the business being considered might reasonably be regarded as affecting the well-being or financial standing of you or a member of your family or a person with whom you have a close association to a greater extent than it would affect the majority of the council tax payers, rate payers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the authority's administrative area, or
(b) it relates to or is likely to affect a disclosable pecuniary interest, but in respect of a member of your family (other than specified in (2)(b) above) or a person with whom you have a close association, or
(c) it relates to or is likely to affect any body –

(i) exercising functions of a public nature; or
(ii) directed to charitable purposes; or

(iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a Member or in a position of control or management.

and that interest is not a disclosable pecuniary interest.

2. Filming, Photography and Recording at Council Meetings

The District Council supports the principles of openness and transparency in its decision making and permits filming, recording and the taking of photographs at its meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening at meetings. Arrangements for these activities should operate in accordance with guidelines agreed by the Council and available via the following link filming,photography-and-recording-at-council-meetings.pdf or on request from the Democratic Services Team. The Council understands that some members of the public attending its meetings may not wish to be filmed. The Chairman of the meeting will facilitate this preference by ensuring that any such request not to be recorded is respected.

Please contact Anthony Roberts, Democratic Services, Tel: 01480 388015 / email Anthony.Roberts@huntingdonshire.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Committee/Panel.

Specific enquiries with regard to items on the Agenda should be directed towards the Contact Officer.

Members of the public are welcome to attend this meeting as observers except during consideration of confidential or exempt items of business.

Agenda and enclosures can be viewed on the District Council's website – www.huntingdonshire.gov.uk *(under Councils and Democracy).*

If you would like a translation of Agenda/Minutes/Reports or would like a large text version or an audio version please contact the Elections & Democratic Services Manager and we will try to accommodate your needs.

Emergency Procedure

In the event of the fire alarm being sounded and on the instruction of the Meeting Administrator, all attendees are requested to vacate the building via the closest emergency exit.

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HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE COMMITTEE held in Civic Suite 0.1A, Pathfinder House, St Mary's Street, Huntingdon PE29 3TN on Wednesday, 12 July 2017.

PRESENT: Councillor M Francis – Chairman.

Councillors Mrs S Conboy, Mrs L A Duffy, T Hayward, P Kadewere, Mrs R E Mathews, R J West and J M Palmer.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors E R Butler, D B Dew, D M Tysoe and D A Giles.

12. MINUTES

The Minutes of the meeting of the Committee held on 24th May 2017 were approved as a correct record and signed by the Chairman.

13. MEMBERS' INTERESTS

No declarations of interests were received.

14. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

that the press and public be excluded from the meeting because the business to be transacted contains information relating to any action taken or to be taken in connections with the prevention, investigation or prosecution of crime.

15. REVIEW OF RISK BASED VERIFICATION POLICY

Consideration was given to a report by the Revenues and Benefits Manager (a copy of which is appended in the Annex to the Minute Book) reviewing the Council’s use of the Benefits Risk Based Verification Policy in the administration of Housing Benefit and Council Tax Support.

In response to a question by a Member on how the risk groups were defined, the Committee was informed that all councils that administered Benefits provided monthly case data to the Department for Work and Pensions and the company that owned the Benefit system software for analysis and identification of the characteristics of cases where errors were likely to arise. The characteristics of the three risk groups were never disclosed to councils.

Having noted that 97% of claims now were made online and that an audit had established the Policy approach had a very low level of errors, it was

RESOLVED

> that the continued use of the Huntingdonshire District Council Benefits Risk Based Verification Policy appended to the report now submitted be endorsed.

16. RE-ADMISSION OF THE PRESS AND PUBLIC

RESOLVED

> that the press and public be re-admitted to the meeting.

17. ANNUAL GOVERNANCE STATEMENT: SIGNIFICANT ISSUES

With the aid of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) Members gave consideration to the significant governance issues to be included in the 2016/17 Annual Governance Statement (AGS). Various matters were considered and, following discussion on the Commercial Investment Strategy and on the Combined Authority, it was agreed that although they did not at present constitute significant governance issues, reference should be made in the AGS to the fact that they would be monitored.

With regard to cyber security, while the views of Management were taken into account, Members were of the opinion that despite the fact that work was underway the Council had not yet reached the position it ought to be in. It was, therefore, concluded that the AGS should include reference to the need to improve incident management plans in this respect as a significant governance issue.

The Internal Audit and Risk Manager then drew Members' attention to the requirement that any significant governance issues that arose in the period to 30th September would be included in the AGS. Whereupon, it was

RESOLVED

> that the following matters be included in the 2016/17AGS as significant governance issues:
>
> - the failure to introduce a key corporate system, the Financial Management System, by 1st April 2017 and its on-going delay;
> - continued improvements to the shared service governance arrangements;
> - improvements to safeguarding arrangements and the complaints system to deliver better outcomes for customers, and
> - improvements to cyber security incident management plans.

18. CORPORATE GOVERNANCE COMMITTEE - ANNUAL REPORT

Consideration was given to a report by the Internal Audit and Risk Manager to which was appended the Committee's draft Annual Report to Council for the year ending 31st March 2017. Copies are appended in the Minute Book. Members were reminded that following changes to its terms of reference in March 2017, the Committee now was required to submit an Annual Report to the Council on how it had discharged its responsibilities.

Having commented on the positive effect of the introduction of the new approach to managing the implementation of audit actions, Members noted the intention to establish a reporting process once the new arrangements had become established.

RESOLVED

a) that the Corporate Governance Committee Annual Report to Council for the year ending 31st March 2017 be approved for submission to the Council;

b) that the Internal Audit and Risk Manager be authorised, after consultation with the Chairman of the Committee, to make any minor amendments to the Report, and

c) that the Internal Audit and Risk Manager be requested to consult the Chairman and Vice-Chairman on the terms of a work plan.

19. SKILLS, KNOWLEDGE AND EFFECTIVENESS REVIEW

Pursuant to Minute No. 17/8, consideration was given to a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) on the findings of analysis of Members' self-assessment of their skills and knowledge in areas within the Committee's remit and resulting proposals for training. Having been informed that three external expert organisations had agreed to provide training free of charge, it was decided that a training day should be held on the values of good governance, external audit and internal audit on 12th September 2017. The training would have the additional benefits of enhancing the dynamics between Members of the Committee and of ensuring they were more challenging towards Officers.

20. CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

The Committee received and noted a report (a copy of which is appended in the Minute Book) on progress of the Skills, Knowledge and Effectiveness Review and in relation to audit of parishes that had adopted their own version of the Code of Conduct. It was agreed that the item on Skills, Knowledge and Effectiveness should remain in the report.

21. ANNUAL REVIEW OF THRESHOLDS - DISPOSALS AND ACQUISITIONS POLICY

The Committee gave consideration to a report by the Head of Resources (a copy of which is appended in the Minute Book) reviewing the thresholds included in the Disposals and Acquisitions Policy: Land and Property. Owing to the relatively low use of the Policy over the previous twelve months, and following consultation with the Executive Member for Strategic Resources, it was proposed that the thresholds should remain unaltered.

In light of recent experience in relation to the disposal of sites, Members commented that the existing Policy provision in relation to informing Overview and Scrutiny of disposals and acquisitions should be retained and implemented in the manner employed to date.

RESOLVED

a) that the report be received and noted, and

b) that the Disposals and Acquisitions Policy be reviewed in 24 months' time.

22. GOVERNANCE BOARDS - EFFECTIVENESS REVIEW

Consideration was given to a report by the Head of Resources (a copy of which is appended in the Minute Book) on the effectiveness of the Council's Governance Boards. The report had been submitted in compliance with an Internal Audit recommendation following a review in July 2016. Having received clarification of Appendix 1 in terms of the evolution of the Governance Boards and of their Terms of Reference, Members concurred with a suggestion that in furtherance of the objectives of the Mosaic transformation programme, the Our People and Customer Experience Governance Boards should be dissolved and their responsibilities transferred to the People and Customer work streams. It was further agreed that the Health and Safety Governance Board should be dissolved and its responsibilities given to the Business Team within the Community section.

Having noted that the remaining Governance Boards, namely Programme and Projects, Information Management and Finance and Procurement, would continue, a decision by management to establish a new Safeguarding Governance Board was endorsed. Importantly, the new Governance Board would carry out a fundamental review of the Council's approach to safeguarding and new safeguarding procedures would be implemented by October 2018. More generally, in response to requests for assurances that the Governance Boards were effective and being monitored with sufficient frequency, the Internal Audit and Risk Manger undertook to consult the Head of Resources and the Transformation Board on their routes for reporting to Members.

RESOLVED

that the report be received and noted.

23. UPDATE ON CODE OF CONDUCT AND REGISTER OF DISCLOSABLE PECUNIARY INTERESTS

By means of a report by the Monitoring Officer (a copy of which is appended in the Minute Book) the Committee was updated on the adoption of Codes of Conduct by Town and Parish Councils and the receipt and publication of register of interests forms on behalf of District, Town and Parish Councillors. All of the 71 Town and Parish Councils had adopted a Code of Conduct, with 56 based on that adopted by the District Council, eleven had opted for the Code promoted by the National Association of Local Councils and the remaining four Councils had adopted their own version of the Code.

44 Town and Parish Councils had published their full Register, which comprised the Disclosable Pecuniary Interests (DPI) forms of all Councillors. The remaining 27 Councils had vacancies in their Memberships. In terms of individual DPIs, 600 of a total of 650 had been received from Parish Councillors, two were outstanding and 48 were vacancies. The forms of all District Councillors had been published.

RESOLVED

that the contents of the report be noted.

Chairman

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Code of Conduct Complaints - Update
Meeting/Date:	Corporate Governance Committee – 13th September 2017
Executive Portfolio:	Councillor G J Bull, Executive Leader
Report by:	Elections and Democratic Services Manager & Deputy Monitoring Officer
Ward(s) affected:	All

Executive Summary:

This report provides Members with an update on complaints cases regarding alleged breaches of the Code of Conduct. The Committee is responsible for maintaining high standards of conduct by Members of the District and Town and Parish Councils, for monitoring operation of the Code of Conduct and for considering the outcome of investigations in the event of breaches of the Code.

Recommendation(s):

The Committee is requested to

(a) note the progress of any outstanding complaints and the conclusion of cases resolved since the start of the year; and

(b) determine the timeframe for receipt of such reports at future meetings.

1. PURPOSE OF THE REPORT

1.1 The purpose of this report is to provide a summary and update of completed or ongoing complaints received regarding alleged breaches of the Code of Conduct under the Localism Act 2011 since the start of the year.

2. BACKGROUND

2.1 The Committee currently receives an annual update on the Code of Conduct and Register of Disclosable Pecuniary Interests detailing the current level of returns. Currently there is no mechanism in place to provide an update to Members on any alleged breaches of the Code.

2.2 In accordance with the functions of the Committee, this report seeks to provide a summary of the current position in relation to these complaints and Members are invited to consider the receipt of such reports on a regular basis, as well as determining the timeframe.

3. ANALYSIS

3.1 Details of allegations/complaints in relation to the Code of Conduct have been outlined in the table below. Specific detailed information regarding the complaint has not been provided as this may be prejudicial to the conduct of the ongoing complaints process and to protect the identity of councillors who may not have breached the Code of Conduct.

Case Number	**District/Town/ Parish Council**	**Allegation/complaint**	**Outcome**
17/1	HDC	Complaint about inappropriate behaviour and incorrect procedure used at a meeting	Consulted with the Independent Person (IP) and although Code was engaged, complaint dismissed with no requirement for an investigation as it was not in the public interest to investigate the matter further.
17/2	HDC	Complaint against failure to update Register of Members' Interests	Referred to Police for investigation and dismissed with no further action necessary.
17/3	HDC & Huntingdon Town Council	Allegations that a Councillor breached the Code through bullying, used position for personal advantage and inappropriate use of public resources	Formal investigation on-going.
17/4	HDC	Allegations that a Councillor breached the Code through - misconduct in a public office, conflict of interest,	Consulted with IP and concluded that there was insufficient evidence to demonstrate a breach of the Code.

		misrepresenting the Council whilst in public office and bringing the authority into disrepute	Complaint dismissed as it was not in the public interest to investigate the matter further.
17/5	St Neots Town Council	Complaint against action taken at a meeting	Dismissed as beyond scope of the Code
17/6	St Neots Town Council	Complaint by a Town Councillor against another Town Councillor	Consulted with IP and matter on-going.
17/7	Farcet Parish Council	Complaint against a Parish Councillor	Referred back to the Parish Council for investigation
17/8	HDC	Allegations that a Councillor has breached the following parts of the Code – 3.2 respect others and not bully or threaten or attempt to bully or threaten any person 3.4 not conduct yourself in a manner which is likely to bring the Authority into disrepute	Matter on-going
17/9	St Neots Town Council	Complaint by a Town Councillor against another Town Councillor	Formal investigation on-going

4. LEGAL IMPLICATIONS

4.1 There are no significant implications to report.

5. REASONS FOR THE RECOMMENDED DECISIONS

5.1 This is an opportunity for Members of the Committee to be appraised of details of completed complaints and any outstanding complaints alleged against the Code of Conduct. This is in accordance with the functions of the Committee and its duty to discharge functions in relation to the promotion and maintenance of high standards of conduct within the Council and amongst Town and Parish Councils within the District.

BACKGROUND PAPERS

None

CONTACT OFFICER

Lisa Jablonska
Elections and Democratic Services Manager & Deputy Monitoring Officer
Tel No: (01480) 388004
Email: lisa.jablonska@huntingdonshire.gov.uk

Public
Key Decision - No
* Delete as applicable

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Complaints
Meeting/Date:	Corporate Governance Committee 13 September 2017
Executive Portfolio:	Councillor Stephen Cawley - Executive Councillor for Transformation and Customers
Report by:	Adrian Dobbyne, Corporate Team Manager
Ward(s) affected:	All or list individual Ward(s)

Executive Summary:

The report provides Members with information on complaints referred to the Local Government Ombudsman (LGO) 2016/17 along with data relating to stage 1 and stage 2 complaints received by the council between April 2016 – March 2017.

Recommendation(s):

Members are invited to comment on the LGO local authority report for Huntingdonshire District Council and the data relating to formal stage 1 and stage 2 complaints received.

1. WHAT IS THIS REPORT ABOUT/PURPOSE?

1.1 This report provides Members with information on complaints referred to the Local Government Ombudsman and those received by the council April 2016 – March 2017.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

2.1 One of the purposes of the annual summary of statistics on complaints made to the Local Government Ombudsman (LGO) is to help ensure that learning from complaints helps inform service provision. The LGO statistics show complaints and enquiries received by service area and whether a decision was upheld, not upheld, advice given, closed after initial enquiry, incomplete/invalid, or referred back for local resolution. A further purpose of this report is to provide Members with data relating to stage 1 and stage 2 complaints by Service area.

3. OPTIONS CONSIDERED/ANALYSIS

3.1 There were less complaints/enquires received by the LGO with just two detailed investigations carried out by the LGO in 2016/17 (same as 2015/16). In summary:

- An investigation related to a complaint about the council not informing a resident about a planning application at a neighbouring property; not considering the development's impact on amenity and not taking enforcement action against a breach of planning control at the property. The Ombudsman ended investigation of this complaint as no fault with the council found.
- An investigation related to a complaint about the council failing to respond to reports of breaches of planning consent by a nearby depot. The LGO upheld the complaint but found that although the Council failed to keep a record of/acknowledge an initial report, there was no injustice and the council dealt with this complaint properly.

3.2 The council's complaints policy and procedure was reviewed in 2015 and a more consistent approach to how complaints are being recorded has been introduced. The number of stage 1 complaints has increased, particularly for those services with higher levels of customer interaction; these services have confirmed that the increase is likely to be the result of a more rigorous focus on the customer, including a more robust approach to the recording and resolution of complaints within set timescales. Figures indicate that complaints are largely being resolved at stage 1; this is a positive indication that formal complaints are being dealt with effectively in the first instance.

3.3 One Leisure and Active Lifestyles record complaints through their own system. It has previously been agreed that a clear reporting and monitoring process for Leisure and Health formal complaints should be agreed and put in in place as a priority and to ensure the process aligns with the corporate approach. This was not developed in 2016/17 and will become a priority in 2017/18.

3.4 In Operations, following a significant reconfiguration of the waste collection rounds in February 2017, the number of complaints went up. Given the focus to address staffing shortages, deliver the changes and managing the complaints, resources were diverted away from the administrative side of complaints management and our recording on the database did not show most Complaints received in this period (approx. 200 were not recorded). Additionally we had much poorer response times. This has been reported through the Integrated

Performance Report as it is one of our key Corporate Plan Performance Indicators.

To help put the figures in context, the service collects 8,000 bins on a daily basis and, although the majority of changes were implemented successfully, a significant number were not. Improvement actions since Easter have continued to reduce missed bins from 40-50 to 30-40 daily (0.5%).

3.5 In Quarter 3 2016/17, an Internal Audit review was undertaken of the customer feedback procedures. The action recommended was that to provide a better system to meet customer need and to be able to manage the process much better, a Lean Review should be undertaken. In March, this Review was undertaken. This has led to a number of suggestions and these are now being worked through to produce a revised complaints policy, procedure and recording system

This will be implemented during Quarter 3 of 2017/18.

3.6 A new system will also be designed to enable us to be able to learn more from Complaints.

3.7 In 2016/17, we recorded a number of Unreasonable Complainants and reviewed three cases. It became increasingly clear that the application of our policies was not being followed as strictly as it should and was subsequently placing some staff in difficult positons. In a couple of cases, we have reiterated our position to the management of such cases so that far greater proportionality is achieved in the amount of time spent on these cases. This has led to us withdrawing some of our services to these complainants, save for statutory obligations. Our approach was influenced by an open discussion with the LGO on the management of such complainants.

3.8 Also in 2016/17 and in the early part of 2017/18, we have had several cases where some Complainants have been very rude and used inappropriate language and tone to our employees. Following discussion with the LGO, we have reviewed our approach to this and our adopting a firmer line and will not tolerate such behaviour.

4. KEY IMPACTS/RISKS? HOW WILL THEY BE ADDRESSED?

4.1 With Complaints, there is always a risk that we do not record all the complaints we receive and so do not have the full picture. Complaints can come in by a variety of means and so it relies on too many systems and people to comprehensively and accurately record them all. By making the changes, we will have a system and process in place that gives us the best opportunity to have a comprehensive recording system, where we can record the details and manage the process and leading to revise practices where we are learning from complaints.

5. LINK TO THE CORPORATE PLAN

5.1 Complaints handling links to the following Strategic Priority within the Corporate Plan - Ensuring we are a customer focused and service led council.

6 REASONS FOR THE RECOMMENDED DECISIONS

6.1 Members are invited to note the LGO local authority report for Huntingdonshire District Council and note the data relating to stage 1 and stage 2 complaints received by the council.

7. LIST OF APPENDICES INCLUDED

Appendix 1	LGO statistics for HDC
Appendix 2	HDC internal complaints
Appendix 3	LGO statistics – neighbouring authority comparison

CONTACT OFFICERS

Louise Sboui
Policy, Performance & Transformation Manager (Project Support)
01480 388032

and

Adrian Dobbyne
Corporate Team Manager
01480 388100

Appendix 1 LGO Local Authority Report – Huntingdonshire District Council

Complaints and Enquiries Received

HDC	Benefits and Tax	Corporate and Other Services	Environment Services	Planning and Development	Housing	Highways and Transport	Total
2016/17	2	2	2	8	0	2	16
2015/16	7	2	2	11	1	0	23
2014/15	3	3	3	7	0	0	16
2013/14	2	1	2	4	2	0	11

Decisions Made

HDC	Upheld	Not upheld	Advice given	Closed after initial enquiry	Incomplete/ invalid	Referred back for local resolution	Total
2016/17	1	1	0	5	0	9	16
2015/16	1	1	0	11	0	8	21
2014/15	0	3	1	7	0	5	16
2013/14	3	4	2	2	0	4	15

A number of cases will have been received and decided in different business years, this means the number of complaints and enquiries received will not always match the number of decisions made.

Appendix 2 **HDC Recorded Complaints**

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Number of complaints	58	40	43	22 Stage 1	15 Stage 1 14 Stage 2	237 Stage 1 15 Stage 2	284 Stage 1 12 Stage 2

Service	Stage 1		Stage 2		Total		LGO investigations	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
Community	5	13	0	1	5	14		
Corporate Team	4	3	3	2	7	5		
Customer Services	24	24	4	2	28	26	1	
Development	19	18	7	3	26	21	1	2
Operations (1)	62	149	1	3	63	152		
Resources	1	1	0	0	1	1		
Leisure and Health (2)	120	76	0	0	120	76		
Shared Services	2	0	0	0	2	0		
Community/Development/Legal				1		1		
Total	237	284	15	12	252	296	2	2

Notes (1) Operations do not include most complaints relating to Bin Collections made in Quarter 4 2016/17, following the introduction of new waste collection rounds. (2) 2015/16 and 2016/17 include those recorded by One Leisure which were not shown in previous years.

Appendix 3 LGO Neighbouring Authorities Statistics

Cambridgeshire Councils **2016/17**	**Complaints and enquiries decided (by outcome)**		**Complaints and enquiries received** 2016/17 (2015/16)
	Not upheld	**Upheld**	
HDC	1	1	16 (23)
South Cambridgeshire	1	1	22 (18)
Fenland	2	3	17 (30)
East Cambridgeshire	1	0	6 (7)
Cambridge City	2	2	18 (17)
Cambridgeshire County Council	7	6	51 (57)

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20 July 2017

By email

Joanne Lancaster
Managing Director
Huntingdonshire District Council

Dear Joanne Lancaster,

Annual Review letter 2017

I write to you with our annual summary of statistics on the complaints made to the Local Government and Social Care Ombudsman (LGO) about your authority for the year ended 31 March 2017. The enclosed tables present the number of complaints and enquiries received about your authority and the decisions we made during the period. I hope this information will prove helpful in assessing your authority's performance in handling complaints.

The reporting year saw the retirement of Dr Jane Martin after completing her seven year tenure as Local Government Ombudsman. I was delighted to be appointed to the role of Ombudsman in January and look forward to working with you and colleagues across the local government sector in my new role.

You may notice the inclusion of the '*Social Care Ombudsman'* in our name and logo. You will be aware that since 2010 we have operated with jurisdiction over all registered adult social care providers, able to investigate complaints about care funded and arranged privately. The change is in response to frequent feedback from care providers who tell us that our current name is a real barrier to recognition within the social care sector. We hope this change will help to give this part of our jurisdiction the profile it deserves.

Complaint statistics

Last year, we provided for the first time statistics on how the complaints we upheld against your authority were remedied. This year's letter, again, includes a breakdown of upheld complaints to show how they were remedied. This includes the number of cases where our recommendations remedied the fault and the number of cases where we decided your authority had offered a satisfactory remedy during the local complaints process. In these latter cases we provide reassurance that your authority had satisfactorily attempted to resolve the complaint before the person came to us.

We have chosen not to include a 'compliance rate' this year; this indicated a council's compliance with our recommendations to remedy a fault. From April 2016, we established a new mechanism for ensuring the recommendations we make to councils are implemented, where they are agreed to. This has meant the recommendations we make are more specific, and will often include a time-frame for completion. We will then follow up with a council and seek evidence that recommendations have been implemented. As a result of this new process, we plan to report a more sophisticated suite of information about compliance and service improvement in the future.

This is likely to be just one of several changes we will make to our annual letters and the way we present our data to you in the future. We surveyed councils earlier in the year to find out, amongst other things, how they use the data in annual letters and what data is the most useful; thank you to those officers who responded. The feedback will inform new work to provide you, your officers and elected members, and members of the public, with more meaningful data that allows for more effective scrutiny and easier comparison with other councils. We will keep in touch with you as this work progresses.

I want to emphasise that the statistics in this letter comprise the data we hold, and may not necessarily align with the data your authority holds. For example, our numbers include enquiries from people we signpost back to the authority, but who may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website. The aim of this is to be transparent and provide information that aids the scrutiny of local services.

The statutory duty to report Ombudsman findings and recommendations

As you will no doubt be aware, there is duty under section 5(2) of the Local Government and Housing Act 1989 for your Monitoring Officer to prepare a formal report to the council where it appears that the authority, or any part of it, has acted or is likely to act in such a manner as to constitute maladministration or service failure, and where the LGO has conducted an investigation in relation to the matter.

This requirement applies to all Ombudsman complaint decisions, not just those that result in a public report. It is therefore a significant statutory duty that is triggered in most authorities every year following findings of fault by my office. I have received several enquiries from authorities to ask how I expect this duty to be discharged. I thought it would therefore be useful for me to take this opportunity to comment on this responsibility.

I am conscious that authorities have adopted different approaches to respond proportionately to the issues raised in different Ombudsman investigations in a way that best reflects their own local circumstances. I am comfortable with, and supportive of, a flexible approach to how this duty is discharged. I do not seek to impose a proscriptive approach, as long as the Parliamentary intent is fulfilled in some meaningful way and the authority's performance in relation to Ombudsman investigations is properly communicated to elected members.

As a general guide I would suggest:

- Where my office has made findings of maladministration/fault in regard to routine mistakes and service failures, and the authority has agreed to remedy the complaint by implementing the recommendations made following an investigation, I feel that the duty is satisfactorily discharged if the Monitoring Officer makes a periodic report to the council summarising the findings on all upheld complaints over a specific period. In a small authority this may be adequately addressed through an annual report on complaints to members, for example.
- Where an investigation has wider implications for council policy or exposes a more significant finding of maladministration, perhaps because of the scale of the fault or injustice, or the number of people affected, I would expect the Monitoring Officer to consider whether the implications of that investigation should be individually reported to members.
- In the unlikely event that an authority is minded not to comply with my recommendations following a finding of maladministration, I would always expect the Monitoring Officer to report this to members under section five of the Act. This is an exceptional and unusual course of action for any authority to take and should be considered at the highest tier of the authority.

The duties set out above in relation to the Local Government and Housing Act 1989 are in addition to, not instead of, the pre-existing duties placed on all authorities in relation to Ombudsman reports under The Local Government Act 1974. Under those provisions, whenever my office issues a formal, public report to your authority you are obliged to lay that report before the council for consideration and respond within three months setting out the action that you have taken, or propose to take, in response to the report.

I know that most local authorities are familiar with these arrangements, but I happy to discuss this further with you or your Monitoring Officer if there is any doubt about how to discharge these duties in future.

Manual for Councils

We greatly value our relationships with council Complaints Officers, our single contact points at each authority. To support them in their roles, we have published a Manual for Councils, setting out in detail what we do and how we investigate the complaints we receive. When we surveyed Complaints Officers, we were pleased to hear that 73% reported they have found the manual useful.

The manual is a practical resource and reference point for all council staff, not just those working directly with us, and I encourage you to share it widely within your organisation. The manual can be found on our website www.lgo.org.uk/link-officers

Complaint handling training

Our training programme is one of the ways we use the outcomes of complaints to promote wider service improvements and learning. We delivered an ambitious programme of 75 courses during the year, training over 800 council staff and more 400 care provider staff. Post-course surveys showed a 92% increase in delegates' confidence in dealing with complaints. To find out more visit www.lgo.org.uk/training

Yours sincerely

Michael King
Local Government and Social Care Ombudsman for England
Chair, Commission for Local Administration in England

Local Authority Report: Huntingdonshire District Council
For the Period Ending: 31/03/2017

For further information on how to interpret our statistics, please visit our website:
http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
0	2	2	0	2	2	0	8	0	16

Decisions made

				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
0	0	9	5	1	1	50%	16

Complaints Remedied	
by LGO	Satisfactorily by Authority before LGO Involvement
0	0

Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.

The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Approval for Publication of the 2016/17 Annual Governance Statement and the Annual Financial Report
Meeting/Date:	Corporate Governance Committee – 13 September 2017
Executive Portfolio:	Strategic Resources: Councillor J A Gray (Deputy Executive Leader)
Report by:	Head of Resources
Wards affected:	All Wards

Executive Summary:

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 regulations and are required to be approved by 'those charged with governance' and published by 30 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 Finance Report and their view on Value for Money. Both the Annual Finance 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 areas of improvement, including:
  - the continued development of effective governance and reporting arrangements for shared services,
  - introducing the replacement financial management system,
  - ensuring better outcomes are delivered to customers by improving the way in which complaints are recorded, investigated and outcomes reported back to the complainant and
  - ensuring robust safeguarding procedures
- Approve the Letter of Representation (paragraph 5)
- Approve the Annual Financial Report (paragraph 6)

Recommendations:

1. Receives the Auditors 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 (as Section 151 officer) 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 (as Section 151 officer) to sign the accounts on behalf of the Council.

10. PURPOSE OF THE REPORT

1.1 To complete the processes for finalising and publishing the Council's Annual Governance Statement (AGS) and Annual Finance Report (AFR) for 2016/17.

11. BACKGROUND

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

3 RECEIVING THE AUDITORS REPORT (AUDIT RESULTS REPORT)

3.1 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.

3.2 The Audit Results Report will be presented to the meeting by the auditors and a draft is attached at **Annex A**. The auditors will verbally update the Committee at the meeting of any further changes since issuing of the report on 5 September.

3.3 There are 4 issues raised as 'Control Observations' by the auditors within the Audit Results Report in respect of the AFR, there is potential that the auditors will seek a variation to scale fee as a result of these issues. The details of these observations and the management comments are shown in **Table 1** below:

Observation	**Management Comment**
1. Accounting records	
a. The working papers for debtors and creditors were not suitable for audit as they included movement of all transactions during the year rather than just the balances outstanding.	a. There have been issues getting this work completed in a more efficient way and we have not moved forward from the same issue last year. A thorough review of all working papers will be carried out in preparation for the 2017/18 Accounts.
b. Difficulties in mapping the general ledger data to its financial statements.	b. The mapping of the Councils ledger to the financial statements took longer than anticipated. The Council committed considerable resources to resolving this issue but the consequence of this was that the receipt of audit samples from the auditors was delayed. Improvements will be made to ensure that accounts closure knowledge is better shared amongst the closure team to ensure more consistent accounting treatment.

	Looking forward, with the implementation of the new FMS, the mapping will be checked and completed as part of the interim audit.
2. Timeliness of deliverables (audit queries) There were several occasions where the length of time between requesting an answer to an audit query and actually receiving it was longer than agreed.	The main reason for the delay was as a consequence of sorting out the mapping (1 above) and issues relating to both Income and Expenditure analysis, Debtors and Creditors and Leases working papers; this then had consequential impacts on establishing audit samples. Working papers will be comprehensively reviewed prior to, and during the closure of the 2017/18 accounts.
3. Reliance on key personnel There were occasions when staff were not available either through sickness or because the work had been completed by an external contractor	The Finance Team did have some sickness issues during the time the auditors were on site which caused some delay in responding to audit queries. Also, for the first time, an external contractor was used to complete a technical element of the closure process. As a consequence of funding mutually agreeable availability between the contractor, the Councils closure team and the auditors, some delay was encountered. Lessons have been learnt in that where sickness occurs immediate action will be taken to fill 'gaps' and clearer service specifications will be used in future when engaging accounts closure contractors.
4. Related parties The completeness check identified an amount that had not been disclosed.	Where the Council has an audit materiality level of £1.3m, this is not applicable to the testing related to Related Parties Transactions/Interests because this review is in respect of governance. It was established that one organisation had not been disclosed (circa £70k) and should have been. Working papers will be comprehensively reviewed prior to and during the closure of the 2017/18 accounts.

3.3 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.**

4.1 A copy of the draft AGS has been previously circulated to all Committee members and no comments have been received.

4.2 The governance statement includes 4 significant areas for improvement:

- The continued development of effective governance and reporting arrangements for shared services.
- Introduce the replacement financial management system so that it is operational and available to use from December 2017.
- Ensure better outcomes are delivered to customers by improving that way in which complaints are recorded, investigated and outcomes reported back to the complainant.
- ensuring robust safeguarding procedures.

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

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 to sign it on behalf of the Council.

6. APPROVE THE ANNUAL FINANCIAL REPORT

6.1 The Council is required to produce and approve by the 30 June the Draft AFR, which incorporates the Statement of Accounts. Then by 30 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 report will be signed 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 of this report and Section 7 of the Auditors' Results Report.

7. KEY IMPACTS

7.1 Paragraph 3 above outlines the control observations and the associated management comments.

8. LINK TO THE CORPORATE PLAN

8.1 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.

9. CONSULTATION

9.1 In line with the Account and Audit regulations the AFR was available for inspection from 6 July to 30 August 2017.

12. LEGAL IMPLICATIONS

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

13. RESOURCE IMPLICATIONS

11.1 There is a specific budget for the Audit Fees. However, due to the delays experienced by the auditors in the current year they will be seeking to agree an additional fee for the time and costs incurred. They estimate this will be similar to 2015/16 which was £8,999 and this additional cost will be found from within the service budget.

14. REASONS FOR THE RECOMMENDED DECISIONS

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

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

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

15. LIST OF APPENDICES INCLUDED

Annex A – Auditors Report – Audit Results Report
Annex B – 2016/17 Annual Governance Statement
Annex C – Draft Letter of Representation
Annex D – 2016/17 Annual Financial Report

BACKGROUND PAPERS

CONTACT OFFICER

Clive Mason, Head of Resources
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Adrian Forth, Finance Manager
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David Harwood, Internal Audit Manager
Tel No: 01480 388115

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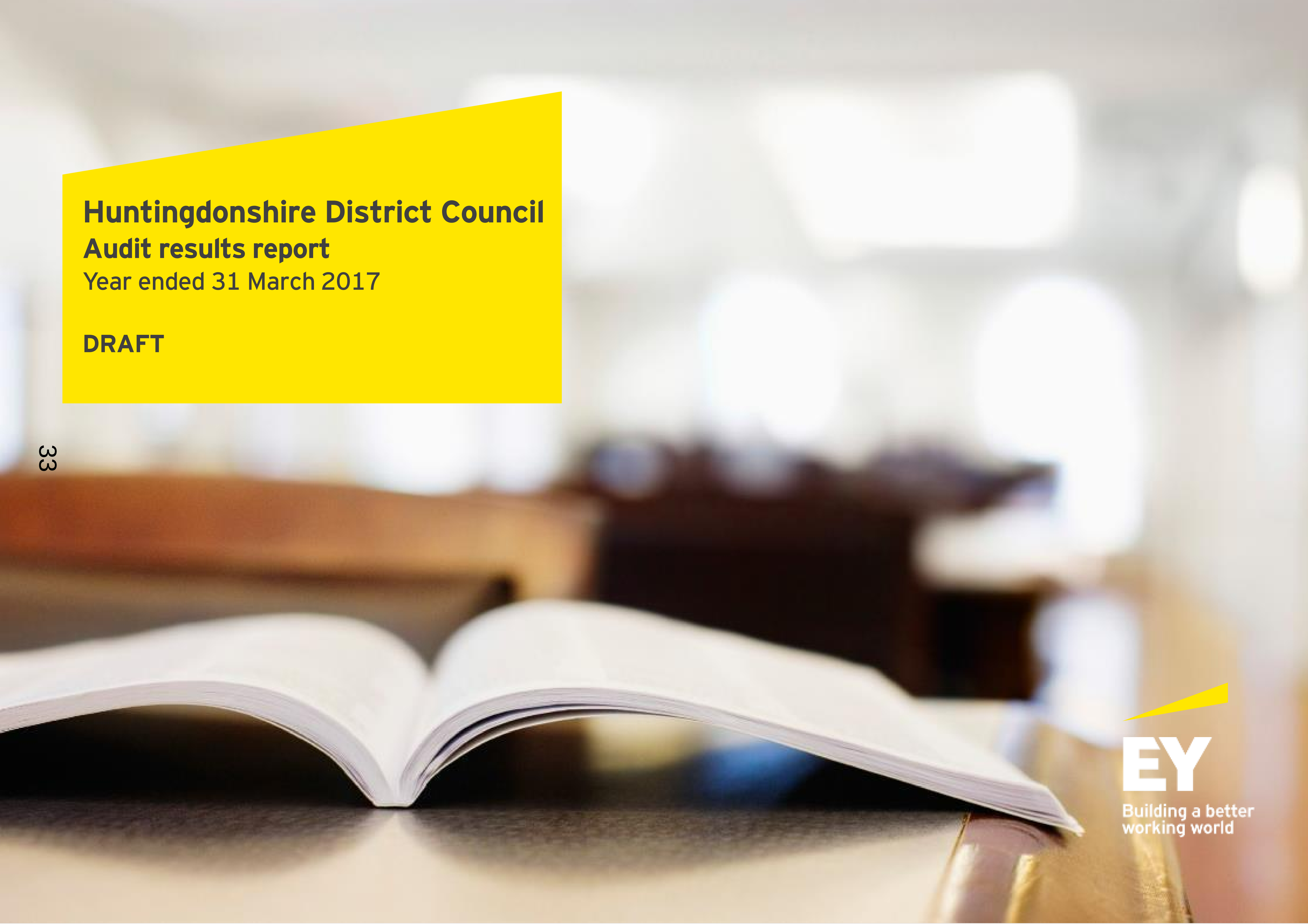
Huntingdonshire District Council
Audit results report
Year ended 31 March 2017

DRAFT



Building a better working world

Private and Confidential

5 September 2017

Dear Corporate Governance Committee Members

We are currently in the process of completing our audit on Huntingdonshire District Council (the 'Council') for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3.

The statutory deadline for 2016/17 is 30 September 2017. The Council is aiming to approve the financial statements on 13 September 2017. We confirm that we also expect to issue our audit opinion on or shortly after this date. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Corporate Governance Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Neil Harris
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

Contents

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the 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 (updated September 2015)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Corporate Governance Committee, other members of the Council and management of Huntingdonshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Corporate Governance Committee, other members of the Council and management of Huntingdonshire District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Corporate Governance Committee, other members of the Council and management of Huntingdonshire District Council for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.

01 Executive Summary

Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to the Corporate Governance Committee at their 22 March 2017 meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan. There have been no changes in our planned audit strategy.

We planned our procedures using a materiality of £1.73 million. We reassessed this using the actual results for the financial year, which has increased this amount to £1.81 million. The threshold for reporting audit differences has increased from £0.086 million to £0.090 million. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross expenditure.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed. In particular we have confirmed the figures for senior officer remuneration in full.
- Related party transactions. The accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction. We have therefore considered the nature of the relationship in applying materiality.
- Members' allowances. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.

Status of the audit

We are in the process of concluding our audit of the Council's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit Plan. We have experienced some difficulties in completing our audit which has delayed our audit completion which we have set out in more detail in section 7. Subject to satisfactory completion of the following key outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise.

- Receipt of outstanding long term debtor confirmation;
- Receipt of and finalisation of testing over sample items in relation to creditors and debtors;
- Review of responses to queries on NDR and Council tax balances recognised in the Council's financial statements;
- Review of revised cash flow statement;
- Finalisation of housing benefit variance analysis;
- Finalisation of our work on property valuations;
- Finalisation of our work on journals;
- Review of revised restatement for 2015/16 Expenditure and Funding Analysis;
- Review of the final version of the financial statements;
- Completion of subsequent events review;
- Completion of Final Review Procedures;
- Receipt of the signed management representation letter; and
- Completion of Procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Executive Summary

Status of the audit (continued)

We have confirmed that the Council are below the threshold for the completion of audit procedures over the Whole of Government Accounts (WGA) return. As such we are not required to complete any detailed work on the return.

Audit differences

During the course of our audit we identified 3 misstatements that have been adjusted by management. We are awaiting receipt of the updated financial statements to confirm that they have been posted correctly. At the time of writing this report we have not identified any uncorrected misstatements.

We have also identified a number of minor disclosure adjustments which have been corrected by management in the financial statements.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of the Council’s financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues;
- You agree with the resolution of the issue; and
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Corporate Governance Committee.

Executive Summary

Value for money

We considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.

In our Audit Plan we identified no significant VFM risks and we have not become aware of any matters that change our view in relation to this.

However, we have performed a high level review of the financial resilience of the Council and considered whether there are any significant issues with the robustness of the medium term financial plans and assumptions. We have also considered the governance arrangements in relation to the properties purchased under the Commercial Investment strategy during the year. Overall we have concluded that arrangements are appropriate.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have set out in section 2 findings in relation to the inspection period which the Council did not fully comply with during the year.

The period for electors and interested parties to ask us questions or object to the accounts ended on 16 August 2017. We received one query in relation to the inspection period but no formal objections.

We have no other matters to report.

Control observations

We have experienced some difficulties in completing our audit which has delayed our audit completion which we have set out in more detail in section 7.

During the completion of our audit we have not identified any other significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Independence

Please refer to Appendix B for our update on Independence. We have no independence issues to highlight.

02 Areas of Audit Focus

Audit issues and approach: Risk of Fraud in Revenue and Expenditure Recognition

Revenue Recognition

What are our conclusions?

At the time of writing this report our testing has not identified any material misstatements from revenue and expenditure recognition.

To date our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.

Significant Risk

What is the risk?

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 this 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 manipulating expenditure recognition.

The Council has historically performed well in relation to their outturn position for the year. In 2016/17 the Council incurred a surplus of £0.1 million chargeable to the General Fund.

As the Council is more focussed on its financial position over the medium term we have rebutted this risk for the Council's standard income and expenditure streams except for the capitalisation of revenue expenditure on Property, Plant and Equipment (PPE) given the extent of the Council's capital programme. We have also considered the completeness of liabilities and valuation of certain some estimated liabilities for any management bias.

These areas have also been considered as being linked to the risk of fraud in management override of controls (see below).

What did we do?

In order to address this risk we carried out a range of procedures including:

- Reviewing the appropriateness of revenue and expenditure recognition accounting policies and testing that they had been applied correctly during our detailed testing;
- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements (refer to details included in the management override of control section below);
- Reviewing accounting estimates for evidence of management bias (see relevant sections below);
- Performed sample testing on additions to PPE to ensure that they have been correctly classified as capital and included at the correct value to identify any revenue items that have been inappropriately capitalised;
- Testing a sample of liabilities based on our established testing threshold for reasonableness;
- Performing cut-off testing of transactions both before and after year-end to ensure that they were accounted for in the correct year based on our established testing threshold;
- Considering the completeness of liabilities included in the financial statements; and
- Evaluating the business rationale for any significant unusual transactions.

As set out in the executive summary we are in the process of concluding our work in this area but have not identified any exceptions in our audit work to date. We note that our audit work on journals and creditors has been delayed due to issues in providing adequate working papers. Further details have been set out in section 7.

Audit issues and approach: Management Override of Controls

Management override

What are our conclusions?

At the time of writing this report we have not identified any material weaknesses in controls or evidence of material management override.

To date we have not identified any instances of inappropriate judgements being applied, nor have we identified any other transactions during our audit which appear unusual or outside the Council's normal course of business.

Significant Risk

What is the risk?

Risk of management override

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We have assessed journal amendments, accounting estimates and unusual transactions as the area's most open to manipulation.

Linking to our risk of fraud in revenue and expenditure recognition above we have considered the capitalisation of revenue expenditure on PPE given the extent of the Council's capital programme. We have also considered the completeness of liabilities and valuation of some estimated liabilities for any management bias.

What did we do?

In order to address this risk we carried out a range of procedures including:

- Gaining an understanding of the oversight given by those charged with governance of management's processes and controls in respect of fraud;
- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained a full list of journals posted to the general ledger during the year and using our data analytics tool confirmed the completeness of the population and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation;
- Reviewing accounting estimates for evidence of management bias (see relevant sections below);
- Considering the results of our work on revenue and expenditure recognition as set out above, specifically considering any instances of management bias; and
- Evaluating the business rationale for any significant unusual transactions.

As set out in the executive summary we are in the process of concluding our work in this area but have not identified any exceptions in our audit work to date. We note that our audit work on journals and creditors has been delayed due to issues in providing adequate working papers. Further details have been set out in section 7.

Audit issues and approach: Management Override of Controls (continued)

Further details on procedures / work performed

In undertaking our work on management override of controls we have considered the balances included in the Council's financial statements that are the most susceptible to judgement or estimation techniques. The key estimates are considered to be:

- The valuation of Property, Plant and Equipment – due to the significance of this on the financial statements we have included this as a higher inherent risk in our audit strategy and include a separate section to report on this below. However, given that the impact of valuations do not impact the general fund we do not consider this to be significant estimate subject to management override of control or falling within our risk of fraud in revenue/expenditure recognition.
- Valuation of pension liabilities - due to the significance of this on the financial statements we have included this as a higher inherent risk in our audit strategy and include a separate section to report on this below. However, given that the impact of the measurement of pension liabilities do not impact the general fund we do not consider this to be significant estimate subject to management override of control or falling within our risk of fraud in revenue/expenditure recognition.

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Specifically in relation to liabilities (other than the net pension liability), we consider that accruals are a lower risk of material misstatement as the majority are based on known values/invoices. We also do not consider deferred liabilities as a higher risk of material misstatement as they relate purely to the deferral of income and involve minimal judgement or estimation. As such, we have focused our work on provisions.

The provisions balance in the financial statements is £1.4 million at 31 March 2017 (£2.4 million at 31 March 2016). The majority of this balance relates to the provision for business rate appeals (£1.3 million) which the Council is required to estimate and include in the financial statements in accordance with the Code. We have not identified any significant issues with the Council's basis of calculation. We have considered the assumptions used in the calculation and consider them to be reasonable. We note that the Council uses an external specialist to assist in the calculation of the liability. We have assessed the work of the specialist, including considering their qualifications and experience with no significant issues identified. The remainder of the provisions of £0.1 million are immaterial.

We evaluated the remainder of the Council's estimates, including bad debt provision and depreciation, as low risk of material misstatement. No issues were noted in our work in these areas.

Other audit issues arising

Accounting for Property, Plant and Equipment and Investment Properties

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

The Council engages an external expert valuer who apply a number of complex assumptions. Annually, assets are assessed to identify whether there is any indication of impairment (i.e. a reduction in their carrying value).

As the Council's asset base is significant, and the outputs from the valuer are subjective, there is a risk that the fair value of PPE and IP may be under or overstated, or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

This risk relates to assets that are revalued, being 'Other land and Buildings' and 'Investment Properties'. Vehicles, plant and equipment, infrastructure assets and community assets are held at cost.

Our approach has focused on:

- Considering of the work performed by the Council's valuers, Barker Storey Matthews (BSM), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Reviewing and sample testing over the key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considering the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewing assets not subject to valuation in 2016/17 to confirm that the remaining asset base is not materially misstated;
- Considering external evidence of asset values via reference to the NAO commissioned Local Government Gerald Eve report and broader market data for the Huntingdon area where relevant. Specifically we have considered if this indicates any material variances to the asset valuations performed by the valuers and to those assets not revalued;
- Considering changes to useful economic lives as a result of the most recent valuation;
- Considering whether asset categories held at cost have been assessed for impairment and are materially correct; and
- Testing that the accounting entries have been correctly processed in the financial statements, including the treatment of impairments.

At the time of writing this report we are in the process of concluding our work in this area. However, we have not identified any material issues in the valuations based on our work to date.

Other audit issues arising (continued)

Pension Valuations and Disclosures

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) administered by Cambridgeshire County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £71.5 million (£68 million at 31 March 2016).

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- Liaising with the auditors of, Cambridgeshire Pension Fund, BDO, to obtain assurances over the information supplied to the actuary in relation to Huntingdonshire District Council;
- Assessing the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

The report from BDO highlighted that the market value of the total Pension Fund assets submitted to the actuary as at 31 December 2016 totalled £2,718 million. The actuary has then performed a roll forward technique to estimate the value of the scheme as at 31 March 2017 to be £2,838 million. The Council's share of the assets has been reported as being £140.530 million, which equates to approximately 5%. BDO have reported that the actual scheme assets in the Cambridgeshire Pension Fund accounts are £2,814 million, a difference of £26.291 million. The Council's share of this is therefore approximately £1.2 million. The difference between the actuaries estimate and the year end actuals are approximately 0.8% of the asset values and 1.7% of the overall net liability accounted for in the balance sheet. No other significant matters were reported by BDO.

The assumptions used by the actuary have been reviewed by both PwC and our EY actuarial team who have both concluded that the assumptions and methodology used are considered to be appropriate. As the movement in the scheme assets is not material to the Council, equates to a less than 1% variance, and forms part of an overall estimated balance, fed by a number of assumptions we have concluded that the estimate is considered to be reasonable.

During our work we identified that the overall liability of £675k. This relates to the opening position not matching the actuaries report due to the late audit adjustment posted in the prior year. As the actuary evaluates the estimate each year then the Council should ensure that the year end position matches the actuary report. Management have agreed to amend the financial statements for this.

No other issues have been identified in completing our work. Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in the notes to the financial statements.

Other audit issues arising (continued)

Financial statements presentation – Expenditure and funding analysis and Comprehensive income and expenditure statement

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) changed the way the financial statements are presented. The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the Council operates and reflects the Council's internal financial reporting structure.

This change in the Code has required a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives has required audit review.

Our audit approach has focused on:

- Reviewing the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the Code;
- Reviewing the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported; and
- Agreeing restated comparative figures back to the Council's segmental analysis and supporting working papers.

We proposed some minor disclosure amendments that management have agreed to make in the financial statements. In particular we should note that the EFA is not a Primary Statement (consistent with the Code Guidance notes) and therefore additional narrative will be required to reflect this.

At the time of writing this report we are currently reperforming our work on the restatement following receipt of revised working papers from the Council.

Compliance with Accounts and Audit Regulations 2015

The Council is required to advertise the audit inspection period on its website in accordance with the Accounts and Audit Regulations (2015), with the inspection period including the first ten working days of July 2017, commencing on 3 July 2017.

Due to an oversight, the notification was not placed on the Council's website until 6 July 2017. However, the Council did ensure that the inspection period covered the full 30 working day requirements, with it finishing on 16 August 2017. We received a query from a member of public, as did the Council, in relation to the draft financial statements not being published on the Council's website by 30 June 2017. The Council subsequently published the draft financial statements and extended the period for questions from the public until 30 August 2017.

We are satisfied that members of the public were notified of and afforded the opportunity to inspect the Council's financial statements following the re-advertisement of the audit inspection period in the spirit of the regulations. We note that although not published on the Council's website the financial statements were available to members of the public at the Council's office in Huntingdon.

We believe it is important that the Council does publish the draft statement of accounts during the inspection period and we recommend the Council addresses this point for 17-18.

03 Draft Audit Report

Our opinion on the financial statements

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

Opinion on the Authority's financial statements

We have audited the financial statements of Huntingdonshire District Council (the Authority) for the year ended 31 March 2017 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,
- the related notes 1 to 40 to the Accounts, including the Expenditure and Funding Analysis,
- Collection Fund and the related notes 1 to 4.

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 2016/17.

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 the Head of Resources Responsibilities set out on page 19, 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 2016/17, 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.

Our opinion on the financial statements

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 for the year ending 31 March 2017 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 2017 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 2016/17.

Opinion on other matters

In our opinion, the information given in the Annual Financial Report for the year ending 31 March 2017 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 Authority;
- 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.

Our opinion on the financial statements

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 2016, as to whether Huntingdonshire District 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 Huntingdonshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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, Huntingdonshire District 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 2016, 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 2017.

Our opinion on the financial statements

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
Date:

The maintenance and integrity of the Huntingdonshire District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

4 Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as ‘known’ or ‘judgemental’. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We have included all known amounts greater than £0.09 million relating to Huntingdonshire District Council in our summary of misstatements table below that have been identified at the time of writing this report. Management has amended for these errors in the financial statements, however we are awaiting an updated set of financial statements to confirm the adjustments have been posted correctly.

We have also identified a number of minor disclosure adjustments during the audit that have been updated by management in the financial statements. We do not deem any of these to be so significant that they require reporting to you.

At the time of writing this report we have not identified any uncorrected misstatements greater than £0.9 million.

Audit differences (continued)

Summary of adjusted differences

At the time of writing this report we highlight the following misstatements in the financial statements and/or disclosures which have been corrected by management.

Account 31 March 2017 (£'000)	Comprehensive income and expenditure statement Debit/(Credit) Current Period	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Errors:					
Being an adjustment to correct for the incorrect netting of bank overdraft against other cash balances (factual error): Dr Cash and cash equivalents Cr Creditors – bank overdraft *We note that this would also have an impact on the related notes.*		1,456		(1,456)	
Being an adjustment to correct the pension liability to match the amount disclosed per the actuary report (factual error): Dr Actuarial losses/(gains) on pension assets and liabilities Cr Pension liability *We note that this would also have an impact on the related notes and cash flow statement.*	675			(675)	
Balance sheet totals				(675)	
Income effect of uncorrected misstatements	675				
Cumulative effect of uncorrected misstatements	**675**			**(675)**	

We also identified the following corrected disclosure adjustment:

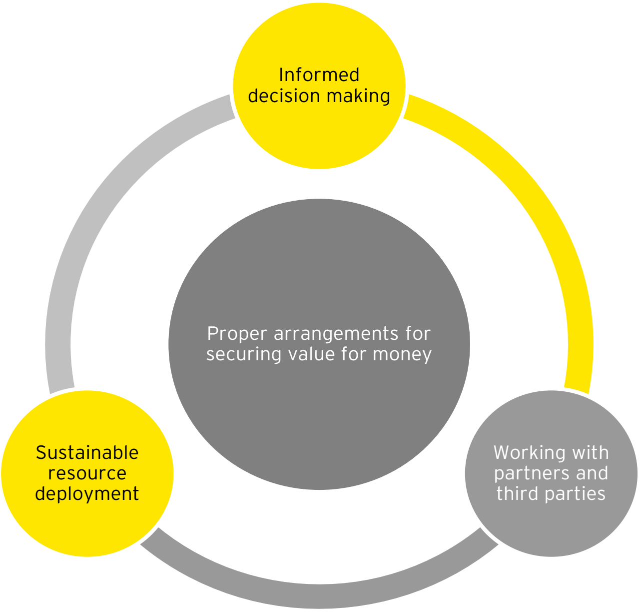
1. *Being an adjustment to release an unsupported balance from capital grants unapplied to the general fund (judgemental):*

   Dr Capital grants unapplied £210k
   Cr General fund (£210k)

   We note this impacts only within reserves

05 Value for Money

Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your 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 considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

We identified no significant risks around these arrangements. However, the table below shows the issues we considered during the course of our audit.

We expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

VFM considerations

What is the VfM area for review?	Arrangements this impacts?	What are our findings?
The Council has historically performed well in relation to their outturn position for the year. In 2016/17 the Council incurred a small surplus of £0.061 million chargeable to the General Fund as set out in the Movement in Reserves Statement which is broadly in line with budget. To date the Council has responded well to the financial pressure it faces. The 2017/18 Budget and Medium Term Financial Strategy (MTFS) identified a total net savings requirement of £3.652 million over the next 3 years which is to be taken from/(to) reserves: ▸ 2017/18 – £3.032 million ▸ 2018/19 - £1.927 million ▸ 2019/20 – (£1.307) million	• Taking informed decisions • Deploying resources in a sustainable manner	Our consideration focused on a high level review of: ▸ the Council's 2017/18 budget and the medium term forecast, assessing the extent of the savings plans in place; and ▸ the use of any assumptions used in medium term planning. The Council's general fund balance as at 31 March 2017 stands at £2.598 million versus a minimum level of £2.5 million. The Council also has earmarked reserves (£15.1 million at 31 March 2017) which have been established for a number of purposes, including the following: ▸ Strategic Transformation Fund - £1.037 million ▸ Commercial Investment Reserve - £3.787 million ▸ Special Reserve - £1.3 million ▸ Other reserves – £2.631 million In addition to the above there are also other earmarked reserves for repairs and renewals, collection fund and S106 monies. The existence of these reserves provides evidence of the Council's prudent approach to financial management. These provide the Council with the flexibility to manage its financial position over the short-to-medium term, and reduce the risk that an unexpected overspend, or unexpected one-off item of expenditure, has a detrimental impact on the Council's financial standing. The Council plans to maintain this level of General Fund reserves indefinitely and we note that the projected general fund reserves in the MTFS does not fall below the target level over the next 3 years. The 2017/18 budget is balanced, through the use of efficiencies, income plans, but also the use of general fund reserves. The level of savings identified is £0.7 million and the budget also includes £1m in relation to investment income through the Commercial Investment Strategy. While incrementally savings can become harder to achieve over time, the Council's performance in delivering its plans gives confidence that it can continue to do so. We also reviewed the key assumptions in the budget and MTFS, which adequately took into account the economic environment at that time for business rate projections, and the forecast for reduced central government funding and the potential settlement. Our review of the budget setting process, assumptions used in financial planning, in year financial monitoring, and the Council's history of delivery has not identified any significant matters that we wish to report to you.

Value for Money

What is the VfM area for review?	Arrangements this impacts?	What are our findings?
Commercial Investment Strategy During the year the council have purchased two properties, totalling £9.187 million. These relate to Shawlands Retail Park in Sudbury, Suffolk (£6.874m) and an office block at Wilbury Way, Hitchin (£2.313m). These purchases have been financed by use of an Earmarked General Fund reserve.	• Taking informed decisions • Deploying resources in a sustainable manner	As the Council's commercial investment strategy grows and pressures on the funding continue it is important that the Council invests its money in ways that maximise returns and are within the powers the Council is afforded. During our audit we have held discussions with management and also obtained the Cabinet reports supporting the decision to purchase the properties during the year. We noted that these had been subject to due diligence and comparison of expected yields to those minimum levels set by the Council. We noted that the Council prepared a best, worst and expected scenarios for the expected returns and often built in a more pessimistic view when calculating these. We have reviewed the Council's legal view on the use of powers contained in section 12 of the LG Act 2003. Having considered the above, and in the absence of any case law in relation to this we are not minded to challenge the Value for Money in relation to the two properties above.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Huntingdonshire District Council Statement of Accounts for the year ending 31 March 2017 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Our findings are:

- Financial information within the Annual Report and published with the financial statements was consistent with the Annual Accounts.
- The remuneration and staff report was prepared correctly, subject to the minor matters we have reported above.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information that we are aware of from our audit of the financial statements and we have no other matters to report.

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, is specified by the National Audit Office.

We can confirm that the Council is below the threshold for audit review and as such we have not performed any detailed procedures over your WGA submission.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").
We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.
We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report.

07 Assessment of Control Environment

Assessment of control environment

Financial controls

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.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have identified one significant deficiency and one moderate deficiency as set out below. We have not identified any further significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Observation	Rating	Management comment
Preparation of the financial statements and related working papers We have incurred delays in the completion of our audit work. We appreciate how the Council's staff have made time in their days for our audit enquiries, and approached our queries in a helpful and collaborative manner. However, we would note that we encountered the following difficulties during the audit which we believe had a detrimental effect on our ability to complete this audit efficiently. 1. Accounting records We audited areas where the accounting records which the Council maintains were not initially sufficient for us to be able to complete our audit in the most efficient manner. This was particularly an issue when auditing creditors and debtors, leases and cash for the Council. In particular: a. The working papers for debtors and creditors were not suitable for audit as they included a movement of all transactions during the year rather than just the balances that remained outstanding at the balance sheet date. It took various iterations being reviewed by management and us, in addition to several meetings to eventually generate useable working papers.	Significant	

b. The Council incurred difficulties in mapping the general ledger data to the financial statements and to the categories used in our data analytics tools, being assets, liabilities, income, expenditure and equity. We held a number of meetings with the finance team and reviewed several of iterations of the reconciliation before receiving a final version that could be used for audit. We should note that this still included a difference of £321k that could not be mapped.

We note that the issues with debtors, creditors and data mapping are consistent with those encountered in the prior year.

2. Timeliness of deliverables

There were several occasions where the length of time between requesting a deliverable or working paper, and actually receiving it was longer than agreed. This meant that our staff had often finished their time on site for the audit by the time the information was available. There were some areas of our audit requested in the first two weeks of the audit that were not received until weeks 4 and 5.

3. Reliance on key personnel

During our time on site there were often staff unavailable either through illness or because the work had been completed by an external contractor. This caused delays in answering queries and in some instances demonstrated an over-reliance on individuals.

All of the above has had an impact on the efficiency of the accounts and audit process for both the Council and us as your auditors. We recommend that the Council undertake a thorough review of their processes, procedures and working papers. This is particularly important given the faster close deadline for 2017/18. Due to the above delays we will be seeking to agree a fee for the additional costs incurred.

Related parties

Low

Our completeness checks on related parties and transactions identified amounts that had not been disclosed.

The council should ensure that they carry out sufficient completeness checks to ensure that all related party transactions are disclosed in the financial statements.

08 Appendices

Required communications with the Corporate Governance Committee

There are certain communications that we must provide to Audit Committees. We have done this by:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Corporate governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	March 2017 Audit Plan
Significant findings from the audit	▸ Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Any significant difficulties encountered during the audit ▸ Any significant matters arising from the audit that were discussed with management ▸ Written representations we have requested ▸ Expected modifications to the audit report ▸ Any other matters significant to overseeing the financial reporting process	September 2017 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	No conditions or events were identified, either individually or together to raise any doubt about Huntingdonshire District Council's ability to continue for the 12 months from the date of our 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 ▸ Significant corrected misstatements, in writing	September 2017 Audit Results Report

Appendix A

Required communications	What is reported?	Our Reporting to you — When and where
Fraud	▸ Asking the Corporate Governance Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Council ▸ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▸ A discussion of any other matters related to fraud, relevant to Corporate Governance Committee responsibility.	We have asked management and those charged with governance about arrangements to prevent or detect fraud. 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 Council's related parties including, where applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and/or regulations ▸ Difficulty in identifying the party that ultimately controls the entity	We have no matters to report.
Subsequent events	▸ Where appropriate, asking the Corporate Governance Committee whether any subsequent events have occurred that might affect the financial statements.	We have asked management and those charged with governance. We have no matters to report.
Other information	▸ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision.	September 2017 Audit Results Report
External confirmations	▸ Management's refusal for us to request confirmations ▸ We were unable to obtain relevant and reliable audit evidence from other procedures.	We have no matters to report.
Consideration of laws and/or regulations	▸ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" ▸ Asking the Corporate Governance Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Corporate Governance Committee.	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

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Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Significant deficiencies in internal controls identified during the audit	▶ Significant deficiencies in internal controls identified during the audit.	September 2017 Audit Results Report
Independence	Communication of all significant facts and matters that have a bearing on EY's objectivity and independence. Communicating 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 on the firm's general policies and processes for maintaining objectivity and independence Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards.	March 2017 Audit Plan September 2017 Audit Results Report
Fee Reporting	Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work	March 2017 Audit Plan September 2017 Audit Results Report
Certification work	Summary of certification work	Certification Report

Independence

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We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 22 March 2017.

We complied with the APB Ethical Standards and the requirements of the Public Sector Audit Appointment's (PSAA) 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 consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Corporate Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Corporate Governance Committee on 13 September 2017.

We confirm we have not undertaken non-audit work outside the PSAA Code requirements.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Planned Fee 2016/17 £'s	Scale Fee 2016/17 £'s	Final Fee 2015/16 £'s
Total Audit Fee – Code work (see note 1 and 2)	53,236	53,236	62,235
Certification of claims and returns	17,522	17,522	18,136

Note 1: Our prior year fee includes £8,999 for additional fees due to delays experienced in finalising our audit work. This amount has been agreed with PSAA and invoiced to the Council.

Note 2: Due to the delays experienced in the current year we will be seeking to agree an additional fee for the time and costs incurred. We anticipate that this will be similar to the amount charged in 2015/16 but is subject to the satisfactory completion of all remaining audit work.

We will confirm our final fees following the completion of our audit and non-audit work and report this within our Annual Audit Letter.

Accounting and regulatory update

Accounting update

Since the date of our last report to the Corporate Governance Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Huntingdonshire District Council
IFRS 9 Financial Instruments	Applicable for local authority accounts from the 2018/19 financial year and will change: ▸ How financial assets are classified and measured ▸ How the impairment of financial assets are calculated ▸ Financial hedge accounting ▸ The disclosure requirements for financial assets. Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.	Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to: ▸ Reclassify existing financial instrument assets ▸ Re-measure and recalculate potential impairments of those assets; and ▸ Prepare additional disclosure notes for material items
IFRS 15 Revenue from Contracts with Customers	Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except: ▸ Leases; ▸ Financial instruments; ▸ Insurance contracts; and ▸ for local authorities; Council Tax and NDR income. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be.	As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to: ▸ Disaggregate revenue into appropriate categories ▸ Identify relevant performance obligations and allocate income to each ▸ Summarise significant judgements

Appendix C

Name	Summary of key measures	Impact on Huntingdonshire District Council
IFRS 16 Leases	IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year. Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet. There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.	Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area. However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.
Earlier deadline for production and audit of the financial statements from 2017/18	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.	Through working together, and reflecting on this year, there are a number of areas where the closedown and audit processes can be further improved going forward. As set out above we have had difficulties in concluding our audit this year due to the quality and timeliness of working papers and supporting evidence. This presents concerns in relation to the ability of the Council to meet the faster close deadlines for 2017/18. We also note that the Council are undergoing a finance system change which is due to go live in December 2017. It will be important for the Council to ensure that this does not impact on their ability to prepare the audited financial statements and related working papers. We also undertook some early interim testing in March 2017 in relation to income and expenditure testing. However, we will meet with management to discuss others areas that we can complete work on earlier in the process and agree an earlier timetable for delivery.

Appendix D

Request for a Management representation letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 OWZ

Letter of Representation – Huntingdonshire District Council - Audit of Financial Statements 2016/17

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 2017. 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 financial position of Huntingdonshire District Council as of 31 March 2017 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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, 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 2016/17.

2. We acknowledge, as members of management, 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 2016/17 and are free of material misstatements, including omissions. 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 have 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 2016/17 for the Group and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 for the Council that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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 relevant committees (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: 13 September 2017.

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 year 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 the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

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

G. Expenditure Funding Analysis

1. We have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes has been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.

2. We confirm that the financial statements reflect the operating segments reported internally to the Council.

H. Going Concern

1. We have made you aware of any issues that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance

sheet(s).

J. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

K. Valuation of Property, Plant and Equipment Assets and Investment Properties

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

2. We confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

5. We confirm that we have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations, or for those investment properties not revalued at 31 March 2017, and that each asset category is not materially misstated.

6. We confirm that for assets carried at historic cost that no impairment is required

L. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

M. Use of the Work of a Specialist – Pension Liabilities

1. We agree with the findings of the specialists that we engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

N. Valuation of Pension Liabilities

Appendix D

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

2. We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events.

O. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the business rate appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Q. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Huntingdonshire District Council Annual Financial Review for the year ending 31 March 2017.

2. We confirm that the content contained within the other information is consistent with the financial statements.

R. Long term debtors

1. We confirm that the amounts included in long term debtors, that include loans provided to other organisations and individuals are full recoverable and are held at the amount the Council expects to receive.

Yours faithfully,

____

(Head of Resources (Section 151 Officer))

____

(Chair of the Corporate Governance Committee)

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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Huntingdonshire
DISTRICT COUNCIL

Annual Governance Statement 2016/2017

What is Governance?

Governance generally refers to the arrangements put in place to ensure that the intended outcomes are defined and achieved.

The Council approved a new local Code of Corporate Governance in July 2016. It is consistent with the seven principles set out in 'proper practice' for the public sector, namely 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE[1].

The Council aims to achieve good standards of governance by:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
4. Determining the interventions necessary to optimise the achievement of the intended outcomes.
5. Developing its capacity, including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong public financial management.
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The overall aim of the local Code of Corporate Governance is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities.
- there is sound and inclusive decision making.
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

Underpinning the Code is the Council's commitment to equality of opportunity in its approach to policy-making, service delivery and employment.

Opinion

After conducting a review of the governance arrangements across the Council and overall compliance with the Council's Code of Corporate Governance, we are satisfied that the arrangements are effective.

It is recognised that there are always opportunities to improve and the review has identified four improvement areas.

One of the four improvement areas, as it has been for the last two years, reflects the continued need to monitor shared service governance arrangements. We recognise that we've still not got the balance right between allowing the shared services to freely operate and yet still provide the necessary information to allow for full and effective Partner/Member scrutiny.

We are satisfied that this statement allows the Council to meet the requirements of the Accounts & Audit (England) Regulations 2015 - to prepare an annual governance statement to accompany the 2016/17 Annual Financial Report.

G. J. Bull

Councillor Graham Bull
Executive Leader

Joanne Lancaster
Managing Director

23 August 2017
Signed on behalf of Huntingdonshire District Council

[1] The Chartered Institute of Public Finance & Accountancy (CIPFA) & Society of Local Authority Chief Executives & Senior Managers (SOLACE).

Improvement Areas - 2016/17

Four improvement areas have been identified. The reasoning as to why these areas need to be improved and the agreed action plan is set out below.

The continued development of effective governance and reporting arrangements for shared services.

Lead Officer: Corporate Director (Services).

What are shared services? Huntingdonshire, Cambridge City Council and South Cambridgeshire District Council(known as the 3C's) are sharing ICT, Legal and Buiding Control servcies.	This item has been included in the governance statement for the last two years. Savings have been delivered by all of the shared services, however not all of the anticipated savings have been delivered in year one. The Council delivers ICT for the 3C's partnership. The 2016/17 ICT savings target of £887k was missed by £590k. There are number of reasons for this – the primary ones being the use of expensive hired staff (including the former temporary Head of Service) and the failure to achieve the £200k savings from the rationalisation of contracts and the sharing of licence costs due to existing contractual obligations and insufficient time to re-procure common systems across all three authorities. This highlights the need to ensure that business cases accurately reflect the challenges inherent in establishing shared services and capture investment requirements when early years savings targets are adopted. The budget overspend was highlighted in the financial information presented to both the 3C Partnership Board and the 3C Management Board but not until early in Qtr.4, 2016/17, highlighting the need for improved reporting and more proactive management of budget information. Performance reporting – in respect of both delivery of the shared services business plan and budget – is not included in the performance management suite of information regularly presented to Members of the Council. Members received their only report on the performance of the three shared services in February 2017. **Action taken:** A permanent Head of Digital & IT was appointed in January 2017. He has prepared a revised business plan that has reduced the savings targets from 15% to a yearly average of 9.7% across the 5 years of the plan. A stepped approach to the rationalisation of contract savings has been agreed. The financial reporting requirements set out in the Partnership Agreement have been introduced. **Action to be taken:** The quarterly performance management suite is to include information in respect of the IT shared service performance from Qtr. 2 2017/18.

Introduce the replacement financial management system so that it is operational and available to use from December 2017.

Lead Officer: Head of Resources.

The 3C Council's jointly purchased a financial management system in June 2016 with the intention of modernising the way each Council undertakes its budgeting, financial forecasting, income collection, procurement and payment of suppliers. The 'go-live' date was April 2017. This date was not achieved and 'go-live' has been delayed until December 2017. The Project Board and the Shared Services Programme Board have approved this 'go live' date.

Action taken: The additional staff resources to support the implementation of the financial management system have been extended until December 2017. These costs can be met from the overall project budget.

Ensure better outcomes are delivered to customers by improving that way in which complaints are recorded, investigated and outcomes reported back to the complainant.

Lead Officer: Corporate Team Manager

An internal audit review of customer feedback procedures was undertaken during Qtr. 3, 2016/17. It concluded that overly bureaucratic and time consuming systems were in place to handle customer complaints, and a 'limited' assurance opinion was given.

Action taken: In line with the Transformation agenda, a LEAN review of complaints handling has been undertaken. A number of changes to the complaints process have been proposed – incl. clearly defining when a complaint should be recorded on the complaints system and making the complaint handling process simpler so that it is consistently used across all services.

Action to be taken: Policies and procedures are to be reviewed by 30 September 2017. An action plan will then be developed and agreed with SMT ahead of a relaunch of the complaints process by 31 January 2018.

The LEAN review also concluded that the IT system used to administer complaints was struggling to meet the Council's needs and options to replace the system will also need to be considered. No date has been agreed for this element of work.

Introduce robust safeguarding procedures

Lead Officer: Head of Leisure & Health

An internal audit review of safeguarding procedures was undertaken during Qtr. 4, 2016/17. It concluded that the safeguarding procedures being followed were not as effective as they could be – there was an ad-hoc approach across Services to the assessment of safeguarding risks, piecemeal training and a lack of evidence that consistent checks on employees suitability for employment are carried out – this resulted in an 'limited' assurance opinion being given.

Action taken: The Managing Director has set-up a Safeguarding Governance Board. Its terms of reference and membership have been agreed. A number of Governance Board meetings have already been held. .

Action to be taken:
The Safeguarding Governance Board will continue to meet on a regular basis to co-ordinate and oversee the delivery of the action plan identified through the internal audit. The key themes for delivery are:-

- Awareness Raising
- Adults at Risk
- HR Processes
- Service Issues
- Corporate Governance

The deadline for all audit actions being completed is December 2018, however the Governance Board have agreed that key actions will be dealt with as a priority, for example the development of an Adults at Risk safeguarding policy.

Improvement Areas – 2015/16

There were two improvement areas included in the 2015/16 AGS.

The need to improve debt management.

Lead Officer:
Head of Resources

Issue: Internal audit reviews of the accounts receivable system during 2015/16 resulted in a 'little' assurance opinion being given for the third successive year. Whilst action plans had been agreed, few improvements had being made.

Action taken: A comprehensive and fundamental review of income systems and procedures has been undertaken during 2016/17 which has resulted in significant improvements. Internal audit now consider the system as being 'adequate'. One of the key improvements has been a reduction in the amount of outstanding 'general' debt over 21 days old. This reduced during 2016/17 by £1.2m to £991k.

To further improve debt management, a debt management policy was approved by Cabinet in July 2017.

The Head of Resources considers that the improvements made are such that this issue has been resolved.

The continued development of effective governance and reporting arrangements for shared services.

Lead Officer:
Corporate Director
(Services)

This item has been carried forward into 2016/17. See page 4.

How do we know our arrangements are working?

Governance Framework

Code of Corporate Governance

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

Two key pieces of assurance are provided by Internal and External Audit.

The Internal Audit & Risk Manager stated in their 2016/17 annual opinion that the Council's internal control environment and systems of internal control provided adequate assurance over key business process and financial systems.

The external auditors, Ernst & Young LLP, have issued an unqualified opinion on both the 2016/17 statutory financial statements and the Council's arrangements for securing economy, efficiency and effectiveness (value for money) and in the use of its resources.

- 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
- Council annual report
- Corporate Governance Committee annual report
- Community consultations

Assurances Received

- Continue to develop governance and reporting arrangements for shared services.
- Introduce the replacement financial management system so that it is operational and available to use from December 2017.
- Improve the complaint management process.
- Introduce proportionate yet robust safeguarding procedures.

Opportunities to Improve

Annual Governance Statement

Future challenges

Transformation

The Council has embarked on a transformation programme (MOSAIC) that is focused on improving customer service, generating efficiencies and lowering costs. It is a bold vision that will create a new model of service delivery based around an absolute focus on the customer and service user.

The programme is being developed as part of the efficient and effective Council strand of the Corporate Plan and is intended to run until 2019/20.

Delivery of the transformation programme will bring a number of governance challenges. These include the project management of such a large change programme, the recording and monitoring of the risks associated with each work element, the commercialisation of services and the continued successful delivery of services whilst change is occurring.

Maintaining effective cyber security defences

Cyber security threats have become increasing sophisticated and can be launched from anywhere, at any time, against any target. A number of high profile incidents have occurred during 2016/17 that have demonstrated the significant financial and reputational impact that this type of attack can have.

The Council relies on IT to deliver virtually all aspects of its services and is aware that it needs to maintain effective access controls and security update and patch controls across the network to mitigate financial, service delivery or reputational risks. A limited assurance opinion was given by internal audit on cyber security controls in the report they issued in Qtr. 3 2016/17. Whilst the audit review highlighted areas of good practice it has been agreed that improvements are needed in the areas of cyber risk assessments, the formal assessment of IT network security and incident management. One of the Corporate Governance Committees priorities for 2017/18 is to monitor the progress made by the IT shared service to introduce the agreed internal audit actions.

General data protection regulation

The regulation applies from 25 May 2018. It will bring about a number of changes to the way that the Council collects and uses individuals personal data. It also significantly increases the fines that may have to be paid if a personal data breach occurs, whether through employee error or a cyber-attack. Work on preparing for the changes that the regulation will bring about has already commenced. An Information Governance Board has been established to support improvements to information management, information and security and compliance with information rights legislation.

Post year end events

Election of new Executive Leader

In July 2017 Cllr Robin Howe, the Executive Leader resigned his position so that he could spend more time on his role as Deputy Mayor of the Cambridgeshire and Peterborough Combined Authority.

The Council elected Cllr Graham Bull to be the new Executive Leader. Cllr Bull has made changes to the Cabinet, reducing by one the number of Executive Councillors and re-assigning portfolio responsibilities.

Election of Mayor to the Cambridgeshire and Peterborough Combined Authority.

The Combined Authority is made up of representatives from the seven principal local authorities within Cambridgeshire and Peterborough and the Greater Cambridge Greater Peterborough Enterprise Partnership. In November 2016 all eight organisations agreed to pursue the devolution deal made with Central Government. In May 2017, electors from across the region, elected the Combined Authority's first Mayor.

Cllr. Robin Howe, the Executive Councillor for devolution and growth is the Council's representative on the Combined Authority and holds the position of Deputy Mayor.

The Combined Authority is likely to impact upon the Corporate Plan priorities and objectives of delivering sustainable growth. There is the need for effective partnership relationships to be developed. A substantial amount of work has already been completed by the Managing Director and other Senior Offices in this area.

Two Councillors have been appointed to the Combined Authority Overview and Scrutiny Committee. Their brief requires them to consider the benefits to be gained by the Combined Authority as a whole, rather than focus on Huntingdonshire, and as such there may be conflicts that are required to be managed.

Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 OWZ

13 September 2017

Letter of Representation – Huntingdonshire District Council - Audit of Financial Statements 2016/17

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 2017. 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 financial position of Huntingdonshire District Council as of 31 March 2017 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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, 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 2016/17.

2. We acknowledge, as members of management, 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 2016/17 and are free of material misstatements, including omissions. 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 have 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 2016/17 for the Council that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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 relevant committees (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: 13 September 2017.

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 year 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 the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

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

G. Expenditure Funding Analysis

1. We have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes has been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.

2. We confirm that the financial statements reflect the operating segments reported internally to the Council.

H. Going Concern

1. We have made you aware of any issues that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet(s).

J. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

K. Valuation of Property, Plant and Equipment Assets and Investment Properties

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

2. We confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17*.*

4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

5. We confirm that we have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations, or for those investment properties not revalued at 31 March 2017, and that each asset category is not materially misstated.

6. We confirm that for assets carried at historic cost that no impairment is required

L. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

M. Use of the Work of a Specialist – Pension Liabilities

1. We agree with the findings of the specialists that we engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

N. Valuation of Pension Liabilities

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

2. We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17*.*

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events.

O. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the business rate appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Q. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Huntingdonshire District Council Annual Financial Review for the year ending 31 March 2017.

2. We confirm that the content contained within the other information is consistent with the financial statements.

R. Long term debtors

1. We confirm that the amounts included in long term debtors, that include loans provided to other organisations and individuals are full recoverable and are held at the amount the Council expects to receive.

Yours faithfully,

(Head of Resources (Section 151 Officer))

(Chair of the Corporate Governance Committee)

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Huntingdonshire District Council

Annual Financial Report

For the year ended 31st March 2017

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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 2016/17 Annual Financial Report which outlines the Council's financial performance for the year ended 31 March 2017.

The purpose of this report 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 2016/17.
- The Financial Statements
- Technical information

Commentary and Review of 2016/17

Review of the Year

2016/17 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 £19.931m (2015/16; £19.678m), a net increase of £0.253m (1.29%). After allowing for the following non-ring fenced government grants:

- Revenue Support Grant of £2.110m (2015/16; £3.183m),
- Business Rates Retention scheme (NDR) of £4.190m (2015/16; £4.160m),
- New Homes Bonus and Council Tax Freeze Grant £4.965m (2015/16; £4.485m),
- Section 31 Grant of £1.018m (2015/16; Nil)
- Council Tax Collection Fund deficit of £0.257m (2015/16; £0.082m surplus)

and a contribution to revenue reserves of £2.276m (2015/16 £0.797m) and a contribution from earmarked reserves of £0.257m (2015/16; Nil). This left the Council to raise £7.905m (2015/16; £7.768m) from Council Tax which equated to a Council Tax of £133.18 (2015/16; £133.18) for a Band D equivalent property. This was a fourth year of freezing Council Tax.

How the Council performed against its Objectives and Budget are detailed below. Further information can be found in the June 17 Cabinet report (click here).

Council Objectives
The following paragraphs outline how the Council has performed during 2016/17:

Theme: Delivering sustainable growth - We want to make Huntingdonshire a better place to work and invest and we want to deliver new and appropriate housing.

- Progress on major development sites has included the first phase of housing on the Alconbury Weald site. The first homes are now occupied and the primary school opened in September 2016 and the first major industrial development is nearing completion. There are 493 houses, across 3 house builders under construction. The construction of the first houses on the Bearscroft development in Godmanchester commenced late 2016.

- Plans for significant housing in St. Neots are still being developed. The planning appeal against refusal of this scheme was withdrawn on the 11 April 2017. The Council is working closely with a new development partner to bring forward a revised application for 2,800 homes.

- The number of unintentional priority homeless acceptances has increased despite the preventative measures taken by our housing services. Only 55 new affordable homes were provided last year, with 512 net additional homes delivered in Huntingdonshire in 2016/17.

- 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 5.24 years as at 31 December 2016. The trajectory data in the AMR projects that 535 dwellings were completed in 2015/16 rising to 567 and 1,135 in 2016/17 and 2017/18 respectively.

- The development of the Local Plan 2036 has been affected by delays, but it is still on target to meet the expected Government requirement to have the Plan submitted by March 2018.

Theme: Enabling communities - We want to make Huntingdonshire a better place to live, to improve health and wellbeing and for communities to get involved with local decision making.

- Our aim is to reduce household waste sent to landfill and for 2016/17 this was 45% (2015/16 43%). Household waste that was diverted from landfill via our green waste and dry recycling collections.

- The One Leisure Active Lifestyle service, promoting active lifestyles, healthy activities and sports development, achieved its best ever overall attendances at 52,811, up 9% 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.

- 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 agreed 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 2015/16 and the percentage of household waste recycled or composted lower than in 2015/16.

Theme: Becoming a more efficient and effective Council - We want to continue to deliver value for money services

- The employee survey was undertaken in 2016 and the results have been analysed and shared with staff across all services. An Action Plan has been agreed and progress is monitored by the Our People Governance Board.

- The Council has introduced more on line self-service delivery on its website ensuring we focus on customer need. The reporting facilities include abandoned vehicles, food hygiene revisit booking, building control forms, market trader bookings, missed bins, clinical waste, leisure volunteering, house name and numbering and council tax discount application process.

- Customer satisfaction levels among Call Centre (95%) and Customer Service Centre (95%) customers, as measured through recent surveys. They remain high and is an improvement compared to 2015/16, 94% and 92% respectively.

- Sickness absence across the Council during 2016/17 was 9.0 working days lost per full time employee compared to 11.7 working days lost in 2015/16. The introduction of a new Sickness Absence and Attendance Policy in November 2016 has had a positive impact on attendance. Managing sickness absence is a key priority for our Senior Management Team with management, Human resources and Occupational Health actions all being monitored closely in order to ensure that appropriate steps are being taken to facilitate a prompt return to work wherever this is possible.

- Collection levels of Council Tax and Business Rates has been maintained, with 98.6% of Council Tax and 99% of Business Rates collected.

- Since the autumn of 2014, the Council has undertaken a Zero Based Budgeting (ZBB) programme that has fundamentally reviewed all Council services. For the 2017/18 Budget and Medium Term Financial Strategy setting, a Line-by-Line review was undertaken which achieved savings of £0.7m. Retaining tight budgetary control with affordability and value for money are at the core of the Council's decision making process. The 'Plan on a Page' strategy is to reduce reliance on Government grants over the next few years, shows the Council will have removed all reliance on Government grants by 2019/20.

Revenue Spending and Sources of Income

The Table below sets out the Council's Budget for 2016/17 and how it performed and details the main sources of income the Council receives to pay for its services.

2015/16 Outturn £000		**2016/17 Budget £000**	**Outturn £000**	**Variation £000**	**%**
	Service				
1,674	Community	1,911	1,697	(214)	(11)
3,620	Customer Services	2,355	2,804	449	19
494	ICT Shared Services	1,796	1,983	187	10
1,192	Development	1,370	578	(792)	(58)
(141)	Leisure and Health	(270)	56	326	121
4,175	Operations	3,968	4,292	324	8
4,155	Resources	4,492	3,221	(1,271)	(28)
2,107	Directors and Corporate	2,291	2,693	402	18
(177)	Technical Adjustments	0	0	0	0
17,099	**Net Revenue Expenditure**	**17,913**	**17,324**	**(589)**	
2,579	Contribution to Reserves	2,275	3,028	753	
	Contribution from Earmarked Reserves	(257)	(149)	108	
19,678	**Budget Requirement**	**19,931**	**20,203**	**272**	
	Financing				
(2,750)	NDR and Council Tax	(4,190)	(1,910)	2,280	
(7,668)	Government Grant (Non-Specific)	(7,836)	(8,404)	(568)	
(1,492)	Contribution from Collection Fund Reserve	0	(1,984)	(1,984)	
(7,768)	**Council Tax For Huntingdonshire DC**	**(7,905)**	**(7,905)**	**0**	

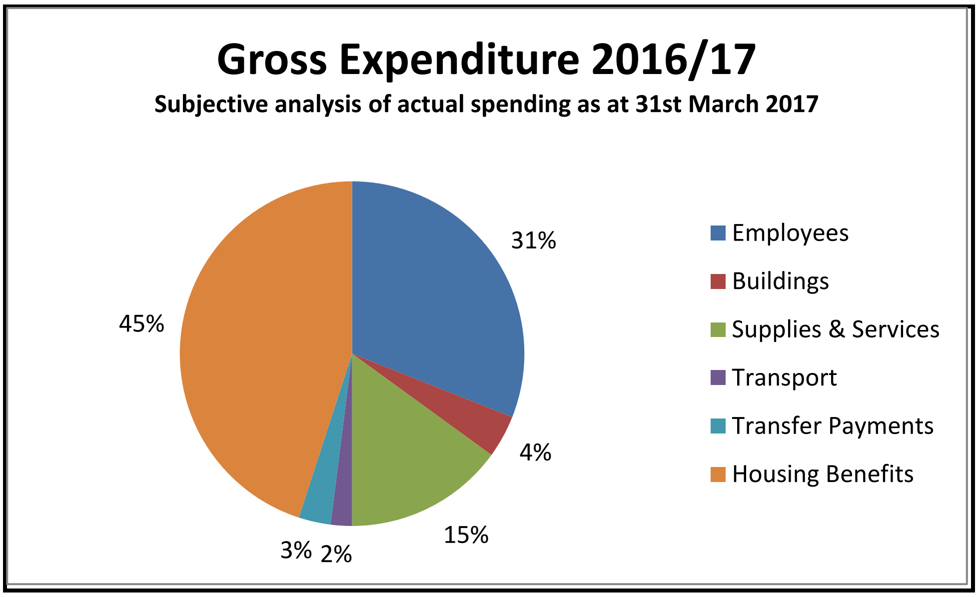
The outturn position includes Trading Operations which is not included in the Expenditure and Funding Analysis (EFA) as shown in the Main Financial Statements.

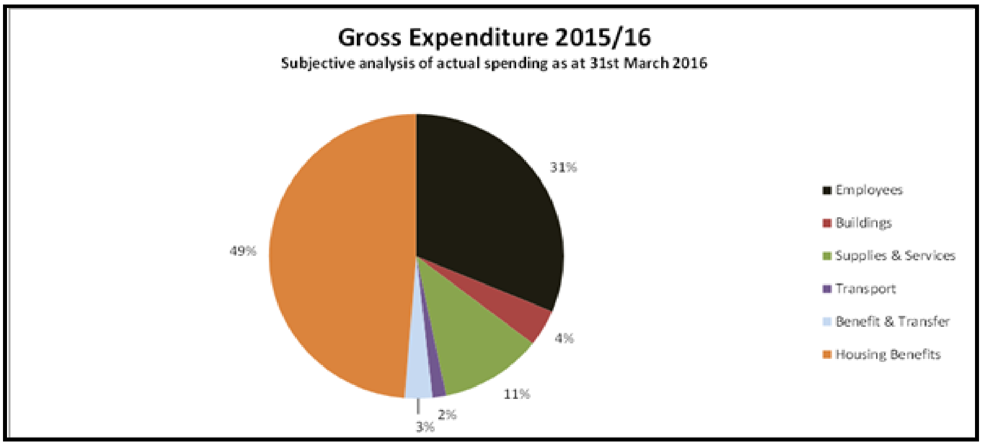
A summary of the variations of the outturn to the Budget are shown in the table below:

Service	Main reasons for variance
Community	Vacancies in Commercial, Environmental Protection and Environmental Health Teams partly offset by a redundancy payment.
Customer Services	Mainly due to the impact of increased Bed and Breakfast and Temporary Accommodation costs for homelessness.
ICT	Additional agency costs and plans to bring about full expected savings within the service that are still being implemented.
Development	Additional CIL income and additional planning application income. The CIL additional income has been transferred to the earmarked reserve.
Leisure and Health	One Leisure membership income did not achieve the level predicted.
Operations	Mainly due to car park income down due to decisions not to increase car parking charges.
Resources	Additional income from CIS and an underspend in the budget for the new FMS implementation due to the slippage of the implementation date.
Directors and Corporate	Re-invigoration and Transformation Manager Team costs which will be met from reserves.

Analysis of Revenue Income & Expenditure

The Council spent £77.726m in 2016/17 and the chart below shows the type of expenditure this was spent on.

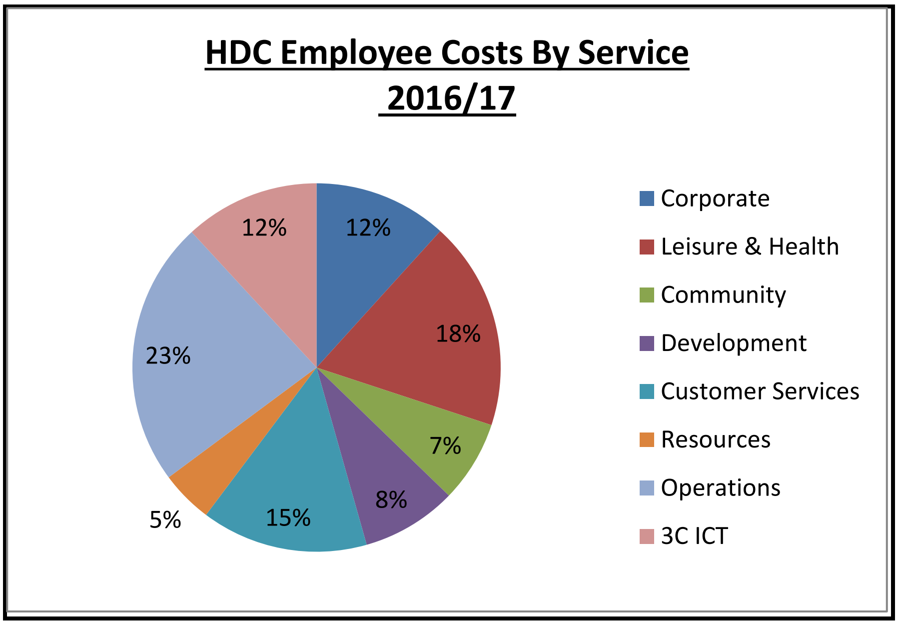


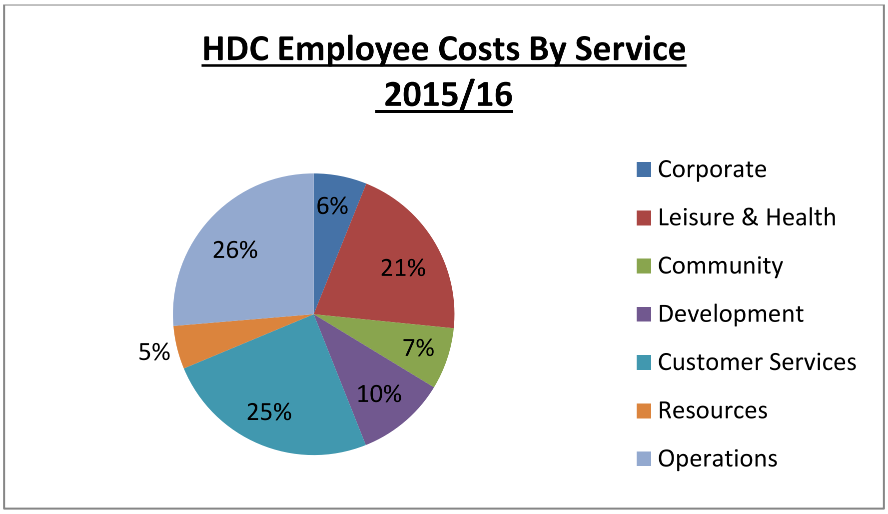


Note: These figures are different from those in the Comprehensive Income and Expenditure Statement (CIES) as that is based on accounting regulations and contains a number of costs that are not included in the above figures as they are not part of the Council's Management Accounts, for example depreciation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

Employee Expenditure

As can be seen from the graph above, the Council's biggest expenditure (excluding Housing Benefits which it does not control), is its staff. In 2016/17 it spent £23,767m (£23.052m 2015/16). The increase is due to the net impact of Shared Services, mainly the Council being responsible for the ICT service. The chart below show how this spend was split across the Council's Services.





Reserves

The table below shows the movement in the useable reserves during the year to 31 March 2017.

Revenue Usable Reserves 2016/17	B/f	Contributions To	Contributions From	C/f
	£000	£000	£000	£000
General Fund	**2,537**	**3,106**	**(3,045)**	**2,598**
Earmarked				
Capital Investment	12,390	794	(9,187)	3,997
Special Reserve	2,325	194	(1,220)	1,299
S.106	2,958	451	(1,010)	2,400
Other	6,336	4,531	(3,253)	7,614
	24,010	**5,970**	**(14,670)**	**15,310**
Total Usable Reserves	**26,547**	**8,576**	**(17,715)**	**15,310**

The 2016/17 Outturn report showed a Service expenditure underspend of £0.589m against the original Budget approved in February 2016. On 22 June 2017 the report was presented to Cabinet who approved the report's recommendation for the following transfers to Earmarked reserves:

- £1.000m – Collection Fund Reserve
- £0.900m – Reroofing and Other works of Commercial Estates
- £0.250m – Transformation Programme
- £0.050m – Financial Management System

Capital Spending

Capital Programme

Introduction
The original net Capital Budget was £9.458m. Schemes that were delayed were rephased from 2015/16 totalling £2.730m. This resulted in an updated budget for the year of £12.188m.

Capital Programme - Total	**Gross £000**	**Grants £000**	**Net £000**
Original Approved Capital Programme 2016/17	10,512	(1,054)	9,458
Approved Slippage from 2015/16	5,073	(2,343)	2,730
Updated Capital Programme for 2016/17	**15,585**	**(3,397)**	**12,188**
Expenditure	9,002	(1,340)	7,662
Variation Against Updated Budget	**6,583**	**(2,057)**	**4,526**

Capital Programme - Assets	**Gross £000**	**Grants £000**	**Net £000**
Original Approved Capital Programme 2016/17	7,762	(1,054)	6,708
Approved Slippage from 2015/16	4,573	(2,343)	2,230
Updated Capital Programme for 2016/17	**12,335**	**(3,397)**	**8,938**
Expenditure	6,252	(1,340)	4,912
Variation Against Updated Budget	**6,083**	**(2,057)**	**4,026**

Capital Programme - Loans	**Gross £000**	**Grants £000**	**Net £000**
Original Approved Capital Programme 2016/17	2,750	0	2,750
Approved Slippage from 2015/16	500	0	500
Updated Capital Programme for 2016/17	**3,250**	**0**	**3,250**
Expenditure	2,750	0	2,750
Variation Against Updated Budget	**500**	**0**	**500**

Sale of Assets

Sales of assets in the year included clawback of housing Right To Buy receipts (£0.907m), the sale of Land at St Ives and Eaton Socon (£0.116m). Capital Loan repayments totalled £0.229m. The total receipts (£1.252m) have been used to reduce the requirement to borrow to finance the Capital Programme, and therefore reduced the amount to be provided for by way of Minimum Revenue Provision (MRP) in future years

Commercial Investment Strategy

The Council also spent £9.187m on the purchase of two Commercial Investment Strategy (CIS) properties during 2016-17, Shawlands Retail Park in Sudbury, Suffolk (£6.874m) and an office block at Wilbury Way, Hitchin (£2.313m). These purchases have been financed by use of an Earmarked General Fund reserve.

Whilst the estimated expenditure in 2016/17 was expected to be £20m, this was not achieved in part due to the rigorous due diligence process which the Council undertakes before making purchases. This resulted in a large number of rejected properties because they did not meet the Council's commercial requirements.

Explanation of Outturn

Gross expenditure in 2016-17 totalled £9.002m, £2.617m on assets, £3.196m of grants and contributions, and £0.439m on intangible assets (software). In addition loans totalling £2.750m were advanced to Luminus Homes.

Grants and contributions received were £1.194m, S106 grants of £0.049m received and service capital receipts of £0.097m (total capital receipts were £1.252m), were netted from expenditure to give a Capital Programme outturn of £7.662m.

The most significant schemes in 2016/17 were £1.661m on Disabled Facilities Grants and the Community Infrastructure Levy advance of £1.479m. In addition there was expenditure of £1.541m on replacing vehicles and £0.372m spent on One Leisure Improvement schemes.

The table below shows the breakdown of the Capital expenditure by project. The capital contributions and the funding pie charts show the capital expenditure by Service area.

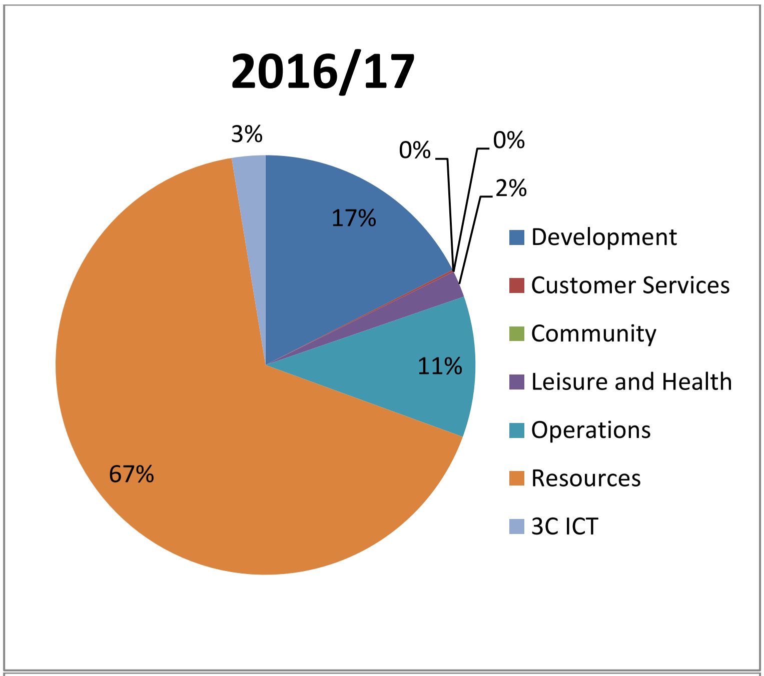
2015/16 £m	Capital Expenditure Assets	2016/17 £m
0.1	Environmental Projects	0.2
1.5	Housing Grants	1.6
0.3	Vehicle Replacement Programme	1.5
0.0	Information & Communication Technology	0.7
0.3	Leisure & Recreation	0.4
0.1	Wheeled Bins	0.2
1.5	Community Infrastructure Levy	1.5
0.1	Others	0.1
3.9	**Gross Expenditure**	**6.2**
(1.2)	Less External Contributions and Capital Grants	**(1.2)**
2.7	**Net Expenditure**	**5.0**
	Funded from	
(2.0)	Capital Receipts	(1.3)
(1.5)	Capital Receipts Reserve Applied – CIL	(1.5)
(1.5)	Minimum Revenue Provision	(1.5)
(0.1)	Direct Revenue Funding	(0.2)
2.4	Borrowing and Internal Resources	(0.5)
(2.7)		**(5.0)**

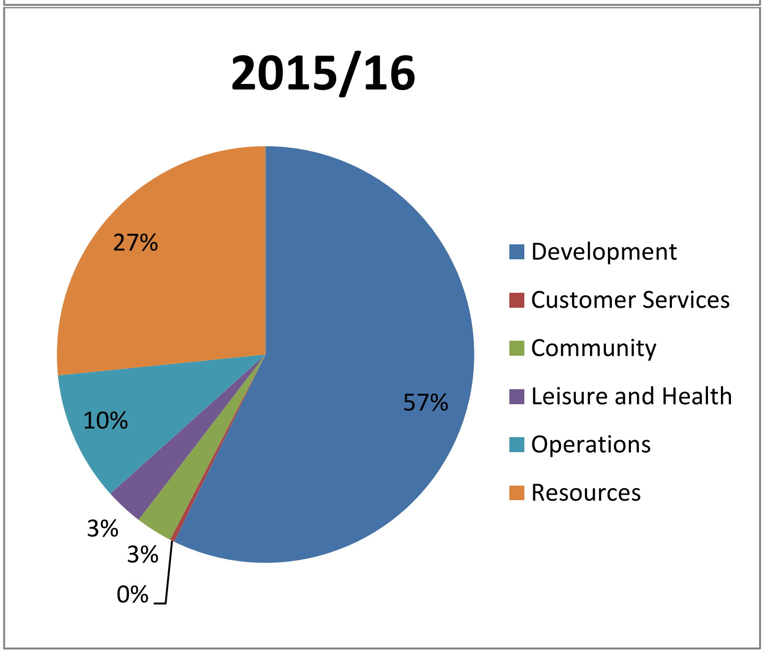
2015/16 £m	Capital Expenditure Loans	2016/17 £m
0.1	Housing Loans	0.0
2.3	Luminus Loan	2.8
2.3	**Gross Expenditure**	**2.8**
	Funded from	
(2.3)	Borrowing	(2.8)
0		**0**

2015/16 £m	Capital Expenditure Commercial Investment Strategy	2016/17 £m
1.3	Stonehill, Huntingdon	0.0
0.0	Wilbury Way, Hitchin	2.3
0.0	Shawlands Retail Park, Sudbury	6.9
1.3	**Gross Expenditure**	**9.2**
	Funded from	
(1.3)	Direct Revenue Funding	(9.2)
0		**0**

Capital Expenditure by Service

The pie charts below show the Capital expenditure by Service area for 2016/17.





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 2016/17 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 less than 0.5%

The Council's response to the key issues in 2016/17 was;

- Where the Council has surplus funds, it makes primarily 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 interest rate ranges from 2.18% to 3.91%

Looking to the Future

Austerity across the Public Sector is a continuing theme of the current Government and is expected to continue. 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. Three key pillars of the 'Plan on a Page' are:

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

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, Line by Line reviews and commercial investment will continue into 2017/18 and thereafter.

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 2016/17 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 2016/17 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 based on International Financial Reporting Standards.

- Accounts and Audit Regulations 2015.

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

Movement in Reserves Statement (MiRS)

The Movement in Reserves Statement shows the movement from the start of the year to the end 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 other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The Net Increase / Decrease line shows the statutory General Fund Balance movements in the year following those adjustments

The Expenditure and Funding Analysis (EFA)

The Expenditure and Funding Analysis (EFA) is not a primary financial statements but it does show how the annual expenditure is used and funded from resources (Government grants, Council Tax and Business Rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

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'.

The Balance Sheet position at 2016/17 is £22.096m as shown below (£13.387m 2015/16). The main reasons for this movement of £8.709m are long Term Assets and Long Term Liabilities.

- Long Term Assets – Property, Plant and Equipment from additions and revaluations.
- Long Term Liabilities – on Long Term Borrowing and an increase in the Net Pensions Liability.

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

	31 March 2017 £m
Long Term Assets	107.884
Current Assets	18,613
Current Liabilities	(16.476)
Long Term Liabilities	(88.600)
Net Assets	**21.421**
Useable Reserves	28.288
Unusable Reserves	(6.867)
Total Reserves	**21.421**

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 2017 £m**
- Operating activities	3.741
- Investing activities	(13.321)
- Financing activities	8.088
Net Increase or (decrease) in cash and cash equivalents	(1.492)
Cash & Cash Equivalents	
- At the beginning of the reporting period	3.128
- **At the end of the reporting period**	**1.636**

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 are 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 2016/17.

Statement of Accounting Policies
The accounting polices applicable to the 2016/17 statement of accounts are, in the main, the same as those that were applied to the 2015/16.

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, although there is now a requirement to publish an Expenditure and Funding Analysis (EFA) and this is included part of the Main Financial Statements. The EFA and the Comprehensive income and Expenditure Statement (CIES) are now reported on a segmental basis.

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 been two material assets acquired during the year totalling £9.2m. There has been no material liabilities incurred.

Changes in Statutory Functions
There were no changes in statutory functions in 2016/17.

Clive Mason FCPFA

Head of Resources

31 May 2017

Independent Auditor's Report to the Members of Huntingdonshire District Council

XX September 2017

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 2017 and its income and expenditure for the year ended 31 March 2017. These financial statements replace the unaudited financial statements signed by the Head of Resources on 31 May 2017.*

Clive Mason FCPFA
Head of Resources

13 September 2017

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 13 September 2017 delegated authority to me as Chairman of the Panel to approve the Statement of Accounts.

Cllr Mike Frances
Chairman of the Corporate Governance Committee

13 September 2017

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000 Note 10	Capital Grants Unapplied £000 Note 32	TOTAL USEABLE RESERVES £000	Unusable Reserves £000 Note 24	TOTAL COUNCIL RESERVES £000
Movement in reserves during 2016/17						
BALANCE AT 31 MARCH 2016 B/F	**2,537**	**24,010**	**4,672**	**31,219**	**(17,832)**	**13,387**
Surplus/(Deficit) on provision of services	3,565	0	0	**3,565**	0	**3,565**
Other comprehensive income and expenditure	0	0	0	**0**	5,144	**5,144**
Total comprehensive income and expenditure	**3,565**	**0**	**0**	**3,565**	**5,144**	**8,709**
Adjustments between accounting basis and funding basis under regulations (Note 9)	(3,002)	0	5,918	**2,916**	(2,916)	**0**
Net increase/(decrease) before transfers to earmarked reserves	**563**	**0**	**5,918**	**6,481**	**2,228**	**8,709**
Transfers (from)/to earmarked reserves (Note 10)	(502)	(8,700)	(210)	**(9,412)**	9,412	**0**
(Decrease)/increase in Year	**61**	**(8,700)**	**5,708**	**(2,931)**	**11,640**	**8,709**
BALANCE AT 31 MARCH 2017 C/F	**2,598**	**15,310**	**10,380**	**28,288**	**(6,192)**	**22,096**
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 9)	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 10)	(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**

Expenditure and Funding Analysis (EFA)

The Expenditure and Funding Analysis is a note to the Financial Statements. However, it is positioned here as it provides a link from the figures reported in the Narrative Report in the CIES.

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis (Note 9)	Net Expenditure in the Comprehensive Income and Expenditure Statements		Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis (Note 9)	Net Expenditure in the Comprehensive Income and Expenditure Statements
£000	**£000**	**£000**		**£000**	**£000**	**£000**
1,662	795	2,457	Community	1,688	352	2,040
3,118	660	3,778	Customer Services	2,892	34	2,926
494	0	494	ICT Shared Service	1,968	479	2,447
1,332	2,465	3,797	Development	559	2,131	2,690
(215)	1,114	899	Leisure & Health	38	943	981
4,427	2,128	6,555	Operations	4,599	1,435	6,034
3,325	108	3,433	Resources	3,443	372	3,815
2,478	15	2,493	Directors & Corporate	2,671	10	2,681
16,621	**7,285**	**23,906**	**Cost of Services**	**17,858**	**5,756**	**23,614**
(19,628)	(4,924)	(24,552)	Other Income & Expenditure	(18,421)	(8,758)	(27,179)
(3,007)	**2,361**	**(646)**	**(Surplus) or Deficit**	**(563)**	**(3,002)**	**(3,565)**
24,984			**Opening General Fund Balance (Includes Earmarked Reserves)**	**26,547**		
3,007			Plus Surplus/ (Deficit) on General Fund in Year	563		
(1,444)			Less net use of General Fund Balances to Fund Capital Expenditure	(9,202)		
26,547			**Closing General Fund Balance 31 March**	**17,908**		

Comprehensive Income and Expenditure Statement (CIES)

Restated Gross Expenditure £000	2015/16 Restated Gross Income £000	Restated Net Expenditure £000		2016/17 Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,344	(887)	2,457	Community	3,052	(1,012)	2,040
41,741	(37,963)	3,778	Customer Services	39,595	(36,669)	2,926
1,258	(764)	494	ICT Shared Service	7,156	(4,709)	2,447
5,892	(2,095)	3,797	Development	6,129	(3,439)	2,690
7,961	(7,062)	899	Leisure & Health	7,925	(6,944)	981
10,591	(4,036)	6,555	Operations	10,256	(4,222)	6,034
4,087	(654)	3,433	Resources	4,154	(339)	3,815
3,176	(683)	2,493	Directors & Corporate	3,354	(673)	2,681
78,050	**(54,144)**	**23,906**	**Cost of Services**	**81,621**	**(58,007)**	**23,614**
5,301	0	5,301	Other Operating Expenditure (Note 11)	5,109	0	5,109
3,516	(2,723)	793	Financing and Investment Income and Expenditure (Note 12)	5,365	(3,369)	1,996
19,314	(49,960)	(30,646)	Taxation and Non-specific Grant Income (Note 13)	20,928	(55,212)	(34,284)
106,181	**(106,827)**	**(646)**	**(Surplus) / Deficit on provision of services**	**113,023**	**(116,588)**	**(3,565)**
		(1,626)	(Surplus) or deficit in the revaluation of non-current assets			(6,699)
		182	(Surplus) / Deficit on revaluation of available for sale financial assets			148
		(14,991)	Actuarial losses/(gains) on pension assets and liabilities			2,082
		(16,435)	**Other comprehensive income and expenditure**			**(4,469)**
		(17,081)	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**(8,034)**

Balance Sheet

31 March 2016 £000		Notes	31 March 2017 £000
60,586	Property, Plant and Equipment	14	66,093
65	Heritage Assets		65
22,675	Investment Property	15	30,147
1,066	Intangible Assets	16	1,042
2,318	Long Term Investments	17	3,701
4,242	Long Term Debtors	17	6,836
90,952	**Long Term Assets**		**107,884**
500	Short Term Investments	17	0
90	Inventories	18	106
10,854	Short Term Debtors	19	15,415
3,709	Cash and Cash Equivalents	20	3,092
40	Assets held for sale	21	0
15,193	**Current Assets**		**18,613**
(581)	Bank overdraft	20	(1,456)
(347)	Short Term Borrowing	17	(414)
(7,570)	Short Term Creditors	22	(13,244)
(2,306)	Provisions	39	(1,362)
(10,804)	**Current Liabilities**		**(16,476)**
(13,233)	Long Term Borrowing	17	(15,694)
(758)	Other Long Term Liabilities	17	(745)
(67,963)	Net Pensions Liability	38	(72,161)
(81,954)	**Long Term Liabilities**		**(88,600)**
13,387	**Net Assets**		**21,421**
31,219	Useable Reserves	23	28,288
(17,832)	Unusable Reserves	24	(6,867)
13,387	**Total Reserves**		**21,421**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2017 and its income and expenditure for the year ended 31 March 2017. These financial statements replace the unaudited financial statements signed by the Head of Resources on 31 May 2017.

Clive Mason FCPFA
Head of Resources
13 September 2017

Cash Flow Statement

2015/16 £000		2016/17 £000
646	Net Surplus / (Deficit) on the provision of services	3,565
2,040	Adjustments to net surplus or deficit on the provision of services for non-cash movements	3,553
(1,788)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(3,647)
898	Net cash flows from Operating Activities(Note 25)	**3,471**
(2,457)	Investing Activities (Note 26)	(13,321)
1,992	Financing Activities (Note 27)	8,358
433	Net increase/(decrease) in cash and cash equivalents	**(1,492)**
2,695	Cash and cash equivalents at the beginning of the reporting period	3,128
3,128	**Cash and cash equivalents at the end of the reporting period (Note 20)**	**1,636**

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 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17**,** 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.

➢ 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 2016/17, 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, the Expenditure and Funding Analysis 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.

➢ 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:

- Fair Value: Land and Buildings, Investment Properties
- Depreciated Historic Cost: Vehicles, Plant and Equipment, Infrastructure, Intangibles
- 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 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 2016/17 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.
In respect of General MRP Policy capital assets, MRP will be chargeable in the year following the agreement of any final account. For each financial year, for other capital investments MRP will be charged in the following the completion of the scheme.

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

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

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. MRP Policy in respect of Debt not relating to Loans to Organisations

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. MRP Policy in respect of the Commercial Investment Strategy

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. However, from 2017/18 the Council has approved a further MRP Policy for CIS purchases where the expenditure will be financed by Maturity Loans.

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

  - Finance leases

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

- Operating leases.

  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

  - Finance Leases

    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.

- <u>Operating Leases.</u>

  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.

- **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. It requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The additional disclosures that will be required in the 2016/17 and 2017/18 financial statements in respect of accounting changes that are introduced in the 2017/18 code are:

- Amendment to the reporting of pension fund scheme transaction costs.

- Amendment to the reporting of investment concentration

It is not anticipated that the above amendments will have a material impact on the information provided in the 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. At present further reviews are ongoing, including a Line by Line Budget challenge processes and these may impact on service provision. The Medium Term Financial Strategy (MTFS), which was also approved in February 2016, removed the reliance on NHB by 2020/21. The Council has the Plan on a Page Strategy which sets out its financial strategy

  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 2016/17, 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 2016/17 for Land is £16.217m and Buildings (NBV) is £21.499m (2015/16; Land is £13.030m and Buildings (NBV) is £17.222m).

- 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 £71.486m for 2016/17; this has increased by £2.848m since 2015/16. 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 38.
  - The revenue impact of the deficit is formally reviewed by the actuary on a triennial basis who determines revised employer contributions for the 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 2017. An estimated provision of £3.207m has been included in the Collection Fund in respect of successful appeals costs. The Council's share of any such Collection Fund costs is 40% or £1.283m 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 2017 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 revalued, a table top analytical review has taken place to determine if any material changes in valuation have taken place (Revaluation Review). In addition an annual impairment review is undertaken by the valuer to determine if any of the Council's assets have been impaired.	79% of the council's assets are valued at fair value, so the impact of changed in the market is significant. If there was a 1% fall in the market value, it is estimated that the value of the council's property assets would reduce by £0.521m.
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 £0.301m.
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 10% or £20.567m. • A 1 year increase in life expectancy would increase the Employer's Defined Benefit Obligation by around 3-6%. • A 0.5% increase in the salary increase rate would result in an increase in pension liability of 1% or £2.963m. • A 0.5% increase in the pension increase rate would result in an increase in pension liability of 8% or £17.323m.
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 £42,625 impact on revenue. However, to achieve such an

	At 31 March 2017 the Council has a net debtors balance of £15.415m	increase in the BDP, the actual debt would have to increase by £99,174.
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 30 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 for Rateable Value Appeals	Two 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 £0.321m for the Collection Fund of which £0.128m 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 2016/17 no such items of income or expenditure were incurred (2015/16; nil).

Note 6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Resources on 13 September 2017.

The Annual Financial Report, incorporating the Statement of Accounts, was authorised for issue by the Head of Resources on 13 September 2017.

With regard to 2016/17:

- **Adjusting Events**
  The financial statements and notes have not been adjusted for any such material events which took place after the 31 March 2017 as there have not been any..

- **Non-Adjusting Events**
  Following the EU Referendum held in June 2016 to end the UK's membership of the European Union (EU), there may 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 £71.486m defined benefit pension obligations may also be affected. However it is still too early to estimate the quantum of any impact on the financial statements, and there is likely to be significant ongoing uncertainty for the next couple of years 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. Other events occurring after the reporting date include the announcement of the General Election on 8 June 2017 and the formation of the Combined Authority for Cambridgeshire and Peterborough with a Major elected in May 2017. Both these events are considered as non-adjusting events.

Note 7 Notes to the Expenditure and Funding Analysis

Note 7a Adjustments between Funding and Accounting Basis 2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000	Net Change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Community	377	(18)	(7)	352
Customer Services	88	(39)	(15)	34
ICT Shared Service	479	0	0	479
Development	2,151	(9)	(11)	2,131
Leisure & Health	1,056	(102)	(11)	943
Operations	1,865	(428)	(2)	1,435
Resources	47	325	0	372
Directors & Corporate	15	(4)	(1)	10
Cost of Services	**6,078**	**(275)**	**(47)**	**5,756**
Other income and expenditure from the Expenditure and Funding Analysis	(7,935)	2,391	(3,214)	(8,758)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(1,857)**	**2,116**	**(3,261)**	**(3,002)**

Adjustments between Funding and Accounting Basis 2015/16

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000	Net Change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Community	820	7	(32)	795
Customer Services	121	19	(37)	103
ICT Shared Service	557	0	15	572
Development	2,516	5	(56)	2,485
Leisure & Health	1,078	49	(13)	1,114
Operations	1,972	161	(5)	2,128
Resources	50	58	0	108
Directors & Corporate	17	2	(4)	15
Cost of Services	**7,131**	**301**	**(132)**	**7,300**
Other income and expenditure from the Expenditure and Funding Analysis	(4,640)	2,569	(2,868)	(4,939)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**2,491**	**2,870**	**(3,000)**	**2,361**

Adjustments for Capital Purposes (Note 1)

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line and for:

- **Other operating expenditure –** adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure –** the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure –** capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments (Note 2)

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure –** the net interest on the defined benefit liability is charged to the CIES.

Other Differences (Note 3)

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure –** the other differences column recognises adjustments to the general fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 7b. Segmental Income

Services	2015/16 £'000	2016/17 £'000
Community	887	1,012
Customer Services	37,953	36,669
Development	1,842	2,330
Leisure & Health	7,062	6,944
Operations	4,036	4,222
Resources	301	339
Corporate Office	683	673
3C's ICT Shared Service	782	4,709
Total income analysed on a segmental basis	**53,546**	**56,898**

The figures in the above Table exclude items relating to capital financing and so are different to those in the Comprehensive income and Expenditure Statement. The increase in 3Cs ICT Shared Service income is due to this service being set up during 2015/16 and 2016/17 shows the full year,

Note 8. Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows;

Expenditure/Income	2015/16 £000s	2016/17 £000s
Expenditure		
Employee benefits expenses	22,939	24,490
Other services expenses	10,662	13,957
Support service recharges	1,467	2,349
Depreciation, amortisation, impairment	7,209	8,165
Interest payments	435	526
Transfer and Grant Payments	2,434	2,354
Precepts and levies	23,882	26,236
Benefit Payments	37,153	34,946
Total expenditure	**106,181**	**113,023**
Income		
Fees, charges and other service income	(19,232)	(24,322)
Interest and investment income	(160)	(369)
Income from council tax and nondomestic rates	(36,481)	(37,908)
Government grants and contributions	(48,367)	(44,733)
Levies	(2,587)	(9,256)
Total income	**(106,827)**	**(116,588)**
Surplus or Deficit on the Provision of Services	**(646)**	**(3,565)**

Note 9. 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 arrive at 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.

2016/17

	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	(3,628)	0	0	3,628
Amortisation of intangible fixed assets	(366)	0	0	366
Fair value of investment properties	(1,726)	0	0	1,726
Revenue expenditure funded from capital under statute	(2,088)	0	0	2,088
Net carrying amount of non-current assets sold	(306)	0	0	306
Revaluation Gains/Losses on non-current assets charge to the Comprehensive Income and Expenditure Statement	0	0	0	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:	84	0	0	(84)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	1,454	0	0	(1,454)
		0	0	
Adjustments involving the Capital Receipts Reserve:		0	0	
Use of Capital Receipts Reserve to fund capital expenditure	0	1,252	0	(1,252)
Proceeds of sale of non-current assets	1,036	(1,036)	0	0
Repayment of loan		(217)	0	217
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	1	0	0	(1)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 38 of Pension Fund)	(6,436)	0	0	6,436
Employer's pensions contributions and direct payments to pensioners payable in the year	4,320	0	0	(4,320)
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	3,214	0	0	(3,214)
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	7,397	0	(5,918)	(1,479)
Adjustment involving the Accumulated Compensated Absences Adjustment Account				
Adjustments in relation to short-term compensated absences	46	0	0	(46)
Total Adjustments	**3,002**	**(1)**	**(5,918)**	**2,917**

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)	0	0	3,762
Amortisation of intangible fixed assets	(363)	0	0	363
Fair value of investment properties	439	0	0	(439)
Revenue expenditure funded from capital under statute	(2,398)	0	0	2,398
Net carrying amount of non-current assets sold	(1,674)	0	0	1,674
Revaluation Gains/Losses on non-current assets charge to the Comprehensive Income and Expenditure Statement	(637)	0	0	637
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:	514	0	0	(514)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum Revenue Provision for capital funding	1,530	0	0	(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	0	0	(1,789)
Repayment of loan				
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool.	(1)	0	0	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)	0	0	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 38 of Pension Fund)	(6,900)	0	0	6,900
Employer's pensions contributions and direct payments to pensioners payable in the year	4,030	0	0	(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	0	0	(2,851)
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	2,072	0	(582)	(1,490)
Adjustment involving the Accumulated Compensated Absences Adjustment Account				
Adjustments in relation to short-term compensated absences	164	0	0	(164)
Total Adjustments	**(2,361)**	**0**	**(582)**	**2,943**

Note 10. Movements in 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 31.3.15 £000	Transfers in £000	Transfers out £000	Balance 31.3.16 £000	Transfers in £000	Transfers out £000	Balance 31.3.17 £000	Purpose of Reserve
S106 agreements	**(1,141)**	(191)	99	**(1,233)**	(446)	602	**(1,077)**	**A**
Commuted S106 payments	**(1,762)**	(81)	118	**(1,725)**	(5)	407	**(1,323)**	**B**
Repairs and renewals funds	**(1,300)**	(33)	352	**(981)**	(933)	5	**(1,909)**	**C**
Strategic Transformation Reserve	**(262)**	0	262	**0**	(1,250)	213	**(1,037)**	**D**
Collection Fund Reserve	**(2,768)**	(2,045)	2,111	**(2,702)**	(1,244)	1,985	**(1,961)**	**E**
Commercial Investment Reserve	**(4,737)**	(7.653)	0	**(12,390)**	(794)	9,187	**(3,997)**	**F**
Budget Surplus Reserve	**0**	(805)	0	**(805)**	0	730	**(75)**	**G**
Special reserve	**(2,500)**	0	175	**(2,325)**	(194)	1,219	**(1,300)**	**H**
Other reserves	**(1,227)**	(992)	370	**(1,849)**	(1,104)	322	**(2,631)**	**I**
Total	**(15,697)**	**(11,800)**	**3,487**	**(24,010)**	**(5,970)**	**14,670**	**(15,310)**	
Net movement in Earmarked Reserves		**(8,313)**			**(8,700)**			

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	Some 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	Strategic Transformation Reserve	To fund workflow streams associated with initiatives to improve the efficiency of the Council.
E	Collection Fund	Excess NDR and Council Tax received from the Collection Fund due to be repaid in future years.
F	Commercial Investment Reserve	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 Building Control reserve, Chequers Court Development fund, Local Plan, Anti-Fraud Partnerships, NDR Reliefs, Huntingdon Medway Centre, New Trading Company and New Financial Management System.

Note 11. Other Operating Expenditure

2015/16 £000		2016/17 £000
5,030	Parish Council precepts	5,471
388	Drainage Board Levies	390
1	Payments to the Government housing capital receipts pool	0
(118)	(Gains)/losses on the disposal of non-current assets	(752)
5,301	**Total**	**5,109**

Note 12. Financing and Investment Income and Expenditure

2015/16 £000		2016/17 £000
446	Interest payable and similar charges	526
2,566	Pensions interest cost and expected return on pensions assets	2,396
(160)	Interest receivable	(369)
(2,047)	Income and expenditure in relation to investment properties and changes in their fair value	(492)
(12)	Other Investment and Trading Operations	(65)
793	**Total**	**1,996**

Note 13. Taxation and Non Specific Grant Income

2015/16 £000		2016/17 £000
(12,885)	Council Tax income	(13,335)
(7,195)	Non Domestic Rates	(6,273)
(7,726)	Non-ringfenced Government grants	(7,297)
(2,327)	Developer Contributions (CIL & S106)	(7,295)
(513)	Capital grants	(84)
(30,646)	**Total**	**(34,284)**

For 2016/17 the Developer contributions have been included in the taxation and non-specific grant income. Previously, they were included under Development Services and formed part of cost of services in the Comprehensive Income and Expenditure Statement. Therefore 2015/16 have been restated top reflect this change.

Note 14. Property, Plant and Equipment

Movements in 2016/17	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						
Gross B'fwd	**48,686**	**17,766**	**10,607**	**451**	**0**	**77,510**
Additions	173	2,431	0	0	1	**2,605**
Revaluation to Revaluation Reserve	4,102	0	0	0	0	**4,102**
Disposal	0	(1,194)	(544)	0	0	**(1,738)**
Gross C'fwd	**52,961**	**19,003**	**10,063**	**451**	**1**	**82,479**
Depreciation						
Gross B'fwd	**(1,930)**	**(10,867)**	**(4,127)**	**0**	**0**	**(16,924)**
Depreciation in year	(1,488)	(1,715)	(424)	0	0	**(3,627)**
Depreciation written out to revaluation reserve	2,597	0	0	0	0	**2,597**
Disposal	0	1,024	544	0	0	**1,568**
Gross B'fwd	**(821)**	**(11,558)**	**(4,007)**	**0**	**0**	**(16,386)**
Net Book Value						
At 31 March 2017	**52,140**	**7,445**	**6,056**	**451**	**1**	**66,093**
At 31 March 2016	**46,756**	**6,899**	**6,480**	**451**	**0**	**60,586**
Movements in 2015/16						
Cost or Valuation						
Gross B'fwd	**48,217**	**18,376**	**10,607**	**1,406**	**379**	**78,985**
Additions	301	522	0	0	0	**823**
Revaluation increases and decreases recognised in the Revaluation Reserve	765	0	0	0	0	**765**
Revaluation to 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 assets	(40)	0	0	0	0	**(40)**
Disposal	(275)	(1,132)	0	(955)	0	**(2,362)**
Gross C'fwd	**48,686**	**17,766**	**10,607**	**451**	**0**	**77,510**
Depreciation						
Gross B'fwd	**(1,369)**	**(10,232)**	**(3,653)**	**0**	**0**	**(15,254)**
Depreciation in year	(1,570)	(1,717)	(474)	0	0	**(3,761)**
Depreciation written out to revaluation reserve	846	0	0	0	0	**846**
Revaluation to Comprehensive Income and Expenditure Statement	24	0	0	0	0	**24**
Disposal	139	1,082	0	0	0	**1,221**
Gross C'fwd	**(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**

Capital Commitments

As at 31 March 2017 the Council was contractually committed to capital works valued at approximately £4.905m (31 March 2016; £2.840m). The schemes are listed in the table below.

Division	Scheme	Amount £m
Development	Alconbury Weald	1.984
	Disabled Facilities Grants	0.248
	Community Infrastructure Levy	0.061
3Cs ICT	Server Room Consolidation	0.083
Health & Leisure	One Leisure Huntingdon Changing Rooms	0.072
	One Leisure Huntingdon Reception Development	0.014
Resources	Industrial Roof Improvements	0.011
	Trading Company Investment	0.100
	Land Transfer	1.100
Customer Services	eforms Software	0.003
Operations	Wheeled Bins	0.014
	ReFit Project	0.674
	Vehicle Fleet Replacements	0.541
Total		**4.905**

Note;
The Council is committed to spending £1.985m on the Alconbury Weald Enterprise Campus. This is the balance of the Building Foundations for Growth capital grant funding and is held as Capital Grant Unapplied (Note 32).

Revaluations

- Land and buildings
  These assets are held at current value and were revalued as at 1 April 2015 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 live 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 2017	26,346	26,346
31 March 2016	16,695	16,695
31 March 2015	9,099	9,099
Total Cost of Valuation	**52,140**	**52,140**

Note 15. 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.

2015/16 £000		2016/17 £000
(1,863)	Rental income from investment property	(2,475)
255	Direct operating expenses arising from investment property	257
(1,608)		**(2,218)**
(439)	Revaluation Adjustment	1,726
(2,047)	**Net (gain)/loss**	**(492)**

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

2015/16 £000		2016/17 £000
20,874	**Balance at start of the year**	**22,675**
1,362	Additions in year	9,198
439	Net gain/(loss) for fair value	(1,726)
22,675	**Balance at end of the year**	**30,147**

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:

Asset Type	2015/16 Fair Value Inputs		2016/17 Fair Value Inputs	
	Level 2 Other significant observable inputs £000	Total £000	Level 2 Other significant observable inputs £000	Total £000
Retail	3,486	3,486	10,165	10,165
Office	9,000	9,000	9,185	9,185
Commercial	10,189	10,189	10,797	10,797
Total	**22,675**	**22,675**	**30,147**	**30,147**

The Council has no Level 1 and 3 Fair Value Inputs.

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 16. 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 £0.366m was charged to revenue in 2016/17; this was either charged to ICT or 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 2017 the Council was committed contractually to capital works of £109,833, (31 March 2016; £9,000).

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

2015/16 £000		2016/17 £000
	Balance at start of the year:	
3,575	Gross carrying amounts	3,289
(2,123)	Accumulated amortisation	(2,223)
1,452	**Net carrying amount at the start of the year**	**1,066**
5	Additions	439
(363)	Amortisation for the period	(366)
	Disposals or retirements	(762)
(291)	Amortisation on Disposal	665
263		
1,066	**Net carrying amount at the end of the year**	**1,042**
3,289	Gross carrying amounts	2,966
(2,223)	Accumulated amortisation	(1,924)
1,066	**Net carrying amount at end of the year**	**1,042**

Note 17. Financial Instruments

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

Long-term 2015/16 £000	Long-term 2016/17 £000		Current 2015/16 £000	Current 2016/17 £000
		Investments and Cash & Cash Equivalents		
0	0	Loans and receivables	500	0
2,318	3,701	Available for Sale financial assets	0	0
2,318	**3,701**	**Total investments and Cash & Cash Equivalents**	**500**	**0**
		Debtors		
4,242	6,836	Loans and receivables	10,395	14,519
4,242	**6,836**	**Total Debtors**	**10,395**	**14,519**
6,560	**10,537**	**TOTAL FINANCIAL ASSETS**	**10,895**	**14,519**
		Borrowings		
(13,233)	(15,694)	Financial liabilities at amortised cost	(347)	(414)
(13,233)	**(15,694)**	**Total borrowings**	**(347)**	**(414)**
		Other Long-Term Liabilities		
(758)	(745)	Financial liabilities as fair value through Profit and Loss	0	0
(758)	**(745)**	**Total Other Long-Term Liabilities**	**0**	**0**
		Creditors		
0	0	Financial liabilities at amortised cost	(5,507)	(11,024)
0	**0**	**Total creditors**	**(5,507)**	**(11,024)**
(13,991)	**(16,439)**	**Total Financial Liabilities**	**(5,854)**	**(11,438)**

Gains and losses on income and expense

Financial Liabilities (Liabilities measured at amortised cost)			Financial Assets (Loans and Receivables)	
2015/16 £000	**2016/17 £000**		**2015/16 £000**	**2016/17 £000**
446	526	Interest expenses	0	0
0	0	Interest income	(160)	(369)
446	**526**	**Net gain/(loss) for the year**	**(160)**	**(369)**

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 and February 2017 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, Arlingclose Ltd or by using the following assumptions:

- An estimated interest rate based on 10 year PWLB rates with a range of 2.56% 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

2015/16			2016/17	
Carrying amount £000	**Fair value £000**		**Carrying amount £000**	**Fair value £000**
		Liabilities		
(19,087)	(21,841)	Financial liabilities	(27,132)	(32,683)
		Assets		
17,455	17,536	Loans and receivables	25,056	25,600

	Fair Value Level	Balance Sheet 31.3.2016 £000's	Fair Value 31.3.2016 £000's	Balance Sheet 31.3.2017 £000's	Fair Value 31.3.2017 £000's
Financial Liabilities held at amortised cost:					
Long term loans from PWLB	2	(13,233)	(15,981)	(15,694)	(21,225)
TOTAL		**(13,233)**	**(15,981)**	**(15,694)**	**(21,225)**
Liabilities for which fair value is not disclosed		(6,612)		(12,183)	
TOTAL FINANCIAL LIABILITIES		**(19,845)**		**(27,877)**	
Recorded on the balance sheet as:					
Short term creditors		(5,507)		(11,024)	
Short term borrowing		(347)		(414)	
TOTAL SHORT TERM FINANCIAL LIABILITIES		**(5,854)**		**(11,438)**	
Long term borrowing		(13,233)		(15,694)	
Other long term liabilities		(758)		(745)	
TOTAL LONG TERM FINANCIAL LIABILITIES		**(13,991)**		**(16,439)**	
TOTAL FINANCIAL LIABILITIES		**(19,845)**		**(27,877)**	

	Fair Value Level	Balance Sheet 31.3.2016 £000's	Fair Value 31.3.2016 £000's	Balance Sheet 31.3.2017 £000's	Fair Value 31.3.2017 £000's
Financial assets held at fair value:					
Property Fund	1	2,318	2,318	3,701	3,701
Financial assets held at amortised cost:					
Long term loans to local authorities	2	13	25	0	0
Long term loans to local organisations	2	2,250	2,318	5,103	5,647
TOTAL		**4,581**	**4,661**	**8,804**	**9,348**
Assets for which fair value is not disclosed		12,374		16,252	
TOTAL FINANCIAL ASSETS		**16,955**		**25,056**	
Recorded on the balance sheet as:					
Short term debtors		10,395		14,519	
TOTAL SHORT TERM FINANCIAL ASSETS		**10,395**		**14,519**	
Long term debtors		4,242		6,836	
Long term investments		2,318		3,701	
TOTAL LONG TERM FINANCIAL ASSETS		**6,560**		**10,537**	
TOTAL FINANCIAL ASSETS		**16,955**		**25,056**	

The Financial Liabilities are shown below:

Financial Instrument	2015/16 Carrying amount £000	2016/17 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%)	(1,012)	(865)	2.24% 7 August 2013 to 7 August 2023
PWLB (3.28%)	(737)	(721)	3.28% 25 November 2015 to 25 November 2046
PWLB (3.10%)	(980)	(960)	3.10% 19 January 2016 to 19 January 2047
PWLB (2.91%)	(490)	(479)	2.91% 21 March 2016 to 21 March 2047
PWLB (3.10%)	0	(388)	3.10% 29 April 2016 to 29 April 2047
PWLB (2.92%)	0	(315)	2.92% 2 June 2016 to 2 June 2047
PWLB (2.31%)	0	(628)	2.31% 29 July 2016 to 29 July 2047
PWLB (2.18%)	0	(483)	2.18% 23 September 2016 to 23 September 2047
PWLB (2.67%)	0	(855)	2.67% 6 January 2017 to 6 January 2048
Salix Loan	(14)	0	
Accrued Interest	(130)	(145)	
	(13,363)	**(15,839)**	
Short Term			
PWLB (2.24%)	(143)	(148)	
PWLB (3.28%)	(14)	(15)	
PWLB (3.1%)	(20)	(20)	
PWLB (2.91%)	(10)	(10)	
PWLB (3.10%)	0	(8)	
PWLB (2.92%)	0	(7)	
PWLB (2.31%)	0	(15)	
PWLB (2.18%)	0	(12)	
PWLB (2.67%)	0	(20)	
Salix Loan	(29)	(14)	
	(216)	**(269)**	
Creditors	**(5,507)**	**(11,024)**	
	(19,086)	**(27,132)**	

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 18. Inventories

The main items in 'other inventories' are refuse sacks £0.026m, printing stock £0.002m and uniforms £0.011m (2015/16; £0.018m, £0.004m, £0.008m respectively).

	Leisure Centres		Diesel		Other		Total	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Balance outstanding at start of year	**44**	**39**	**24**	**21**	**26**	**30**	**94**	**90**
Purchases	0	0	465	485	5	0	470	485
Recognised as an expense in the year	0	0	(475)	(499)	0	0	(475)	(499)
Stock Adjustment	(5)	8	7	13	(1)	9	1	30
Balance outstanding at year end	**39**	**47**	**21**	**20**	**30**	**39**	**90**	**106**

Note 19. Debtors

2015/16 £000		2016/17 £000
2,934	Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	2,103
2,696	Other Local Authorities	2,216
7,790	Other entities and individuals	12,875
0	NHS	6
(2,566)	Bad debt provision (Impairment of loans and receivables)	(1,785)
10,854		**15,415**

Note 20. Cash and Cash Equivalents

2015/16 £000		2016/17 £000
10	Cash held by the Council	10
3,699	Bank balances	3,082
3,709	Total balances	3,092
(581)	Less Bank current accounts (overdraft)	(1,456)
3,128	**Net Total Cash and Cash Equivalents**	**1,636**

Note 21. Assets held for sale

Assets held for sale are expected to be sold within twelve months, (at the Balance Sheet date). The asset is carried at book value or expected sale proceeds, whichever is lower.

2015/16 £000		2016/17 £000
505	**Balance at Start of Year**	**40**
	Assets Sold	
(385)	Land at St Marys Street, Huntingdon	0
(120)	Land at Hermitage, Earith	0
0	Land at Queens Gardens, Eaton Socon	(40)
(505)	**Net Assets Sold**	**(40)**
	Transfer from Non-Current Assets	
40	Land at Queens Gardens, Eaton Socon	0
40	**Total Transfers**	**0**
40	**Balance at End of Year**	**0**

Note 22. Creditors

2015/16 £000		2016/17 £000
607	Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	4,280
1,127	Other Local Authorities	1,678
290	NHS	293
5,546	Other entities and individuals	6,993
7,570		**13,244**

Note 23. Useable Reserves

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

Note 24. Unusable Reserves

2015/16 £000		2016/17 £000
(38,596)	Capital Adjustment Account	(44,302)
(14,302)	Revaluation Reserve	(20,646)
227	Financial Instruments Adjustment Account	226
182	Available for Sale Reserve	330
67,963	Pensions Reserve	72,161
2,312	Collection Fund Adjustment Account	(902)
46	Accumulating Compensated Absences Adjustment Account	0
17,832	**Total Unusable Reserves**	**6,867**

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties 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 the details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/16 £000	2015/16 £000		2016/17 £000	2016/17 £000
	(39,220)	**Balance at 1 April**		**(38,596)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
3,763		Charges for depreciation and impairment of non-current assets	3,628	
637		Impairment losses on property, plant and equipment	0	
363		Amortisation of intangible assets	366	
2,398		Revenue expenditure funded from capital under statute	2,088	
1,082		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	306	
(399)		Adjusting amounts written out of the Revaluation Reserve	(355)	
		Capital financing applied in the year:		
(1,994)		Use of the Capital Receipts Reserve to finance new capital expenditure	(1,252)	
(81)		Use of S106 earmarked reserves	(49)	
(514)		Application of Grants to finance capital expenditure	(84)	
(1,490)		Application of grants to capital financing from the capital grants unapplied account	(1,480)	
(1,530)		Statutory provision for the financing of capital investment charged against the general fund (MRP)	(1,454)	
193		Repayment of long term debtors	217	
(1,363)		Capital expenditure charged to General Fund	(9,363)	
		Investment Property Fair Values		
(439)		Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	1,726	
	625	**Total movements**		**(5,706)**
	(38,595)	**Balance at 31 March**		**(44,302)**

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.

2015/16 £000	Revaluation Reserve	2016/17 £000
(13,680)	**Balance at 1 April**	**(14,302)**
(1,683)	Upward revaluation of assets	(7,579)
72	Downward revaluation or impairment of assets not charged to the surplus/deficit on the provision of services	880
(1,611)	**(Surplus) or deficit in the revaluation of non-current assets**	**(6,699)**
590	Other adjustments for assets disposed of or transferred - written off to Capital Adjustments Account	0
399	Difference between fair value depreciation and historical cost depreciation - written off to Capital Adjustment Account	355
(14,302)	**Balance at 31 March**	**(20,646)**

Other adjustments for assets disposed of or transferred - written off to Capital Adjustments Account

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.

2015/16 £000	Financial Instruments Adjustment Account	2016/17 £000
212	**Balance at 1 April**	**227**
15	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	(1)
227	**Balance at 31 March**	**226**

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

2015/16 £000	Available for Sale Reserve	2016/17 £000
0	**Balance at 1 April**	**182**
182	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	148
182	**Balance at 31 March**	**330**

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 38 in respect of Defined Benefit Pension Scheme.

2015/16 £000	Pensions Reserve	2016/17 £000
80,084	**Balance at 1 April**	**68,638**
(14,316)	Actuarial (gains) or losses on pensions assets and liabilities	1,407
6,900	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	6,436
(4,030)	Employer's pensions contributions and direct payments to pensioners payable in the year	(4,320)
68,638	**Balance at 31 March**	**72,161**

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 2016/17 and previous years although it is only actually transferred from the Collection Fund in line with regulations.

2015/16 £000	Collection Fund Adjustment Account	2016/17 £000
5,162	**Balance at 1 April**	**2,312**
(2,850)	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	(3,214)
2,312	**Balance at 31 March**	**(902)**

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.

Changes to the Councils annual leave and flexible working scheme, removing the automatic carry forward of untaken annual leave and restricting flexitime credits to 14.8 hours, has reduced the likely calculated cost of this type of adjustment to a minimal level. Therefore nothing has been included in the 2016/17 accounts for Accumulating Compensated Absences.

2015/16 £000	Accumulating Compensated Absences Adjustment Account	2016/17 £000
210	**Balance at 1 April**	**46**
(210)	Settlement or cancellation of accrual made at the end of the preceding year	(46)
46	Amounts accrued at the end of the current year	0
46	**Balance at 31 March**	**0**

Note 25. Operating Activities

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

2015/16 £000		2016/17 £000
(107)	Interest Received	(239)
461	Interest Paid	526

Note 26. Investing Activities

2015/16 £000		2016/17 £000
(5,169)	Purchase of property, plant and equipment, investment property and intangible assets	(19,496)
(2,302)	Other payments for investing activities	(12,462)
1,789	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,252
(2,818)	Proceeds from short-term and long-term investments	(883)
6,043	Other receipts from investing activities	18,268
(2,457)	**Net cash flows from investing activities**	**(13,321)**

Note 27. Financing Activities

2015/16 £000		2016/17 £000
(103)	Other receipts from financing activities	5,559
2,031	Movement on long-term borrowing	2,461
64	Movement on short-term borrowing	68
1,992	**Net cash flows from financing activities**	**8,088**

Note 28. 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. The full costs are shown below, which includes the central support charges.

2015/16 £000		2016/17 £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.	
(2,399)	Gross Income	(2,422)
1,639	Gross Expenditure	1,517
(760)	**(Surplus)/Deficit**	**(905)**
	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.	
(6,907)	Gross Income	(6,782)
8,414	Gross Expenditure	8,790
1,507	**(Surplus)/Deficit**	**2,008**
747	**Net (Surplus)/Deficit on Trading Operations included in Net Cost of Service**	**1,103**
	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).	
(8)	Gross Income	0
8	Gross Expenditure	0
0	**(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.

(129)	Gross Income	(150)
139	Gross Expenditure	120
10	**(Surplus)/Deficit**	**(30)**

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. In October 2015, the Building Control Shared Service was set up and is managed by Cambridge City Council.

(250)	Gross Income	0
246	Gross Expenditure	0
(4)	**(Surplus)/Deficit**	**0**

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.

(82)	Gross Income	(68)
85	Gross Expenditure	59
3	**(Surplus)/Deficit**	**(9)**

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.

(121)	Gross Income	(150)
165	Gross Expenditure	186
44	**(Surplus)/Deficit**	**36**

	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.	
(120)	Gross Income	(157)
59	Gross Expenditure	95
(61)	(Surplus)/Deficit	(62)
(8)	**Combined Trading Operations & Shared Services included in Financing and Investment Income and Expenditure**	**(65)**
739	**Net (Surplus)/Deficit on Trading Operations**	**1,038**

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

Note 29. Members' Allowances

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

2015/16 £000		2016/17 £000
382	Allowances	391
17	Expenses	12
399		**403**

Note 30. Officers' Remuneration

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.

2015/16	£		£	2016/17
7	50,000	but less than	55,000	4
5	55,000	but less than	60,000	1
2	60,000	but less than	65,000	4
2	65,000	but less than	70,000	0
0	70,000	but less than	75,000	1
2	75,000	but less than	80,000	0
0	80,000	but less than	85,000	1
1	125,000	but less than	130,000	0
0	130,000	but less than	135,000	1
19				**12**

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.

2016/17 Post holder	Salary including allowances £	Election Fees (1) £	Total remuneration Including allowances and fees £	Employer pension contributions £	Remuneration including pension contributions £
Managing Director	127,536	6,336	**133,872**	22,473	**156,345**
Corporate Director (Delivery)	80,858	1,033	**81,891**	14,293	**96,184**
Head of Resources (S151 Officer)	69,357	1,331	**70,688**	12,302	**82,990**

2015/16 Post holder	Salary including allowances £	Election Fees (1) £	Total remuneration Including allowances and fees £	Employer pension contributions £	Remuneration including pension contributions £
Managing Director	126,202	1,760	**127,962**	22,250	**150,212**
Corporate Director (Services)	77,310	360	**77,670**	13,706	**91,376**
Corporate Director (Delivery)	77,765	360	**78,125**	13,706	**91,831**
Head of Resources (S151 Officer)	66,566	315	**66,881**	11,837	**78,718**

Key – 2016/17

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

Note 31. External Audit Costs

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

2015/16 £000		2016/17 £000
53	External audit	61
18	Grant claim certification	23
0	National Fraud Initiative	3
71		**87**

Note 32. Grant Income

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

2015/16 £000		2016/17 £000
	Credited to taxation and non-specific Grant income	
3,183	Revenue support grant	2,107
4,417	New Homes Bonus	4,975
43	Other Non Ringfenced Grants	215
83	Council Tax Freeze Grant	0
7,726	**Total**	**7,297**
	Credited to Services	
35,183	Rent allowances	34,021
695	Benefits administration	597
1,057	Other	923
36,935	**Total**	**35,541**

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:

2015/16 £000	Grants Receipts in Advance	2016/17 £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:

2015/16 £000	Capital Grants Unapplied Account	2016/17 £000
210	Government grant for housing	0
1,985	Building Foundations for Growth	1,985
2,477	Community Infrastructure Levy	8,395
4,672		**10,380**

Note 33. 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 Note 32 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 2016/17 is shown in Note 29. 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, including the Cambridgeshire and Peterborough Combined Authority.

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 2016/17, the Council has paid:

- £7.635m to Cambridgeshire County Council (£3.374m for pension payments and £4.261m for services), and
- received £1.312m from the County Council
  (£7.402m paid to and £1.288m received from the County Council; 2015/16)

In respect of 2016/17:

- by 11 April 2017 all 52 members who served the Council, have returned a Related Party Transaction disclosure form.
- By 8 May 2017 all officers 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 and officers (as either an individual or family interest) have disclosed a related party; this is shown below:

Councillor	Organisation	Relationship with Organisation	Payments from Organisations 2016/17 £	Payments made by the Council 2016/17 £	Interest
Carter Fuller White	Luminus Homes Limited	Director Director Director	49	45	Resigned 4th May 2016 Resigned 4th May 2016 Resigned 4th May 2016
Baker	Huntingdon Shopmobility	Vice Chairman of Shopmobility Trust	0	2125	Rental of Portakabin
Criswell Kadewere	Hunts Forum of Voluntary Organisations	Committee	0	39552	Grant £38,000 plus Fire System Maintenance £1552.52
Morris	King's Street Housing Society	Board Member	0	57,258	Management Charge
West	Huntingdon Volunteer Centre	Trustee	0	37,000	Grant
Underwood	Disability Information Service	Director	0	19,000	Grant
Davies	2nd St Ives Sea Scout Group	Chairman	3,250	0	£3,000 Purchase of 2 Bell Boats and Trailer, £250 Annual rent for lease of land – Holt Island, St Ives
Howe	Cambridgeshire & Peterborough Combined Authority	Deputy Mayor	0	0	Elected Deputy Mayor
Officer					
Kemp	Adrenalin Ltd	Managing Director	0	1,680	Consultancy

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. The items disclosed are in the normal course of business and are at arm's length.

Note 34. 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 that has yet to be financed.

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 (Minimum Revenue Provision) which reflects the use of the assets over their useful lives.

2015/16 £000		2016/17 £000
35,474	**Opening Capital Financing Requirement**	**35,391**
	Capital Investment	
823	Property, Plant and Equipment	2,605
1,362	Investment Properties	9,198
5	Intangible Assets	439
3,003	Revenue Expenditure Funded from Capital under Statute	3,198
2,302	Repayable Advances	2,750
7,495		**18,190**
	Sources of finance	
(1,994)	Capital receipts	(1,252)
(1,119)	Grants and other contributions	(1,193)
(1,490)	Capital Grants Unapplied Reserve – Community Infrastructure Levy	(1,479)
(1,358)	Direct Revenue Financing – Commercial Investment Strategy	(9,187)
(5)	Direct Revenue Financing – Other	(176)
(1,531)	Minimum revenue provision	(1,454)
(81)	S106 reserve	(49)
(7,578)		**(14,790)**
35,391	**Closing Capital Finance Requirement**	**38,791**
(83)	**Increase/(Decrease) in Underlying Need to Borrow**	**3,400**

Note 35. 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:

2015/16 £000		2016/17 £000
1,990	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 remain outstanding. The minimum lease payments are made up of the following amounts:

2015/16 £000		2016/17 £000
	Finance lease liabilities (net present value of minimum lease payments)	
545	Non-current	545
2,949	Finance costs payable in future years	2,910
3,494	**Minimum lease payments**	**3,455**

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

	Minimum lease payments		Finance lease payments	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £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	3,299	3,260	545	545
	3,494	**3,455**	**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 2016/17 £0.081m contingent rents were payable by the Council (2015/16; £0.081m).

Operating Leases

The Council has a number of operating leases for land which vary from 3 years to 125 years. The operating lease payments made in the year, are in the following tables.

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

2015/16 £000		2016/17 £000
38	Not later than 1 year	28
51	Later than 1 year and not later than 5 years	53
2	Later than 5 years	0
91		**81**

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

2015/16 £000		2016/17 £000
34	Minimum lease payments	**44**

Service Concessions

The Council does not have any contracts that include service concessions.

<u>Council as Lessor</u>

Finance leases
The Council has no finance leases as lessor.

Operating Leases
The Council leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses

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

2015/16 £000		2016/17 £000
1,817	Not later than 1 year	2,538
6,180	Later than 1 year and not later than 5 years	7,941
16,572	Later than 5 years	17,298
24,569		**27,777**

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 36. Impairment Losses

During 2016/17 the Council has recognised impairments to Property, Plant and Equipment of £0.880m (2015/16; £0.710m).

Note 37. Termination Benefits and Exit Packages

Compulsory Redundancy:
In respect of:

- 2016/17, the Council approved the compulsory redundancy of 10 employees
- 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 being 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.

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

- 2016/17, 2 voluntary redundancies were approved.
  In addition 3 further employees left the council in 2016/17 with a Compensation agreement.
- 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.

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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £000	2016/17 £000
£0 to less than £20,000	6	8	0	4	6	12	73	90
£20,000 to less than £40,000	1	1	1	1	2	2	69	54
£40,000 to less than £60,000	3	1	0	0	3	1	145	42
£60,000 to less than £80,000	2	0	0	0	2	0	135	0
£80,000 to less than £100,000	0	0	0	0	0	0	0	0
£100,000 to less than £150,000	1	0	0	0	1	0	100	0
	13	**10**	**1**	**5**	**14**	**15**	**522**	**186**

Note 38. 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 2016.

To avoid the impact of potential reductions in the workforce the actuary proposed that a fixed percentage of 17.3% be applied for 2017/18, 2018/19 and 2019/20.
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:

2017/18 £1.584m
2018/19 £1.584m
2019/20 £1.584m

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:

2015/16 £000		2016/17 £000
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
4,275	Current Service Cost	3,715
58	Past Service Cost	325
	Financing and Investment Income and Expenditure:	
6,161	Net interest expense	6,259
(3,595)	Expected Return on Scheme Assets	(3,863)
6,899	**Total post-employment benefit charged to the deficit on the provision of services**	**6,436**
	Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:	
	Re-measurement of the net defined benefit liability comprising:	
(4,709)	Return on plan assets (Excluding the amount included in the net interest expense)	26,309
0	Actuarial gains and losses arising on changes in demographic assumptions	1,722
17,891	Actuarial gains and losses arising on changes in financial assumptions	(29,841)
1,809	Other experience	403
14,991		(1,407)
21,890	**Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement**	**5,029**
	Movement in Reserves Statement	
(6,900)	Reversal of net charges made to the surplus/deficit on the provision of services for post-employment benefits in accordance with the Code	(6,436)
	Actual amount charged against the General Fund Balance for Pensions in the Year:	
3,859	Employer’s contributions payable to the scheme	4,123
171	Retirement benefits payable to pensioners*	197
(2,870)	**Total Movement in Reserves Statement**	**(2,116)**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2017 is a loss of £55.36m, and to the 31 March 2016 is a loss of £53.95m.

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 2016 £000		31 March 2017 £000
192,333	**Opening balance as at 1 April**	**179,200**
4,275	Current Service Cost	3,715
6,161	Interest Cost	6,259
912	Contributions by scheme participants	921
	Remeasurement (gains) and losses:	
0	Actuarial losses/ (gains) from changed in demographic assumptions	(1,722)
(17,891)	Actuarial losses / (gains) from changes in financial assumptions	29,841
(1,809)	Other	(403)
58	Past service costs/ (gains)	325
(4,668)	Benefits paid	(5,248)
(171)	Estimated unfunded benefits paid *	(197)
179,200	**Closing balance at 31 March**	**212,691**

* 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 2016 £000		31 March 2017 £000
112,249	**Opening fair value of scheme assets balance as at 1 April**	**110,562**
3,594	Interest Income	3,863
	Remeasurement gain/(loss)	
(5,384)	The return on plan assets (Excluding amount included in net interest expense)	26,309
3,859	Contributions by the employer	4,123
912	Contributions by employees into the scheme	921
171	Contributions for unfunded (Discretionary benefits)benefits*	197
(4,668)	Benefits paid	(5,248)
(171)	Unfunded (Discretionary benefits) benefits paid*	(197)
110,562	**Closing Balance at 31 March**	**140,530**

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 £30.17m (2015/16; £-1.12m).

Scheme History

2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000		2016/17 £000
(151,909)	(162,360)	(192,333)	(179,200)	Fair value of assets	(212,691)
93,475	100,896	112,249	110,562	**Deficit in the scheme**	140,530
(58,434)	**(61,464)**	**(80,084)**	**(68,638)**		**(72,161)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment benefits. The total liability of £(212.69m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £(72.16m). 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 £3.98m into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2018. With regard to discretionary benefits, there were no such awards in 2016/17 (2015/16; Nil).

Impact of the 31 March 2016 formal actuarial valuation

Formal actuarial valuations are carried out every three years where assets and liabilities are calculated on a detailed basis and these were concluded recently as at 31 March 2016.

The accounting balance sheet position as at 31 March 2017 and the projected change to the Income and expenditure account for 2017/18 are based on a roll forward from the 2016 formal valuation. This differs to the balance sheet position as at 31 March 2016 and the change to the Income and expenditure for 2016/17, which was based on a roll forward from the 2013 formal valuation. This 'step change' can lead to sizeable asset and liability 'reimbursement experience' items in the reconciliation of the Balance Sheet from 31 March 2016 to 31 March 2017.

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 2016. The results of this valuation were projected forward using approximate methods.

The main assumptions used by the actuary are as shown below.

2015/16	County Fund – Main Assumptions	2016/17
4.2%	Rate of increase in salaries	2.7%
2.2%	Rate of increase in pensions	2.4%
3.5%	Rate of discounting scheme liabilities	2.6%
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
22.5 years	Men	22.4 years
24.5 years	Women	24.4 years
	Longevity at 65 for future pensioners	
24.4 years	Men	24.0 years
26.9 years	Women	26.3 years

Local Government Pension Scheme Assets Comprised:

Pension fund assets consist of the following categories, by value of the total assets held:

31 March 2016 £000		31 March 2017 £000
2,265	Cash and cash equivalents	4,015
0	**Other**	0
2,265		**4,015**
	Equity instruments by industry type:	
2,582	Consumer	3,772
2,160	Manufacturing	2,444
1,885	Energy and utilities	3,244
4,093	Financial institutions	5,695
1,762	Health and care	1,492
888	Information technology	620
0	Other	0
13,370	**Sub-total equity**	**17,267**
	Debt Securities	
0	UK Government	3,787
0	**Sub total debt securities**	**3,787**
	Private equity:	
8,596	All not in active markets	12,225
0	Other	0
8,596	**Sub-total private equity**	**12,225**
	Other investment funds:	
16,730	Bonds	14,824
60,085	Equity	79,073
9,517	Other	9,339
86,332	**Sub-total other investment funds**	**103,236**
110,562	**Total Assets**	**140,530**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2016/17 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2017.

2012/13	2012/13	2013/14	2014/15	2015/16		2016/17
8.16 %	8.85%	2.92%	2.62%	6.88%	Differences between expected and actual return on assets	(3.83) %
0.06%	0.06%	0.51%	0.95%	1.01%	Experience gains/ losses on liabilities	0.19%

Sensitivity analysis:

Increase in assumption 31 March 2016 £000	Impact on the defined benefit obligation in the scheme	Increase in assumption 31 March 2017 £000
5,376	Longevity (increase or decrease in 1 year)	3-5%
5,831	Rate of increase in salaries (increase or decrease by 0.5%)	2,963
12,901	Rate of increase in pensions (increase or decrease by 0.5%)	17,323
(19,601)	Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(20,567)

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 39. Provisions, Contingent Assets and Liabilities

	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 2015	**79**	**3,319**	**39**	**198**	0	**3,635**
Movement during 2015/16	0	(1,162)	(39)	(158)	30	(1,329)
Balance at 31 March 2016	**79**	**2,157**	**0**	**40**	**30**	**2,306**
Amounts used in 2016/17	0	(1,340)	0	(36)	0	**(1,376)**
Amounts charged to services 2016/17	0	466	0	(4)	(30)	**432**
Balance at 31 March 2017	**79**	**1,283**	**0**	**0**	**0**	**1,362**

Provision

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 which included taking external expert advice a provision for appeals outstanding was estimated to be £3.207m; of which £1.283m would have to be met by the Council, and £1.924m by other Collection Fund participants.

3. Employee Litigation

Amount set aside to meet the cost of employee litigation. Settled during 2015/16.

4. Local Land Charges

A group of Property Search Companies have sought to claim refunds on Land Charges from Local Authorities. The claim was settled during 2016/17 and the balance of the provision returned to the service.

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. This claim was settled during 2016/17.

Contingent Liabilities

The councils Contingent Liabilities cover various on-going litigations and these are detailed below. The total expected value of these liabilities is £6.650m (2015/16; £6.213m)

2015/16 Estimated value of contingent liability £000	Details of Contingent Liability	2016/17 Estimated value of contingent liability £000
	Environmental Related:	
3,600	**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 23 years (originally 30 years).	3,450
3,600	**Total for Environmental Related**	**3,450**
	Housing Related:	
392	**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.	915
392	**Total for Housing Related**	**915**
	NHS Hospital Trust	
1,750	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.	1,771
1,750	**Total for Customer Services Related**	**1,771**

	Corporate Related	
451	**Municipal Mutual Insurance Liquidation** 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 Scheme of Arrangement was enforced in January 2014. A Levy has been charged against the Council, totalling £164,756, which represents 25% of the total claims paid by MMI, on behalf of the Council since 1993 (£0.709m), less a protected liability sum of £50k as agreed by the Financial Services Compensation Scheme.	494
20	**Assets of Community Value** As at 31 March 2017, the Council has listed 33 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, unless the limit is removed by the Government.	20
0	**Apprenticeship Grant for Employers** Under the governments S.31 devolvement powers the above grant (£850k) was awarded to Cambridgeshire and Peterborough and paid directly to Peterborough Regional College; however, the Council is the accountable body. The amount shown are the uncommitted funds as at the 31 March for which the Council could be liable for in the grant conditions are not met.	129
471	**Total for Corporate Related**	**643**
6,213	**Total Contingent Liabilities**	**6,779**

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 40. 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 £28.367m (2015/16; £33.096m) 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 2017 that this was likely to occur and there are no investments that as at 31 March 2017 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 2017 £000	Historical experience of default %	Historical experience of default adjusted for market conditions %	Impairment allowance 31 March 2017 £000	Impairment allowance 31 March 2016 £000
Sundry debtors	2,947	3.69%	3.69%	1,486	1,534

The Council does not generally allow credit for customers. The past due, but not impaired amount can be analysed by age as follows:

31/03/16 £000		31/03/17 £000
264	Less than three months	222
226	Three to six months	118
864	Six months to one year	483
1,591	More than one year	2,124
2,945		**2,947**

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 2017.

Financial Year	£000s
2023/24	1,013
2046/47	2,206
2047/48	2,730
2057/58	5,000
2058/59	5,000
	15,949

31/03/16 £000		31/03/17 £000
347	Less than one year	414
13,233	More than one year	15,694
13,580		**16,108**

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 2016/17 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	145CR
Impact on the surplus on the Provision of Services	145CR
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	3,777

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

The Council invested £2.5 million in the Local Authorities Property Fund in 2015/16 and a further £1.5 million in February 2017. 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 £148,000 in respect of the Local Authorities Property Fund has been recognised in Other Comprehensive Income and Expenditure in 2016/17. 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 £243,000 being recognised in the Other Comprehensive Income and Expenditure for 2016-17.

Foreign Exchange Risk

The Council does not hold foreign currencies and consequently has no exposure to loss arising from movements in exchange rates.

Collection Fund

Non-Domestic Rates 2015/16 £000	Council Tax 2015/16 £000	TOTAL 2015/16 £000		Non-Domestic Rates 2016/17 £000	Council Tax 2016/17 £000	TOTAL 2016/17 £000
			INCOME			
0	94,383	94,383	Council Tax Payers	0	97,148	97,148
56,892	0	56,892	Business Rates	59,791	0	59,791
(305)	0	(305)	Transitional Relief	(30)	0	(30)
56,587	**94,383**	**150,970**	**Total Income**	**59,761**	**97,148**	**156,909**
			EXPENDITURE			
			Contributions Prior Year (Deficit)/Surplus			
(3,239)	0	(3,239)	Department for Communities & Local Government	(4,524)	0	(4,524)
(2,591)	82	(2,509)	Huntingdonshire District Council	(3,619)	50	(3,569)
(583)	427	(156)	Cambridgeshire County Council	(814)	271	(543)
	69	69	Cambridgeshire Police & Crime Commissioner	0	43	43
(65)	25	(40)	Cambridgeshire Fire Authority	(90)	15	(75)
(6,478)	**603**	**(5,875)**		**(9,047)**	**379**	**(8,668)**
			Precepts Demands and Shares			
29,400	0	29,400	Department for Communities & Local Government	29,983	0	29,983
23,682	7,768	31,451	Huntingdonshire District Council	24,406	7,905	32,311
	5,030	5,030	Parish Councils	0	5,471	5,471
5,329	66,744	72,072	Cambridgeshire County Council	5,439	69,278	74,717
0	10,578	10,578	Cambridgeshire Police and Crime Commissioner	0	10,871	10,871
592	3,748	4,340	Cambridgeshire Fire Authority	604	3,889	4,493
59,003	**93,868**	**152,871**		**60,432**	**97,414**	**157,846**
			Charges to the Collection Fund			
(292)	(228)	(520)	Write Off Uncollectable Debts	(189)	(177)	(366)
314	161	475	Change in Provision for Bad and Doubtful Debts	175	202	377
(2,904)	0	(2,904)	Changes in Provision for Appeals	(2,187)	0	(2,187)
222	0	222	Cost of Collection	222	0	222
828	0	828	Renewable Energy Retentions	874	0	874
(1,832)	**(67)**	**(1,899)**		**(1,105)**	**25**	**(1,080)**
50,693	**94,404**	**145,097**	**Total Expenditure**	**50,280**	**97,818**	**148,098**
			Movement in Fund Balance			
(5,894)	21	(5,872)	(Surplus)/Deficit For Year	(9,481)	670	(8,811)
12,384	(857)	11,526	(Surplus)/Deficit Brought Forward 1 April	6,490	(836)	5,654
6,490	**(836)**	**5,654**	**(Surplus)/Deficit Carried Forward 31 March**	**(2,991)**	**(166)**	**(3,157)**

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 2017 Tax band	Properties	Exemptions & discounts	Band D multiplier	Band D equivalent
A	11,754	(2,116)	6/9	6,425
B	20,087	(2,419)	7/9	13,742
C	17,760	(1,689)	8/9	14,285
D	11,740	(870)	9/9	10,870
E	8,928	(621)	11/9	10,153
F	3,695	(259)	13/9	4,963
G	1,761	(122)	15/9	2,732
H	162	(26)	18/9	272
Total	**75,887**	**(8,122)**		**63,442**

Council tax charge per band D property for 2016/17 £1,641.14
Council tax charge per band D property for 2015/16 £1,609.29

3. Non Domestic Rates (NDR)

The uniform Business Rate set by the Government for 2016/17 was 49.7p (2015/16 49.3p).

Total rateable value at 31 March 2017 £142.51m.
Total rateable value at 31 March 2016 £142.01m.

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 £0.321m for the Collection Fund of which £0.128m 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 arm’s 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 2015, 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 2015, 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
EFA	Expenditure and Funding Analysis
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

CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
07/12/2016	**<u>Skills, Knowledge and Effectiveness Review</u>** The Corporate Governance Committee resolved: i. that a training programme be devised by the Internal Audit and Risk Manager in consultation with the Corporate Governance Committee Chairman, and that training be delivered ahead of Committee meetings; and ii. that an Informal Corporate Governance Committee meeting be arranged in January or February to undertake an effectiveness review.		An Informal Corporate Governance Committee was held on 25 January 2017 for a self-assessment review of its own effectiveness.	Internal Audit and Risk Manager	No
24/05/17	New Members to receive the training survey. IRAM to submit report on training options.	12/07/17	Report submitted and training event agreed.	Internal Audit and Risk Manager	
12/07/17	Training to be provided on the values of good governance, external audit and internal audit.	12/09/17	Training arranged.	Internal Audit and Risk Manager.	

CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
22/3/2017	**Code of Conduct and Register of Disclosable Pecuniary Interests** Audit to be undertaken of those parishes that have adopted their own version of the Code of Conduct.	2017		Internal Audit and Risk Manager	No
12/07/17	**Review of Risk Based Verification Policy** Continued use of the Benefits Risk Based Verification Policy endorsed.	12/07/17	No change to existing arrangements required.	Revenues and Benefits Manager	Yes
12/07/17	**Annual Governance Statement: Significant Issues** 2016/17 Annual Governance Statement to include reference to the following as significant issues: • the failure to introduce a key corporate system, the Financial Management System, by 1st April 2017 and its on-going delay; • continued improvements to the shared service governance arrangements;	09/17	AGS submitted to the Committee 13/09/17	Internal Audit and Risk Manager	Yes

CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
	• improvements to safeguarding arrangements and the complaints system to deliver better outcomes for customers, and • improvements to cyber security incident management plans. AGS also to contain reference to the Commercial Investment Strategy and the Combined Authority. Any significant issues arising in the period to 30/09/17 to be included in the AGS.				
12/07/17	**<u>CGC Annual Report</u>** • Annual Report approved for submission to the Council, • Internal Audit and Risk Manager authorised to make amendments to the Report after consulting the Chairman • Internal Audit and Risk Manager to consider terms of a draft work plan.	27/09/17 09/17	Annual report to be included in the Agenda for the Council. Chairman and Vice-Chairman to be consulted.	Internal Audit and Risk Manager. Internal Audit and Risk Manager.	No

CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
12/07/17	**<u>Annual Review of Thresholds – Disposals and Acquisitions Policy</u>** Policy endorsed. Further review to take place in 24 months.	07/2019	Review to be undertaken in 2019	Head of Resources	No
12/07/17	**<u>Governance Boards</u>** Noted changes to the structure and responsibilities of the Governance Boards.	07/18	Annual review of Governance Boards to be submitted to the CGC	Head of resources	No
		10/18	New safeguarding procedures to be introduced	Head of Leisure and Health	
		09/17	Head of Resources and Transformation Board to be consulted on Governance Boards' routes for reporting to Members	Internal Audit and Risk Manager	
12/07/17	**<u>Update on Code of Conduct and Register of Disclosable Pecuniary Interests.</u>** Noted current position in respect of the adoption of Codes of Conduct by Town	11/17	Monitoring report to CGC twice a year.	Policy, Performance	Yes

CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
	and Parish Councils and the publication of Registers of Interests of District, Town and Parish councillors.			and transformation Manager	

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