

Cherwell District Council

Accounts, Audit and Risk Committee

12 April 2018

Statement of Accounts 2016/17

Report of the Deputy Section 151 Officer

This report is public

Purpose of report

To obtain official sign-off by the Deputy Section 151 Officer and the Chairman of the Accounts, Audit and Risk Committee on the audited Statement of Accounts 2016/17.

1.0 Recommendations

The Accounts, Audit and Risk Committee is recommended:

- 1.1 To approve the draft 2016/17 financial statements.

2.0 Introduction

- 2.1 The preliminary Statement of Accounts 2016/17 was reported to the Committee at its June 2017 meeting, and subsequently in January 2018.
- 2.2 The external auditors queried the significant year-on-year reduction in valuation of assets contained in the 2016/17 accounts. The Council's new valuers, Montagu Evans, had discounted asset values substantially and entries had been made in the accounts on this basis.
- 2.3 The two key outstanding issues were:
 - Significant changes to the valuation of fixed assets
 - A change in the categorisation of certain assets to recognise the Council's control over and residual interest in them.

These changes have now been fully incorporated in the draft 2016/17 accounts and key judgements have been made in relation to service concessions on assets.

3.0 Report Details

- 3.1 The Council entered into a contract (service operating agreement) relating to its leisure centre assets, with Parkwood Leisure (originally with Cherwell Leisure Ltd), in 2008.
- 3.2 The Council has since 2008 disregarded the Project Agreement in valuing and accounting for its leisure assets.
- 3.3 The auditors queried the significant year-on-year reduction in valuation of assets contained in the arrangement between the Council and Parkwood Leisure in 2016/17 accounts.
- 3.4 The Council's new valuers, Montagu Evans, had discounted asset values substantially on the basis of the leases in place between the Council and Parkwood Leisure Ltd and entries had been made in the accounts on this basis. The Council's view is that the substance of the transaction leaves control of the assets in its hands (whilst the form of the lease gives control to Parkwood Leisure Ltd) thus removing the need to discount asset values.
- 3.4 Considerable work has been required to justify the accounting treatment of the assets concerned. The Council's external auditor has reviewed the justification provided by the Council for not discounting the value of assets included in the Project Agreement and, has now indicated that the revised entries of asset values in the accounts is correct.
- 3.5 Officers have corrected the asset values in accordance with Montagu Evans' revised valuations for 2016/17.
- 3.6 The revised asset valuations have had a significant impact on the statement of accounts, and the workload relating to this has been substantial.
- 3.7 It is expected at the time of writing this report that the Council will receive an unqualified opinion on the 2016/17 financial statements and a modified value for money opinion which reflects the causes of the delay in finalising the statement of accounts.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The Accounts, Audit and Risk Committee needs to approve the amendments to the 2016/17 financial statements before the accounts can be signed and published.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To request further changes to the draft accounts. Not supported any as changes to the draft accounts would be subject to external audit.

7.0 Implications

Financial and Resource Implications

7.1 There are no financial implications arising directly from any outcome of this report.

Comments checked by: Kelly Watson, Assistant Director of Finance and Procurement, 0300 003 0206, kelly.watson@cherwellandsouthnorthants.gov.uk

Legal Implications

7.2 There are no legal implications arising directly from any outcome of this report.

Comments checked by: James Doble, Assistant Director Law and Governance, 0300 003 0207, james.doble@cherwellandsouthnorthants.gov.uk

Risk Management Implications

7.3 There are no risk management issues arising directly from this report, these are managed operationally and will be escalated as and when required.

Comments checked by: Louise Tustian, Team Leader, Strategic Intelligence & Insight Team, louise.tustian@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

All corporate plan themes.

Lead Councillor

None

Document Information

Appendix No	Title
Appendix 1	Statement of Accounts 2016/17 (to follow)
Background Papers	
None	
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