AGENDA ITEM NO. 11

IMPACT OF COMPANY ACCOUNTS ON COUNCIL GROUP ACCOUNTS

Committee: Audit Committee

Date: 17th October 2022

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[X88]

1. ISSUE

1.1 To up-date Committee on the audit of the accounts of the Council's trading companies, and how these impact on the Council's Group Accounts.

2. RECOMMENDATION

2.1 Committee is asked to note the contents of this report.

3. BACKGROUND / OPTIONS

3.1 Following the discussion at Committee on the 25th July 2022 with regard to the Council's External Audit – Initial Audit Plan, it was requested

"that a report be submitted to the autumn meeting of the Committee explaining any impacts / amendments resulting from the audited Group Accounts."

3.2 This is the requested report.

4. ARGUMENTS / CONCLUSIONS

4.1 East Cambs Street Scene (ECSS)

The ECSS Accounts were presented to and approved by Board on the 1st September 2022. The net position on the Comprehensive Income Statement and the Balance Sheet remained unchanged from that used in the draft Group Accounts.

The Auditors recommended one change to the draft accounts, that being the treatment of income from AmeyCespa from the sale of recycled materials. ECSS pays AmeyCespa for the processing of these materials, and in the draft accounts any income generated was treated as a reduction in the cost of this processing. The approved accounts now show the expenditure gross, with the sales proceeds shown as income. This has resulted in both income and expenditure in the Group Accounts for 2021/22 being £329,000 higher than in the draft accounts.

4.2 East Cambs Trading Company (ECTC)

The ECTC Accounts were presented to and approved by Board on the 21st September 2022.

Audit requested two adjustments to these from the draft version included in the Council's Statement of Accounts. These related to IFRS15 and IFRS9 accounting adjustments.

a) Kennett income
Of the £3,008,714 invoiced to the landowners under the promotion agreement, £2,780,000 of this is due in three instalments in October 2022, October 2023 and October 2024. Under IFRS15 revenues from contracts with customers, the correct treatment is to calculate the present value (PV) of the receivable amount and then in each period release interest income to the Profit and Loss to build the receivable back up to the full value before the last receipt is received. This adjustment has been made to the approved ECTC 2021/22 accounts with the consequence that income was reduced by £83,576, interest received income increased by £18,472 and the value of debtors reduced by £65,104.

b) CPCA loans
Under IFRS9 Financial Instruments, when the CPCA loans were renegotiated (June 2020) cashflows on each loan on a present value basis should have been recalculated; discounted using the interest rate in the loan agreement and recognise any gain or loss in the Profit and Loss for 2020/21. This was complicated by the fact that ECTC capitalises a portion of the interest charge until such time as houses are built and sold. The same exercise was undertaken for the 2021/22. The net effect of the amendment was:

2020/21 – P&L increased by £361,948
2021/22 – P&L reduced by £136,712

So overall the total amendment to the draft Group Accounts from a Profit and Loss perspective was to increase profits by £361,948 in 2020/21 and to reduce them in 2022 by £201,816 (£65,104 from a) and £136,712 from b)) so a net positive change of £160,131 over the two years. These accounting adjustments are also reflected in the up-dated Group Accounts Balance Sheet.

5. APPENDICIES

Appendix 1 – Group Income and Expenditure Account
Appendix 2 – Group Balance Sheet

Background Documents	Location	Contact Officer
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