

Draft Cambridgeshire County Council Statement of Accounts 2022-23

To: Audit and Accounts Committee

Meeting Date: 28 July 2023

From: Executive Director of Finance & Resources

Electoral division(s): All

Key decision: No

Forward Plan ref: Not applicable

Outcome: The Committee, on behalf of all Members, as the body charged with governance of the Council, reviews the Council's unaudited financial statements for the year ending 31 March 2023. This provides a comprehensive analysis of the Council's income, expenditure, assets and liabilities, in the statutory required form and is submitted for public inspection.

Recommendation: To note and comment on the draft of the Council's Statement of Accounts 2022-23

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1. Background

- 1.1 The annual Statement of Accounts is the financial representation of all activities that the Council has been directly or indirectly involved with, over the course of the 2022-23 financial year. The publication of the Statement of Accounts is an essential feature of public accountability and stewardship, as it provides an annual report on how the Council has used the public funds for which it is responsible.
- 1.2 The full Statement of Accounts includes:
 - the accounts related solely to the Council;
 - group accounts consolidating the accounts of the Council with those of the Council's wholly owned Housing Company, This Land Ltd;
 - the accounts of the Cambridgeshire Pension Fund; and
 - the Annual Governance Statement (previously considered by this committee on 26 May 2023)
- 1.3 Accounts are prepared under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2022-23, which is based on International Financial Reporting Standards (IFRS) adapted for public sector use.
- 1.4 The signing, approval and publication of the accounts is set out in Section 9 of the Accounts and Audit Regulations 2015. The accounts will require further certification and approval by this committee at the conclusion of the audit; any material changes arising from the audit will be reported back to future meetings of the Audit Committee, prior to approval. The independent auditor's report (ISA 260 report) will also be provided for this committee to consider.
- 1.5 The timelines in the Accounts and Audit Regulations 2015 required the publication of these draft accounts by 31 May 2023, the end of May being the ongoing deadline for publication following several years of extended timescales. We set out to the previous meeting of this committee why it was not feasible to meet that date and also gave public notice to that effect. Nationally, a large number of Councils were in a similar position that the May deadline was not feasible. We intend to target publication in line with regulations for 2023-24's accounts. The regulations require publication of final, audited accounts by 30 September 2023. Again, we set out at the previous meeting that this was not possible due to ongoing delays with previous year audits and the resource constraints in the local audit sector. The audit for these draft accounts is unlikely to take place until the 2024 calendar year.

2. Main Issues

- 2.1 This section of the report outlines some of the key matters for the Audit Committee's attention.

Audit & Accounts Committee review

- 2.2 The final, audited set of accounts ultimately need to be signed by the Chair of this Committee. This draft provides members with the first opportunity to review the accounts in detail, and is the draft that is published by the Council. Committee will have a further

opportunity to review the accounts, including any changes or adjustments, following the end of the public inspection period and/or following significant progress through the audit, depending on the scale of any adjustments.

Public inspection and objections

- 2.2 The Accounts and Audit Regulations 2015, as amended, determine that the accounts and other related documents have to be made available for public inspection for 30 working days.
- 2.3 During this period local electors may also raise questions to the Council's external auditor, Ernst and Young LLP (EY), on the 2022-23 Statement of Accounts as part of the public inspection process. They may also make objections to the accounts on any items for which the auditor could take action in the form of a report in the public interest or an application to the court to declare that an item is unlawful.
- 2.4 We understand that objections raised with the previous auditor, BDO LLP, in 2017 and 2018 should be determined in the near future. Since the last meeting of this Committee, BDO advise that they have submitted draft determinations to the PSAA and are now undertaking final checks. Officers are in regular contact with BDO to promote the swift conclusion.

Process for completion of the Accounts

- 2.5 2022-23 follows on from several years of challenges in the completion of final accounts. The 2020-21 accounts were not audited and finalised until 29 July 2022 and the accounts for 2021-22 are not yet fully audited. This creates a challenging context for the Finance Team working to produce draft accounts, as there has been minimal "reflection time" to review and improve processes between audits, with an almost continual chain of accounts production and audit work for several years. However, the team worked hard to implement the high priority changes required, including those with the most significant impact which resulted in some significant steps forward in the efficiency of the production process, as well as the resulting output.
- 2.6 The Redmond review of Local Authority financial reporting and external audit in 2019 raised issues around capacity and market fragility within the sector. These issues are once again reflected in the proposed audit timing for the audit of CCC's accounts for 2022-23. EY have indicated that the audit will not commence until 2024, which means that the final audited accounts are not going to be published in time to meet regulatory deadlines. In this circumstance, the regulations require the Council to publish a notice stating that it has not been able to publish the statements of accounts and the reasons for this until such time as the audited accounts can be published.

The Statement of Accounts 2022-23

- 2.7 The CCC element of the Statement of Accounts is comprised of the following sections:
- The Narrative Statement
 - Statement of Responsibilities
 - The Core Financial Statements:

- Comprehensive Income and Expenditure Statement (CIES)
- Balance Sheet
- Movement in Reserves Statement (MIRS)
- Cash Flow Statement
- Notes to the Core Financial Statements
- Accounting Policies
- Glossary.

- 2.8 The Narrative Statement is required by the Code and provides a summary of the most significant matters reported within the accounts, and of the Council's financial position. It is intended to outline the overall context within which the Council is operating by providing commentary on the Council's priorities, its performance in 2022-23 and the medium-term outlook. The narrative statement format has been reviewed and shortened this year, focussing more closely on the key elements of the Council's financial performance.
- 2.9 The Core Financial Statements provide the overview in financial terms on an accounting basis of the Council's performance, financial worth, reserves and cash flow as at 31 March 2023. The section below outlines some of the key highlights for the Committee's consideration.

Highlights from the Accounts and Key Considerations

- 2.14 The draft Statement of Accounts 2022-23 are presented in Appendix A to this report. The following sections set out some of the more significant items in the draft accounts and provide additional commentary.

General Fund Reserves and Earmarked Reserves

- 2.15 For the year ended 31 March 2021 the Council experienced a revenue budget overspend of £0.7m which was funded from the General Fund to balance the financial position for 2022-23. The Council has a strategy which is applied to restore the General Fund reserve to its planned level as part of its annual business planning process.
- 2.16 The Council's Earmarked Reserves (that is reserves set aside for a specific purpose) increased by £30m during the year to £186m, once all earmarked reserves are factored in as required by the accounting code. The increase is due partly to a relatively high level of grants carried forward – in particular the Homes for Ukraine scheme resulted in grant being paid to the Council intended to cover multiple years. As well as this, the Safety Valve agreement the Council signed with the Department for Education provided £19.6m of additional funding in 2022-23 of which around £10m had to be carried-forward to match the profile of the schools' grant deficit. Many of the earmarked reserve that have been built up in recent years due to the pandemic or other national issues have planned uses built into the medium-term financial plan.

Balance Sheet

- 2.17 The Council has Net Assets as at 31st March 2022 of £1.375bn, a 125% increase on the previous year. Much of this is driven by a combination of the valuation of property, plant and equipment and investment assets (gains which aren't realised by the council unless an

asset is sold, but represent a real increase in the value of assets under our control) and a decrease in liabilities relating to the pension fund (which is more theoretical in terms of the Council's overall position).

- 2.18 At year end the cash and cash equivalents available to the Council were £92m, similar to the previous year.
- 2.19 The Council's liabilities (both current and long-term) total £1.1bn with the largest components being borrowing that the Council had at year end to fund the capital programme (£172m of short-term and £565m of long-term borrowing).
- 2.20 The sum of the total assets and total liabilities provides the net asset position of the Council which is matched by the total reserves comprising Usable Reserves of £325m and Unusable Reserves of £1bn. Unusable reserves represents reserves that are not available immediately to the Council, such as the reserves that capture the effects of property valuation changes, and the adjustments required for capital asset accounting required for local authorities.

Pension Fund

- 2.21 The Council's comprehensive income and expenditure statement bottom line is significantly affected by the decrease in pension fund liability calculated by the actuary.

Audit Fees

- 2.24 CCC's accounts for 2021-22 have not yet been signed. Our statement of accounts show an estimate for additional fees of £131k above the 21-22 scale fee £147k. These are estimates of fees incurred for the audit of these accounts, which relate to value for money work and additional work required as part of the determination of objections.
- 2.25 The scale fee for the audit of the 2022-23 accounts is estimated to be £147k again, including an estimated scale fee variation. Any further work, including the determination of objections, will result in further costs to the Council.
- 2.26 BDO have recently raised with Council officers that they intend to charge fees to the Council relating to the objections under consideration and value for money conclusions reported to the Committee in November 2021. The Council will follow the legislative and PSAA processes for determination of any fees payable.

Next Steps

- 2.27 The importance of the Statement of Accounts to the authority is high and although it is an historical backward-facing document, the closing of the accounts is vital to the financial planning process as it confirms the starting position for the 2023-24 financial year.
- 2.28 Alongside publication for this committee, the accounts are formally published on our website, so commencing the public inspection period.
- 2.29 It is not possible to say with any certainty when we will be able to update the committee on

the conclusion of the audit of these accounts, but we will provide updates on progress when appropriate.

- 2.30 On 18 July 2023, Lee Rowley, minister in the Department for Levelling-up Housing and Communities wrote to local authorities providing an update on work to address the backlog in local audits. They are proposing to introduce a set of deadlines in statute for the completion of audits relating to financial years 2015-16 to present, after which auditors would provide as much assurance as possible for any years outstanding if necessary limiting their audit opinion on the basis of insufficient, appropriate evidence. This may result in a number of qualifications and disclaimers of opinions for a number of local authorities, but it is emphasised that statutory requirements for auditors to report on value for money arrangements would remain a high priority.
- 2.31 We do not have full audit certificates for the years 2016-17 to present, but do have audit opinions for years up to 2021-22 with only the value for money opinion and, for 2016-17, determination of objection outstanding. We are confident that the Council can provide the necessary assurance and evidence relating to value for money for those years by any statutory deadline.

3. Alignment with ambitions

- 3.1 Net zero carbon emissions for Cambridgeshire by 2045, and our communities and natural environment are supported to adapt and thrive as the climate changes
There are no significant implications for this ambition.
- 3.2 Travel across the county is safer and more environmentally sustainable
There are no significant implications for this ambition.
- 3.3 Health inequalities are reduced
There are no significant implications for this ambition.
- 3.4 People enjoy healthy, safe, and independent lives through timely support that is most suited to their needs
There are no significant implications for this ambition.
- 3.5 Helping people out of poverty and income inequality
There are no significant implications for this ambition.
- 3.6 Places and communities prosper because they have a resilient and inclusive economy, access to good quality public services and social justice is prioritised
There are no significant implications for this ambition.
- 3.7 Children and young people have opportunities to thrive
There are no significant implications for this ambition.

4. Significant Implications

- 4.1 Resource Implications

These accounts set out the financial position of the Council as at 31 March 2023 and are subject to external audit.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications
There are no significant implications within this category.

4.3 Statutory, Legal and Risk Implications
There are no significant implications within this category.

4.4 Equality and Diversity Implications
There are no significant implications within this category.

4.5 Engagement and Communications Implications
There are no significant implications within this category.

4.6 Localism and Local Member Involvement
There are no significant implications within this category.

4.7 Public Health Implications
There are no significant implications within this category.

4.8 Climate Change and Environment Implications on Priority Areas
There are no significant implications within this category.

Have the resource implications been cleared by Finance? Yes
Name of Financial Officer: Stephen Howarth

5. Source documents

5.1 [The Accounts and Audit Regulations 2015](#)