

DRAFT LGSS STATEMENT OF ACCOUNTS 2015-16

To: **Audit and Accounts Committee**

Date: **12th July 2016**

From: **Chief Finance Officer**

Electoral division(s): **All**

Forward Plan ref: **N/a** *Key decision:*

Purpose: **This report presents the unaudited draft LGSS Statement of Accounts for 2015-16.**

Recommendation: **The Committee is asked to acknowledge and comment on the attached LGSS Statement of Accounts for 2015-16 as submitted for audit.**

<i>Officer contact:</i>	<i>Member contact</i>
Name: Chris Malyon Post: Chief Finance Officer Email: chris.malyon@cambridgeshire.gov.uk Tel: 01223 699796	Name: Cllr. Michael Shellens Portfolio: Chairman of Audit and Accounts Committee Email: shellens@waitrose.com Tel: 01223 699612

1. BACKGROUND

- 1.1 The Audit Commission Act 1998 (section 2 and Schedule 2) required joint committees to prepare accounts and undergo an audit separate from their constituent bodies. From 1 April 2015, implementation of the Local Audit and Accountability Act 2014 has meant that joint committees will no longer be required to have their accounts separately prepared and audited. Consequently, for the 2015-16 financial year and onwards, production of formal accounts by LGSS is no longer statutorily required. LGSS has decided to continue the production of the LGSS Statement of Accounts, however these accounts will no longer be required to apply the Accounts and Audit Regulations 2015, including the requirement to undertake a public inspection.
- 1.2 The Annual Report comprises the LGSS Statement of Accounts for 2015-16, along with the LGSS Annual Governance Statement.
- 1.3 The accounts are prepared under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2015-16, which are based on International Financial Reporting Standards (IFRS). This is in line with the preparation of the annual accounts for both Northamptonshire and Cambridgeshire County Councils.
- 1.4 The publication of the Statement of Accounts is an essential feature of public accountability and stewardship, as it provides an annual report on how LGSS has used the public funds for which it is responsible.
- 1.5 The Accounts are to be certified by the Director of Finance by 30th June prior to submission to audit by the external auditor. KPMG have been appointed by LGSS to undertake this work. The Accounts will require further certification and also approval by the LGSS Joint Committee by 30th September at the conclusion of the audit. The relevant sections of the founding authority constitutions delegate responsibility to the LGSS Joint Committee for the approval of the annual report. The final Accounts will also be presented to the Audit Committee at its August meeting.

2. STATEMENT OF ACCOUNTS

2.1 Review

- 2.1.1 The LGSS Statement of Accounts (attached as Appendix A) has been produced alongside the production of the annual Statement of Accounts of each founding authority and is based on the same financial records. Whilst the single entity accounts of Northamptonshire and Cambridgeshire County Councils include the proportion of LGSS attributable to each authority, the LGSS Statement of Accounts shows the combined position across all of the LGSS operational budgets (in other words excluding the managed budgets that LGSS manages on behalf of the founding authorities).
- 2.1.2 The LGSS Accounts have been prepared using the CIPFA Code of Practice on Local Authority Accounting (the Code). However, to improve the relevance of the accounts to the reader, the income and expenditure

statement has been completed by internal management reporting service areas, which differs from the format outlined in the Code.

- 2.1.3 On 1st April 2015, LGSS Law Ltd began trading, and after reviewing the substance of the relationship between LGSS and LGSS Law, the financial figures for LGSS Law have been incorporated with LGSS to produce group accounts. This reflects the internal reporting within LGSS, with LGSS Law being shown as part of the Law, Governance and Procurement directorate. The consolidation of LGSS Law into the LGSS group accounts has resulted in the elimination in full of balances, transactions, income and expenses between LGSS Law Ltd and LGSS. One effect of this is that the value of the LGSS Law reserves total zero within the group accounts, reflecting the expected payments to be made between LGSS Law to LGSS.
- 2.1.4 As at 14th June 2016, the pension liability for LGSS Law has yet to be incorporated within the LGSS Accounts, due to the information not being available at that time. Given that staff has transferred to LGSS Law from Northamptonshire County Council and Cambridgeshire County Council, authorities that have significant pension liabilities, it is likely that once finalised these figures will be material, and will impact on the LGSS Law financial statements for the 2015-16 financial year. Once the final figures have been confirmed, they will be incorporated into the final version for the LGSS Accounts.
- 2.1.5 There has been a marked increase in debtors as customers have been invoiced later in the financial year than in previous years, resulting in an increase in the debtors outstanding at the balance sheet date (£7.3m). However, only £170k of this debtors figure is overdue by more than 1 month.
- 2.1.6 There is only a small amount of fixed assets shown within LGSS's balance sheet. The reason for this is that as LGSS is not a separate legal entity the fixed assets (such as buildings) are controlled by the host authorities and other partners. Consequently the fixed assets are recognised within the accounts of the relevant authority and are not within the LGSS accounts. The only fixed assets shown in the LGSS group accounts relate to £1k of start-up IT cost relating to LGSS Law. The balance sheet within the LGSS accounts recognises debtors, creditors and provisions attributable to LGSS activity, and LGSS reserves.
- 2.1.7 LGSS has no requirement for a minimum reserve level, unlike local authorities, and therefore all reserves are earmarked for use in future financial years. Currently, LGSS Operational Reserves as at 31 March 2016 were £2,025k, an increase of £20k from the position of £2,005k as at 31 March 2015.

2.2 Other Matters

- 2.2.1 The Annual Governance Statement outlines the governance arrangement for LGSS and how these have been applied during the year.

3. FURTHER STAGES IN THE FORMAL PROCESS

- 3.1.1 The LGSS Annual Statements are still subject to external audit, which started on 20 June 2016.

4. ALIGNMENT WITH CORPORATE PRIORITIES

4.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

4.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

4.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

5. SIGNIFICANT IMPLICATIONS

5.1 Resource Implications

There are no significant implications within this category.

5.2 Statutory, Risk and Legal Implications

There are no significant implications within this category.

5.3 Equality and Diversity Implications

There are no significant implications within this category.

5.4 Engagement and Consultation Implications

There are no significant implications within this category.

5.5 Localism and Local Member Involvement

There are no significant implications within this category.

5.6 Public Health Implications

There are no significant implications within this category.

Source Documents	Location
Code of Practice 2015-16 (based on IFRS) Statement of Accounts 2015-16 Statement of Accounts working papers. Outturn Integrated Resources & Performance Report for 2015-16	First floor Octagon (OCT 1114) Shire Hall, Cambridge CB3 0AP