

Draft Cambridgeshire County Council Statement of Accounts 2021/22

To:	Audit and Accounts Committee
Meeting Date:	22 nd July 2022
From:	Chief Finance Officer and Director of Resources
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not applicable
Outcome:	This report presents a preliminary draft of the Cambridgeshire County Council (CCC) elements of the Council's Statement of Accounts 2021/22 for review. The draft Accounts are provided as Appendix A to this report (to follow).
Recommendation:	The Audit and Accounts Committee is recommended to note and comment on the preliminary draft of the CCC elements of the Council's Statement of Accounts 2021/22 prior to their incorporation into the Council's full draft Statement of Accounts 2021/22 which are due to be published by 31 st July.

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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 2021/22 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
- 1.3 This paper only covers the accounts reporting the activities of the Council itself. The accounts for This Land Ltd are currently being audited and a consolidated set of group accounts will be produced ready for publication by 31st July. The draft accounts of the Cambridgeshire Pension Fund are being reviewed by the Pensions Committee on 28th July prior to their incorporation into the full draft Statement of Accounts. The draft Annual Governance Statement was considered by this committee on the 31st May 2022.
- 1.4 Accounts are prepared under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2020/21, which is based on International Financial Reporting Standards (IFRS) adapted for public sector use.
- 1.5 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.
- 1.6 The timelines in the Accounts and Audit Regulations 2015 were initially amended by Statutory Instrument for the financial years beginning in 2020 and 2021 only. The revised timelines, which applied to these 2021/22 accounts, required the draft Statement of Accounts to be published by 31st July and the audited Statement of Accounts to be completed by the 30th September 2022. Recognising the current capacity issues in the sector, the regulations have been amended again, extending the deadline for audited accounts to 30th November for 2021-22 only, and then reverting to 30th September for the following six years.

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 revised deadlines for the publication of the draft accounts for 2021/22 mean that the

Committee has the opportunity to comment on the preliminary draft accounts this year prior to their publication. The Chief Finance Officer must clear the draft accounts for publication before 31st July and will take into account comments raised by the Committee.

Public Inspection

- 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 which must commence on or before the first working day of August 2021.
- 2.3 During this period local electors may also raise questions to the Council's external auditor, Ernst and Young LLP (EY), on the 2020/21 Statement of Accounts as part of the public inspection process.

Process for completion of the Accounts

- 2.4 2021/22 follows on from an extremely challenging environment for the last two years to complete both the 2019/20 and 2020/21 accounts. The 2019/20 accounts were not finalised until 31st March 2021 which created a significantly shortened period available to the closedown team to focus on preparing for the 2020/21 accounts, including implementing any changes to processes and procedures that were established as necessary following on from previous 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. In particular, significant progress was made working with the Strategic Assets team to quality review the underlying data used by, and output property valuations provided by, the Council's external valuers before their inclusion in the Accounts.
- 2.5 Despite the significant steps forward with the quality of the draft 2020/21 accounts, unfortunately they are still not signed off, due largely to two specific issues. The detailed review of the accounting for the Council's City Deal grant has now been concluded, however the national issue with accounting for infrastructure assets is yet to be resolved. This committee has previously been updated in detail about both of these areas.
- 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 2021/22. Under EY's preliminary plan, the audit will not commence until mid-September 2021 with the main work undertaken between September and November. This means that the final audited accounts are unlikely to be published to the 30th November deadline set out in the Accounts and Audit (Amendment) Regulations 2022. 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 2021/22

- 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 2021/22 and the inclusion of a summary of the medium-term outlook and approach to value for money.
- 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 2021. The highlights from the core statements can be found in the Executive Summary to the Narrative Report with more detail provided within the Narrative Report itself. Paragraphs 2.15 to 2.23 also outline some of the key highlights for the Committee's consideration.

Highlights from the Accounts and Key Considerations

- 2.14 The draft Statement of Accounts 2021/22 are presented in Appendix A to this report (to follow). 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 underspend of £18.8m which has been transferred to the General Fund to balance the financial position for 2021/22. The Council has a strategy which is applied to restore or reduce 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 £11.4m during the year to £153.6m as at the 31st March 2022. This is largely as a result of levels of unspent grant which have been transferred to earmarked reserves for use in 2022/23 and beyond. This balance includes £33.6m of unspent grants received for ongoing expenditure in relation to the Covid-19 pandemic, and for these grants we have an expenditure plan factored into our medium-term financial strategy.

Balance Sheet

- 2.17 The Council has Net Assets as at 31st March 2022 of £613.8m.
- 2.18 The net asset position is predominantly due to the value of long-term assets at £2,033.1m, and within that the value of Plant, Property and Equipment is £1,685.2m. Current assets total £220.0m.

- 2.19 The Council's liabilities (both current and long-term) total £1,639.4m with the largest components both being long-term liabilities related to the Pension Fund liability (£547.4m) and long-term borrowing (£628.0m).
- 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 £246.3m and Unusable Reserves of £367.5m.

Pension Fund Liability

- 2.21 The pension liability calculated by the actuary has decreased by £59.1m in 2021/22.
- 2.22 Liabilities have been assessed on an actuarial basis using the projected unit credit method which is an accrued benefits funding method in which the Actuarial Liability makes allowance for projected earnings, providing an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and so on. The liability is therefore outside the control or influence of the Council and is reported in accordance with International Accounting Standard 19 – Employee benefits.
- 2.23 Movements in the Pension Fund liability do not affect the Council's General Fund or other Usable Reserves.

Audit Fees

- 2.24 CCC's accounts for 2020/21 have not yet been signed. EY have reported that additional fees of £53,915 were incurred for the audit of these accounts, prior to the commencement of the value for money work (see below), which related to changes in work required to address professional and regulatory requirements and scope associated with risk. In addition, a further fee to be negotiated will be due in relation to specific one-off work for accounting for Covid-19 related Government grant income and City Deal grant, recoverability of receivables and the assessment of the Council's going concern position.
- 2.25 The scale fee for the audit of the 2021/22 accounts is £72k. The Redmond review of local authority financial reporting and external audit made recommendations around the fee structures for local audit which nationally have reduced by 40% since 2015. The government has provided £15m of additional funding in 2021/22 to relevant local bodies to meet the anticipated rise in audit fees in 2021/22, driven by new requirements on auditors including the 2020 Code of Practice, and to enable local authorities to develop standardised statements of service information and costs as recommended by the review. The Government have committed to a further £15m per year for the next three years.

3. Next Steps

- 3.1 The importance of the Statement of Accounts to the authority is high and although it is a historical backward facing document, the closing of the accounts is vital to the financial planning process as it confirms the starting position for the 2022/23 financial year.
- 3.2 Following review of the draft CCC accounts by the Audit and Accounts Committee, the draft accounts will be updated and combined with the other elements of the full draft Statement

of Accounts which the Chief Finance Officer must certify before 31st July. The draft accounts will then be published on the Council's website and the public inspection notice will be published.

- 3.3 EY have scheduled the main audit fieldwork for September to November 2022. Assuming the audit progresses to plan and there are no significant issues identified, it will conclude in EY issuing an opinion on the Statement of Accounts and certification that the final document presents fairly the financial position of Cambridgeshire County Council for the year ending 31 March 2022. If the national issue on infrastructure assets is not concluded in time, it is possible that this will again require a Limitation of Scope opinion.
- 3.4 Updates on the status of the audit will be provided at future Committee meetings as the audit progresses.

4. Alignment with corporate priorities

4.1 Communities at the heart of everything we do

There are no significant implications for this priority.

4.2 A good quality of life for everyone

There are no significant implications for this priority.

4.3 Helping our children learn, develop and live life to the full

There are no significant implications for this priority.

4.4 Cambridgeshire: a well-connected, safe, clean, green environment

There are no significant implications for this priority.

4.5 Protecting and caring for those who need us

There are no significant implications for this priority.

5. Source documents

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

5.2 [Accounts and Audit \(Amendment\) Regulations 2022](#)