

**LGSS STATEMENT OF ACCOUNTS 2015-16**

*To:* **Audit and Accounts Committee**

*Date:* **21<sup>st</sup> March 2017**

*From:* **LGSS Finance**

*Electoral division(s):* **All**

*Forward Plan ref:* **N/a** *Key decision:* **No**

*Purpose:* **This report presents the LGSS Statement of Accounts for 2015-16 following their audit.**

*Recommendation:* **The Committee is asked to note the attached 2015-16 LGSS Annual Report and Statement of Accounts.**

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## **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 are no longer 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 however 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 LGSS Annual Report is presented as an appendix and 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 draft Annual Report was presented to the Audit and Accounts Committee at its meeting on 12<sup>th</sup> July 2016. Subsequently the accounts have been subject to external audit with KPMG appointed to undertake this work. This report is to update the Audit and Accounts Committee with the final Annual Report document following the audit.
- 1.6 The relevant sections of the founding authority constitutions delegate responsibility to the LGSS Joint Committee for the approval of the Annual Report. Consequently the LGSS Annual Report was presented to the Joint Committee at its meeting on 19<sup>th</sup> January 2017.

## **2. STATEMENT OF ACCOUNTS**

### **2.1 Overview**

- 2.1.1 LGSS produces its own annual Statement of Accounts alongside the accounts that are produced by each authority in their own right. The LGSS accounts encompass LGSS income and expenditure from within each of the host authorities, and also consolidates the LGSS Law accounts. Whilst the single entity accounts of each council include the proportion of LGSS attributable to each authority, the LGSS Statement of Accounts show the combined position across all of the LGSS operational budgets (in other words excluding the managed budgets that LGSS manages on behalf of the host authorities).

- 2.1.2 The LGSS accounts presented as an appendix to this report cover the financial year ended 31<sup>st</sup> March 2016, and therefore do not include Milton Keynes Council which became an LGSS partner authority on 1<sup>st</sup> April 2016.

## **2.2 Audit of the LGSS and LGSS Law Statement of Accounts**

- 2.2.1 The audit fieldwork on the 2015-16 accounts has been undertaken by KPMG. This work started later than originally timetabled as the audit of the County Council accounts had to take precedence due to their statutory deadline of 30<sup>th</sup> September. As the LGSS accounts do not have this statutory deadline the decision was taken to delay the commencement of the LGSS audit until the audits of the NCC and CCC accounts had been completed.
- 2.2.2 The audit of the LGSS accounts has now been completed. The final Annual Report incorporates a number of changes from the draft set of accounts that were presented to the Audit and Accounts Committee in July 2016. These changes are set out in section 2.3.
- 2.2.3 KPMG have also undertaken a separate audit of the accounts produced by LGSS Law. This audit has been completed and LGSS Law's accounts were signed-off by its Board in December 2016. The final LGSS accounts for 2015-16 consolidate the figures of LGSS Law into group accounts.

## **2.3 Changes between the draft and final LGSS accounts.**

- 2.3.1 The draft 2015-16 LGSS Statement of Accounts were presented to the Audit and Accounts Committee on 12<sup>th</sup> July 2016. There are a number of changes between the draft and final versions and these are set out below.
- 2.3.2 **Branding.** The branding/design of the document has been updated to incorporate the revised LGSS logo and colour scheme.
- 2.3.3 **Managing Director Introduction.** A foreword has been added, including an introduction by the LGSS Managing Director, John Kane.
- 2.3.4 **Comprehensive Income and Expenditure Statement.** The format/layout of this statement has been amended in order to comply with the requirements of the CIPFA Code of Practice. In the draft accounts the figures within this statement had been split across LGSS directorate headings (Finance, IT, Law Property & Governance and so on). This was intended to aid the reader, as it would allow comparison to the management accounts which are presented on that basis. However this has had to be amended as under the Code all of LGSS's activity is classified as trading. Therefore it has been shown as Financing and Investment Income/Expenditure on the face of the statement in order to comply with the requirements of the Code. The split across directorate headings is now shown on a separate table within the accounts.
- 2.3.5 **Transactions with Related Parties.** This disclosure has been expanded. The budget allocated to LGSS by each of the councils is now shown. The value of intergroup transactions between LGSS and LGSS Law is also disclosed.

- 2.3.6 **External Audit Costs.** The cost of the additional audit work relating to the 2014-15 accounts and the public objection is now disclosed.
- 2.3.7 **Pension Schemes accounted for as a Defined Benefit Scheme.** This disclosure was not included in the draft accounts and has now been added. Since the production of the draft accounts the accounting treatment of the pension arrangements for LGSS Law has been confirmed. This has been accounted for as a defined benefit scheme, and consequently the Code requires that a number of disclosures are made which set out the net pension liability, movement in plan assets and defined benefit obligation. The assumptions used to calculate the LGSS Law pensions figures have also been disclosed.
- 2.3.8 **LGSS Law.** The final LGSS accounts incorporate any changes that have been made to LGSS Law's figures as a result of their audit. This has resulted in changes to the debtors, creditors, cash, and non current liability figures within the group accounts; and takes account of the confirmation of the pensions treatment for LGSS Law as set out above.
- 2.3.9 **Other adjustments.** There have been some small adjustments made to the debtors and creditors figures on the LGSS balance sheet to take account of the equalisation process. A £100k start-up loan to LGSS Law has been removed from the accounts as this loan was made by NCC rather than LGSS.
- 2.3.10 All other amendments to the 2015-16 LGSS accounts are individually immaterial.

## **2.4 Public Objection to the 2014-15 LGSS Accounts**

- 2.4.1 A member of the public submitted a formal objection to the 2014-15 LGSS Statement of Accounts. The objection concerned a variety of matters including the method of preparation of the accounts, the judgements that had been made, and the accounting treatments in respect of income, expenditure, VAT and cash. The 2014-15 LGSS Statement of Accounts could not be formally signed off until the investigation and conclusion of this objection by the external auditors. The formal sign off of the 2015-16 LGSS Statement of Accounts consequently could not be undertaken until the conclusion of the objection on the 2014-15 LGSS accounts.
- 2.4.2 Once an objection has been raised there is a formal process which must be followed. This is undertaken by the external auditors (KPMG) and overseen by Public Sector Audit Appointments (PSAA), which is responsible for the functions previously undertaken by the Audit Commission.
- 2.4.3 The objection was concluded by KPMG issuing a final response to the matters raised by the objector in February 2017. LGSS received confirmation from KPMG that this response was issued to the objector on 27<sup>th</sup> February 2017.

- 2.4.4 No changes have been required to the 2014-15 LGSS Statement of Accounts following the objection and subsequent investigation into the accounts by the auditors. The final 2014-15 LGSS accounts will be the same as those presented to the Audit and Accounts Committee on 22nd September 2015 and these will now be signed off

### **3. FURTHER STAGES IN THE FORMAL PROCESS**

- 3.1.1 The 2014-15 LGSS Statement of Accounts could not be formally completed until the conclusion of the public objection. The 2015-16 LGSS Statement of Accounts could also not be formally completed until the completion of the prior year accounts.
- 3.1.2 At its meeting on 19<sup>th</sup> January 2017 the LGSS Joint Committee resolved to delegate authority to approve the 2014-15 and 2015-16 LGSS Statement of Accounts to the Chair of the Joint Committee and the LGSS Director of Finance, subject to no material changes being required to the accounts upon the conclusion of the objection.
- 3.1.3 As the objection has now been concluded, and no material changes have been required, arrangements will be made for the Chair of the Joint Committee and the LGSS Director of Finance to approve the 2014-15 and 2015-16 LGSS Statement of Accounts. KPMG will then issue their audit opinion on both documents.

### **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.

**No background documents**