

**DRAFT CCC STATEMENT OF ACCOUNTS 2018/19**

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

*Date:* **11 June 2019**

*From:* **Head of Integrated Finance Services**

*Electoral Division(s):* **All**

*Purpose:* **This report presents the draft Cambridgeshire County Council (CCC) Statement of Accounts 2018/19. The draft Accounts are provided as Appendix A to this report.**

**It must be noted that these accounts are undergoing final quality assurance checks before being released to the external auditors and for public inspection.**

*Key Issues:* **The draft accounts presents the financial position of the Council as at the 31 March 2019 but are currently unaudited. The next stage is for the accounts to be audited with a final version being presented back to the Audit Committee for sign off after consideration of the external auditor's report. This is likely to be in August.**

*Recommendation:* **The Audit Committee is recommended to note and comment on the draft Statement of Accounts 2018/19 presented in this report.**

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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 2018/19 financial year.
- 1.2 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.
- 1.3 The Accounts are prepared under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2018/19, 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 Audit Committee should note that at the time of this report the accounts have not yet been certified by the Section 151 Officer for publication as they are undergoing final quality checks internally. The Accounts will require further certification and also approval by the Audit Committee before 31 July at the conclusion of the audit.
- 1.5 Any material changes arising from the audit of the 2018/19 accounts will be reported back to the July meeting of the Audit Committee, prior to approval. There will also be the independent auditor's report (ISA 260 report) for the Audit Committee to consider.
- 1.6 The audited Statement of Accounts are due to be completed by the deadline of 31 July 2019.

## **2. MAIN ISSUES**

- 2.1 The draft Statement of Accounts has been produced in consultation with the Section 151 Officer and the Deputy S151 Officer. This section of the report outlines some of the key matters for the Audit Committee's attention.

### **Public Inspection**

- 2.2 The Accounts and Audit Regulations 2015 determine that the accounts and other related documents have to be made available for public inspection for 30 working days including the first 10 working days of June.

- 2.3 The Council has not yet completed the production of the draft Statement of Accounts meaning there are a number of working days at the start of June that the accounts have not been available for public inspection. The Council's accounts are expected to be published to the Council's website in the week commencing 10 June 2019. The public inspection period will be extended to the required date to ensure that there is a full 30 working days available for the publication rights.
- 2.4 During this period electors may also raise questions to Ernst and Young LLP (EY LLP) on the 2018/19 Statement of Accounts as part of the public inspection process.
- 2.5 2018/19 has been the first year that ERP Gold (Agresso) has been used to produce the accounts. This has helped to streamline the production of the accounts in terms of the time it takes to download the trial balance to the creation of the accounts and disclosure notes. However there have inevitably been some issues that required working through but these have not been the cause of the delay in the publication of the draft accounts.
- 2.6 The main reasons for the delay in the production of the accounts are:
- A significant amount of work involved in migrating fixed asset data from Oracle Projects (the previous system used for maintaining the fixed asset register) to the ERP Gold Fixed Assets (FA) module. This required a data cleansing exercise to be undertaken before being loaded to a test environment for the ERP Gold FA module. Following testing data was transferred to the live ERP Gold FA module. This process ultimately took longer than expected. For future years this will not be an issue now that the fixed asset data is transferred to the ERP Gold FA module.
  - For 2018/19 the external audit started on the 28 May 2019 before the deadline for the draft accounts. The first week of the audit focussed on the audit set up and some specific areas. The need to have some of the audit requirements in place ahead of the audit meant that the production of the accounts and delivery of the audit requirements had to be done concurrently. This has created additional pressure into the closedown timetable.
  - As a result of the areas of work described above the impact has been that certain aspects of the accounts were not advanced as much as they normally would have been in prior years leading to the delays experienced.

These issues will be reflected upon and lessons learned for the accounts in future years.

## **Accounting Policies**

- 2.7 There have not been any changes to the accounting policies for 2018/19.

## **The Statement of Accounts 2018/19**

- 2.8 The Statement of Accounts are 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;
- Group Accounts;
- Local Government Pension Scheme Accounts;
- Accounting Policies; and
- Glossary.

- 2.9 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 2018/19 and the inclusion of a summary of the medium term outlook and approach to value for money.

- 2.10 There are no significant changes in accounting treatment in 2018/19 that the Committee need to be aware of specifically for the Council. However there have been changes to the way that financial instruments under IFRS 9 need to be accounted for, which is to identify changes in the fair value of such instruments and account for them in the year the change occurs as opposed to on disposal.

- 2.11 The core 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 2019. 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 2.17 to 2.24 also outline some of the key highlights for the Committee's consideration.

- 2.12 The Committee should note that the accounts for 2018/19 have been prepared on a going concern basis.

## **Group Accounts**

- 2.13 In addition to the Council's single entity accounts outlined above the Council is required to prepare Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates, and / or joint ventures. The Group Accounts reflect the activity of any such arrangements where appropriate to do so in addition to the council's 'single entity' accounts.
- 2.14 The Council's Group Accounts consolidated the accounts of the This Land Group (comprising of This Land and all of its associated subsidiaries).
- 2.15 In essence the consolidation within the Group Accounts removes any 'inter-company/organisation' transactions on a line by line basis. This has the effect of eliminating in full balances, transactions, income and expenses between the Council and This Land.
- 2.16 The Group Accounts are prepared in accordance with the CIPFA Code of Practice, and comprise the following:
- Group Comprehensive Income and Expenditure Statement;
  - Group Balance Sheet;
  - Group Cash Flow Statement;
  - Group Movement in Reserves Statement; and
  - Notes to the Group Accounts.

## **Highlights from the Accounts and Key Considerations**

- 2.17 The draft Statement of Accounts 2018/19 are presented in Appendix A to this report. Again it is emphasised that the version accompanying this report is still subject to approval for release by the S151 Officer. 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**

- 2.18 For the year ended 31 March 2019 the Council experienced a revenue budget pressure of £3.2m which required an equal draw down from the General Fund and Earmarked reserves of £3.2m to balance the financial position for 2018/19. 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.
- 2.19 The Councils Earmarked Reserves reduced by £2.73m during the year to £64.06m as at the 31<sup>st</sup> March 2019.

### **Balance Sheet**

- 2.20 The Council has Net Assets as at 31<sup>st</sup> March 2019 of £736.8m.

- 2.21 The Net Asset position is predominantly due to the value of Long Term Assets at £2,067.2m, and within that the value of Plant, Property and Equipment being £1,864.0m. Current assets total £169.5m.
- 2.22 The Council's Liabilities (both current and long term) total £1,449.8m with the largest components both being long term liabilities related to the Pension Fund liability (£588.1m) and Long Term Borrowing (£470.7m).
- 2.23 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 £124.56m and Unusable Reserves of £612.27m.

#### Pension Fund liability

- 2.24 The pension liability calculated by the actuary has increased by £81m in 2018/19.
- 2.25 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.
- 2.26 Movements in the Pension Fund liability do not affect the Council's General Fund or other Usable Reserves.

### **3. Next Steps**

- 3.1 The importance of the Statement of Accounts to the authority is naturally extremely 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 2019/20 financial year.
- 3.2 The on-site audit fieldwork commenced on 28 May 2019 by EY LLP. Assuming the audit progresses to plan and there are no significant issues identified it will conclude in EY LLP 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 2019.
- 3.3 The statutory date for publication is by the 31 July 2019, and in accordance with recognised practice, the Council considers its Statement of Accounts to be published from the date that a final, certified copy is made available via the Council's website.
- 3.4 A further update on the status of the audit will be provided at the Committee meeting itself.

Source Documents	Location
N/a	N/a