

Draft Cambridgeshire County Council Statement of Accounts 2023-24

To: Audit and Accounts Committee

Meeting Date: 30 July 2024

From: Executive Director of Finance & Resources

Electoral division(s): All

Key decision: No

Forward Plan ref: Not applicable

Executive Summary: The Committee, on behalf of all Members, as the body charged with governance of the Council, has responsibility to review the Council's unaudited financial statements for the year ending 31 March 2024. This provides a comprehensive analysis of the Council's income, expenditure, assets and liabilities, in the statutory required form.

Recommendation: To note the Council's draft Statement of Accounts 2023-24

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1. Creating a greener, fairer and more caring Cambridgeshire

- 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 2023-24 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.

2. Background

- 2.1 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 2023-24 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.
- 2.2 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 30 May 2024)
- 2.3 Accounts are prepared under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2023-24, which is based on International Financial Reporting Standards (IFRS) adapted for public sector use.
- 2.4 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.
- 2.5 The timelines in the Accounts and Audit Regulations 2015 required the publication of these draft accounts by 31 May 2024. Despite the significant challenges in meeting this deadline due to factors already reported to this committee previously, such as the backlog in prior year audits, the Council was one of 41% of authorities who were able to meet this deadline.
- 2.6 The regulations require publication of final, audited accounts by 30 September 2024; whilst our external auditors, KPMG, intend to complete the majority of their standard work by this deadline, they will be unable to sign off the accounts due to the ongoing issues with the 2022-23 audit which our previous auditors, Ernst & Young LLP (EY), have not commenced (and are not intending to). We have previously reported to committee that DLUHC have consulted on proposals to address the backlog in the publication of audited accounts of local bodies which would have included backstop dates for completing prior year audits; unfortunately, however, these changes were not implemented in time prior to the announcement of the General Election. Therefore, we are still waiting to see if this legislation will be passed under the new Government.

- 2.7 As the final audited accounts for 2022-23 have not been published in time to meet regulatory deadlines, the Council has published a notice stating that it has not been able to publish the statements of accounts and the reasons for this in line with the regulations.

3. Main Issues

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

Audit & Accounts Committee review

- 3.2 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 has been 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

- 3.3 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.
- 3.4 During this period local electors may also raise questions to the Council's external auditor, KPMG LLP, on the 2023-24 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.
- 3.5 In relation to objections received for the year ending March 2023, EY has determined which matters to consider and others that it has declined to take forward. During July the Council has responded to an enquiry from the auditor in relation to a matter it is considering. We are hopeful that these objections will be determined by the auditor ahead of the next Committee meeting and will continue to respond proactively to any requests for information from the auditor to support this.

Process for completion of the Accounts

- 3.6 2023-24 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, the accounts for 2021-22 were not audited and finalised until 29 April 2024, and as stated above, the accounts for 2022-23 have not yet been audited (and are unlikely to be).
- 3.7 This has created 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 has been expanded in the last year and has continued to work hard to implement the high priority changes required, including those with the most

significant impact, which has resulted in further significant steps forward in both the efficiency of the production process, as well as the resulting output. This, combined with the lack of audit for 2022-23 to date, has also enabled the team to meet the significantly challenging earlier deadline of delivering draft accounts by 31 May this year.

The Statement of Accounts 2023-24

3.8 The CCC element of the Statement of Accounts is comprised of the following sections:

- Chief Executive Forward
- The Chief Financial Officer's Narrative Report
- 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.

3.9 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 2023-24 and the medium-term outlook.

3.10 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 2024. The section below outlines some of the key highlights for the Committee's consideration.

Highlights from the Accounts and Key Considerations

3.11 The draft Statement of Accounts 2023-24 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

3.12 For the year ended 31 March 2024 the Council experienced a revenue budget overspend of £1.2m which was funded from the General Fund to balance the financial position for 2023-24. 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; therefore, the General Fund was also increased by £3.3m as a result of the previous year's outturn position. This has resulted in a net +£2.1m movement during 2023-24.

3.13 The Council's Earmarked Reserves (that is reserves set aside for a specific purpose) decreased by £13m during the year to £172m, once all earmarked reserves are factored in as required by the accounting code. The majority of this movement relates to the transfer of

the DSG Safety Valve £10.2m balance to the DSG unusable reserve in line with DLUHC regulations; the remainder relates to the continuing steady decline in the level of school carry forward balances. 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 and are starting to be released.

Balance Sheet

- 3.14 The Council has Net Assets as at 31st March 2022 of £1.707bn, a 24% increase on the previous year. Much of this is driven by a combination of the valuation of property, plant and equipment (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).
- 3.15 At year end the cash and cash equivalents available to the Council were £69m, a reduction of £23m compared to the previous year, but resulting in a balance more in line with the target level that the Council aims to hold (the balance at 31 March 2023 was higher than the Council's target level due to an influx of cash at the end of the financial year). The Council's short-term debtor position has improved from £162m to £139m.
- 3.16 The Council's liabilities (both current and long-term) total £1.0bn with the largest components being borrowing that the Council had at year end to fund the capital programme (£203m of short-term and £574m of long-term borrowing).
- 3.17 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 £286m and Unusable Reserves of £1.4bn. 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

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

Disclosure Notes

- 3.19 It is worth highlighting to committee at this point that the finance team have identified one material error in the accounts since they have been published. Note 34, Capital Expenditure and Capital Financing, should include a new line in the top half of the table for the value of donated assets included within the accounts worth £21m. As a result, the increase in underlying need to borrow should only be £29m rather than £50m.

Audit Fees

- 3.19 The Council's accounts for 2021-22 have now been signed, however we are still waiting for notification from EY of their additional audit fees for this year, plus value for money fees for previous years (including from the previous auditors, BDO LLP). Ultimately these will go to Public Sector Audit Appointments (PSAA) for determination. Objections up to 2021-22 have

also now been determined and the final fees in relation to this will also require consideration by PSAA.

- 3.20 As a result, the Statement of Accounts shows an estimate for additional fees of only £7k above scale fees for previous years; this is because we have previously already accrued £342k for estimates for scale fee/scale fee variation (2021-22 and 2022-23), value for money work (2017-18 to 2022-23) and costs in relation to determination of objections (2018-19 to 2022-23). The additional increase in accruals during 2023-24 due to revised estimates for these prior year outstanding fees have then been largely offset by an assumption of the main audit scale fee/scale fee variation for 2022-23 no longer being required to be paid to EY.
- 3.21 The fee payable to our auditors for the audit of the 2023-24 accounts is estimated to be £352k, including an estimated scale fee variation for additional work required on auditing the 2022-23 opening balances due to lack of a 2022-23 audit. Any further work, including the determination of objections, will result in further costs to the Council.

Next Steps

- 3.22 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 2024-25 financial year.
- 3.23 Alongside publication for this committee, the accounts have been formally published on our website, thereby commencing the public inspection period which ends on 25 July 2024.
- 3.24 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.
- 3.25 We now have full audit certificates for the years up to 2021-22; the value for money opinion for 2022-23 is currently being worked on by EY. We will report back to committee once this work is concluded, along with any updates in relation to the determination of the outstanding objection for 2022-23. Similarly, we will report back on any updates to changes to the statutory legislation once these are announced regarding backstop dates and modified or disclaimed opinions for accounts that have not been audited.

4. Significant Implications

- 4.1 Finance Implications
These accounts set out the financial position of the Council as at 31 March 2024 and are subject to external audit.
- 4.2 Legal Implications
There are no significant implications within this category.
- 4.3 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 Climate Change and Environment Implications on Priority Areas
There are no significant implications within this category.
- 5. Source documents
 - 5.1 [The Accounts and Audit Regulations 2015](#)