

**Audit, Risk and Governance Committee**  
Meeting to be held on Monday, 29 July 2019

Electoral Division affected:  
(All Divisions);

**Approval of the council's statement of accounts 2018/19**  
Appendix A refers

Contact for further information:  
Neil Kissock, Tel: (01772) 536154, Director of Finance,  
neil.kissock@lancashire.gov.uk

**Executive Summary**

The statement of accounts for Lancashire County Council including those for the Lancashire County Pension Fund are presented at Appendix A.

**Recommendation**

The Audit, Risk and Governance Committee is asked to approve the 2018/19 statement of accounts, at Appendix A, for Lancashire County Council and Lancashire County Pension Fund.

**Background and Advice**

The draft statement of accounts were certified by the Chief Finance Officer and published on the council's website on 23 May 2019.

The final statement of accounts are presented at Appendix A to this report. The accounts are required by regulation to be approved and published by 31 July.

Changes to the statement of accounts since publication in May 2019

McCloud judgement

In December 2018 the Court of Appeal ruled against the government in the two linked cases of Sargeant and McCloud relating to the firefighter unfunded pension schemes and the pension arrangements for the judiciary. The Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. On 27 June 2019 the Supreme Court refused the government's application for permission to appeal the Court of Appeal ruling.

The transitional protection permitted those members who were closest to retirement at the time new pension schemes were introduced to remain members of their respective previous schemes.

The Court has found that those too far away from retirement age to qualify for transitional protection had been unfairly discriminated against. As transitional protection was offered to members of all the main public service pension schemes, the government has indicated that the difference in treatment will need to be remedied across all those schemes. This includes schemes for the NHS, civil service, local government, teachers, police, armed forces, judiciary and fire and rescue workers.

The figures in the council's statement of accounts have been adjusted to reflect the estimated increase in pension liabilities as a result of the McCloud judgement. The council's actuaries have estimated the potential increase in scheme liabilities for the council to be £17.7 million.

This is shown as an increased cost of £17.7 million in the comprehensive income and expenditure statement, however there is no impact on usable reserves as this transaction is reversed in the movement in the reserves statement.

The 'other long term liabilities' on the balance sheet have increased by £17.7 million with a compensating adjustment in the pensions reserve.

The pension Fund's liability to pay promised retirement benefits is disclosed in note 24 to the pension Fund accounts. This liability is not included within the Fund's financial statements and is a narrative disclosure item only. The scheme's actuary, Mercer, has estimated the potential increase in liability for the Fund to be £64 million and consequently the liability disclosed in note 24 has been increased to £10,987 million.

#### Investment management fees

Additional investment management fees of £10.8 million have been recognised in the pension Fund accounts and disclosed in note 10 following receipt of further information from the Local Pensions Partnership. These are costs embedded in the market value of investments. The adjustment is for classification only and has a net nil impact on the primary statements of the Fund. This adjustment, although not material to the accounts of the Fund, will ensure consistency with the required pooling disclosures to be included in the annual report of the Fund.

#### Group accounts

The group accounts now include the company's deferred taxation on profit on ordinary activities of £1.3 million. This is reflected in the group accounts comprehensive income and expenditure, movement in reserves, cash flow statement, balance sheet and notes 6, 9, 10 and 11.

There has also been minor adjustments made to the company's creditor balance and impairment allowance of long term investments totalling £0.1 million. These changes are reflected in the group comprehensive income and expenditure, movement in reserves, cash flow statement, balance sheet and group notes 7, 10 and 11.

## Presentation

A small number of minor changes have been made to the wording and presentation of existing disclosure notes in the financial statements to improve their clarity.

## **Consultations**

The Accounts and Audit Regulations 2015 require the council to make available the accounts for public inspection. This enables any member of the public to inspect the accounts, ask questions and to request copies of related documents where appropriate. The period of inspection for the 2018/19 accounts commenced on 24 May 2019 and ended on 5 July 2019.

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

The council's accounts for 2018/19 must be approved and published by 31 July 2019 in order to meet the regulatory deadlines.

## **Local Government (Access to Information) Act 1985 List of Background Papers**

Paper	Date	Contact/Tel
Accounts and Audit Regulations	2015	Khadija Saeed/ (01772) 536195

Reason for inclusion in Part II, if appropriate

N/A