

Audit, Risk and Governance Committee

Meeting to be held on Monday, 30 July 2018

Electoral Division affected:
(All Divisions);

Approval of the Council's Statement of Accounts 2017/18

(Appendix 'A' refers)

Contact for further information:

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Executive Summary

The council has delegated the approval of the statement of accounts to the Audit, Risk and Governance Committee.

As required by the Accounts and Audit Regulations 2015 the draft statement of accounts for 2017/18 were certified by the Chief Finance Officer and published on the council's website on 25 May 2018 with the public inspection period taking place from 25 May to 6 July 2018. A number of changes have been made to the accounts since publication in May, the more significant of which have been set out in this report.

The accounts of the Lancashire County Pension Fund are included in the council's statement of accounts as the council is the pension fund administering authority.

On 5 July 2018 the Pension Fund Committee noted the accounts of the fund and recommended them for approval to the council's Audit, Risk and Governance Committee on 30 July 2018.

At the time of writing, the accounts are still being audited by the external auditor. The final accounts are required by statute to be approved by the committee and published on the council's website by 31 July.

Recommendation

Subject to completion of the external audit, the committee is recommended to approve the 2017/18 statement of accounts, at Appendix 'A', for Lancashire County Council and 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 25 May 2018 ahead of the end of May deadline.

The final statement of accounts are presented at Appendix 'A' to this report. However, at the time of writing, the accounts are still being audited by the external auditor. The accounts are required by statute to be approved and published by 31 July.

Changes to the Council's statement of accounts since publication in May 2018

The following amendments have been incorporated into the final statement of accounts:

a) Minimum revenue provision

The Local Authorities (Capital Finance and Accounting) Regulations 2003 require local authorities to charge to their revenue account in each financial year a minimum amount to finance capital expenditure. This is commonly referred to as MRP, the Minimum Revenue Provision.

In the context of significant medium term financial pressures the council continues to review the efficiency and effectiveness of all aspects of spend. As part of this review, and with advice from the Local Government Association, the council has reassessed the expenditure that is required under statute relating to a prudent MRP and updated its policy for 2017/18 and 2018/19, subject to approval by Full Council on 19 July.

Based on the proposed policy, the Council has created an historic over provision of MRP of c£134 million and as a consequence of this will reduce its future annual provision until the over provision has been recovered or it is deemed appropriate to set additional monies aside. It is estimated that this could result in a reduced charge for 14 years from 2017/18. The immediate financial effect of these changes is a saving of £13.2 million in 2017/18, which forms a contribution to reserves.

b) Restatement of comprehensive income and expenditure statement

Following the council's restructuring of services in 2017/18, the 2016/17 comparator figures shown in the comprehensive income and expenditure statement have been amended to reflect the revised structure in order to aid comparability and meet the regulatory guidance.

c) Prior period adjustments

In 2017/18 the council undertook a comprehensive review of the processes associated with capital accounting and the assets held on the council's fixed asset system.

The CIPFA Code of Practice requires an authority to correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

- a) restating the comparative amounts for prior period(s) presented in which the error occurred, or
- b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net worth for the earliest prior period presented.

Although many of the items corrected for were not material to the accounts, their correction allows for a more accurate starting point for the 2017/18 accounts. The prior period adjustments note in the statement of accounts explains the restatement of the prior years' figures. Since publication in May, this section of the accounts includes additional details to explain the changes.

d) Other minor adjustments

During the time since the draft accounts were published, the council has taken the opportunity to make a small number of other minor adjustments to the accounts.

- reclassification of levy from cost of services to other operating income and expenditure (£0.7 million)
- transfer of disabled facilities grant payments from chief executive services to adult services (£11.5 million)
- inclusion of ICT subsidy within members expenses (£13,000)
- reclassification of financial asset between assets held at fair value and assets held at amortised cost (£0.3 million)
- the tax position for the group accounts was not available at the end of May but has now been calculated and included in the accounts

Changes to the Pension Fund accounts since publication in May 2018

On 5 July 2018, the Pension Fund Committee was made aware of changes to the draft accounts signed in May. As follows:

e) Contributions

Contributions for the year ended 31 March 2018 have been increased by £137.0 million to include employer contributions paid up-front in respect of the years ending 31 March 2019 and 31 March 2020. These contributions were accounted for as receipts in advance on the fund's net asset statement in the accounts signed in May 2018 but have now been released to the fund account and recognised in the year of receipt. This has a direct impact on increasing the closing net assets.

f) Management expenses

In accordance with CIPFA guidance on accounting for pension scheme management expenses, and on the basis of additional information becoming available since May

2018, the 2016/17 comparatives for management expenses have been restated and the expenses for the current year have been revised. These changes to management expenses do not have an impact on the overall net assets of the scheme.

g) Investment disclosures

In order to aid transparency of investment reporting post pooling, and in line with CIPFA guidance received at the end of May, the fund's investment disclosures have been extended to provide details of sub-fund investment managers.

Audit findings

At the time of writing this report the external auditors have not concluded their audit, and therefore may identify required changes to the accounts following publication of the committee agenda. As a consequence, further changes to the accounts may be presented for approval at the committee.

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 2017/18 accounts commenced on 25 May 2018 and ended on 6 July 2018.

Implications:

This item has the following implications, as indicated:

Financial

As set out in this report.

Risk management

The council's accounts for 2017/18 must be approved and published by 31 July 2018 in order to meet the statutory 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