

Division(s):

AUDIT & GOVERNANCE COMMITTEE – 6 SEPTEMBER 2017

STATEMENT OF ACCOUNTS 2016/17

Report by the Director of Finance

Introduction

1. The Accounts and Audit Regulations 2015 require the Director of Finance to publish the unaudited Statement of Accounts 2016/17 no later than 30 June 2017 and certify that they give a true and fair view of the County Council's financial position and income and expenditure for the year. This was achieved on 31 May 2017. The Regulations require the Statement of Accounts to be considered by a committee of the Council by 30 September 2017 and, following that consideration, to be approved by resolution of that committee. This report presents the accounts to the Audit & Governance Committee for consideration and approval, with the findings of the audit available in Ernst & Young LLP's audit results reports.

Statement of Accounts

2. The Statement of Accounts 2016/17 is attached at Annex 1. This version includes changes made to the draft accounts as agreed with the auditors as set out below.
3. The accounts have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 'Code') and the 2016/17 Code Update issued in January 2017. An introduction to the statement of accounts is included in the Narrative Report by the Director of Finance, together with commentary on the Council's financial position and economy, efficiency and effectiveness in its use of resources over the financial year.
4. The statement of accounts contains the Expenditure and Funding Analysis note, followed by the four primary financial statements: the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement, together with accompanying notes. The statement of accounts also includes the Firefighters Pension Fund Accounts and the Oxfordshire Local Government Pension Fund Accounts.
5. The Annual Governance Statement is included in the statement of accounts document for completeness, as it is required to be published alongside the accounts and narrative report. The Audit & Governance Committee approved the 2016/17 Annual Governance Statement at its meeting on 26 April 2017, there are no issues being highlighted by the auditors that require any additional review of the Statement.
6. The main changes to the Statement of Accounts for 2016/17 are new formats and reporting requirements for some of the statements, including the introduction of a new Expenditure and Funding Analysis. The Analysis demonstrates how funding available to the Council (i.e. government grants, council tax and business rates) has

been used in providing services in comparison with the resources consumed or earned by the Council in accordance with generally accepted accounting practices as set out in the Comprehensive Income and Expenditure Statement. The service analysis within the statements is now on a directorate basis, rather than the grouping of services within the Service Reporting Code of Practice, making it easier to relate the financial statements to the financial monitoring reports and provisional outturn report presented to Cabinet. The 2015/16 Comprehensive Income and Expenditure Statement has been restated to present the service analysis on a directorate basis, however there is no change to the total Cost of Services reported. Prior year figures are also presented in the Expenditure and Funding Analysis. Changes to the measurement basis for highways network assets that were due to be introduced in the 2016/17 accounts are not now going ahead.

7. A significant increase in the pension liability has resulted in the net assets of the authority being negative (liabilities outweigh assets) as at 31 March 2017. The increase in the pension liability is mainly as a result of a change to the discount rate used in calculating the liability. The discount rate used for accounting purposes is based on corporate bond yields that reflect the duration of the employer's liabilities. Corporate bond yields have reduced markedly over the year, leading to a significant increase in the deficit disclosed as at 31 March 2017. It should be noted however that the pension liability valuation in accordance with accounting requirements is only a snapshot in time and will likely fluctuate year on year. The employer contribution rate for the local government pension scheme is set through a triennial revaluation by the County Council's actuary, and not with reference to the liability reported in the accounts, with similar arrangements applying nationally for the fire-fighters pension schemes.

Summary Accounts

8. The Summary Accounts 2016/17 (Annex 2) provide a much simplified presentation of the financial position of the Council and its income and expenditure for the year. These have been made available to members of the public alongside the unaudited Statement of Accounts on the Council's website.

Changes to the draft accounts

9. Ernst & Young LLP's audit results reports set out that, other than a comment on the methodologies used by the actuary to derive retirement benefits assumptions in relation to the Local Government Pension Scheme, no audit issues have been identified as yet during the course of the audit of the main accounts or the Pension Fund accounts, although the audit is still on-going. The comment regarding the methodologies used by the actuary does not require any amendments to the 2016/17 accounts. Small changes to the narrative report and some of the notes to the core financial statements have been agreed with the auditors, however these are not significant enough to be reported in their audit results reports. There are no changes to the core financial statements. The changes that have been made are set out below.

Narrative Report

10. The explanation of what the statement of accounts contains has been amended to make it clearer that the new Expenditure and Funding Analysis is a note and not a primary financial statement. The explanation of changes to the accounts since the previous year has been expanded to provide further details of the changes made. There have also been some minor wording changes in the overview of performance over the last financial year.

Notes to the Core Financial Statements

11. Note 8 Partnership schemes under section 75 of the National Health Service Act 2006 – the 2016/17 and 2015/16 figures for the 'Mental Health Commissioning' and 'Mental Health Provider' pooled budgets were transposed in the unaudited accounts and this has now been corrected.
12. Note 58 Material Post Balance Sheet events – the note has been updated to reflect the latest position on schools that have converted to academies since 31 March 2017 and to remove reference to the 'forthcoming' general election (which was scheduled to take place after the unaudited accounts were authorised for issue).

Letters of Representations

13. Auditing standards require Ernst & Young LLP to obtain representations from management on certain matters material to their audit opinion. Separate letters of representations are required for the Oxfordshire County Council accounts and the Local Government Pension Fund accounts. The Audit & Governance Committee is required to consider and approve the letters of representations before they are signed by the Director of Finance and the Chairman of the Committee.

Objection to the 2015/16 accounts

14. An objection concerning Lender's Option Borrower's Option loans was made to the 2015/16 Statement of Accounts. Ernst & Young LLP have provided a preliminary view that they are minded not to uphold the objection. Once the objection has been finalised the auditors will be able to conclude the 2015/16 audit.

Conclusion

15. No material errors in the Statement of Accounts have been identified during the course of the audit and only minor amendments have been required.

RECOMMENDATION

16. **The Committee is RECOMMENDED to:**
 - (a) **Consider and approve the Statement of Accounts 2016/17 at Annex 1;**
 - (b) **Note the Summary Accounts 2016/17 at Annex 2;**

- (c) Agree that no changes are required to the Annual Governance Statement, previously approved by the Committee on 26 April 2017;**
- (d) Consider and approve the Letter of Representations 2016/17 for the Oxfordshire County Council accounts at Annex 3;**
- (e) Consider and approve the Letter of Representations 2016/17 for the Oxfordshire Pension Fund accounts at Annex 4;**
- (f) Agree that the Director of Finance, in consultation with the Chairman of the Committee (or Deputy Chairman in his absence), can make any further changes to the Statement of Accounts 2016/17 and / or letters of representation that may arise during completion of the audit.**

LORNA BAXTER

Director of Finance

Background Papers: Nil.

Contact Officer: Stephanie Skivington, Strategic Finance Manager (Accounting & Reporting), 07393 001240

August 2017