Hereford & Worcester Fire Authority
Audit and Standards Committee
28 September 2015

Report of the Treasurer

5. Annual Statement of Accounts 2014/15

Purpose of report

1. To present the 2014/15 Statement of Accounts for approval.

Recommendation

The Treasurer recommends that the Statement of Accounts 2014/15 be approved.

Introduction

2. The Accounts and Audit Regulations (2013) require that accounts have to be prepared as soon as practical after the end of the financial year, and signed as completed by the Treasurer before 30 June 2015.

3. Following completion of the external audit and before 30 September 2015, the Authority (or designated committee) must approve the Statement of Accounts. The Authority has delegated the function to the Audit and Standards Committee.

4. The Accounts must be published by 30 September 2015, and publication on the Authority website is the established and expected route.

5. At the time of writing this report, the Audit was virtually complete, with no major issues arising, and it is expected that the External Auditors' report will be included elsewhere on this Agenda.

6. The draft Accounts were submitted to the Audit and Standards Committee for information on 29th June 2015, and, subject to the matters below which have arisen since the 30th June, the Audit has not required any fundamental changes to the draft Statements.

Post Balance Sheet Events and other Audit Adjustments

7. There are three post balance sheet events (which relate to information not available at 30th June) and two other adjustments made to the draft accounts. Taking the latter first;

   a) The most straightforward change is that the wording of Accounting Policy paragraph 2 in respect of Accruals of Income and Expenditure has been amended to better explain what is actually done. It does not change any actual accounting treatments.

b) The next is more complex and relates to the treatment of the joint Fire/Police station at Bromsgrove.

i) As the arrangement is in effect a lease, consideration needed to be given as to whether this was a finance lease, and therefore under IFRS should be included on the balance sheet.

ii) The decision as to whether to do this is based on a balanced judgement of eight individual tests.

iii) Knowing that this was a complex area this was done in February and the treatment agreed with the Auditors that the arrangement should be included on the balance sheet as finance leased asset.

iv) The draft accounts were accordingly prepared on this basis.

v) A review of this decision has suggested that this was the wrong approach and there should be no inclusion of the asset on the balance sheet.

vi) The Accounts have therefore been adjusted to remove this finance leased asset and consequent entries, in the CIES and relevant notes. In addition the note on operational leases has been expanded to disclose this lease.

vii) There is a minor impact on the General Fund Balance as a result of this change. The existing of the finance leased asset allowed the cost of Stamp Duty on the lease to be capitalised and spread over the life of the lease. Under the revised treatment where there is no asset this cost £0.044m must be charged to the Revenue Account.

viii) As a consequence the transfer to the Transformation Reserve is reduced by £0.044m from £1.229m to £1.185m.

8. The three post balance sheet events relate to information that has arisen since the 30th June, but for which the accounts should be adjusted.

a) The first of these relates to the agreed sale of the old Worcester Fire station. Although this is well above the capital receipt anticipated it is below the holding value in the balance sheet. This is disclosed by way of a note in the explanatory forward.

b) The second relates to Retained Business Rates income.

i) For grant and council tax setting purposes any monies owing or refunds owed at the end of one year are dealt with in the income for the following year

ii) However, for IFRS purposes these have to be dealt with in the CIES and by way of debtors and creditors and are adjusted out again through the MiRS.

iii) A Valuation Office tribunal decision made in relation to a GP Surgery in Sheffield in January 2015 which goes back to the 2005 List, has had an impact on the business rates collectable in Worcestershire in 2014/15. The impact is significant as it involves substantial refunds going back to 2005, even though until 2011/12 the overpaid rates went direct to central government. The Authority has had to recognise its share of this which is around £0.130m in the CIES and Balance Sheet.

iv) It was not previously accounted for as the Billing Authorities had no information on the impact at the Balance Sheet date.

c) The final issue relates to pensions and is complex.

i) On the 15th May the Pensions Ombudsman published a decision which will have a significant impact on the benefits payable to Firefighters who retired between 1st December 2001 and 21st August 2006. The case brought against the Government Actuary's Department (GAD) by Mr Milne, a retired Firefighter, contested that the commutation factor used to calculate a lump sum payable on retirement had not been reviewed by GAD in the required manner and was therefore not fit for purpose.

ii) The Ombudsman ruled in favour of Mr Milne and has directed GAD to review the lump sum commutation factor that was used at the time of his retirement.

iii) Subsequently DCLG advised that this would impact on all retirements in that period and that there would be a significant back payment due. The details of this were released in the first week of September.

iv) It is calculated that for this Authority the total figure is £0.810m plus £0.186m in interest.

v) The Treasury has indicated that it will fund the interest costs and has signalled that it is anticipating that CLG will meet the pension element. In respect of an identical issue in the Police Pension Scheme the Home Office has confirmed that they will fund the costs

vi) The correct accounting treatment of this has been subject of much debate across the fire finance sector and different firms of auditors have taken different views.

vii) Whilst the proposed treatment has been discussed with the Authorities External Auditors, it had not been finally agreed at the point this report was issued. It is possible that there may be a need to make an appropriate adjustment to the Accounts before approval if necessary.

Conclusion

9. Other than for matters that have subsequently arisen, the draft Accounts have not required amendment.

10. The Statement of Accounts with these amendments incorporated is ready for approval.

11. On publication the Statement of Accounts will incorporate the approved Annual Governance Statement, which is subject to a separate approval process (elsewhere on the Agenda).

12. Providing that no issues have arisen from the public inspection period, the External Auditor will be able to issue his opinion as soon as he is ready to and this will be incorporated in the Statements which will be published as soon as is practical after this.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	N/A
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	N/A
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	N/A
Consultation (identify any public or other consultation that has been carried out on this matter)	N/A
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	N/A

Supporting Information
Appendix 1 –Statement of Accounts 2014/15

Background papers
None

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