

Report of the Treasurer

7. Statement of Accounts 2012/13

Purpose of report

1. To present the Statement of Accounts 2012/13 for approval.
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Recommendation

The Treasurer recommends that the Statement of Accounts 2012/3 be approved.

Background

2. The Accounts and Audit Regulations (2011) 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 2013.
3. Following completion of the external audit and before 30 September 2013, the Authority (or designated committee) must approve the Statement of Accounts. The Fire and Rescue Authority (FRA) has delegated the function to the Audit and Standards Committee.
4. The Accounts must be published by 30 September 2013, 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 pre-Audit Accounts were considered in some detail by Committee Members at the workshop on 9 September 2013, and the Audit has not required any fundamental changes to the draft Statements.

The Statements

7. Members will be aware that the Comprehensive Income and Expenditure Statement (CIES) exhibits a significant net deficit because the Statutory Accounting arrangements which are used by the Authority in Council Tax setting have precedence over International Financial Reporting Standards (IFRS).
8. There are charges, e.g. depreciation, and the liability on pension schemes which are not chargeable in the statutory accounts. The Government does not recognise IFRS for grant allocations or as part of the statutory budget setting arrangements.

9. In practical terms this means that the accounting deficit (on the CIES) of £48.844m in 2012/13 becomes a net surplus of £0.086m on the General Fund.

	£m	£m
Total Comprehensive Income & Expenditure under IFRS		48.844
<u>Less items not permitted by statute:</u>		
Depreciation/Amortisation/Impairment	(2.557)	
Share of Collection Fund Balances	0.001	
IAS19 entries	(54.632)	
Capital Grant	1.169	
Capital Receipts	0.032	
Employee Accumulated Absences	(0.012)	
Surplus on Revaluation of Assets	0.181	
Book loss on disposal of fixed assets	(0.065)	(55.883)
<u>Plus items required by statute:</u>		
Minimum Revenue Provision	1.275	
Revenue Financing of Capital	0.305	
Direct Pensions Contributions etc.	3.556	
Transfer of Earmarked Reserves	1.817	6.953
Statutory Accounting - General Fund Balance Surplus		(0.086)

10. The surplus on the General Fund is slightly greater than that reported in the Provisional Financial Results paper to the June FRA meeting as a result of additional small grants.
11. The differences between IFRS and Statutory Accounting are reconciled in the Movement in Reserves Statement and do not affect the underlying financial position.
12. Members' attention is drawn to the following specific aspects of the Accounts:
- The Balance Sheet shows a negative balance of £268.969m which arises from the identified liabilities in the Pension Schemes of £302.053m. This has increased significantly by £51.076m (20%) since last year.
 - The Authority is, however, not required or empowered to fund these deficits immediately. The Local Government Pension Scheme (LGPS) is covered by future payments of the employer's contribution and the Firefighters' Schemes are covered by the new financing arrangements commencing from 01 April 2006 which effectively means that the liability will be met by direct government grant, as it arises.
 - The underlying level of long term borrowing has remained constant at £14.971m. (This includes loans maturing within 12 months but excludes

accrued interest – as laid out in note 43 on page 37). This remains considerably below the Net Book Value of fixed assets at £41.409m.

Post Audit Amendments

13. It is pleasing to note that there have been no major changes to the Accounts as a result of the Audit and the changes have focussed on improving the disclosures. Members' attention is drawn to the following specific amendments made to the Statements:
 - a. Page 9: Overhead and Support Service Accounting Policy New note disclosing the accounting arrangements adopted by the Authority for allocating overheads and support services between service areas.
 - b. Page 24: Note 2 Restatement of the Comprehensive Income & Expenditure Statement (CIES): More detailed disclosure required of the impact of changes made to the 11/12 Accounting Statements.
14. There is one small area where an identified adjustment has not been made in this year's accounts, but will be dealt with as part of next year's process. This relates to a sum of £0.007m in respect of land rental for the temporary fire station at Malvern, whilst the station is being rebuilt. This sum was capitalized in error and should have been charged to the Revenue Account. The sum does not have a material effect on the Accounts, but would require amendment to a significant number of statements, notes and supporting tables.
15. On publication, the Statement of Accounts will contain the approved Annual Governance Statement, which is subject to a separate approval process (elsewhere on this Agenda).
16. As we have not been made aware of any matters arising from the public inspection period of 1st – 26th July 2013, the External Auditor will be able to issue the audit opinion as soon as he is ready to, and the accounts will be published as soon as 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 2012/13

Background papers - None

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