Hereford & Worcester Fire Authority
Audit and Standards Committee
19 January 2022

Report of the Treasurer

Statement of Accounts 2020/21

Purpose of report

1. To present the 2020/21 Statement of Accounts for approval.

Recommendation

It is recommended that the Statement of Accounts 2020/21 is approved.

Introduction and Background

2. The Accounts and Audit Regulations 2015 set out the dates by which an Authority must approve and publish the Statement of Accounts. As a part of the government's response to the restrictions of Covid-19 working these dates are relaxed for this year only.

3. The dates with which an Authority must comply are shown below, with the normal date shown in brackets for information.

4. An Authority must ensure that the Statements are:
   a. Signed off by the Treasurer by *(31 May 2021)*: 31 July 2021
   b. Approved by the Authority by *(31 July 2021)*: 30 September 2021
   c. Published by *(31 July 2021)*: 30 September 2021

5. The Accounts were signed off by the Treasurer on 30 July in line with the Regulations, but after the original date agreed with the Auditors
.
6. There have been a number of resources issues, both in the Service and for the Auditors which have resulted in the Audit extending over a longer period than envisaged. The Accounts were not ready for approval by the statutory deadline, and this was recognized by the appropriate public notice.

7. The Fire Authority has delegated responsibility for approval of the Accounts to this Committee.

8. The Accounts are now ready for approval and this the next available meeting of the Audit & Standards Committee.

Statement of Accounts

9. As Members will now be well aware, the Code of Practice on Local Authority Accounting – Statement of Recommended Practice (SORP) requires that the Accounts are prepared on the basis of International Financial Reporting Standards (IFRS). In a number of fundamental ways these differ from the Statutory Accounting framework used for Council Tax and grant purposes, and under which the Authority is charged with governance.

10. There are charges e.g. depreciation and the liability on pension funds which are required by IFRS but not chargeable on a Statutory basis and others which are required by Statute but not permitted under IFRS (e.g. provision to repay borrowing). Government does not recognise IFRS for grant allocations or the statutory budget setting process.

11. As a consequence of these differences there is a large net deficit (large surplus in prior year) on the Comprehensive Income & Expenditure Statement (CIES) and an extremely large negative balance on the Balance Sheet.

12. In the case of the CIES this arises from differences in between IFRS and statutory accounting and these are reconciled in the Movement in Reserves Statement (MiRS).

13. In the case of the Balance Sheet the position arises due to the liability on the Pension schemes, in particular the un-funded Fire-fighter schemes (FFPS).

14. The Authority is not, however, required or empowered to fund these deficits immediately as under the statutory arrangements they will be funded by future employer/employee contributions and, in the case of the FFPS, by direct government grant.

15. None of these accounting differences effect the underlying financial position or impact on the resources available to the Authority to deliver services.

Amendments to the Statements

16. Since the sign off of the Accounts by the Treasurer they have been subject to Audit with the result that a number of changes have been made.

17. Some of these have been of a minor nature, mainly typographical, or updating of the Notes to the Accounts to improve the disclosure. Where relevant this are included in the Audit Findings Report.

18. There have however been significant changes in relation to the Balance Sheet valuation of Property, Plant and Equipment (PPE) (which used to be referred to as Fixed Assets).
    a. Members are advised that the issue related to the valuations themselves and not any shortcomings with the accounting arrangements, the values initially used had been accounted for properly.

b. At the last meeting of this Committee the Treasurer advised that one of the reasons for the delays was the late receipt of the valuations from PPL and the immediate cessation of services.
c. As part of the audit significant (largely administrative) errors were found in the valuations provided by PPL. Much work has been done by our new property services provider to correct these errors, but the result is a material reduction in the value of PPE of £4.4m. Members will be aware that this is a valuation for Acccounting purposes and does not necessarily represent the actual realisable value *(or indeed any change in that value since the Draft Accounts.)*

Conclusion

19. The Statement of Accounts is ready for approval.

20. As there are no matters arising from the public inspection period, the External Auditor will be able to issue an Audit Opinion as soon as it is ready.

21. On publication, the approved Statements will include the Audit Opinion and the approved Annual Governance Statement.

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 2020-21 (separate enclosure)