

Report of the Treasurer

Statement of Accounts 2018/19

Purpose of report

1. To present the 2018/19 Statement of Accounts for approval.
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Recommendation

The Treasurer recommends that the Statement of Accounts 2018/19 be approved.

Introduction

2. In respect of the 2018/19 Statement of Accounts, the Account and Audit Regulations 2015 require that:
 - the Statements are signed off by the Treasurer by 31 May 2019
 - the Statements are approved by the Authority by 31 July 2019
 - the Statements must be published by 31 July 2019
3. The Fire Authority has delegated the approval responsibility to the Audit and Standards Committee.
4. The Accounts were signed off by the Treasurer on 30 May 2019 as planned.
5. As a result of the late changes referred to in this report, the Audit will not be fully completed by the time papers are sent out for this meeting. If the External Audit Findings Report (included elsewhere on the agenda) identifies any required changes, other than the items specifically referred to below, a relevant update and explanation will be provided at the meeting.

Statement of Accounts

6. As Members will be 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 Finance Reporting Standards (IFRS). This differs significantly from the statutory framework used for Council Tax and Grant purposes. This is explained further below.
7. The principal effect of this is that the Comprehensive Income and Expenditure Statement (CIES) now shows a large net deficit, because the Statutory Accounting arrangements which are used by the FRA in council tax setting have precedence over 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. The differences between IFRS and Statutory Accounting are reconciled in the Movement in Reserves Statement and do not affect the underlying financial position.
10. The Balance Sheet shows a negative balance which arises from the identified liabilities in the Pension Schemes.
11. The FRA 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 financing arrangements which effectively means that the liability will be met by direct government grant, as it arises.

Amendments to the Accounts

12. There are two issues which have arisen since the date that the draft Accounts were issued and which require amendment to the Statements before approval:
 - a) As part of the accounts closure process a deadline is set to identify any invoices which should be charged to the old financial year. As the whole Accounts process has shortened this has reduced this accrual period. The audit has identified one specific capital invoice for over £0.5m (managed through Place Partnership Ltd) which was received a couple of days after this cut-off date. Given the significant size of this invoice it has been decided to adjust the Statement accordingly.
 - b) A number of smaller revenue invoices totalling around £0.070m, spread over a number of account codes, were also identified the wrong side of the cut-off state. However, as these are not material and do not impact on the users overall view of the Accounts, they have not been amended.
 - c) The second item is more substantial. On 27 May the Supreme Court refused the government permission to appeal the Court of Appeal ruling in relation to the discriminatory nature of the transition arrangements for the 2015 Fire-fighters Pension scheme. As a consequence this matter will now be referred back to the Employment Tribunal for remedy.
 - d) Whilst the exact details of this remedy are yet to be determined it is possible to make an estimate of the potential liability, based on putting individuals back to the position they would have been had the discriminatory transition not been applied. A calculation has been carried out by the Government Actuaries Department (GAD), based on a possible interpretation of this which estimates an additional £15m (4.0%) liability on the Firefighter Pension schemes. The Accounts have been adjusted for this impact.

- e) The ruling has implications for all other public sector pensions schemes and the actuaries to the Local Government Pension Scheme (LGPS) have estimated a potential impact of £0.3m (2.5%) which has also been adjusted.

Other Audit Matters

- 13. Members will be aware that the new Evesham Fire Station was largely funded by contributions from Wychavon District Council. The final contribution of almost £0.4m has been outstanding for some time and the Auditors have questioned if this is actually likely to be paid.
- 14. The Treasurer and Monitoring Officer (who is also Head of Legal Services and has responsibility for property matters) are in detailed negotiations with Wychavon DC and are hopeful that an agreement will be reached over the outstanding amount.

Conclusion

- 15. The Statement of Accounts are ready for approval.
- 16. As there are no matters arising from the public inspection period (3 June 2019 to 12 July 2019), the External Auditor will be able to issue the audit opinion, as soon as he is ready.
- 17. On publication, the Statement of Accounts will contain 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 2018-19 (separate enclosure)

Contact Officer

Martin Reohorn, Treasurer

(01905 368205)

Email: mreohorn@hwfire.org.uk