

Report of the Treasurer

Statement of Accounts 2019/20

Purpose of report

1. To present the 2019/20 Statement of Accounts for approval.
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Recommendation

It is recommended that the Statement of Accounts 2019/20 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 2020): 31 July 2020
 - b. Approved by the Authority by (31 July 2020): 30 November 2020
 - c. Published by (31 July 2020): 30 November 2020
5. The Accounts were signed off by the Treasurer on 29 May in line with the underlying requirements of the Regulations.
6. The Fire Authority has delegated responsibility for approval of the Accounts to this Committee.

Statement of Accounts

7. 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.
8. 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.

9. As a consequence of these differences there is a large net surplus on the Comprehensive Income & Expenditure Statement (CIES) and an extremely large negative balance on the Balance Sheet.
10. 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).
11. 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).
12. 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.
13. 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

14. 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.
15. Some of these have been of a minor nature, mainly typographical, but the following Notes to the Accounts have been updated:
 - a. Note 21: the Audit fee disclosure has been amended to include the final audit fee and to be clear that the fee rebate is from Local Public Sector Audit Appointments Ltd (LPSAA) rather than Grant Thornton.
 - b. Note 25/26: where one table was accidentally duplicated rather than having the correct data.
16. A significant area of the Audit relates to the Balance Sheet valuation of Property, Plant and Equipment (what used to be called Fixed Assets).
 - a. Members can be assured that there were no issues with the actual valuations, but the Auditor questioned the lack of disclosure of “material uncertainty” in the valuations as a result of the Covid-19/Brexit position.
 - b. As the Valuer had stated that, for the Fire Authority property there was no material uncertainty in the valuations the accounting treatment was technically correct.
 - c. Direct discussions between the Auditor and the Valuer identified that for valuations done for other authorities by the same valuer material uncertainty was reported. As a consequence of this discussion the Valuer has now amended their position.
 - d. It is now appropriate to add a disclosure to reflect this new position.

17. It is normal practice to review the Statements for any changes between the date the Treasurer's sign-off and the Authority approval. As this period has been longer than usual there are three changes:
 - a. Updating the Narrative Report in respect of:
 - i. the potential for governance change
 - ii. The impact of Covid-19
 - b. The impact of McCloud/Sargeant on the FFPS liability. Since the 29th May the government has issued consultation on the remedy, which now limits the remedy period, a fact that was unavailable to the Actuary when estimating the liability originally. The effect of this is to reduce the liability by a sum that is a small proportion of the liability, but which is above the absolute level considered material to the Accounts. Consequently the Accounts have required to be adjusted to reflect this new figure.

Conclusion/Summary

18. The Statement of Accounts is ready for approval.
19. 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.
20. 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 2019-20 (separate enclosure)