

CHESHIRE FIRE AUTHORITY

MEETING OF: CHESHIRE FIRE AUTHORITY
DATE: 18TH JULY 2018
REPORT OF: CHIEF FIRE OFFICER AND CHIEF EXECUTIVE
AUTHOR: HEAD OF FINANCE

SUBJECT: FINAL ACCOUNTS 2017-18

Purpose of Report

1. The Authority is required to approve its final accounts for publication before the end of July (previously September). This report provides an overview of the accounts and should be read in conjunction with the Audit Findings Report.
2. Copies of the accounts have not been attached to this report because of their considerable length. Hard copies of the accounts will be available in group rooms prior to the meeting and are available on the internet for Members to access.

Recommended that:

- [1] the accounts are formally approved for publication;
- [2] the current balances of the Authority's reserves are noted;
- [3] the Authority's underspend in 2017-18 is transferred to the general reserve; and
- [4] the terms of the Letter of Representation are approved and the Chair of the Authority is authorised to sign it.

Background

3. The draft final accounts were reported to the Performance and Overview Committee acting as the Closure of Accounts Committee on 30th May 2018.
4. The End of Year Finance Report 2017-18, reported to the Fire Authority meeting on 20th June 2018, identified a forecast underspend against the Authority's revised budget of £90k.

Final Accounts

5. The Authority's external auditors, Grant Thornton, have now completed their audit and intend to issue an unqualified opinion. This means that they are satisfied that the accounts fairly reflect the financial position of the Authority.

The Audit Findings Report also comments favourably on the systems of internal financial control and includes a positive value for money conclusion.

6. Following the audit, the Authority has agreed to make some minor changes to the draft accounts as signed off by the Treasurer and presented to the Closure of Accounts Committee. These changes do not affect the position on the Authority's usable reserves.
7. The accounts show an underspend of £90k against the revised revenue budget of £41.221m. Details of this may be seen in the narrative report on page 6 of the accounts. The budget is revised after the quarterly performance reports to Performance and Overview Committees and the Authority during the year. It is recommended that the small underspend is transferred into the general reserve.
8. The Authority has adopted a financial health target that requires the final outturn position on the revenue budget to be within 1% of the revised budget. The actual figure is 0.2%.
9. The Authority's Balance Sheet shows a significant liability of £563m in respect of pensions as a result of the need to account for liabilities under International Accounting Standard IAS19. This standard requires the Authority to estimate all its future pension liabilities in respect of existing pensioners and current staff and does not represent an immediate call on resources. It is a liability which is discharged over the lifetime of pensioners and staff.
10. The effect of IAS19 makes the Balance Sheet look as though the Authority is significantly indebted. Whilst future pension liabilities cannot be ignored, removing the liability under IAS19 would show that the Authority's net assets are worth £87m.

Reserves

11. The Authority's overall reserve position is shown in the Movement in Reserves Statement on page 14 of the accounts. The Authority started 2017-18 with £28.1m of usable reserves and by the end of the financial year these had slightly increased to £28.2m, reflecting the small underspend and modest capital receipts from the sale of surplus equipment.
12. The Authority holds reserves to support the funding of capital expenditure, the purchase of operational equipment, personal protective equipment and to support the development of ICT systems. The general reserve of £8.2m is held in case any of the Authority's corporate risks materialise. The use of these reserves together with the split between earmarked and general reserves has been reviewed as part of the 2018-19 Reserves Strategy as reported to the Authority on 14 February 2018.

Capital

13. The Authority has a financial health indicator which requires capital slippage to be no more than 25% of the capital programme. At the end of March 2018, the Authority had an approved capital programme of £35.1m with a forecast spend of £35.6m – on overspend of £0.5m (1.4%variance).

Letter of representation

14. Each year, the Authority is required to sign a letter of representation to the Auditors. The letter explains the Authority's responsibilities in relation to the audit, and a copy is attached as Appendix 1 to this report. It is recommended that the Authority approves the letter and authorises the Chair to sign it.

Financial Implications

15. This report deals with financial matters. There are no direct budgetary implications as a result of the report.

Legal Implications

16. The approval and publication of the accounts is a legal requirement.

Equality and Diversity Implications

17. There are no equality and diversity implications arising from this report.

Environmental Implications

18. Copies of the accounts will be made available in electronic format, but the number of hard copies published will be kept to a minimum in recognition of the environmental impact.