

CHESHIRE FIRE AUTHORITY

MEETING OF: CHESHIRE FIRE AUTHORITY
DATE: 20TH SEPTEMBER 2017
REPORT OF: CHIEF FIRE OFFICER AND CHIEF EXECUTIVE
AUTHOR: HEAD OF FINANCE

SUBJECT: FINAL ACCOUNTS 2016-17

Purpose of Report

1. The Authority is required to approve its final accounts for publication before the end of 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 2016-17 is transferred to the capital 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 28th June 2017.
4. The End of Year Finance and Performance Report 2016-17, reported to the Fire Authority meeting in June, identified a forecast underspend against the Authority's revised budgets of £1.519m.

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 Comprehensive Income and Expenditure Statement or Balance Sheet.
7. The accounts show an underspend of £1.519m against the revised revenue budget of £42.031m. Details of this may be seen in the narrative report on page 5 of the accounts. The budget is revised after the quarterly performance reports to Performance and Overview Committees and the Authority during the year. In total for 2016-17 these reports projected an underspend of £2.336m, including the £1.519m reported at year end. It is recommended that the underspend is transferred into the capital reserve to fund future capital expenditure.
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 3.61%. As Members will be aware, the Authority has anticipated and prepared for reductions in expenditure necessary to balance future years' budgets and to fund capital expenditure, and this is reflected in the level of underspend in 2016-17.
9. The Authority's Balance Sheet shows a significant liability of £532.577m 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 is that it 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 £81.258m

Reserves

11. The Authority's overall reserve position is shown in the Movement in Reserves Statement on page 13 of the accounts. The Authority started 2016/17 with £36.7m of usable reserves and by the end of the financial year these had reduced to £28.1m reflecting the investment made through the Emergency Response Programme (ERP) in new fire stations and the safety centre at Lymm together with the annual vehicle investment programme.
12. The General Reserve has a balance of £8m (including £1.5m recommended in this report to be transferred into the capital reserve). The remaining balance is retained in case any of the Authority's corporate risks materialise. The level of

this Reserve is currently being reviewed in order to inform the 2018-19 budget setting process.

13. The most significant earmarked reserves held by the Authority are the IRMP and capital reserves, which together amount to around £12.7m. However, the conclusion of the building of the new fire stations and safety centre in early 2017-18, along with other planned use to support the revenue and capital impact of future IRMP related projects and proposed capital expenditure (e.g. the training centre) will utilise a significant part of these remaining reserves.
14. In addition the Authority has earmarked reserves to support the purchase of operational equipment and personal protective equipment and to support the development of ICT systems.
15. At this particularly challenging time, it is considered prudent to ensure that the Authority retains the capability to quickly respond to changing circumstances and the ability to call on reserves forms a key part of the Authority's financial strategy as it restructures the delivery of its services.

Capital

16. The Authority invested £13.047m in non current assets in 2016-17. This includes significant expenditure on the capital element of the ERP. The Authority has a financial health indicator which requires slippage to be no more than 25% of the capital programme. Overall slippage is around 13% and this is mainly due to Lymm Fire Station and Safety Centre fit outs being completed early in 2017/18 together with some delay in the acquisition of new vehicles due to the lengthy build times.

Letter of representation

17. 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 to this report. It is recommended that the Authority approves the letter and authorises the Chair to sign it.

Financial Implications

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

Legal Implications

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

Equality & Diversity Implications

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

Environmental Implications

22. 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.