



MINUTES OF THE MEETING OF THE CLOSURE OF ACCOUNTS COMMITTEE held on Wednesday, 30 May 2018 at Lecture Theatre - Fire Service Headquarters, Winsford, Cheshire at 10.00 am

PRESENT: Councillors D Bailey, M Biggin and T Sherlock

1 PROCEDURAL MATTERS

A Recording of Meeting

Members were reminded that the meeting would be audio-recorded.

B Membership of Committee

Members of Performance and Overview Committee fulfil the role of the Closure of Accounts Committee.

C Apologies for Absence

Apologies were received from Councillors A Dirir, P Harris, J Saunders and M Simon.

D Declaration of Members' Interests

There were no declarations of Members' interests.

2 2017-18 DRAFT FINAL ACCOUNTS

The Treasurer introduced the report and advised Members that it was a statutory requirement that he approve the draft annual accounts of the Authority by the end of May each year. He explained that, as part of the annual accounts process, a draft set of accounts was reported to this Committee for its consideration.

He advised that the accounts were subject to external audit and that this process had already commenced. Once the audit was completed the Authority would formally consider the accounts for approval in July. This was a shorter timescale than in previous years due to a change in regulations which stated that the draft accounts must be released by the end of May and final accounts audited and published by the end of July.

The Treasurer referred Members to the Comprehensive Income and Expenditure Statement (CI&E Statement) within the draft accounts (Appendix 1 to the report), which reported the net cost of all of the activities of the Authority for the year. He referred Members to the final line of the table, 'Total Comprehensive Income & Expenditure', which indicated a loss incurred of £27m. Notes included within the accounts provided further information on the CI&E Statement.

He drew Members' attention to the Balance Sheet within the draft accounts, which detailed the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Authority. It indicated that the Authority had a negative net worth of £478m, compared to £451m in the previous financial year. This reflected the loss of £27m captured within the CI&E Statement. He explained that net pension liability figure of £563m was the main factor affecting net worth. This was mainly due to the firefighter pension schemes currently being unfunded, meaning that there were no investment assets built up to meet the liabilities associated with the schemes.

The Treasurer explained that, in order to make the Balance Sheet balance, a contra entry had to be included against the net pension liability figure of £563m. This contra entry was included in the unusable reserves: a technical accounting adjustment reflecting the difference between the outcome of applying proper accounting practices and the statutory requirements for funding expenditure within the public sector. Unusable reserves for 2017-18 totalled £506m. The Treasurer highlighted that money actually available for the Authority to utilise was £28m, as shown in the usable reserves.

The Treasurer informed Members that, due to the new deadlines for producing the final accounts, the Head of Finance and her team had prepared the accounts a month earlier than in previous years. He explained that the team had worked hard to meet the deadline and wanted to credit them for all of their hard work. He then introduced the Head of Finance who provided further information on the draft accounts.

The Head of Finance referred Members back to the CI&E Statement and explained that the Authority had to supplement the figures set out within the CI&E Statement for the services that the Authority provided with additional non-cash costs which reflected:

- the use of assets and depreciation;
- the movement in pension liabilities;
- the movement in items such as the collection fund; and
- accumulated absences.

She referred Members to the remeasurement of the net defined benefit liability/(asset) within the CI&E Statement, which captured the movement between 2016/17 from £42m to £19.67m in 2017/18. This coupled with depreciation accounted for the larger figures within the CI&E statement.

The Head of Finance drew Members' attention to the Expenditure and Funding Analysis Note 2017/18, containing the following information:

- Net Expenditure – Comprehensive Income and Expenditure Statement
- Adjustments between the Funding and Accounting Basis
- Net Expenditure Chargeable to the General Fund

She explained that the net expenditure chargeable to the general fund reflected what the Authority actually had to fund from council tax, government grants and precept.

The Authority was in surplus by £90k and further information would be provided to the Authority in June explaining how the underspend had occurred.

The Head of Finance referred Members to the Movement in Reserves Statement 2017/18 which showed the movement in the year on the different reserves held, identifying both usable and unusable reserves. It was linked to the CI&E Statement through the impact of the surplus or deficit on the provision of services on the general fund. She explained that the sale of assets had raised £62k in capital receipts which had been included in the total usable reserves for 2017/18. She also drew Members' attention to the unusable reserves in the Statement and explained that changes to the Firefighters' Pension Scheme from final salary to career average had helped to reduce the pension liability to a certain degree.

The Head of Finance also further elaborated on the Balance Sheet, providing further explanation of each area detailed within the table. She reiterated that the net liability within the Balance Sheet totalled £478m. When the net pension liability was removed from this total, the Authority had an actual net worth of approximately £85m.

The Head of Finance concluded by referring to the Notes to the Accounts. She explained that Note 2 contained information on the new regulations that the 2018/19 accounts would need to be prepared by, highlighting that new requirements under IFRS 16 relating to leases would have a particularly significant impact. Note 10 contained further information on taxation and non-specific grant income; the Head of Finance explained that there had been a reduction from £7.68m in 2016/17 to £5.98m in 2017/18 in capital grants and contributions received. This reflected the impact of austerity and the lowering of government funding.

She also referred Members to the following notes within the accounts for further information:

- Note 4 – Assumptions made about the future and other major sources of estimation uncertainty
- Note 11 – Property, Plant and Equipment
- Note 18 – Provisions
- Note 19/20 – Usable/Unusable Reserves
- Note 22 – Members' Allowances
- Note 23 – Officers' Remuneration

A Member highlighted that the number of electors in Cheshire West and Chester had increased and queried whether this increase was reflected in the other three constituent authorities. The Head of Finance explained that all four authorities were showing increase and that an assumed increase was built into the accounts, with a 1-2% increase to the tax base expected per annum.

A Member raised concerns about the reduction in grants and funding from the Government, stating that the financial burden was shifting towards local authorities to cover the shortfall in funding. The Treasurer stated that, by the early 2020s, it was expected that revenue support grants would reduce to near zero for most parts of the public sector. Therefore, local authorities were having to grow their council

tax base and business rates base to compensate for the shortfall.

A Member referred to the £155k paid in Members' Allowances for 2017/18 and queried what percentage of the total budget this represented. The Head of Finance confirmed that she would provide this figure for Members.

A Member queried whether the decision by the Authority in February 2018 to maintain the second wholetime appliances at Crewe and Ellesmere Port had been factored in to the 2017/18 accounts. The Head of Finance explained that this was not included in the 2017/18 accounts, but would be included in the Authority's Medium Term Financial Plan and 2018/19 accounts.

Members thanked the Treasurer and Head of Finance for their work on the accounts.

RESOLVED: That

[1] the draft Statement of Accounts 2017-18 and going concern document (Appendix 2) be noted.