

CHESHIRE FIRE AUTHORITY

MEETING OF: CHESHIRE FIRE AUTHORITY
DATE: 7TH OCTOBER 2020
REPORT OF: TREASURER
AUTHOR: WENDY BEBBINGTON

SUBJECT: FINAL ACCOUNTS 2019-20 AND ANNUAL GOVERNANCE STATEMENT

Purpose of Report

1. Under normal circumstances, the Authority is required to approve its audited Statement of Accounts for publication on or before 31st July. However, due to the impact of the Covid-19 pandemic, the deadline is now 30th November 2020. This report summaries the changes that have been made to the unaudited Statement of Accounts.
2. The Statement of Accounts includes the Annual Governance Statement which the Authority is also required to approve and publish within the same timeframe as the Statement of Accounts.

Recommended: That;

- [1] The 2019-20 Annual Governance Statement be approved;
- [2] The 2019-20 Statement of Accounts be approved and the Chair, Treasurer, Chief Fire Officer and Chief Executive and Monitoring Officer (as necessary) be authorised to sign the Statement of Accounts and Annual Governance Statement upon receipt of the finalised audit opinion;
- [3] The movement on reserves, as shown in the Statement of Accounts, be noted; and
- [4] The Letter of Representation, as detailed at Appendix 2 to this report, be approved for signature by the Chair on behalf of the Authority, upon receipt of the finalised audit opinion.

Background

3. The unaudited Statement of Accounts for 2019-20 was reported to the Performance and Overview Committee acting as the Closure of Accounts Committee on 22nd July 2020. The 2019-20 Annual Governance Statement was also considered at the meeting. This provided an opportunity for Member scrutiny before its inclusion with the accounts.

4. The Authority at its meeting on 1st July 2020, considered an End of Year Financial Report which indicated that there had been an underspend of £0.7m compared to budget in the final quarter of the financial year. This brought the overall underspend compared to budget to £0.6m for the full year.

Statutory Requirements

5. The Accounts and Audit Regulations 2015 (the Regulations) set out the requirements for the production and publication of the annual Statement of Accounts. These regulations were amended due to Covid-19 under The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. To comply with the Regulations the unaudited Statement of Accounts were approved by the Treasurer following consideration by the Closure of Accounts Committee and submitted to the External Auditors.
6. The Regulations, as amended, require the audited Statement of Accounts, including an updated Treasurer's Certificate, to be approved by the Authority on or before 30th November 2020. At the time of writing this report there has been a delay to the completion of the audit, for reasons explained later in this report, in relation to pension valuation.
7. The Regulations stipulate that the accounts must be prepared in accordance with "proper practices". The CIPFA "Code of Practice on Local Authority Accounting" is relied upon to describe proper practices. It is based on International Financial Reporting Standards. The Code requires that a great deal of financial information is produced including a comprehensive set of notes supporting the main financial statements, which are: a Comprehensive Income and Expenditure Statement, a Movement in Reserves Statement, a Balance Sheet, a Cash Flow Statement and a Firefighter Pension Fund Statement.
8. The Regulations also contain the requirements for the preparation and publication of the Annual Governance Statement (AGS). The AGS sets out how the Authority has reviewed the effectiveness of its system of internal controls and the assurance provided by the Governance Framework, as set out in Section 2 of the AGS. The inclusion of the AGS in the Statement of Accounts and approval by the Authority provides compliance with the Regulations.

Changes to the Statement of Accounts

9. Since the draft accounts were approved there have been several changes made both in terms of external issues and areas raised by External Audit. The revised version is attached in Appendix 1. The key changes are set out below:
 - a. As Members will be aware, following the Court of Appeal judgment in December 2018, the Government has been working to fix the discrimination identified in the policy of transitional protection that was part of the 2015

reforms to public service pension schemes. On 21st August the Home Office issued guidance to fire and rescue authorities (in England) on processing prospective 'immediate detriment' cases in advance of a decision on the Government's final approach to removing the age discrimination as found in the McCloud/Sargeant Employment Tribunal litigation. This has led to the External Auditors requesting a revised actuarial calculation to be produced to reflect this change. As the amount of the pension liability is the largest figure within the accounts any change, even a small percentage, has a significant and material impact. The pension liability is a notional figure of the cost of paying pensions over the lifetime of both current pensioners and those in service who will draw a pension in due course.

The accounts have been updated for the above change which impacts all major primary statements and a number of notes to the accounts.

- b. As the impact of Covid-19 has brought into focus the issue of business continuity, an additional paragraph has been added to Note 1 in relation to the Fire Authority being a 'going concern'.
 - c. Note 2 has been updated for the Leasing Reporting Standard together with the removal of the Critical Judgement section as the auditors felt this was unnecessary.
 - d. In a similar way, the auditors have reviewed Note 3 and all non-material items have been removed to help simplify the accounts.
 - e. Notes 25, 26 and 27 have had an additional paragraph added to each to enhance the understanding of what the amounts relate to and how they have been calculated.
10. Normally, the External Auditor would issue its final audit opinion, which would be available at the meeting when the Statements of Accounts was to be considered. However, this year, due to the lateness of changes to the Statement of Accounts (for reasons beyond the control of officers and the External Auditor) this opinion is not expected until later in October.

Outturn position and impact on Reserves

11. The changes described above that have been made to the Statement of Accounts do not affect the revenue outturn position and therefore do not impact on the level of Usable Reserves.

Letter of representation

12. Each year, the Authority is required to sign a Letter of Representation addressed to the Auditors. The Letter explains the Authority's responsibilities in relation to the audit, and a copy is attached as Appendix 2 to this report. It is recommended that the Authority approves the letter and authorises the Chair to sign it. However, this should only take place after the finalised audit opinion has been received.

Financial Implications

13. This report deals with financial matters. Notwithstanding the significant changes to some of the figures in the Statement of Accounts, there are no direct budgetary implications as a result of the report.

Legal Implications

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

Equality and Diversity Implications

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

Environmental Implications

16. 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.

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BACKGROUND PAPERS: NONE