



**Hampshire  
& Isle of Wight**  
FIRE & RESCUE AUTHORITY

## **HIWFRA Standards and Governance Committee**

Purpose: Approval

Date: **28 NOVEMBER 2022**

Title: **Statement of Accounts 2021/22**

Report of Chief Financial Officer

### SUMMARY

1. The Accounts and Audit (Amendment) Regulations 2022 require the Authority's Statement of Accounts to be approved and published by 30 November 2022. The Authority has delegated responsibility for the approval of the Statement of Accounts to the Standards and Governance Committee.
2. The unaudited draft accounts were reviewed and signed by the Chief Financial Officer on 26 July 2022 as a true and fair view of the financial position at 31 March 2022. The draft accounts were published on the Authority's website in line with the amended deadlines and enabled the commencement of the period for the exercise of public rights on or before the first working day of August 2022.
3. It is hoped that the external audit of the Statement of Accounts will be completed by 30 November 2022 and the draft conclusions of the audit are contained within the external auditor's report, which is also on this agenda.
4. The audit results report and, by extension, this report, were originally due to be discussed at the September meeting of the Standards and Governance Committee. The production and audit of the Statement of Accounts is a significant piece of work and the timescales for completion are always challenging. The audit was not complete at the time of the previous meeting and it was therefore agreed that the papers would be deferred to this meeting. This was to allow the audit to be concluded while still allowing the

accounts to be approved for publication prior to the end of November statutory deadline.

5. At the time of writing, work is in progress to conclude the outstanding audit points and a full update will therefore be provided by EY at the meeting.
6. The end of year outturn report for 2021/22 was considered by HIWFRA Full Authority on 26 July 2022 and the Statement of Accounts is consistent with that report. The Annual Governance Statement, which forms part of the Statement of Accounts, was approved by Standards and Governance Committee in July 2022.
7. This report presents the Statement of Accounts for 2021/22 for the Committee's approval and recommends that the Chief Financial Officer be given delegated authority to make any minor amendments if required prior to the issue of the audit opinion. Agreed changes of note since the draft accounts were published are noted in paragraph 18. If prior to the conclusion of the audit EY identify any other noteworthy changes, these will also be highlighted to the Committee for agreement prior to approving the accounts.
8. The report also includes in Appendix 2 letters to the auditor containing representations by the Chief Financial Officer and Chairman of the Standards and Governance Committee regarding information and systems of internal control to support the confirmation that the accounts present a true and fair view of the Authority's financial position.

## BACKGROUND

9. The Authority is required by the Accounts and Audit Regulations (2015) to produce an annual Statement of Accounts. These accounts must be audited in accordance with the Local Audit and Accountability Act (2014).
10. The timescales for the publication of draft and audited accounts have been temporarily extended through amendments to the Accounts and Audit Regulations over recent years due to the impact of Covid-19. Despite these extended deadlines, the national picture is that the audits of a significant majority of local authority accounts were not completed on time in 2020/21. The Department for Levelling Up, Housing and Communities therefore published details of measures to support the improved timeliness of local audit in December 2021. One of the outcomes was to extend the deadline for the sign-off of audited accounts for 2021/22 to the end of November 2022.

11. This deadline was confirmed in the Accounts and Audit (Amendment) Regulations 2022. The amended regulations also set out that the deadline will revert to 30 September for the subsequent 6 years.

#### CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

12. The attached Statement of Accounts has been drawn up in the form prescribed by the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom, which constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. In addition, the Accounts and Audit Regulations 2015 contain certain requirements for disclosure in the Statement of Accounts.
13. The 2021/22 Code of Practice on Local Authority Accounting made changes to some accounting standards but none of them have had a material impact upon the Authority's accounts. The requirement to adopt IFRS 16 (accounting for leases) from April 2022 has been delayed until April 2024.

#### STATEMENT OF ACCOUNTS

14. The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA).
15. It aims to provide information so that members of the public, including electors and residents of Hampshire and the Isle of Wight, Fire and Rescue Authority Members, partners, stakeholders and other interested parties can:
  - Understand the overall financial position of the Authority and the outturn position for 2021/22;
  - Have confidence that the public money with which the Authority has been entrusted has been used and accounted for in an appropriate manner; and
  - Be assured that the financial position of the Authority is sound and secure.
16. The unaudited accounts were reviewed and signed by the Chief Financial Officer on 26 July 2022 as a true and fair view of the financial position at 31 March 2022. The draft accounts were published on the Authority's website in line with requirements of the regulations and enabled the commencement of the period for the exercise of public rights on or before the first working day of August 2022.

17. The Authority's accounts are externally audited by EY. At the time of the publication of this report, the audit was in the process of being finalised and the accounts remain draft until the conclusion of the audit. The main area of outstanding work at the time of writing relates to the valuation of property assets. The draft conclusions of the audit are contained within the external auditor's report, which is presented elsewhere on the agenda for this meeting, with a verbal update to be provided at the meeting on further progress with outstanding audit work.
18. Noteworthy changes that will be made to the accounts that have been agreed since the draft accounts were published include:
  - Update to collection fund postings due to the timing difference between the preparation of draft accounts and the receipt of finalised returns from the billing authorities
  - Removal from the grants disclosure note of a grant transferred from the Isle of Wight (£141,000) as this did not need to be included in the note.
19. The Authority has delegated responsibility for the approval of the Statement of Accounts to the Standards and Governance Committee and this report therefore presents the Statement of Accounts for 21/22 for approval for publication by the Committee prior to the deadline of 30 November 2022. As the external audit had not been concluded at the time of publication of this report, the Committee is asked to delegate authority to the Chief Financial Officer to make minor amendments to the version of the Statement of Accounts included within the papers for this meeting if required by the external auditor prior to the issue of the audit opinion, including the changes outlined in paragraph 18 and any other changes reported at the meeting for approval.
20. Due to the timing of the publication of papers for this meeting prior to the conclusion of the audit, any noteworthy changes to the accounts to be made between draft and final versions that have been agreed with EY prior to the meeting will be summarised in presenting this report to the Committee.
21. There are no major changes to the format of the statement of accounts from a technical perspective compared with the accounts presented for the Hampshire Fire and Rescue Authority in 2020/21. The accounts for the new combined authority have however been designed to reflect the fact that the majority of users will view the accounts digitally.
22. It should also be noted that as the Hampshire and Isle of Wight Fire and Rescue Authority as created on 1 April 2021 was an entirely new legal entity

there are no prior year comparators used within the Statement of Accounts, although the accounts do include an opening Balance Sheet as at 1 April 2021 that reflects the combination of the assets and liabilities of the two former entities. The creation of this combined balance sheet has been one of the areas of audit focus for the team from EY.

23. The accounts continue to follow the requirements of the Code of Practice for Local Authority Accounting (the Code) as set by the Chartered Institute of Public Finance and Accounting (CIPFA). The narrative report within the Statement of Accounts includes an explanation of how the required accounting presentation relates to the financial performance of the Authority as set out in the end of year financial report, which was presented to HIWFRA Full Authority on 26 July 2022.
24. The following paragraphs provide a summary of each section of the Statement of Accounts.

#### NARRATIVE REPORT

25. The narrative report provides information about the key issues affecting the Authority and reports on the Authority's financial and non-financial performance, risks and future prospects.
26. The narrative report is designed to help readers understand the Authority and its operating environment and to assist in the understanding and interpretation of the Statement of Accounts.

#### STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

27. This statement records the responsibility:
  - of the local authority to appoint an officer with the responsibility for the proper administration of its financial affairs. Within the Authority, this is the Chief Financial Officer
  - of the Chief Financial Officer to prepare the accounts in accordance with proper practices as set out in the Code of Practice, and to certify that the accounts present a true and fair value of the Authority
  - of the Chairman of this Committee to confirm that the accounts have been considered and approved by the Committee.

## MOVEMENT IN RESERVES STATEMENT

28. This sets out the movement in the year on the different reserves held by the Authority, analysed into 'useable reserves' (those which can be applied to fund expenditure or reduce council tax) and 'unusable reserves' which are mainly used for accounting adjustments.

## BALANCE SHEET

29. This shows the value of the assets and liabilities recognised by the Authority. The net assets of the Authority are matched by reserves, either usable or unusable.

## CASH FLOW STATEMENT

30. The cash flow statement is designed to demonstrate the changes that have taken place in the Authority's cash position over the year and to highlight the causes of that change.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

31. This statement shows the accounting cost of providing services rather than the amount funded from taxation, and is presented using financial reporting headings. The taxation position is shown in the Movement in Reserves Statement.

## NOTES TO THE ACCOUNTS

32. These comprehensive notes incorporate information to give the reader information to support the accounts. The accounting policies are incorporated within the notes.

## PENSION FUND ACCOUNT

33. All Fire Authorities are required by legislation to operate a Pension Fund Account and the amounts paid into and out of it are specified by regulation. Members will be aware that the Authority pays an employer's pension contribution based on a percentage of pay into the pension fund account.
34. The Account is balanced to nil each year by receiving cash in the form of a pension top-up grant from the Government equal to the amount by which the amount payable from the Account exceeded the amount receivable. Should the position arise where the amounts receivable ever exceed those payable then the surplus would be paid over to the Government.

## ANNUAL GOVERNANCE STATEMENT

35. In accordance with legislation, the Annual Governance Statement must accompany the Statement of Accounts. The Authority's Annual Governance Statement was approved by Standards and Governance Committee in July.

## LETTERS OF REPRESENTATIONS

36. As part of the production and audit of the final accounts, the external auditors also require the Chief Financial Officer and Chairman of Standards and Governance Committee to provide a Letter of Representations.
37. The letter provides additional assurance that all matters have been disclosed to the auditors and that no undue influence has been applied in producing the accounts that would prevent them giving a true and fair view of the Authority's financial position.
38. The detailed letter (draft) is attached at Appendix 2.

## SUPPORTING OUR SAFETY PLAN AND PRIORITIES

39. Ensuring that funding is appropriately accounted for is vital for all public sector organisations and the annual accounts also provide information to gauge the financial health of an organisation, which underpins the achievement of the Safety Plan.

## CONSULTATION

40. No consultation is required for this report as it is based on historic information and is a purely factual document.

## COLLABORATION

41. The Authority is part of a shared services partnership with Hampshire County Council, Hampshire Constabulary and the Police and Crime Commissioner for Hampshire and the Isle of Wight. The accounts of all partners are prepared by the same finance team and all partners use the same finance system, which brings economies of scale. The same audit firm (EY) audits all partners under the current audit contract. This brings advantages to the Authority in the accounts and audit process.

## RESOURCE IMPLICATIONS

42. This report reflects the financial position for the previous financial year and does not contain any requests which would affect the future financial position.

## IMPACT ASSESSMENTS

43. This is a factual report presenting the Authority's Statement of Accounts for the last financial year. Any financial decisions taken during that year or future financial decisions will be subject to separate impact assessments.

## LEGAL IMPLICATIONS

44. This report is part of the final accounts process. There is a legal requirement under the Accounts and Audit (Amendment) Regulations 2022 that the Statement of Accounts be approved and published by 30 November 2022.

## RISK ANALYSIS

45. The Statement of Accounts is an important element of the Authority's corporate governance arrangements. It has been prepared in accordance with the appropriate statutory code. Together with the budget report, the medium term financial plan, and the outturn report for 2021/22 it provides evidence to the public that the Authority's financial affairs are being properly managed and in accordance with proper accounting practice.

## EVALUATION

46. The Statement of Accounts is prepared by the Authority on an annual basis at the conclusion of the financial year in line with the Code of Practice for Local Authority Accounting and the requirements of the Accounts and Audit Regulations. Following the sign off and publication of the accounts a review is undertaken to identify any opportunities to further enhance the way in which the accounts are produced. In addition, relevant changes to accounting standards or other reporting requirements will be analysed by the Chief Financial Officer and their officers and implemented as necessary.

## CONCLUSION

47. The presentation and approval of the annual accounts is an important part of the overall governance framework for the Authority and the Committee is therefore requested to consider and approve the accounts alongside the report of the external auditors.



### RECOMMENDATION

48. That the Statement of Accounts for 2021/22 (draft) attached at Appendix 1 be approved by the HIWFRA Standards and Governance Committee subject to any final amendments reported at the meeting including the changes outlined in paragraph 18, with the Chief Financial Officer given delegated authority to approve further minor amendments to the Statement of Accounts if required prior to publication.
49. That the Letter of Representations (draft) attached at Appendix 2 be approved and signed by the Chairman on behalf of the HIWFRA Standards and Governance Committee.

### APPENDICES ATTACHED

50. Appendix 1 – Statement of Accounts (draft) and Annual Governance Statement 2021/22
51. Appendix 2 – Letter of Representations (draft)

### BACKGROUND PAPERS

52. Outturn Report for the financial year 2021/22 to Hampshire and Isle of Wight Fire and Rescue Authority on 26 July 2022.

Contact: Catherine Edgecombe, Chief Financial Officer,  
[catherine.edgecombe@hants.gov.uk](mailto:catherine.edgecombe@hants.gov.uk) 0370 779 6214