



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

HIWFRA Standards and Governance Committee

Purpose: Approval

Date: **27 SEPTEMBER 2023**

Title: **Statement of Accounts 2022/23**

Report of Chief Financial Officer

SUMMARY

1. The Authority published its unaudited draft accounts for 2022/23 on 31 May 2023, allowing the period of public inspection to begin in line with the requirements of the Accounts and Audit Regulations (2015). Following the conclusion of the period of public inspection, the regulations require the Authority to consider and approve the statement of accounts. The Authority has delegated this responsibility to the Standards and Governance Committee. The Statement of Accounts is included at Appendix 1.
2. The Accounts and Audit Regulations require the Authority's audited Statement of Accounts to be published by 30 September 2023. If the audited accounts cannot be published by this date, the regulations require the Authority to publish a notice stating that it has not been able to publish the statement of accounts and the reasons for this. The audited accounts must then be published as soon as reasonably practicable. The audit of the 2022/23 accounts has not been completed and therefore the Authority will publish a notice at the end of September.
3. The audit has not been completed due to national challenges in the local audit market that have resulted in a significant backlog in audit opinions, as has been discussed in previous meetings of the Standards and Governance Committee
4. Lee Rowley MP (Parliamentary Under-Secretary of State for Local Government and Building Safety) wrote to local authorities and local audit firm partners on 18 July 2023. This letter provided an update on the work

conducted by the Department for Levelling Up, Housing and Communities (DLUHC) and colleagues from the Financial Reporting Council (FRC) to address the backlog and develop a sustainable solution going forward and included a number of proposals. This followed oral evidence given to the Levelling Up, Housing and Communities Committee on 17 July 2023 as part of the inquiry into [financial reporting and audit in local authorities](#).

5. One of the key proposals being put forward is the introduction of a series of statutory deadlines for the conclusion of delayed audits for financial years 2015/16 onwards. The intention is to reset the system as auditors will be required either (a) to complete their audits by these statutory deadlines or (b) where this is not possible, to provide as much assurance as they can and provide a limited opinion on the accounts. It is understood this may result in qualifications and disclaimers of opinion in the short term for a number of local authorities.
6. At the time of writing, it is not known how the proposals will impact the completion of the audit of the Authority's 2022/23 accounts, as DLUHC is conducting a process of engagement and consultation prior to implementing any changes. The Authority's auditors, EY, had intended to present the audit plan at the July meeting of the committee, however the audit plan was put on hold pending more information on the impact of the proposals from DLUHC.
7. The unaudited draft accounts were reviewed and signed by the Chief Financial Officer on 31 May as a true and fair view of the financial position at the end of March 2023. Although the accounts have not yet been audited, they are being presented to the Standards and Governance Committee to allow timely discussion, scrutiny and approval of the accounts by Members of the committee.
8. This report recommends that, if the Standards and Governance Committee approves the accounts for 2022/23 at this meeting, the authority to make minor amendments to the accounts as a result of the audit should be delegated to the Chief Financial Officer. However, if any amendments are required that are non-trivial in nature, the accounts will be brought back to the Standards and Governance Committee for review and re-approval.

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 and resourcing issues within the local audit sector. 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 2021/22 (only 27% had been completed by July 2023).
11. The proposals to address the backlog in local audit opinions and to develop a sustainable solution for the future are set out in full on the UK Parliament website of the Levelling Up, Housing and Communities Committee as part of that committee's inquiring into financial reporting and audit in local authorities:
<http://committees.parliament.uk/publications/40932/documents/199432/default/>.
12. In summary, the key short-term proposal being put forward by DLUHC is the introduction of a series of statutory deadlines for the conclusion of delayed audits for financial years 2015/16 onwards. The intention is to reset the system as auditors will be required either (a) to complete their audits by these statutory deadlines or (b) where this is not possible, to provide as much assurance as they can accompanied by a limited opinion on the accounts. It is understood this may result in qualifications and disclaimers of opinion in the short term for a number of local authorities.
13. Longer term the proposals focus on ways to prevent the backlog occurring again by addressing the underlying issues. This includes creating a sustainable local audit market, with the FRC working across the system:

“...to improve competition, capability, and supply within the audit market.”
14. The proposals will also look to:

“...ensure proportionate financial reporting requirements, auditing requirements and regulatory requirements are in place.”
15. The Chief Financial Officer is supportive of the comment in the proposals that local authority financial reporting:

“...must balance the need for adherence to financial standards against the needs of the users of local authority financial information, including ensuring the accounts are still useful and valuable to the taxpayer.”

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

16. The attached Statement of Accounts has been drawn up in the form prescribed by the 2022/23 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.

STATEMENT OF ACCOUNTS

17. The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA).
18. 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 2022/23;
 - 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.
19. The unaudited accounts were reviewed and signed by the Chief Financial Officer on 31 May 2023 as a true and fair view of the financial position at 31 March 2023. 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 June 2023.
20. The Authority's accounts are externally audited by EY. Due to wider difficulties in the national public sector audit market, there has yet to be significant progress on the 2022/23 audit.
21. Following the conclusion of the period for the exercise of public rights, the Accounts and Audit Regulations require the Authority to:

- consider, either by way of a committee or by the members meeting as a whole, the statement of accounts
 - approve the statement of accounts by a resolution at that committee or meeting
 - ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval is given.
22. 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 22/23 for approval for by the Committee. Should the audit identify the need for non-minor adjustments to the accounts, they will need to be represented to a later committee. Otherwise, the committee is asked to delegate authority to the Chief Financial Officer to make minor amendments.
23. As the audit of the accounts has not yet taken place, a notice will be published on the Authority's website at the end of September under regulation 10(2)(a) of the Accounts and Audit Regulations stating that it has not been able to publish the statement of accounts and the reasons for this.
24. There are no major changes to the format of the statement of accounts from a technical perspective compared with the accounts presented to the Authority in 2021/22. Some presentational enhancements have been made to aid readers of the accounts.
25. 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 in July 2023.
26. The following paragraphs provide a summary of each section of the Statement of Accounts.

NARRATIVE REPORT

27. 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.

28. 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

29. 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

30. 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

31. 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

32. 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

33. 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

34. 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

35. All Fire Authorities are required by legislation to operate a Pension Fund Account for firefighter pensions 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.
36. 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

37. 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

38. 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. This letter will be requested at the conclusion of the audit.

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.

RESOURCE IMPLICATIONS

41. 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

42. 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

43. This report is part of the final accounts process. There is a requirement under the Accounts and Audit Regulations (2015) that the Statement of Accounts be considered and approved either by way of a committee or by the members meeting as a whole. The Accounts and Audit (Amendment) Regulations (2022) require the audited accounts to be published by 30 September 2022 or where this is not possible for a notice to be published under regulation 10(2)(a) stating that it has not been possible to publish the statement of accounts and the reasons for this.

RISK ANALYSIS

44. 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 2022/23 it provides evidence to the public that the Authority's financial affairs are being properly managed and in accordance with proper accounting practice.

EVALUATION

45. 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

46. 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, noting that the audit has not yet been carried out due to the impact of the national backlog in audit opinions. The Authority will therefore publish a notice on its website explaining why it has not been possible to publish the audited accounts by the 30 September deadline set out in regulations.

RECOMMENDATION

47. That the unaudited Statement of Accounts for 2022/23 (attached at Appendix 1) be approved by the HIWFRA Standards and Governance Committee
48. That authority is delegated to the Chief Financial Officer to approve minor changes to the Statement of Accounts agreed with the auditors prior to publication of the audited accounts. Should any non-minor changes be required as a result of the audit of the accounts, the Statement of Accounts for 2022/23 will be brought back to the Standards and Governance Committee to review and re-approve.
49. That it noted that the cause of the delayed audit of the accounts is due to issues outside the control of the Authority resulting from the backlog in local audit opinions across the country.
50. That it is noted that the Authority will publish the unaudited accounts on the its website together with a notice in accordance with regulation 10(2)(a) of the Accounts and Audit Regulations 2015 stating that it has not been possible to publish the audited statement of accounts and the reasons for this.
51. That it is noted that the Letter of Representations will be signed by the Chairman of the Standards and Audit Committee and Chief Financial Officer as required by the external auditor at the conclusion of the audit

APPENDICES ATTACHED

52. Appendix 1 – Statement of Accounts (unaudited) and Annual Governance Statement 2022/23

BACKGROUND PAPERS

53. Outturn Report for the financial year 2022/23 to Hampshire and Isle of Wight Fire and Rescue Authority in June 2023.

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